

Board of Governors of Exhibition Place
Year-end Report to the Finance and Audit Committee
December 31, 2010

April 20, 2011

Members of the Finance and Audit Committee of the
Board of Governors of Exhibition Place

Dear Committee Members

We are in the process of completing our audit of the consolidated financial statements of the Board of Governors of Exhibition Place (the Board) for the year ended December 31, 2010 and propose to issue an unqualified report on those financial statements, pending resolution of outstanding items outlined on page 1. Our draft auditor's report is included in Appendix A.

We have issued the accompanying report to assist you in your review of the consolidated financial statements. It includes an update on the status of our work as well as a discussion on the significant accounting and financial reporting issues dealt with during the audit process.

We propose to review the key elements of this report at the upcoming meeting and discuss with your Finance and Audit Committee our key findings.

We would like to express our sincere thanks to the management and the staff of the Board who have assisted us in carrying out our work and we look forward to our meeting on April 26, 2011. Should you have any questions or concerns prior to the Finance and Audit Committee meeting, please do not hesitate to contact me in advance.

Yours very truly,

PricewaterhouseCoopers LLP

Terri McKinnon
Partner
Audit and Assurance Group

Cc Dianne Young, Chief Executive Officer
Hardat Persaud, Chief Financial Officer

Index	Page
1. Executive summary	1
2. Significant audit, accounting and financial reporting matters.....	3
3. Summary of unadjusted and adjusted items.....	7
4. Other required communications.....	8
5. Internal control recommendations	9

Appendices

- Appendix A: Draft financial statements
- Appendix B: Summary of unadjusted and adjusted items
- Appendix C: Management representation letter
- Appendix D: Independence letter

The matters raised in this and other reports that will flow from the audit are only those that have come to our attention arising from or relevant to our audit that we believe need to be brought to your attention. They are not a comprehensive record of all the matters arising and, in particular, we cannot be held responsible for reporting all risks in your business or all internal control weaknesses. This report has been prepared solely for your use and should not be quoted in whole or in part without our prior written consent. No responsibility to any third party is accepted, as the report has not been prepared for, and is not intended for, any other purpose. Comments and conclusions should only be taken in context of the financial statements as a whole as we do not mean to express an opinion on any individual item or accounting estimate.

1. Executive summary

a. Status of the audit

We **have completed** our audit of the 2010 consolidated financial statements. Our audit report will be issued once we receive and have completed our audit work on the outstanding items noted below.

Our audit has been performed substantially in accordance with the plan and timeline previously communicated to you.

The following items will need to be completed/received prior to the issuance of our opinion. We will provide an update on the status of these items at our upcoming meeting.

Outstanding item	Status as at April 20, 2011
• Receipt of confirmations from the City of Toronto	Management is following up
• Legal letters	Confirmations are outstanding from: <ul style="list-style-type: none"> ◦ Legal Services, City of Toronto ◦ Hicks Morley, Barristers and Solicitors
• Completion of subsequent events procedures	Discussion to be held with management when audit report finalized
• Finalization of employee future benefits testing	Final assessment on actuarial assumptions to be provided by our internal expert
• Finalization of manual journal entry testing	Follow up on certain queries
• Receipt of signed management representation letter	To be provided to management
• Approval of the financial statements by the Board of Governors	To be approved at the meeting

b. Key issues for discussion

The following is a summary of the key audit and financial reporting issues we discussed with management during the audit. Further details on each issue can be found within this document.

	Issue	Summary discussion	For further reference
i.	Significant audit, accounting and financial reporting matters	<ul style="list-style-type: none"> • We discussed the following significant audit, accounting and financial reporting matters with management: <ul style="list-style-type: none"> ◦ Revenue recognition; ◦ Completeness and accuracy of transactions recorded with related parties; ◦ Employee future benefits payable; ◦ Purchase of the Garden of Greek Gods statues; ◦ Management override of controls; ◦ Financial statement presentation and disclosure changes. 	Page 3

	Issue	Summary discussion	For further reference
ii.	Summary of unadjusted items	<ul style="list-style-type: none"> • We identified several unadjusted items during the audit. As a result, net income is understated by \$156,392 as compared to overall materiality of \$600,000. • We also noted disclosure exceptions and other unadjusted items not affecting net income (loss) and these are discussed on page 7 and detailed in Appendix B. • In our opinion, the consolidated financial statements, taken as a whole, are free of material misstatement. 	Appendix B
iii.	Fraud	<ul style="list-style-type: none"> • No instances of fraud were noted as part of our audit procedures. • We wish to confirm whether the Finance and Audit Committee is aware of any known, suspected or alleged incidents of fraud. 	Page 8
iv.	Management representations	<ul style="list-style-type: none"> • Under Canadian Auditing Standards, we are required to inform you of the representations we are requesting from management. A copy of the management representation letter is included in Appendix C. 	Appendix C
v.	Independence	<ul style="list-style-type: none"> • We are independent of the Board as at April 20, 2011, and our independence letter can be found in Appendix D. 	Appendix D
vi.	Significant deficiencies in internal control	<ul style="list-style-type: none"> • We noted certain deficiencies in internal controls that we have discussed with management: 	Page 9

2. Significant audit, accounting and financial reporting matters

The preparation of the consolidated financial statements under Canadian generally accepted accounting principles (GAAP) requires management to select accounting policies as well as make critical accounting estimates and disclosures that involve significant judgment and measurement uncertainty, which can significantly impact the company's reported results.

We are responsible for discussing with the Finance and Audit Committee our views about the significant qualitative aspects of the company's accounting practices, including the appropriateness of accounting policies, the reasonability of key accounting estimates and judgments, as well as the adequacy of financial statement disclosures.

Our comments and conclusions included in this report should only be taken in the context of the consolidated financial statements as a whole and are not meant to express an opinion on any individual item or accounting estimate.

During the audit, we dealt with the following complex issues, areas of judgment and significant audit risks:

Issue	Discussion
<p>Revenue Recognition</p> <p>The Board has several significant revenue streams including (but not limited to):</p> <ul style="list-style-type: none"> • Parking; • Building rentals and services; and • Admissions, midway, concessions, and casino. <p>The Board has processes and controls in place to ensure that revenue is appropriately recognized and measured.</p>	<p>We have obtained an understanding of and performed, where possible, tests of controls and analytical procedures in addition to detailed testing over each of the different revenue streams as follows:</p> <p>Parking:</p> <ul style="list-style-type: none"> ◦ Controls over the reconciliation of cash collected to amounts deposited for attended lots were tested with no exceptions noted. ◦ Detailed testing over parking pass and pay and display lot revenues through reconciliations to third party service reports. <p>Building Rentals and services:</p> <ul style="list-style-type: none"> ◦ Controls over contract review were tested to ensure such rental agreements were approved by the appropriate level of management and in accordance with Board policy. No exceptions were noted. ◦ Detailed testing over a sample of tenants and exhibitors to agree amounts recorded to their respective agreements and/or cash settlement. ◦ Testing to ensure appropriate lease accounting for step rents and revenue recognition in accordance with Canadian GAAP. ◦ All exceptions noted in rental revenue and/or receivables have been included in Section 3 of this report. <p>Admissions, midway, concessions, and casino:</p> <ul style="list-style-type: none"> ◦ Controls over the reconciliation of concessionaire payments received by third party manager to bank deposits. ◦ Reconciliation of amounts recognized as midway and concession revenues managed by North American Midway Entertainment (NAME) to final settlement report.

Issue	Discussion
	<ul style="list-style-type: none"> ◦ Recalculation of concession revenue for a sample of concessionaires based on established agreements. ◦ Reconciliation of amounts recognized as casino revenue to casino report and bank deposits. ◦ All exceptions and/or control recommendations have been included in Sections 3 and 5, respectively.
<p>Completeness and accuracy of transactions recorded with related parties</p> <p>The Board engages in many transactions with the City of Toronto (the City) and its various Agencies, Boards, and Commissions (ABCs).</p>	<p>We have obtained and tested management's reconciliation of amounts due to/from the City. We have confirmed loan balances as well as amounts due to/from the City, and have investigated all significant reconciling items. However, as noted on page 1 of our report, we are awaiting the confirmation from the City on the reserve balances that are disclosed in the notes to the consolidated financial statements. Any additional reconciling items not already examined will be further validated once received.</p> <p>As part of our testing, we noted that the Board does not separately report or disclose transactions with other related parties, primarily the other ABCs. In the current year, we have asked management to determine which ABCs have significant transactions in the year with the Board and disclose such items in their consolidated financial statements.</p>
<p>Employee future benefits payable</p> <p>The Board sponsors a defined benefit plan, providing retirement and post-employment benefits to its employees, for which the City of Toronto funds the obligation.</p>	<p>We have obtained the actuarial report as of December 31, 2010 from the Board's external actuary, Buck Consultants. Using this report, we tested the accuracy of information provided by management to the actuary to use in their report. Some exceptions were noted as a result of this testing; however, we have worked with both management and the actuary to conclude that the differences would be immaterial to the overall financial statements.</p> <p>We also utilized our internal expert to assess the appropriateness of the assumptions and estimates used by the actuary in developing their conclusions. As noted on page 1 of our report, we are awaiting the final conclusions from our internal expert.</p>
<p>Purchase of the Garden of Greek Gods statues</p> <p>In 2008, a memorandum of understanding (MOU) was signed between the Board and the Canadian National Exhibition Association (CNEA) relating to the purchase of 3 artifacts, one of which is a series of statues</p>	<p>We have obtained and reviewed the documents supporting this transaction, including the MOU signed in 2008, the letter provided to the Board from Dianne Young on March 1, 2010 seeking approval for the transaction, and the external valuation of the statues to support the purchase price.</p>

