Examination Report: Metropolitan Pier and Exposition Authority Exhibitor Rights Legislation

January 17, 2012
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EXECUTIVE SUMMARY
Executive Summary

Effective August 1, 2010, the Metropolitan Pier and Exposition Authority ("MPEA") Act 70 ILCS 2010, was amended by Public Acts 096-0898 and 096-0899 (the "Legislative Reforms"). The intent of the Legislative Reforms was to save exhibitors money at Chicago’s McCormick Place.

Management of the MPEA engaged Crowe Horwath LLP ("we", or "Crowe") to perform examinations that certain rights provided in the Legislative Reforms were complied with, and that exhibitors saved money as a result of the Legislative Reforms.

Specifically, the following assumptions were tested.

1. Sections 5.4(c)(1)-(5), which allow the exhibitor and exhibitor employees to perform certain activities themselves, and to load and unload their materials from privately owned vehicles, were complied with for a sample of shows.

2. Section 5.4(c)(16), which requires that crew sizes for any task shall not exceed two persons unless the Authority determines otherwise based on safety considerations, was complied with for a sample of shows and exhibitors, and resulted in smaller crew sizes for the sample of exhibitors.

3. Sections 5.4(c)(6) – (11), which set forth certain time windows for straight-time, over-time, and double-time wages for union contractors, were complied with for a sample of shows and exhibitors.

4. Exhibitor rights set forth in the Legislative Reforms have produced cost reductions for exhibitors.

The examinations included testing published exhibitor kits and testing billing records for three selected shows which were serviced by GES, Freeman, and/or McCormick Place’s ETS/Focus One group. The specific shows that participated in the examination, with applicable dates, were as follows:

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<th>Show</th>
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* The Graph Expo in 2011 is considered “pre-legislation” because the Legislative Reforms were suspended due to litigation as of the date of the show on September 11-14, 2011.

The overall population, or the group of items for which the assumptions were tested, includes all exhibitors who had an exhibit in one of the shows listed above. A sample was selected from the population by Crowe, based on the shows MPEA selected for participation. The scope of the examination was limited to the sample of exhibitors for assumptions 2 and 3.

Following is a summary of the results and findings related to each of the four assumptions. Further details are included in the four examination reports and accompanying notes and findings related to our examinations.
1. **Exhibitor’s Own Work:**

The activities exhibitors were allowed to do on their own, as specified in the Legislative Reforms, were published in exhibitor kits for the sample of shows we tested. No exceptions were noted.

2. **Reduced Crew Sizes:**

During the testing of a sample of 107 exhibitors, we found that 71% used crews sized no larger than two people subsequent to the Legislative Reforms. The Legislative Reforms set a maximum allowable crew size of two persons, but allow the MPEA to approve larger crew sizes due to safety. However, because the MPEA did not require documentation of approval for larger crew sizes, we were unable to determine that instances of crew sizes larger than two people were authorized by MPEA. We recommend that MPEA work to develop a process to conduct post-event reviews of crew sizes, with the goal of standardizing approval of certain routine exceptions with the input of the Advisory Council. MPEA indicated that they agree with our recommendation and that they intend to work with the Advisory Council on developing such a process.

3. **Labor Work Rules:**

We found that the specified rights related to work rules were followed for the 100 out of 107 (94%) of the exhibitor files we were able to test. There were deviations from the required compliance guidelines for 7 of the exhibitors’ billing records tested. The deviations included missing information for 5 of the files, and also included one instance of an exhibitor being billed at double-time rates instead of straight-time, and one instance of an exhibitor being billed for more straight-time hours than were worked.

We recommend that the general contractors and ETS/Focus One develop formal procedures to ensure the complete and accurate maintenance of exhibitor files and billings, and that all parties regularly perform internal audits to test that the procedures are being followed.

4. **Cost Savings:**

Crowe found that 89 out of a total of 107 exhibitors selected to test (84%), which covered three shows, incurred less labor costs post-legislation, subject to the limitations described below. As previously described, we were unable to test 5 of the exhibitor files in the sample of 107 as the files were not provided by the show contractors.

We were unable to obtain complete listings from the show contractors representing all exhibitor billings, and we were unable to verify exhibitor billings to the underlying general ledgers of show contractors. Additionally, due to the number of variables inherently present in any trade show year over year, we were unable to determine if costs savings identified in our testing were the result of the Legislative Reforms or were due to other uncontrollable factors. As such, we cannot project the results found in the sample we examined to the entire population of exhibitors. Therefore, we are unable to express an opinion on the assumption that exhibitors saved money.