Issue	Discussion
<p>known as the Garden of Greek Gods that was purchased in the current year by the Board.</p> <p>The statues were sold to the Board for \$500,000 however payment will be made in annual installments of \$125,000 to the CNEA for the next 4 years (2010-2013) on the condition that the consolidated operating loss does not exceed the budget. The CNEA will, in turn, donate any payments received to the Foundation.</p>	<p>In our assessment of management's accounting for this transaction, it was noted that the Board did not record an asset for the statues purchased, nor did the CNEA record a gain on the sale.</p> <p>Management has asserted that it is appropriate that the asset be expensed in accordance with generally accepted accounting principles since they have cultural and historical significance (Section 4440). In addition, the entire gain of \$500,000 has not been recorded in CNEA as the remaining payments are based on the financial performance of the Board and are not assured. We concur with management's conclusions.</p>
<p>Management override of controls</p> <p>There is an inherent risk of misstatement due to management override of controls.</p>	<p>Using computer assisted auditing techniques, we have assessed significant and non-standard manual journal entries made in the year and selected a sample of items for testing to ensure that the entries represent valid and appropriately authorized transactions. As noted on page 1 of our report, we are in the process of finalizing this testing, but have not noted any exceptions at this stage.</p> <p>In addition to the above, as an unpredictable procedure, we have also tested a sample of management expense reports to ensure that the amounts submitted for reimbursement were supported, were approved in accordance with Board policy, and represented valid expenditures for reimbursement. No exceptions were noted as a result of this testing.</p>
<p>Financial statement presentation and disclosure changes</p> <p>Several changes have been made to the consolidated financial statements of the Board to better align with the accounting and disclosure requirements of Canadian GAAP.</p>	<p>As part of our audit of the financial statements, we have incorporated several changes to the presentation and disclosure in the financial statements. Such enhancements include the following:</p> <ul style="list-style-type: none"> • Related party transactions disclosure – as noted above, the related party note to the consolidated financial statements was enhanced to include disclosure of amounts paid and received during the year from the City of Toronto, as well as any significant amounts from other ABCs. • Reserve funds disclosure – the reserve funds note to the consolidated financial statements was enhanced to better reflect the various funds that the City maintains on behalf of the Board, their purpose of each fund, and the respective balance and activity in the year. • Vacation accrual – in previous years, this amount was included in the employee future benefits line of the consolidated financial statements; however, accrued vacation does not meet the

Issue	Discussion
	<p>definition of an employee future benefit under the CICA Handbook Section 3461. As a result, we have reclassified the vacation accrual to accrued liabilities and removed it from the note disclosure.</p> <ul style="list-style-type: none">• Gross vs. net reporting of revenues and expenses – we noted in our review that certain revenues and expenses were reflected and reported on a net basis in the financial statements. Such items included electrical revenues, administrative markup of maintenance staff, and realty taxes. As there was no right to offset for most of these transactions, we have adjusted the consolidated financial statements to reflect the revenue and expense at their gross value, in accordance with Canadian GAAP.

3. Summary of unadjusted and adjusted items

Our responsibility is to issue an opinion as to whether the consolidated financial statements are free of material misstatement.

As a result of our audit, we identified certain items and have discussed these with management. Management has adjusted the consolidated financial statements to reflect certain of these items. The items that remain unadjusted are summarized in (a) below and described further in Appendix B. Under Canadian Auditing Standards we are required to ask the Finance and Audit Committee to consider adjusting the consolidated financial statements for these items.

We are also required to communicate the effects of any unadjusted items that relate to prior periods. These are also included in Appendix B.

a. Unadjusted items

Total unadjusted items have a net income effect of \$156,392. The materiality level (as previously communicated to you) is \$600,000.

In addition, we noted certain disclosure exceptions, which are summarized in Appendix B.

We have concluded that the consolidated financial statements taken as a whole are free of material misstatement and (pending the completion to our satisfaction of the outstanding matters identified in section 1), we are prepared to issue an unqualified opinion on the consolidated financial statements.

b. Adjusted items

A summary of adjustments made by the company as part of the audit process is also included in Appendix B.

4. Other required communications

Canadian Auditing Standards require that the external auditor communicate certain matters to the Finance and Audit Committee that may assist you in overseeing management's financial reporting and disclosure process.

Below, we summarize these required communications as they apply to The Board:

Matter to be communicated	PwC's response
Management's representations	Under Canadian Auditing Standards, we are required to inform you of the representations we are requesting from management. A copy of the management representation letter is included in Appendix C.
Significant deficiencies in internal control	Changes to Canadian Auditing Standards require us to communicate to the Finance and Audit Committee internal control weaknesses identified as part of our audit that are considered to be significant deficiencies. A significant deficiency is defined as an internal control deficiency that we consider merits the attention of the Finance and Audit Committee. Refer to section 5 for a summary of our findings and recommendations.
Significant difficulties or disagreements that occurred during the audit	No difficulties or disagreements occurred while performing our audit that require the attention of the Finance and Audit Committee.
Fraud and illegal acts	No fraud involving senior management, employees with a significant role in internal control, or that would cause a material misstatement of the consolidated financial statements, came to our attention as a result of our audit procedures.
Inclusion of "Emphasis of matter" or "Other matter" paragraph in audit opinion	See Appendix A for our draft auditor's report including the "Other matter" paragraph, with respect to the unmodified opinion issued for the December 31, 2009 comparative balances, which were audited by another auditor.

5. Internal control recommendations

The purpose of our audit was to enable us to express an opinion on the consolidated financial statements.

The audit included consideration of internal controls relevant to the preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

During our audit, we identified the following deficiencies and certain other control recommendations that we have discussed with management and wish to bring to your attention.

Item	Recommendation	Management's response
<p><i>Data entry of time sheets</i></p> <p>As part of our review over payroll controls, it was noted that time sheets are input by the payroll clerk and the total hours are reconciled by another individual.</p> <p>However, during our testing we noted that an input error occurred whereby the hours were inputted on a wrong line which caused the employee to be paid at the wrong rate. As a result, there is an increased risk of inaccurate payments to employees and/or incorrect payroll expenses being recorded.</p>	<p>We recommend that an individual with more seniority than the payroll clerk entering the time sheet data, review the inputs to ensure complete and accurate data entry.</p>	<p>Hourly payroll input is reviewed by another staff member to ensure that hours are reconciled to the time sheet; however, due to volume, the number of union agreements and different job rates, the classification of rates is only verified on a sample basis. Going forward, management will increase the sample size in their review.</p> <p>There are also mitigating controls in place whereby management review the payroll registers for hourly and salaried employees on a periodic basis.</p>
<p><i>IT Data Backup</i></p> <p>During our testing of the Board's IT general controls, it was noted that while data is backed up regularly, the restoration of such data is not tested regularly. Hence, if a disaster were to occur, there is a risk that data could not be appropriately restored and lost as a result.</p>	<p>We recommend that the Board implement a policy to ensure that there is a schedule in place to periodically test the restoration of backup data.</p>	<p>Management agrees with this recommendation and has noted that this has already been put in place and tested for the current year.</p>
<p><i>Management oversight of financial processes managed by third parties</i></p> <p>The Board utilizes the services of a variety of third parties to manage various aspects of their operations. More notably, Maple Leafs Sports and Entertainment (MLSE) manages the operations of BMO Field on behalf of the Board.</p>	<p>We recommend that the Board periodically review BMO Field to ensure that their financial and accounting practices coincide with the Board's policies and that MLSE is maintaining complete and accurate information.</p>	<p>Management believes that sufficient oversight is provided through periodic walkthroughs and the review of the budget, monthly financial reports and financial analysis of key areas, and analytical comparisons to prior</p>

Item	Recommendation	Management's response
<p>While management does perform some checks over the operations of BMO Field (through discussions of management reports, and site visits to view operating activities), random checks into the financial management of the field should be undertaken.</p>		<p>year results. On the expenditure side, BMO Field receives payroll services directly from the Board, which forms a major portion of the expenditures; other major expenditures are contractual in nature and the Board is privy to such agreements and ensures to that they are properly reflected within the consolidated financial statements.</p>
<p>Review of census data submitted to actuary</p> <p>As part of our testing over the census data provided to Buck Consultants, it was noted that there were discrepancies in the data provided to Buck and the data returned to management.</p> <p>Differences in data can result in incorrect assumptions used by the actuary and hence a misstated employee future benefits payable.</p>	<p>We recommend that management check, on a sample basis, the data returned to them from Buck to ensure that the data used is accurate and matches that which was provided to them. It was noted through discussions with management that a check is performed to ensure the headcount matches to what was submitted (completeness); however, the accuracy of certain data (such as hire dates, salaries, or birth dates) should also be performed to ensure accuracy.</p>	<p>Management will consider this recommendation for future periods.</p>
<p>Contract Maintenance</p> <p>While reviewing the Board's lease agreements, it was noted that that Board was continuing to operate under one arrangement with MLSE for use of certain space in the Ricoh west annex whereby the initial annual term had expired and had not been renewed.</p> <p>This poses a legal risk, as without a binding agreement, the Board may not be able to enforce the terms of the agreement should the tenant not perform in accordance with the terms of the agreement or should any issues arise that would require legal action.</p>	<p>We recommend that management maintain a listing of all contracts and commitments that are open and track upcoming expirations to ensure that such agreements are renewed on a timely basis.</p>	<p>Management will look into this recommendation for future periods.</p> <p>A comprehensive listing of all leases is currently maintained by both the Corporate Secretary and the Finance department. The annual renewal letter for the continued use of this space was signed by MLSE on March 14, 2011. Management will ensure this arrangement is finalized on an annual basis prior to year-end.</p>

Item	Recommendation	Management's response
<p><i>Daily casino cash reconciliation</i></p> <p>During our testing over the daily cash reconciliation for the CNE's annual casino, it was noted that there was one deposit where there was a difference between the expected cash deposit per the casino report and the actual amount deposited into the bank which was not detected or investigated by management. Given that much of the revenue is cash-based, there is a higher risk of misappropriation if timely review and follow up of reconciling items does not occur.</p>	<p>We recommend that management enforce the review of the daily reconciliation reports and provide evidence of such review and, where necessary, the appropriate follow up of differences by way of a signature on the reconciliation.</p>	<p>We discussed this item with management who agree that it is important to ensure that the bank deposit and casino sales report are in agreement, reconciled and investigated for differences to detect any potential misappropriation.</p>

Appendix A: Draft financial statements

**Board of Governors of
Exhibition Place**

Consolidated Financial Statements
December 31, 2010

DRAFT

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

@@@, 2011

Independent Auditor's Report

To the Members of the Board of Governors of Exhibition Place

We have audited the accompanying financial statements of the Board of Governors of Exhibition Place, which comprise the balance sheet as at December 31, 2010 and the statements of operations and changes in deficit and cash flows for the year then ended, and the related notes including a summary of significant accounting policies.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion of these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Board of Governors of Exhibition Place as at December 31, 2010 and the results of its operations and changes in deficit and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other matter

The financial statements of the Board of Governors of Exhibition Place for the year ended December 31, 2009 were audited by another auditor who expressed an unmodified opinion on those statements on March 26, 2010.

Chartered Accountants, Licensed Public Accountants

DRAFT

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Board of Governors of Exhibition Place

Consolidated Balance Sheet

As at December 31, 2010

	2010 \$	2009 \$
Assets		
Current assets		
Cash	3,025,395	3,615,510
Accounts receivable		
Trade	4,846,595	5,966,749
City of Toronto (note 3(a))	11,007,219	732,959
Prepaid expenses and other	347,301	271,407
	<u>19,226,510</u>	<u>10,586,625</u>
Receivable from the City of Toronto (note 3(b))	6,346,520	5,709,592
Step-up rent receivable (note 4)	2,577,722	1,929,914
Energy retrofit assets (note 5)	6,228,183	6,549,764
Building improvements and equipment (note 6)	41,250,085	42,387,239
	<u>75,629,020</u>	<u>67,163,134</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities		
Trade	10,841,292	6,918,420
City of Toronto (note 3(a))	1,103,614	3,030,727
Employee future benefits payable (note 7)	589,612	551,435
Transfer payable to the City of Toronto (note 1)	1,262,726	1,974,051
Deferred revenue and contributions (note 2)	6,841,696	4,056,333
Loans payable (notes 3(c) and 8)	1,277,235	577,036
	<u>21,916,175</u>	<u>17,108,002</u>
Deferred revenue	1,067,555	-
Suite deposits payable	243,159	190,000
Other long-term liabilities	484,454	-
Loans payable (notes 3(c) and 8)	46,453,545	43,584,972
Employee future benefits payable (note 7)	7,077,221	6,280,160
	<u>77,242,109</u>	<u>67,163,134</u>
Deficit		
Conference Centre (note 11)	(1,613,089)	-
	<u>75,629,020</u>	<u>67,163,134</u>
Contingencies (note 13)		

Approved by the Board of Directors

Director

Director

See accompanying notes to the consolidated financial statements.
FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED

Board of Governors of Exhibition Place

Consolidated Statement of Operations and Changes in Deficit
For the year ended December 31, 2010

	2010 \$	2009 \$
Revenue		
Canadian National Exhibition Association (schedule 1)	24,414,204	28,596,778
Exhibition Place (schedule 2)	17,767,915	16,865,154
Direct Energy Centre (schedule 3)	17,194,496	16,369,135
National Soccer Stadium (BMO Field) (schedule 4)	7,518,482	8,035,306
Allstream Centre (schedule 5)	4,084,503	835,511
	<u>70,979,600</u>	<u>70,701,884</u>
Expenses		
Canadian National Exhibition Association (schedule 1)	24,376,156	27,718,775
Exhibition Place (schedule 2)	25,459,888	23,406,861
Direct Energy Centre (schedule 3)	9,218,709	8,648,714
National Soccer Stadium (BMO Field) (schedule 4)	7,214,546	7,657,438
Allstream Centre (schedule 5)	5,697,592	1,352,419
	<u>71,966,891</u>	<u>68,784,207</u>
(Loss) income before the following	(987,291)	1,917,677
Transfer to the City of Toronto (note 1)	(1,262,726)	(1,974,051)
Amounts to be recovered from the City (note 3(b))	636,928	56,374
Loss for the year	(1,613,089)	-
Deficit - Beginning of year	-	-
Deficit - End of year	<u>(1,613,089)</u>	<u>-</u>

See accompanying notes to the consolidated financial statements.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Board of Governors of Exhibition Place

Consolidated Statement of Cash Flows

For the year ended December 31, 2010

	2010 \$	2009 \$
Cash provided by (used in)		
Operating activities		
Loss for the year	(1,613,089)	-
Add: Non-cash item		
Employee future benefits expense	835,238	(640,444)
Amortization of energy retrofit assets	409,970	386,093
Amortization of building improvements and equipment	2,083,730	511,103
Amounts to be received from the City	(636,928)	(56,385)
Changes in non-capital working capital balances related to operations		
Trade accounts receivable	1,120,154	(2,329,691)
Accounts receivable from the City of Toronto	(10,274,260)	14,207,476
Prepaid expenses and other	(75,894)	(40,012)
Step-up rent receivable	(647,808)	616,174
Trade accounts payable and accrued liabilities	3,922,872	(7,626,865)
Accounts payable and accrued liabilities due to the City of Toronto	(1,927,113)	1,248,159
Deferred revenue	3,852,918	(936,699)
Suite deposits payable	53,159	(28,125)
Other long-term liabilities	484,454	-
	<u>(2,412,597)</u>	<u>5,310,784</u>
Investing activities		
Purchase of energy retrofit assets - net	(88,389)	(954,993)
Purchase of building improvements and equipment - net	(946,576)	(42,755,536)
	<u>(1,034,965)</u>	<u>(43,710,529)</u>
Financing activities		
Proceeds from loans payable	4,697,251	38,457,048
Repayments of loans payable	(1,128,479)	(649,271)
Repayment of transfer payable to the City of Toronto	(711,325)	(445,273)
	<u>2,857,447</u>	<u>37,362,504</u>
Decrease in cash during the year	(590,115)	(1,037,241)
Cash - Beginning of year	<u>3,615,510</u>	<u>4,652,751</u>
Cash - End of year	<u>3,025,395</u>	<u>3,615,510</u>
Non-cash transactions		
Energy retrofit assets financed through loans payable	-	955,000
Capital contributions for Allstream Centre building improvements	-	5,880,000

See accompanying notes to the consolidated financial statements.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

1 Nature of operations

The Board of Governors of Exhibition Place (the Board) exists as a corporation without share capital by virtue of the City of Toronto Act, 1997 (No. 2) (the Act). The Board operates, manages and maintains Exhibition Place on behalf of the City of Toronto (the City) under the terms of an agreement between the Board and the City. As defined within the Act, the City is entitled to any surplus resulting from the Board's activities and is responsible for any deficit the Board incurs. The amount due to/from the City resulting from the Board's activities is shown on the consolidated balance sheet as a transfer payable to/receivable from the City.

Major capital facilities, excluding certain building improvements, are the property of the City and, therefore, the cost for such assets is recorded in the accounts of the City and not the Board. To assist with major capital expenditures related to Exhibition Place, various reserves and reserve funds have been established and recorded within the City's accounts (note 9).

These consolidated financial statements include the operations of the Canadian National Exhibition Association (CNEA) (schedule 1), Exhibition Place (schedule 2), Direct Energy Centre (schedule 3), National Soccer Stadium (BMO Field) (schedule 4) and Allstream Centre (schedule 5).

The CNEA is controlled by the Board and is the only separate operating unit that is incorporated and, as such, produces separate audited financial statements for its members. The CNEA, under an agreement with the Board, manages and operates an annual fair (the Canadian National Exhibition).

Effective December 31, 2005, the Board entered into a ten-year naming right sponsorship agreement with Direct Energy Marketing Limited for the Direct Energy Centre (schedule 3).

Effective August 1, 2009, the Board entered into a ten-year naming right sponsorship agreement with MTS Allstream for the Allstream Centre (schedule 2). The Allstream Centre commenced its operations on October 19, 2009 (schedule 5).

The National Soccer Stadium (BMO Field) is used to accommodate various sports functions throughout the year. The operation of BMO Field is governed by the terms of a management agreement that was entered into between the Board, the City and Maple Leaf Sports and Entertainment Ltd. (MLSE), whereby MLSE will manage the day-to-day operations of the stadium. The agreement was entered into in January 2007 and continues through to December 31, 2027.

The Board is a municipal government entity under the Income Tax Act and, accordingly, is exempt from income taxes.

2 Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for profit-oriented organizations. The significant accounting policies are summarized as follows.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

Basis of consolidation

The consolidated financial statements include the accounts of the Board and its wholly-owned subsidiary, Canadian National Exhibition Association. Intercompany transactions have been eliminated.

Revenue recognition

The majority of the revenue in these consolidated financial statements is related to sales, service revenue (including suite sales and ticket rebates) and rent, and is recognized at the point of sale or when the service has been provided.

Deferred revenue and contributions

Deferred revenue and contributions consist of monies received for naming rights, contributions for Horse Palace ISF, rentals for space in trade shows and other events that have been paid in advance and are attributable to a future period.

Sponsorships

Agreements are entered into with a number of corporate sponsors whereby these sponsors provide cash, products, advertising or entertainment support to Exhibition Place, CNEA, Direct Energy Centre, BMO Field and Allstream Centre activities. In return, consideration is provided in a number of diverse ways including specific rights to selected attractions or advertising recognition. Sponsorships received in cash and/or other consideration are recorded in the accounts at the amount of consideration received or given at either the fair value of the amount received or the fair value of the benefit given up, less any cash consideration, whichever is more reliably measureable.