We recommend that revisions be considered to the Legislative Reforms, either to require additional specific information, or to modify the nature of the assurance required, in order to produce informative and effective monitoring results for all constituents. MPEA indicated that they agree with our recommendation, and that they intend to work with the Advisory Council to seek modification of the Legislative Reforms. This finding is further explained in the “Conclusions” section that follows.
Conclusions

Section 5.4(e) of the Legislative Reforms requires MPEA to perform audits and examinations to determine and verify that the exhibitor rights legislation has produced cost reductions for exhibitors and that those cost reductions have been fairly passed along to the exhibitors. While the legislation requires MPEA to implement, enforce, and administer the act, the effectiveness and practicality of the audit provision of the Legislative Reforms is limited due to certain factors.

Those factors are as follows:

- The legislation requires that show contractors, show managers, and exhibitors participate in audits under the Legislative Reforms, but specifics on the level of information and detail to be provided, and the timing of responses to such requests, is not stipulated in the legislation as it currently reads. This resulted in limitations in the information that was available for Crowe to examine, and also led to delays in the receipt of certain information. In order to allow for an examination under the attestation standards established by the American Institute of Public Accountants (AICPA), specific details on the required information to be provided and the response time would need to be clarified within the Legislative Reforms.

- The legislation requires an examination of cost savings twice every calendar year. After the Legislative Reforms are initially implemented for each trade show, additional savings in future post-legislation years are not as likely to occur, making it probable that additional audits specific to cost savings (assumption 4) will be of limited value.

- There are inherent limitations based on the nature of the industry that prohibit the analysis of cost savings. Certain factors can be controlled in a sample of exhibitors, such as the specific exhibitors tested, exhibit square footage, and exhibit weight. However, even if those factors are consistent year to year, inherent variability will likely occur, such as different labor decisions by the exhibitor, more or less complex exhibits (which would require more or less labor to set up and dismantle), and a myriad of other factors. Therefore, the Legislative Reforms require an audit of data that is inherently difficult to audit.

An allowance for periodic independent accountant’s consulting engagements or limited scope examinations may be more informative and effective going forward in lieu of the current restrictive requirements for examinations within the attestation standards of the AICPA. A consulting engagement or limited scope examination performed by an independent accountant would allow more flexibility in the type of information we could report and would help address the concern of limitations on the level of detail provided by show contractors.

In conclusion, we recommend that MPEA consider legislative remedy to the current Legislative Reforms, either to require additional specific information, or to modify the nature of independent accountant’s assurance required, in order to produce more informative and effective monitoring results for all constituents. MPEA indicated that they agree with our recommendation, and that they intend to work with the Advisory Council to seek modification of the Legislative Reforms.
Exhibitor Rights Examination Reports
(1) Independent Accountant’s Report on
Examination of Legislative Reforms Allowing
Exhibitors to Do Their Own Work

Mr. James R. Reilly, Trustee
Metropolitan Pier and Exposition Authority

We examined MPEA’s assertion that Sections 5.4(c)(1)- (5) of the Metropolitan Pier and Exposition Authority (“MPEA”) Act 70 ILCS 2010, as amended by Public Acts 096-0898 and 096-0899 (the “Legislative Reforms”), were complied with by being published in exhibitor kits for a sample of shows that occurred subsequent to August 1, 2010. MPEA is responsible for the assertion. Our responsibility is to express an opinion on the assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management’s assertion and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Specifically, we examined the assertion that Sections 5.4(c)(1)- (5) were complied with, by means of the rights being offered to exhibitors in published exhibitor kits for a sample of three shows selected by MPEA which took place subsequent to the Legislative Reforms being enacted. Sections 5.4(c)(1)- (5) allow the exhibitor and exhibitor employees to perform certain activities themselves and to load and unload their materials from privately owned vehicles.

In our opinion, MPEA’s assertion referred to above is fairly stated, in all material respects, based on the rights specified in Sections 5.4(c)(1)- (5) being published in exhibitor kits for the sample of shows subject to the examination procedures.

Crowe Horwath LLP

Chicago, Illinois
January 17, 2012
(2) Independent Accountant's Report on Examination of Legislative Reforms Reducing Crew Sizes

Mr. James R. Reilly, Trustee
Metropolitan Pier and Exposition Authority

We examined MPEA’s assertion that Section 5.4(c)(16) of the Metropolitan Pier and Exposition Authority ("MPEA") Act 70 ILCS 2010, as amended by Public Acts 096-0898 and 096-0899 (the "Legislative Reforms"), was complied with by resulting in smaller crew sizes for a sample of exhibitors who participated in shows taking place subsequent to August 1, 2010. MPEA is responsible for the assertion. Our responsibility is to express an opinion on the assertion based on our examination.