Government assistance

The Board makes periodic applications for financial assistance under available government incentive programs. Government assistance relating to capital expenditures is reflected as a reduction of cost of such assets. Government assistance for non-capital expenditures is included in the consolidated statement of operations.

Energy retrofit assets

Energy retrofit assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Trigeneration project	20 years
DEC Halls lighting retrofit project	15 years
Five Exhibition Buildings improvement project	15 years
Photovoltaic Horse Place project	20 years
Boilers replacement and various lighting retrofit projects	20 years
Back pressure steam turbine and LED pathway lighting projects	20 years

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

Building improvements and equipment

Building improvements and equipment are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Motor vehicles	5 years
Computer equipment	3 years
Electrical equipment	5 years
Other equipment and furniture	2 to 15 years
Allstream Centre building improvements	25 years

Employee benefit plans

The Board has the following policies with respect to employee future benefit plans:

- The Board's contributions to a multi-employer, defined benefit pension plan are expensed when contributions are due.
- The costs of termination benefits and compensated absences are recognized when the event that obligates the Board occurs. Costs include projected future income payments, health-care continuation costs and fees paid to independent administrators of these plans, calculated on a present value basis.
- The costs of other employee benefits are actuarially determined using the projected benefits method prorated on service and management's best estimate of retirement ages of employees, salary escalation and expected health-care costs.
- Past service costs from plan amendments are amortized on a straight-line basis over the expected average remaining service period of employees active at the date of amendment.
- Net actuarial gains and losses are expensed in the period of revaluation.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the consolidated balance sheet date. Revenue and expense transactions denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing on the transaction date. Gains or losses resulting from currency transactions are included in the consolidated statement of operations.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

Financial instruments

The Board classifies its financial instruments into one of the following categories based on the purpose for which the assets were acquired. The Board's accounting policy for each category is as follows:

Financial instrument	Category	Measurement
Cash	held-for-trading	fair value
Accounts receivable - current and long-term	loans and receivables	amortized cost
Accounts payable and accrued liabilities	other financial liabilities	amortized cost
Loans payable	other financial liabilities	amortized cost
Transfer payable to the City of Toronto	other financial liabilities	amortized cost

Use of estimates

The preparation of consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The employee future benefits liability and related costs charged to the consolidated statement of operations depend on certain actuarial and economic assumptions and on current information available to the Board, the City and the consultants retained to develop the actuarial projections. Actual results could differ from those estimates.

Recent accounting pronouncements

In September 2009, the Public Sector Accounting Standards Board (PSAB) approved an amendment to the Introduction to Public Sector Accounting Standards. Under the amendment, government business enterprises will adhere to standards for publicly accountable profit-oriented enterprises, meaning the adoption of International Financial Reporting Standards (IFRS), for fiscal periods beginning on or after January 1, 2011. Government business-type organizations (GBTOs) classification in the Public Sector Accounting Handbook would be eliminated and government organizations currently classified as GBTOs may be categorized as other government organizations (OGOs) or government non-profit organizations (GNFPOs). The Board has been identified as a GBTO, which under these new rules is an OGO and as such will adopt Public Sector Accounting Standards or IFRS. Management is currently addressing which option to choose.

3 Related party balances and transactions

- a) The Board is related to the City and its agencies, boards and commissions in terms of the City's ability to affect the operating, investing and financing policies of these entities. The Board enters into transactions with these related parties in the normal course of business at the agreed upon exchange amount.

Included in trade accounts payable and accrued liabilities at December 31, 2010 is \$204,357 (2009 - \$737,050) related to amounts owing to the City.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

(4)

Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

- b) In addition to the current receivables and payables with the City, the Board has a long-term, non-interest bearing receivable from the City, which relates to the funding of the following items:

	2010 \$	2009 \$
Employee future benefits payable (note 7(a))	7,666,833	6,831,595
Vacation and lieu time	698,845	689,453
Less: Net book value of certain equipment	(931,048)	(126,747)
Other	245,205	245,205
	<hr/>	<hr/>
Receivable from the City of Toronto before the following	7,679,835	7,639,506
Less: Net step-up lease revenue receivable on building and signage	(1,333,315)	(1,929,914)
	<hr/>	<hr/>
Receivable from the City of Toronto	<u>6,346,520</u>	<u>5,709,592</u>

- c) The Board has arrangements with the City and another lender to make future payments as described in note 8 for the financing of energy retrofit assets as described in note 5 related to buildings at Exhibition Place for energy retrofit projects. The energy retrofit projects include the Trigeration project, DEC Halls lighting retrofit project, Five Exhibition Buildings improvement project, Photovoltaic Horse Palace project and boiler replacements, various lighting retrofit projects, back pressure steam turbine and LED pathway lighting project. The payments from the Board are determined based on the terms of the loans. Estimated savings in connection with the energy retrofit projects are utilized for the repayment of principal and interest on these loans.

- d) The Board has several agreements with the City for the establishment of various reserve funds that are recorded within the City's accounts (note 9).

The Board has an economic interest in the Canadian National Exhibition Foundation (the Foundation) and is therefore considered to be a related party. The Foundation is an independent corporation, without share capital and has an independent board of directors.

- e) The Board donated \$146,100 (2009 - \$215,600) to the Foundation, which is included in operations expense on schedule 1. The Board also provides administrative services to the Foundation at no cost.
- f) The Board contributes to a self-funded fund at the City that provides funding for vehicle, property and liability insurance claim payments and related legal and adjusting expenses. The fund is established for insurance claim costs below deductible levels and for payments that exceed insurance coverage levels. Contributions are paid to the City, which makes insurance premium payments on behalf of the Board. During the year, the Board made \$570,886 (2009 - \$561,765).

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

(5)

Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

4 Step-up rent receivable

The Board has numerous long-term tenants on the grounds that pay annual rents based on the stipulated contract amount indicated in the lease for that year. Many of these leases have step-up provisions so that the annual lease amount changes during the term of the lease. Canadian generally accepted accounting principles require the recognition of lease revenues over the term of the lease on a straight-line basis. The amount will be included in net income at various amounts over time up to 2026.

5 Energy retrofit assets

Energy retrofit assets consist of the following projects:

	2010		
	Cost	Accumulated	Net
	\$	amortization	\$
	\$	\$	\$
Trigeneration	4,144,000	755,417	3,388,583
DEC Halls lighting retrofit project	722,880	218,788	504,092
Five Exhibition Buildings improvement	1,353,692	255,243	1,098,449
Photovoltaic Horse Palace	331,619	66,324	265,295
Boiler replacements and various lighting retrofit projects	955,000	71,625	883,375
Back pressure steam turbine and LED pathway lighting projects	88,389	-	88,389
	7,595,580	1,367,397	6,228,183
	2009		
	Cost	Accumulated	Net
	\$	amortization	\$
	\$	\$	\$
Trigeneration	4,144,000	548,217	3,595,783
DEC Halls lighting retrofit project	722,880	170,596	552,284
Five Exhibition Buildings improvement	1,353,692	164,997	1,188,695
Photovoltaic Horse Palace	331,619	49,742	281,877
Boiler replacements and various lighting retrofit projects	955,000	23,875	931,125
	7,507,191	957,427	6,549,764

During the year, the Board received government assistance in the form of an interest free loan. The discount on the loan was calculated as \$370,167 and has been netted against the assets purchased..

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

(6)

Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

6 Building improvements and equipment

Building improvements and equipment consist of the following:

	2010		
	Cost	Accumulated	Net
	\$	amortization	\$
	\$	\$	\$
Motor vehicles	261,634	261,634	-
Computer equipment	251,511	251,511	-
Electrical equipment	384,775	338,819	45,956
Other equipment and furniture	5,691,728	1,457,248	4,234,480
Allstream Centre building improvements	38,764,844	1,795,195	36,969,649
	<u>45,354,492</u>	<u>4,104,407</u>	<u>41,250,085</u>
	2009		
	Cost	Accumulated	Net
	\$	amortization	\$
	\$	\$	\$
Motor vehicles	261,634	261,634	-
Computer equipment	251,508	248,302	3,206
Electrical equipment	384,775	326,502	58,273
Other equipment and furniture	4,745,155	939,640	3,805,515
Allstream Centre building improvements	38,764,844	244,599	38,520,245
	<u>44,407,916</u>	<u>2,020,677</u>	<u>42,387,239</u>

During the year, the Board received approximately \$nil (2009 - \$5,880,000) of capital contributions from the City, which have been credited to the cost of the Allstream Centre building improvements.

The Board received \$750,000 in funding from the Marquee Tourism Event Program of the Government of Canada and \$250,000 from the Board's Fleet Reserve Fund to assist in the purchase of trams in fiscal 2010.

7 Employee future benefits payable

The employee future benefits for employees of the Board, the cost of which is reported in these consolidated financial statements, have the following characteristics.

Sick leave

The Board's short-term disability plan, for non-unionized employees, provides salary protection at 100% or 75% based on an employee's benefit eligibility date for up to 26 weeks per illness or per calendar year. Absences greater than 26 weeks duration are covered under the Board's long-term disability plan.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

(7)

Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

Under the sick leave benefit plan, for unionized employees, employees were credited with a maximum of 18 days sick time per annum. Unused sick leave could accumulate and employees may become eligible for a cash payment, capped at one-half of unused sick time to a maximum of 130 days when they leave the Board's employment. Effective February 28, 2008, employees are unable to accumulate unused sick leave credits. The liability for the accumulated sick leave represents the extent to which sick leave benefits have vested and could then be taken in cash by employees on termination of employment.

Workplace Safety Insurance Board (WSIB)

The Board is a Schedule 2 employer and, as such, pays the full cost of all medical and all other benefits for its employees that sustain injuries at the workplace plus the administration cost as determined by the WSIB.

Post-retirement and post-employment benefits

The Board provides health, dental, life insurance and long-term disability benefits to certain employees.

The disclosures relating to these benefits are as follows:

- a) The employee future benefits payable recorded in the consolidated financial statements, which is equal to the Board's accrued benefit obligation, consists of the following:

	2010 \$	2009 \$
Sick leave	1,160,933	1,078,653
WSIB	2,760,651	2,648,736
Other post-employment and post-retirement benefits	3,745,249	3,104,206
	<u>7,666,833</u>	<u>6,831,595</u>
Less: Current portion	589,612	551,435
	<u>7,077,221</u>	<u>6,280,160</u>

- b) The continuity of the Board's accrued benefit obligation, in aggregate, is as follows:

	2010 \$	2009 \$
Balance - Beginning of year	6,831,595	7,472,039
Current service cost	436,319	416,836
Interest cost	389,649	418,832
Benefits paid	(579,677)	(560,244)
Actuarial loss (gain)	588,947	(915,868)
	<u>7,666,833</u>	<u>6,831,595</u>

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

(8)

Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

- c) The benefit cost (recovery) recognized during the year is calculated as follows:

	2010 \$	2009 \$
Current service cost	436,319	416,836
Interest cost	389,649	418,832
Actuarial loss (gain)	588,947	(915,868)
	1,414,915	(80,200)

- d) There was \$63,715 in cash payments made in 2010 (2009 - \$72,125) with respect to the sick leave plan.

The benefit plans as noted above are all unfunded; however, the Board participates in reserve funds established by the City for sick leave and health care benefits. The contributions to these reserves during the year totalled \$979,951 (2009 - \$962,912) and are included in expenses on the consolidated statement of operations.

- e) Actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed as of December 31, 2009. The next actuarial valuation is expected to be completed in 2012.
- f) The significant actuarial assumptions adopted in measuring the Board's accrued benefit obligation and benefit costs for employees future benefits are as follows:

	2010 %	2009 %
Discount rate for accrued benefit obligation		
Sick leave	5.00	5.30
Post-employment benefits	4.50	5.30
Post-retirement benefits	5.10	6.10
Discount rate at preceding year-end used to determine benefit costs		
Sick leave	5.30	7.00
Post-employment benefits	5.30	6.50
Post-retirement benefits	6.10	7.00
Health-care inflation - hospital, dental care and other medical	4.00 - 8.00	4.00 - 8.00
Health-care inflation - drugs	8.00	8.00
Rate of compensation increase	3.00	3.00

The health-care rate for medical and drugs is assumed to be reduced to 4% by 2020. The health-care rate for dental is assumed to be reduced to 3% by 2015.

- g) In addition to the above-noted plans, the Board makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of qualifying employees. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Total employer contributions for the year ended

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

(9)

Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

December 31, 2010 amounted to \$836,844 (2009 - \$770,899) and are included in the consolidated statement of operations.

In addition to contributions for employees who participate in the OMERS plan, the Board has arrangements with bargaining units to make contributions to various pension plans and registered retirement savings plans on behalf of its employees. Contributions expensed under these plans for 2010 amounted to \$944,977 (2009 - \$1,017,160) and are included in the consolidated statement of operations.

8 Loans payable

Loans payable consist of the following:

	2010 \$	2009 \$
Loans payable to the City of Toronto		
Allstream Centre building improvements, bearing interest at 5% and due on October 1, 2035, interest owing on the loan is added to the principal until the first repayment date of December 1, 2010	38,386,677	37,130,316
Allstream Centre building improvements, bearing interest at 2.375%, due on January 29, 2030	1,980,207	-
Trigeneration, bearing interest at 5%, due on December 31, 2032	2,696,154	2,644,483
Trigeneration, bearing interest at 2.34%, due on July 31, 2017	752,500	860,000
Photovoltaic Horse Palace, a non-interest bearing loan discounted at an imputed interest rate of 5%, due on October 1, 2030	312,185	317,411
Five Exhibition buildings improvement retrofit, bearing interest at 5%, due on December 31, 2016	585,011	672,919
Five Exhibition buildings improvement retrofit, bearing interest at an average rate of 2.56%, due on December 31, 2018	407,462	460,046
DEC Halls lighting retrofit, bearing interest at 5%, due on December 31, 2016	348,887	396,762
DEC Halls lighting retrofit, bearing interest at 2.51%, due on December 31, 2017	124,918	142,764
Boiler replacements and various lighting retrofit, bearing interest at 4.5%, due on December 31, 2037	782,163	748,481
Boiler replacements and various lighting retrofit, bearing interest at 2.0%, due on December 31, 2021	246,764	241,925
Back pressure steam turbine and LED pathway lighting retrofit, a non-interest bearing loan of \$1,000,000 discounted at an imputed interest rate of 5%, due on April 1, 2030	620,521	-
Loan payable to Toronto Atmospheric Fund		
Trigeneration, bearing interest at 6.06%, due on January 3, 2017	487,331	546,901
	47,730,780	44,162,008
Less: Current portion	1,277,235	577,036
	<u>46,453,545</u>	<u>43,584,972</u>

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

(10)

Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

The fixed principal repayments of the loans payable are as follows:

	\$
2011	1,277,235
2012	1,334,417
2013	1,394,588
2014	1,457,590
2015	1,523,485
2016 and thereafter	<u>40,743,465</u>
	<u>47,730,780</u>

9 City of Toronto reserve funds

The City maintains a number of reserve funds on behalf of the Board. These reserve funds are established by the City's Council and are detailed in the City's Municipal Code.

Capital Improvement Fund

The purpose of this fund is to assist in the financing of major capital costs related to all of the buildings at Exhibition Place. Contributions are no longer being made to this fund. The balance of the Capital Improvement Fund as at December 31, 2010 was \$80,626 (2009 - \$80,325) and there were no withdrawals of funds (2009 - \$nil). In addition, there was interest earned in the amount of \$281 (2009 - \$400).

Stabilization Fund

The purpose of this fund is to put income aside in profitable years in order to offset deficits in other years. This reserve is funded by any surplus generated by the operations of Exhibition Place greater than the approved annual budget up to a maximum accumulated balance of \$2,000,000 with the residual, if any, being contributed to the Capital Improvement Fund. The balance of the Stabilization Fund as at December 31, 2010 was \$nil (2009 - \$nil).

The disposition of any future Exhibition Place annual surpluses is subject to the City Council contribution policy and a determination by the Chief Financial Officer of the City of the most appropriate course of action.

Exhibition Place Conference Centre Reserve Fund

The purpose of this fund is to provide a source of funding for any cash shortfalls with respect to Allstream Centre operations. The contributions to the fund include the net revenue derived from the Direct Energy Centre and Allstream Centre naming rights and the surplus payable to the City. The balance of the Exhibition Place Conference Centre Reserve Fund as at December 31, 2010 was \$2,267,061 (2009 - \$1,834,343).

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

(11)

Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

City of Toronto Fleet Reserve Fund

The purpose of this fund is to provide funding to the City for acquiring or purchasing fleet and motorized vehicles for the Board's operations. Annual funding promotes efficiencies and budget stabilization by moderating large fluctuations in annual replacement of vehicles. Contributions made during the year amounted to \$350,000 (2009 - \$250,000), which are expensed in the year incurred.

Soccer Stadium Capital Maintenance Fund

The purpose of this fund is to provide funding for capital expenditures for BMO field. Under the terms of the management agreement for the operation of BMS Field, the Board is to make annual contributions to this reserve. Contributions made in the year amounted to \$400,000 (2009 - \$400,000) and are included in expenses in the year incurred (schedule 4). Withdrawals in the year amounted to \$327,579 (2009 - \$385,876) and the balance as at December 31, 2010 was \$530,555 (2009 - \$456,822).

10 Financial instruments

a) Fair value

The carrying value of the Board's financial instruments approximate their fair values unless otherwise noted.

The fair value of the long-term receivable from the City of Toronto is not determinable since there are no fixed terms of repayment.

b) Risk management

The Board's investment activities expose it to a range of financial risks. These risks include credit risk, foreign currency risk, market risk, liquidity risk and interest rate risk, which are as follows:

- Credit risk

Credit risk on financial instruments is the risk of financial loss occurring as a result of default or insolvency of a counterparty on its obligations to the Board. The cost of the assets as presented in the consolidated balance sheet represents the maximum credit risk exposure at the date of the consolidated financial statements.

The Board, in the normal course of business, is exposed to credit risk from its customers. This risk is mitigated by the fact that management believes the Board has thorough and rigorous credit approval procedures. As at December 31, 2010, two customers represented 10% of the Board's trade accounts receivable balance (2009 - two customers represented 10%).

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

(12)

Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

Management believes the Board's credit risk is low.

- Foreign currency risk

The Board has limited foreign currency risk with respect to its financial instruments, as substantially all of the Board's financial assets and financial liabilities are denominated in Canadian dollars.

- Market risk

The Board is exposed to changes in electricity prices associated with a wholesale spot market for electricity in Ontario. The Board has addressed the commodity price risk exposure associated with changes in the wholesale prices of electricity by entering into energy related purchase and sales contracts, through an agreement with the City and with an external party, which fixes a portion of the wholesale price over the term of the contract. All contracts entered into by the City in 2010 expired on December 31, 2010.

- Liquidity risk

Liquidity risk is the risk of being unable to settle or meet commitments as they come due. The Board has \$14,484,867 (2009 - \$12,500,234) of accounts payable and accrued liabilities, loans payable, and transfer payable to the City that are due within one year. The Board has cash and accounts receivable from the City that will be sufficient to satisfy these liabilities.

- Interest rate risk

The Board is exposed to interest rate risk on its loans payable. The Board is not exposed to significant interest rate risk on its monetary current assets and current liabilities due to their short-term maturities.