Except as discussed below, our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting management’s assertion and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Specifically, we examined the assertion that Section 5.4(c)(16) resulted in smaller crew sizes for a sample of 107 exhibitors. Section 5.4(c)(16) requires that crew sizes for any task shall not exceed two persons unless the MPEA determines otherwise based on safety considerations. The sample of exhibitors was taken from three shows selected by MPEA which took place subsequent to the Legislative Reforms being enacted.

We were unable to verify that the MPEA approved crew sizes greater than two persons in cases where we noted that larger crews were utilized, because MPEA did not require documentation of approval.

In our opinion, except for the effects of the scope limitation described in the preceding paragraph, MPEA’s assertion referred to above is fairly stated, in all material respects, based on the rights specified in Section 5.4(c)(16) resulting in smaller crew sizes for the sample of exhibitors.

Crowe Horwath LLP

Chicago, Illinois
January 17, 2012

www.crowehorwath.com
(3) Independent Accountant’s Report on
Examination of Work Rule Changes of the Legislative Reforms

Mr. James R. Reilly, Trustee
Metropolitan Pier and Exposition Authority

We examined compliance with the work rule changes in Sections 5.4(c)(6) – (11) of the Metropolitan Pier and Exposition Authority (“MPEA”) Act 70 ILCS 2010, as amended by Public Acts 096-0896 and 096-0899 (the “Legislative Reforms”), for a sample of exhibitors who participated in shows taking place subsequent to August 1, 2010. MPEA is responsible for overseeing compliance with these requirements. Our responsibility is to express an opinion on compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting compliance and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Specifically, we examined that Sections 5.4(c)(6) – (11), which set forth certain time windows for straight-time, over-time, and double-time wages for union contractors, were complied with for a sample of 107 exhibitors. The sample of exhibitors was taken from three shows selected by MPEA which took place subsequent to the Legislative Reforms being enacted.

As described further in Attachment A, our examination disclosed deviations from the required compliance guidelines for certain billing records tested. The deviations included two billing errors and five missing or incomplete billing files.

In our opinion, except for the noncompliance described in the preceding paragraph, in all material respects, the rights specified in Section 5.4(c)(6) – (11) related to work rule changes were complied with for the sample of exhibitors.

Chicago, Illinois
January 17, 2012

Crowe Horwath LLP

www.crowehorwath.com
(4) Independent Accountant's Report on Examination of Cost Savings Due to the Legislative Reforms

Mr. James R. Reilly, Trustee
Metropolitan Pier and Exposition Authority

We were engaged to examine MPEA's assertion that exhibitors have experienced cost savings as a result of the McCormick Place exhibitor rights provided in the Metropolitan Pier and Exposition Authority ("MPEA") Act 70 ILCS 2010, as amended by Public Acts 096-0898 and 096-0899 (the "Legislative Reforms"). MPEA is responsible for the assertion.

Specifically, we were engaged to examine management's assertion that the exhibitor rights set forth in the Legislative Reforms have produced cost reductions for exhibitors for a sample of shows selected by management.

Due to restricted access to certain financial data deemed confidential and proprietary by the show contractors, we were unable to ensure the selection of a statistically valid sample of exhibitors or to verify the completeness of exhibitor billings. Also, due to the number of variables inherently present in any trade show year over year, we were unable to determine if any cost savings identified in our testing were the result of the Legislative Reforms or were due to other uncontrollable factors.

Since we were unable to obtain complete information from the show contractors representing all exhibitor billings, our sample was not statistically valid. In addition, the reasons for cost changes cannot be isolated to the Legislative Reforms. Therefore, we cannot project the results found in the sample we examined to the entire population of exhibitors in order to report on the assertion that exhibitors have experienced cost savings as a result of the Legislative Reforms. The scope of our work was not sufficient to enable us to express, and we do not express, an opinion on MPEA's assertion referred to above.

Chicago, Illinois
January 17, 2012

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SUMMARY OF SIGNIFICANT ASSUMPTIONS

Assumptions
The following assumptions were made in accordance with the Metropolitan Pier and Exposition Authority (“MPEA”) Act 70 ILCS 2010, as amended by Public Acts 096-0898 and 096-0899 (70 ILCS 210/5.4) (“Act”), which can be found in Attachment B of this report. The assumptions were made in order to perform an examination in accordance with the Audits of Exhibitor Rights provision of the Act.