11 Conference centre deficit

The conference centre accumulated deficit results from the non-cash expenditures that are not funded by the Exhibition Place Conference Centre Reserve Fund (schedule 5). This is the Allstream Centre's first full year of operations in which loan payments commenced November 1, 2010, one year after operations commenced. The loss for the period is represented by the amortization of the Centre's building improvements offset by the principal loan repayments. The accumulated loss will reverse over 25 years, as this is the term of loan repayment and amortization period of the building improvements. The accumulated deficit balance as at December 31, 2010 is \$1,613,089 (2009 - \$nil).

12 Capital management

In managing capital, the Board focuses on liquid resources available for operations. The Board's objective is to have sufficient liquid resources to continue operating despite adverse financial events and to provide it with the flexibility to take advantage of opportunities that will advance its purposes. The need for sufficient liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to the budget. Excess funds are advanced to the City to be invested to earn a rate of

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

(13)

Board of Governors of Exhibition Place

Notes to Consolidated Financial Statements

December 31, 2010

return for the benefit of the Board. These funds can be withdrawn on demand. As at December 31, 2010, the Board has met its objective of having sufficient liquid resources to meet its current obligations.

13 Contingencies

In the normal course of operations, the Board is subject to various arbitrations, litigations and claims. Where a potential liability is determinable, management believes the ultimate disposition of the matters will not materially exceed the amounts recorded in the accounts. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the year during when the liability is able to be estimated.

14 Comparative figures

Certain amounts within the comparative consolidated financial statements have been reclassified to conform to the current year presentation.

DRAFT

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

@@@, 2011

Additional Comments of Auditors

The accompanying consolidated schedules of operations are presented as supplementary information only. In this respect, it does not form part of the consolidated financial statements of the Board of Governors of Exhibition Place for the year ended December 31, 2010, and hence is excluded from the opinion expressed in our report dated @@@, 2011 to the members of the Board on such consolidated financial statements. The information in these schedules have been subject to audit procedures only to the extent necessary to enable us to express an opinion on the consolidated financial statements of the company and, in our opinion, is fairly presented in all respects material to those consolidated financial statements.

Chartered Accountants, Licensed Public Accountants

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Board of Governors of Exhibition Place

Consolidated Schedule of Operations - Canadian National Exhibition Association

For the year ended December 31, 2010

	2010 \$	2009 \$
Revenue		
Midway, concessions and casino	10,326,114	10,500,584
Ground admissions	7,050,396	7,553,167
Entry fees and exhibit rentals	3,949,671	3,769,705
Parking	1,281,453	1,327,923
Sponsorships	1,046,957	1,393,385
Marquee Tourism Event Program	759,613	4,052,014
	<u>24,414,204</u>	<u>28,596,778</u>
Expenses		
Operations	11,938,533	11,882,260
Attractions and casino	9,029,059	9,077,213
Marketing	2,348,412	2,554,460
Marquee Tourism Event Program	768,681	3,900,590
Parking attendants' wages and sundry costs	282,270	300,455
Amortization of equipment	9,636	11,142
	<u>24,376,591</u>	<u>27,726,120</u>
Income before the following	37,613	870,658
Vacation and sick leave benefits recovery	<u>435</u>	<u>7,345</u>
Net income for the year	<u>38,048</u>	<u>878,003</u>

See accompanying notes to the consolidated financial statements.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Board of Governors of Exhibition Place

Consolidated Schedule of Operations - Exhibition Place

For the year ended December 31, 2010

	2010 \$	2009 \$
Revenue		
Parking	6,645,284	6,393,673
Building rentals and concessions	3,542,884	2,609,857
Services	4,081,115	4,567,265
Discounts, commissions, incentives, other income and realty tax recoveries	2,506,132	2,466,547
Contribution from the City of Toronto - Exhibition Place Conference Centre Reserve Fund (note 9)	472,500	114,583
Naming rights (note 1)	520,000	108,333
	<u>17,767,915</u>	<u>16,260,258</u>
Expenses		
Maintenance, cleaning and security	10,430,034	9,806,540
Utilities	2,702,179	2,395,612
Cost of services	3,749,475	4,330,624
Administration	3,789,806	3,379,781
Parking attendants' wages and sundry costs	2,381,455	2,436,823
Amortization of energy retrofit assets and equipment	483,718	416,845
Contribution to City of Toronto - Exhibition Place Conference Centre Reserve Fund	405,784	-
City of Toronto Vehicle Reserve	350,000	350,000
Interest	322,371	290,636
	<u>24,614,822</u>	<u>23,406,861</u>
Loss before the following	(6,846,907)	(7,146,603)
Vacation and sick leave benefit (expense)	(845,066)	604,896
Net loss for the year	<u>(7,691,973)</u>	<u>(6,541,707)</u>

See accompanying notes to the consolidated financial statements.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Board of Governors of Exhibition Place

Consolidated Schedule of Operations - Direct Energy Centre

For the year ended December 31, 2010

	2010	2009
	\$	\$
Revenue		
Building rentals	8,456,148	7,873,212
Services	6,462,402	6,003,026
Catering commissions	1,002,957	998,959
Naming rights	700,000	700,000
Advertising, sponsorship, interest and recoveries	572,989	793,938
	<u>17,194,496</u>	<u>16,369,135</u>
Expenses		
Administration	3,875,239	3,808,718
Cost of services	3,936,482	3,551,404
Maintenance, cleaning and security	730,912	589,418
Contribution to the City of Toronto - Exhibition Place Conference Centre Reserve Fund	667,358	690,000
Amortization of equipment	8,718	9,174
	<u>9,218,709</u>	<u>8,648,714</u>
Net income for the year	<u>7,975,787</u>	<u>7,720,421</u>

See accompanying notes to the consolidated financial statements.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Board of Governors of Exhibition Place

Consolidated Schedule of Operations - National Soccer Stadium (BMO Field)

For the year ended December 31, 2010

	2010 \$	2009 \$
Revenue		
Food and beverage	4,416,723	4,412,113
Usage fees and merchandise	1,193,467	1,642,475
Suite and ticket rebates	1,011,320	928,699
Sponsorships	821,908	874,583
Other	75,064	177,436
	<u>7,518,482</u>	<u>8,035,306</u>
Expenses		
Salaries, wages and benefits	1,898,971	1,832,227
Cost of goods sold - food and beverage	1,518,864	1,574,412
Royalty	1,068,462	1,056,517
Supplies and services	945,857	1,335,086
Utilities, insurance and other	776,388	776,863
Contribution to the City of Toronto Capital Reserve	400,000	400,000
Incentives and rebates	344,819	386,778
Management fee	211,200	210,555
Amortization of equipment	49,985	85,000
	<u>7,214,546</u>	<u>7,657,438</u>
Net income for the year	<u>303,936</u>	<u>377,868</u>

See accompanying notes to the consolidated financial statements.

**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
NOT TO BE FURTHER COMMUNICATED**

Board of Governors of Exhibition Place
 Consolidated Schedule of Operations - Allstream Centre
 For the year ended December 31, 2010

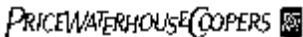
	Year ended December 31, 2010 \$	Period from October 19, 2009 to December 31, 2009 \$
Revenue		
Building rentals	1,028,333	25,557
Services	1,018,411	185,441
Catering commissions	499,999	17,880
Sponsorship	-	22,000
Parking	94,912	9,216
Contribution from the City of Toronto - Exhibition Place Conference Centre Reserve Fund	1,442,848	575,417
	<u>4,084,503</u>	<u>835,511</u>
Expenses		
Amortization of building improvements and equipment	1,943,841	375,035
Interest	1,745,048	365,472
Administration	839,659	328,556
Cost of services	729,060	119,035
Utilities	265,920	129,138
Maintenance, cleaning and security	174,064	35,183
	<u>5,697,592</u>	<u>1,352,419</u>
Net loss for the period	<u>(1,613,089)</u>	<u>(516,908)</u>

See accompanying notes to the consolidated financial statements.


**FOR DISCUSSION WITH MANAGEMENT ONLY – SUBJECT TO AMENDMENT
 NOT TO BE FURTHER COMMUNICATED**

Appendix B: Summary of unadjusted and adjusted items

APPENDIX B - SUMMARY OF UNADJUSTED ITEMS

								
Client: City of Toronto - BOG of Exhibition Place Period: December 31, 2010								
Tax Rate: 0.00%		Overall Materiality: 450,000 SUM posting level: 30,000						
Proposed Adjustments - Impact on dr(cr)			BALANCE SHEET			INCOME		
W/P Ref.	SUM #	Description	Assets		Liabilities		Income	
			Current	Non-Current	Current	Non-Current		Deficit
	9	Unrecorded liability relating to capital project	161,703		(161,703)		-	
	10	Reversal of stale-dated cheques	81,704		(81,704)		-	
	11	Reclass of credit balance in AR subledger (Clarity)	38,521		(38,521)		-	
	14	Understatement of accrued interest for December 2010 of Allstream loan				(156,392)	156,392	
	17	Error in rent receivable calculation (Liberty Grand)	(79,854)			79,854	-	
							-	
							-	
Total Uncorrected Misstatements			202,074	-	(281,928)	(156,392)	79,854	156,392

APPENDIX B - SUMMARY OF ADJUSTED ITEMS

							
Client: City of Toronto - BOG of Exhibition Place Period: December 31, 2010							
Tax Rate: 0.00%		Overall Materiality: 450,000 SUM posting level 30,000					
Recorded Adjustments - Impact on dr(cr)		BALANCE SHEET				INCOME	
W/P Ref.	SUM #	Description	Assets		Liabilities		Income
			Current	Non-Current	Current	Non-Current	
	1	Reclass of rent receivable to deferred revenue	1,155,680	-	(1,155,680)	-	-
	4	Overaccrual of Ricoh recoverable expenses (Centerplate and MLSE)	-	-	124,605	-	(124,605)
	5	Reversal of unreceived customer deposits	(198,602)	-	198,602	-	-
	7	Error in Liberty Grand rent receivable	88,727	-	-	-	(88,727)
	8	Reclass of debit balances in accounts payable (BMO)	48,691	-	(48,691)	-	-
	12	Reclass vacation pay to accrued liabilities (reclass within current liabilities from employee future benefits payable to accrued liabilities - \$698,846)	-	-	-	-	-
	15	Reclass of loan discount to reduce cost of assets	-	(370,167)	-	360,913	9,254
	16	Reclass of amount out of conference centre reserve fund (reclass within revenue lines - \$63,715)	-	-	-	-	-
	18	Gross reporting of realty taxes paid and recovered (increase to both revenue and expense of \$1,250,205)	-	-	-	-	-
	19	Gross reporting of service charges paid and recovered (increase to both revenue and expense of \$1,195,830)	-	-	-	-	-
Total Uncorrected Misstatements			1,094,496	(370,167)	(881,164)	360,913	(204,078)

Appendix C: Management representation letter

[Client Letterhead]

April 26, 2011

PricewaterhouseCoopers LLP
North American Centre
5700 Yonge Street
Toronto, ON M2M 4K7

We are providing this letter in connection with your audit of the consolidated financial statements of the Board of Governors of Exhibition Place (the Board) as of December 31, 2010 and for the years then ended for the purpose of expressing an opinion as to whether such consolidated financial statements present fairly, in all material respects, the financial position, the results of operations and the cash flows of the Board in accordance with Canadian generally accepted accounting principles.

Management's responsibilities

We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated November 1, 2010. In particular, we confirm to you that:

- We are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian generally accepted accounting principles;
- We are responsible for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. In this regard, we are responsible for establishing policies and procedures that pertain to the maintenance of accounting systems and records, the authorization of receipts and disbursements, the safeguarding of assets and for reporting financial information in accordance with Canadian generally accepted accounting principles;
- We have provided you with all relevant information and access, as agreed in the terms of the audit engagement; and
- All transactions have been recorded in the accounting records and are reflected in the consolidated financial statements.

We confirm the following representations:

Preparation of consolidated financial statements

The consolidated financial statements include all disclosures necessary for fair presentation in accordance with Canadian generally accepted accounting principles and disclosures otherwise required to be included therein by the laws and regulations to which the Board is subject.

We have appropriately reconciled our books and records (e.g., general ledger accounts) underlying the consolidated financial statements to their related supporting information (e.g., sub ledger or third party data). All related reconciling items considered to be material were identified and included on the reconciliations and were appropriately adjusted in the consolidated financial statements. There were no material unreconciled differences or material general ledger suspense account items that should have been adjusted or reclassified to another account balance. There were no material general ledger suspense account items written off to a balance sheet account, which should have been written off to a profit and loss account and vice versa. All consolidating entries have been properly recorded. All intracompany and intercompany accounts have been eliminated or appropriately measured and considered for disclosure in the consolidated financial statements.

Accounting policies

We confirm that we have reviewed the Board's accounting policies and, having regard to the possible alternative policies, our selection and application of accounting policies and estimation techniques used for the preparation and presentation of the consolidated financial statements is appropriate in the Board's particular circumstances to present fairly in all material respects its financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles.

Internal controls over financial reporting

We have designed disclosure controls and procedures to provide reasonable assurance that material information relating to the Board, including its consolidated subsidiaries, is made known to us by others within those entities.

We have designed internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

We have disclosed to you all deficiencies in the design or operation of disclosure controls and procedures and internal control over financial reporting that we are aware as of December 31, 2010.

Disclosure of information

We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the consolidated financial statements, such as records, documentation and other matters including:
 - Contracts and related data;
 - Information regarding significant transactions and arrangements that are outside of the normal course of business;
 - Minutes of the meetings of shareholders, management, directors and committees of directors. The most recent meetings held were November 25, 2010;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

Completeness of transactions

All contractual arrangements entered into by the Board with third parties have been properly reflected in the accounting records or/and, where material (or potentially material) to the consolidated financial statements, have been disclosed to you. We have complied with all aspects of contractual agreements that could have a material effect on the consolidated financial statements in the event of non-compliance.

Fraud

We have disclosed to you:

- The results of our assessment of the risk that the consolidated financial statements may be materially misstated as a result of fraud;
- All information in relation to fraud or suspected fraud of which we are aware affecting the Board involving management, employees who have significant roles in internal control or others where the fraud could have a material effect on the consolidated financial statements; and
- All information in relation to any allegations of fraud, or suspected fraud, affecting the Board's consolidated financial statements, communicated by employees, former employees, analysts, regulators or others.

Compliance with laws and regulations

We have disclosed to you all aspects of laws, regulations and contractual agreements that may affect the consolidated financial statements, including actual or suspected non-compliance with laws and regulations whose effects should be considered when preparing consolidated financial statements.

We are not aware of any illegal or possibly illegal acts committed by the Board's directors, officers or employees acting on the Board's behalf.

Accounting estimates and fair value measurements

Significant assumptions used by the Board in making accounting estimates, including fair value accounting estimates, are reasonable.

For recorded or disclosed amounts in the consolidated financial statements that incorporate fair value measurements, we confirm that:

- the measurement methods are appropriate and consistently applied;
- the significant assumptions used in determining fair value measurements represent our best estimates, are reasonable and have been consistently applied;
- no subsequent event requires adjustment to the accounting estimates and disclosures included in the consolidated financial statements; and
- the significant assumptions used in determining fair value measurements are consistent with the Board's planned courses of action. We have no plans or intentions that have not been disclosed to you, which may materially affect the recorded or disclosed fair values of assets or liabilities.

Significant estimates and measurement uncertainties known to management that are required to be disclosed in accordance with Canadian Institute of Chartered Accountants (CICA) Handbook Section 1508, Measurement Uncertainty, have been appropriately disclosed.

Related parties

We confirm the completeness of information provided to you regarding the identification of related parties as defined by CICA Handbook Section 3840, Related Party Transactions, which include, but are not limited to directors, officers, senior members of management, or immediate family members of such individuals, or entities over which these individuals are able to exert significant influence. We also confirm the completeness of information provided to you regarding the nature of the Board's relationships with and transactions involving those entities.

The identity and relationship of and balances and transactions with related parties have been properly recorded and adequately disclosed in the consolidated financial statements, as required by Canadian generally accepted accounting principles.

The list of related parties attached to this letter as Appendix B accurately and completely describes the Board's related parties and the relationships with such parties.

Going concern

We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the consolidated financial statements (e.g., to dispose of the business or to cease operations).

Assets and liabilities

We have satisfactory title or control over all assets. All liens or encumbrances on the Board's assets and assets pledged as collateral, to the extent material, have been disclosed in the notes to the consolidated financial statements.

Receivables recorded in the consolidated financial statements represent bona fide claims against debtors for sales or other charges arising on or before the statement of financial position date and are not subject to discount except for normal cash discounts. Receivables classified as current do not include any material amounts that are collectible after one year. All receivables have been appropriately reduced to their estimated net realizable value.

We have recorded or disclosed, as appropriate, all liabilities, in accordance with Canadian generally accepted accounting principles. All liabilities and contingencies, including those associated with guarantees, whether written or oral, under which the Board is contingently liable in accordance with Accounting Guideline 14, Disclosure of Guarantees, or CICA Handbook Section 3290, Contingencies, have been disclosed to you and are appropriately reflected in the consolidated financial statements.

Litigation and claims

All known actual or possible litigation and claims, which existed at the statement of financial position date or exist now, have been disclosed to you and accounted for and disclosed in accordance with Canadian generally accepted accounting principles, whether or not they have been discussed with legal counsel.

Misstatements detected during the audit

Certain representations in this letter are described as being limited to those matters that are material. Items are also considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

We confirm that the consolidated financial statements are free of material misstatements, including omissions.

The effects of the uncorrected misstatements in the consolidated financial statements, as summarized in the accompanying schedule (Appendix C), are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole. We confirm that we are not aware of any uncorrected misstatements other than those included in Appendix C.

The adjusted misstatements identified during your audit and summarized in the attached table (Appendix C) have been approved by us and adjusted in the consolidated financial statements.

Restatement of prior year's balance(s)

The restatement made to correct a material misstatement in the prior year's financial statements that affect the comparative information has been appropriately accounted for and disclosed in accordance with the requirements of Canadian generally accepted accounting principles.

Events after balance sheet date

We have identified all events that occurred between the statement of financial position date and the date of this letter that may require adjustment of, or disclosure in, the financial statements, and have effected such adjustment or disclosure.

Cash and banks

The books and records properly reflect and record all transactions affecting cash funds, bank accounts and bank indebtedness of the Board.

All cash balances are under the control of the Board, free from assignment or other charges, and unrestricted as to use, except as disclosed to you.

The amount shown for cash on hand or in bank accounts excludes trust or other amounts which are not the property of the Board.

Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements have been properly disclosed.

All cash and bank accounts and all other properties and assets of the Board of which we are aware are included in the consolidated financial statements at December 31, 2010.

Accounts receivable

All amounts receivable by the Board were recorded in the books and records.

Amounts receivable amounted to \$15,756,973 and is considered to be fully collectible, except to the extent of amounts for which full allowance has been made in the accounts.

Amounts receivable that are non-interest bearing and are expected to be received more than a year after initial recognition date have been initially recognized at fair value, using an appropriate discount rate, and subsequently measured at amortized cost.

All receivables were free from hypothecation or assignment as security for advances to the Board, except as hereunder stated.

The Board has accounted for and disclosed transfers of receivables (including securitizations) in accordance with the provisions of AcG-12, *Transfers of Receivables*.

Leases

The Board has recorded contingent rent expense under leases for which the achievement of the specified target that triggers the contingent rent is considered probable.