1. Sections 5.4(c)(1)-(5), which allow the exhibitor and exhibitor employees to perform certain activities themselves, and to load and unload their materials from privately owned vehicles, were complied with for a sample of shows.
2. Section 5.4(c)(16), which requires that crew sizes for any task shall not exceed two persons unless the Authority determines otherwise based on safety considerations, was complied with for a sample of shows and exhibitors, and resulted in smaller crew sizes for the sample of exhibitors.
3. Sections 5.4(c)(6) – (11), which set forth certain time windows for straight-time, over-time, and double-time wages for union contractors, were complied with for a sample of shows and exhibitors.
4. Exhibitor rights set forth in the Legislative Reforms have produced cost reductions for exhibitors.

Detailed assumptions and limitations associated with each of the four assumptions above are described in further detail in the Notes that follow.

In order to perform the examination in accordance with the Act, certain shows were selected for the examination at the discretion of MPEA management. The shows were selected based on certain factors including the shows that conducted events both prior to and after the implementation of the Act. The effective date of the Act was August 1, 2010; therefore, shows were selected based on this primary consideration.

The scope of the examination includes all labor costs associated with shows held at McCormick Place. Various parties are included within the scope of the examination, including: exhibitors, show management, show contractors, and MPEA. In accordance with the Act, show managers and contractors are to comply with the audit provisions found within the Act. Show managers and contractors maintain certain information relating to the billings for each show and the costs paid by exhibitors.

Exhibitor appointed contractors were excluded from testing because package pricing (most commonly used) does not allow detailed testing of man hours attributable to specific exhibitor booths. Only general show contractors and the MPEA are included in the scope of the examination. Exhibitor appointed contractors may be subject to future examinations. Herein, any reference to show contractors refers to general show contractors (specifically, GES and/or Freeman).
SUMMARY OF SIGNIFICANT ASSUMPTIONS (Continued)

**Show Selection**
Management selected the following four shows that took place both prior to and subsequent to the enactment of the Legislative Reforms:

- International Manufacturing Technology Show
- International Home and Housewares Show
- America’s Beauty Show
- ProMat Show

Subsequent to the selection of the sample listed above, the show managers of the America’s Beauty Show and ProMat Show shows refused to participate in the examination. Management chose the Graph Expo as an alternate show.

Therefore, the specific shows that participated in the examination, with applicable dates, were as follows:

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* The Graph Expo in 2011 is considered “pre-legislation” because the Legislative Reforms were suspended due to litigation as of the date of the show on September 11-14, 2011.

**Population**
The overall population, or the group of items for which the assumptions were tested, includes all exhibitors who had an exhibit in one of the shows listed above. A sample was selected from the population by the independent auditors, based on the shows MPEA selected for participation. The scope of the examination was limited to the sample that the independent auditors selected for assumptions 2 and 3.

The sample of items considered only exhibitors who exhibited in the applicable shows both for the post-legislation and pre-legislation years noted above.

For the International Manufacturing Technology Show and the International Home and Housewares Show, the sample was selected only from exhibitors with the same square footage of exhibit space in both years. For the Graph Expo, the sample was selected only from exhibitors with the same square footage, or with similar square footage that varied by less than 500 square feet of exhibit space, in all three shows covered by the examination procedures.

Detailed assumptions for each test follow.
NOTE 1 – ASSUMPTIONS RELATED TO SECTIONS 5.4(c)(1) – (5)

Sections 5.4(c)(1)- (5), which allow the exhibitor and exhibitor employees to perform certain activities themselves, were complied with for the sample of shows indicated above. The activities covered by the Legislative Reforms are paraphrased below:

- Set-up and dismantle exhibits, materials, machinery, signs, or equipment on Authority premises.
- Load and unload materials from privately owned vehicles.

Assumption
Show management published the new rights in exhibitor manuals, informing exhibitors of the right to do their own work after the Legislative Reforms.

NOTE 2 – ASSUMPTIONS RELATED TO SECTION 5.4(c)(16)

Section 5.4(c)(16), which requires that crew sizes for any task shall not exceed two persons, unless the Authority determines otherwise based on safety considerations, was complied with for a sample of shows and exhibitors, and resulted in smaller crew sizes for the sample of exhibitors.

Assumption
Crew sizes decreased subsequent to the Legislative Reforms, and crew sizes for the specific exhibitors selected can be tested through invoices that document labor performing services.