Property, plant and equipment

All charges to property, plant and equipment asset accounts represented the actual cost of additions to property, plant and equipment.

No significant property, plant and equipment additions were charged to repairs and maintenance or other expense accounts.

Book values of property, plant and equipment sold, destroyed, abandoned or otherwise disposed of have been eliminated from the accounts.

Property, plant and equipment assets owned by the Board are being depreciated on a systematic basis over their estimated useful lives and the provision for depreciation was calculated on a basis consistent with that of the previous date.

All lease agreements covering property leased by or from the Board have been disclosed to you and classified as capital, operating, sales-type or direct financial leases as appropriate.

Assets held under capital leases are being amortized on a systematic basis over the period of expected use.

There have been no events or changes in circumstances that indicate the carrying value of a long-lived asset is not recoverable; accordingly management was not required to perform an impairment test in accordance with CICA Handbook Section 3063, Impairment of Long-lived Assets during the period. We believe that the carrying amount of the Board's long-lived assets is fully recoverable.

Accounts payable

Amounts payable that are non-interest bearing and are expected to be paid more than a year after initial recognition date have been initially recognized at fair value, using an appropriate discount rate, and subsequently measured at amortized cost.

Long-term debt

All borrowings and financial obligations of the Board of which we are aware are included in the consolidated financial statements at December 31, 2010, as appropriate. We have fully disclosed to you all borrowing arrangements of which we are aware.

The Board has appropriately classified as current and non-current its long-term debt in the Board's classified balance sheet as of December 31, 2010 in accordance with the appropriate authoritative guidance. In evaluating the appropriate classification of its borrowings, the Board considered all relevant facts and circumstances, for example: contractual terms, the existence of call options, subjective acceleration clauses, material adverse changes clauses, lock-box arrangements, covenant violations, renewal features, conversion features, redemption features, and ability and intent to refinance.

The Board has not violated any covenants on their long-term debt during any of the periods reported. We have fully disclosed to you all covenants and information related to how we determined our compliance with the terms of the covenants.

Unearned revenue and deferred credits

All material amounts of unearned revenue and deferred credits including deferred income taxes were appropriately recorded in the books and records.

Commitments

Provisions have been made for losses to be sustained in the fulfillment of, or from inability to fulfill, any sales commitments.

Provisions have been made for losses to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of prevailing market prices.

There are no lease or construction commitments that require disclosure from the Board, as the Board is not authorized to enter into operating leases and any construction arrangement contain terms which provide the Board the option to cease work on a project at any given time.

Employee future benefits

All arrangements, whether formal or informal, explicit or implied, to provide retirement income and other post-retirement benefits to employees after they cease employment, have been identified to you and have been included in the actuarial valuation..

The details of all pension plan amendments since December 31, 2010, the date of the last actuarial valuation, have been identified to you.

The actuarial valuation issued in February 2011 incorporates management's best estimates, detailed as follows:

- post-retirement health benefits have are covered to age 65; post age 65 coverage for non-union grandfathered employees only are 100% employer paid
- post-retirement drugs are covered to age 65 which is 100% employer paid
- post-retirement dental is covered to age 65; post age 65 for non-union grandfathered employees only are 100% employer paid
- post-retirement life is 2 times the final earnings pre-age 65 and \$5,000 post age 65

- cumulative sick leave benefits are paid out 50% at termination, death or retirement to a maximum of 3 months for 10-14 years of service, 4 months for 15-19 months of service, 5 months for 20-24 months of service, and 6 months for 25 or more years service.
- the Board continues to pay life, health, and dental premiums for disabled employees on long-term disability to age 65
- the City is liable for future WSIB claims
- 190 employees under the plan, of which 167 are active, 20 are retired, and 3 are on long-term disability

The actuarial assumptions and methods used to measure liabilities and costs for financial accounting purposes for pension and other postretirement benefits are appropriate in the circumstances.

The Board does not plan to make frequent amendments to the pension or other postretirement benefit plans.

All changes to the plan and the employee group and the fund's performance since the last actuarial valuation have been reviewed and considered in determining the pension plan expense and the estimated actuarial present value of accrued pension benefits and value of pension fund assets.

The Board's actuaries have been provided with all information required to complete their valuation as at December 31, 2010.

The employee future benefit costs, assets and obligations have been determined, accounted for and disclosed in accordance with CICA Handbook Section 3461, Employee Future Benefits (as amended).

In particular:

- The significant accounting policies that the Board has adopted in applying CICA Handbook 3461 are accurately and completely disclosed in the notes to the financial statements.
- Each of the best estimate assumptions used reflects management's judgment of the most likely outcomes of future events;
- The best estimate assumptions used are, as a whole, internally consistent, and consistent with the asset valuation method adopted;
- The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments; or inherent in the amount at which the accrued benefit obligation could be settled.
- The assumptions included in the actuarial valuation are those that management instructed Buck Consultants to use in computing amounts to be used by management in determining pension costs and obligations and in making required disclosures in the above-named financial statements, in accordance with CICA Handbook Section 3461.
- In arriving at these assumptions, management has obtained the advice of Buck Consultants, but has retained the final responsibility for them.
- The source data and plan provisions provided to the actuary for preparation of the actuarial valuation are accurate and complete.
- The disclosure of the amounts and types of securities of the Board and its related parties included in the plan assets, the approximate amount of future annual benefits covered by insurance contracts issued by the Board or its related parties, and the transactions between the Board and the plan during the period are complete and accurate.
- The percentage of the fair value of total plan assets represented by each major category held at the measurement date is not disclosed because it is not expected to be useful in understanding the risks and expected long-term rate of return for the plan assets.
- All changes to plan provisions or events occurring subsequent to the date of the actuarial valuation and up to the date of this letter have been considered in the determination of pension costs and obligations and as such have been communicated to you as well as to the actuary.

Derivative financial instruments

The Board has recognized, and recorded at fair value, all embedded derivative instruments that are required to be separated from their host contracts, in accordance with CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement, except for host contracts issued, acquired or substantively modified by the entity prior to a transition date selected in accordance with 3855.88 (e), when such a date has been selected.

The Board has recognized and recorded at fair value all non-financial derivatives that are included within the scope of CICA Handbook Section 3855.

We confirm that the:

- The records reflect all transactions involving derivative financial instruments, including transactions involving embedded derivative financial instruments and non-financial derivatives; and
- The assumptions and methodologies used in the valuation models applied to derivative financial instruments are reasonable.
- All transactions involving derivative financial instruments have been conducted at arm's length and at fair values;
- We have disclosed to you the terms of transactions involving derivative financial instruments;
- There are no side agreements associated with any derivative financial instruments;
- We have complied with the documentation requirements of generally accepted accounting principles for derivative financial instruments that are conditions precedent to specified hedge accounting treatments.

Revenue Recognition

We have reviewed the criteria for revenue recognition included in CICA Handbook Section 3400, Revenue, and EIC 141, Revenue Recognition, and EIC 123, Reporting Revenue Gross as a Principal vs. Net as an Agent, namely, evidence of arrangement, delivery, fixed price and collectability and are recognizing revenue in accordance with these standards.

We have fully disclosed to you all sales terms (whether written or oral), including all customer-acceptance provisions, rights of return or price adjustments, and all warranty provisions.

We did not issue any side letters in regards to our sales agreements.

The Board has fully disclosed to you separate arrangements with the same entity or related parties that are entered into at or near the same time.

For revenue arrangements involving multiple deliverables that are within the scope of EIC 142, Revenue Arrangements with Multiple Deliverables, the Board has properly:

- Considered whether a deliverable(s) in an arrangement is within the scope of other existing higher-level authoritative literature and applied such literature to the extent that it provides guidance regarding whether and/or how to separate multiple-deliverable arrangements and how to allocate value among those separate units of accounting.

- Determined whether revenue arrangements with multiple deliverables consist of more than one unit of accounting at inception of the arrangement and as each item in the arrangement is delivered.

Yours truly,

Board of Governors of Exhibition Place

Dianne Young, Chief Executive Officer

Hardat Persaud, Chief Financial Officer

Appendix D: Independence letter

April 20, 2011

The Finance and Audit Committee of
the Board of Governors of Exhibition Place

To the Members of the Finance and Audit Committee

We have been engaged to audit the financial statements of the Board of Governors of Exhibition Place (the Board) for the year ended December 31, 2010.

Canadian generally accepted auditing standards (GAAS) require that we communicate at least annually with you regarding all relationships between the Exhibition, its management and us that may reasonably be thought to bear on our independence.

In determining which relationships to report, these standards require us to consider relevant rules and related interpretations prescribed by the Ontario provincial institute covering such matters as:

- (a) holding a financial interest, either directly or indirectly, in a client;
- (b) serving as an officer or director of a client;
- (c) performance of management functions for an assurance client;
- (d) personal or business relationships of immediate family, close relatives, partners or retired partners, either directly or indirectly, with a client or its management;
- (e) economic dependence on a client;
- (f) long association of senior personnel with a listed entity audit client;
- (g) audit committee approval of services to a listed entity audit client; and
- (h) provision of services in addition to the audit engagement.

We have prepared the following comments to facilitate our discussion with you regarding independence matters.

We are not aware of any relationships between the Board or its management and PricewaterhouseCoopers LLP that may reasonably be thought to bear on our independence, that have occurred to April 20, 2011.



We hereby confirm that we are independent with respect to the Board within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario as of April 20, 2011.

This report is intended solely for the use of the Finance and Audit Committee, the Board of Governors, management, and others within the Board and should not be used for any other purposes.

We look forward to discussing with you the matters addressed in this letter at our upcoming meeting on April 26, 2011.

Yours very truly,

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

www.pwc.com/ca

© 2011 PricewaterhouseCoopers LLP. All rights reserved. "PricewaterhouseCoopers" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.