NOTE 3 – ASSUMPTIONS RELATED TO SECTIONS 5.4(6) - (11)

Sections 5.4(6) - (11), set forth certain time windows for straight-time, over-time, and double-time wages for union contractors; these rules were complied with for a sample of exhibitors.

Assumption
Compliance with the new time windows for the specific exhibitor selected can be tested through examination of exhibitor invoices or billings.

NOTE 4 – ASSUMPTIONS RELATED TO THE STATEMENT THAT EXHIBITOR RIGHTS SET FORTH IN THE LEGISLATIVE REFORMS HAVE PRODUCED COST REDUCTIONS FOR EXHIBITORS

Exhibitors have saved money as a result of the Legislative Reforms.

Assumption
Cost savings can be identified by comparing total costs paid by exhibitors pre-legislation to total costs paid by exhibitors post-legislation for a sample of shows and a sample of exhibitors.
Attachment A: Findings and Results
FINDINGS AND RESULTS

OVERALL RESULTS: STATUTORY COMPLIANCE

The following assumptions were made in accordance with the Metropolitan Pier and Exposition Authority ("MPEA") Act 70 ILCS 2010, as amended by Public Acts 096-0898 and 096-0899 (70 ILCS 210/5.4) ("Act"), which can be found in Attachment B of this report. The assumptions were made in order to perform an examination in accordance with the Audits of Exhibitor Rights provision of the Act.

1. Sections 5.4(c)(1)- (5), which allow the exhibitor and exhibitor employees to perform certain activities themselves, and to load and unload their materials from privately owned vehicles, were complied with for a sample of shows.
2. Section 5.4(c)(16), which requires that crew sizes for any task shall not exceed two persons unless the Authority determines otherwise based on safety considerations, was complied with for a sample of shows and exhibitors, and resulted in smaller crew sizes for the sample of exhibitors.
3. Sections 5.4(c)(6) – (11), which set forth certain time windows for straight-time, over-time, and double-time wages for union contractors, were complied with for a sample of shows and exhibitors.
4. Exhibitor rights set forth in the Legislative Reforms have produced cost reductions for exhibitors.

Overall Approach
Crowe Horwath LLP (referred to herein as "Crowe", “us”, or “we”) set forth to examine, on a test basis, evidence supporting the billing data under conditions prior to the Legislative reforms and after the Legislative Reforms were passed and phased in, as provided by MPEA, show contractors, show management, and through our observation of the activities undertaken. This included obtaining an understanding of internal controls at MPEA and show contractors to plan the examination and to determine the nature, timing, and extent of the examination procedures to be performed, but was not specifically designed to provide assurance on internal control or to identify reportable conditions. This also included determining procedures, along with the input of MPEA management, to plan and execute the examination.

Sampling Approach
We tested information related to the following post-legislative and pre-legislative shows:

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* The Graph Expo in 2011 is considered “pre-legislation” because the Legislative Reforms were temporarily repealed as of the date of the show held on September 11-14, 2011.

The overall population, or the group of items for which the assumptions were tested, includes all exhibitors who had an exhibit in one of the shows listed above. A sample was selected from the population by the independent auditors, based on the shows MPEA selected for participation.
OVERALL RESULTS: STATUTORY COMPLIANCE (Continued)

The scope of the examination was limited to the sample that the independent auditors selected for assumptions 2 and 3.

The sample of exhibitors was picked with the goal of selecting a number of exhibitors who had similar characteristics year over year. The sample of items considered only exhibitors who exhibited in the applicable shows both for the post-legislation and pre-legislation years noted above.

We tested a sample of exhibitors from each of the three shows, based on management’s guidance. This selection included exhibitors with the largest exhibit spaces in terms of square footage, who for each respective show exhibited in the applicable show both for the respective post-legislation year and pre-legislation years.

The sample from the International Manufacturing Technology Show included the largest 37 booths, by square footage, where the exhibitor had the same exhibit in terms of square footage for both years tested.

The sample from the International Home and Housewares Show included the largest 35 booths, by square footage, where the exhibitor had the same exhibit in terms of square footage for both years tested.

We tested a total sample size of 35 exhibitors from the Graph Expo. The sample from the Graph Expo included the largest 22 booths, by square footage, where the exhibitor had the same exhibit in terms of square footage for all three years tested. In order to gain additional coverage and to compensate for changes that can happen between the three shows, we also tested all exhibitors who had no change in booth size from 2008 to 2010, and also exhibited in 2011. This elicited an additional eight exhibitors. Finally, we also tested a sample of exhibitors with a booth greater than 1,000 square feet that had a comparable booth size over the three years (less than 500 square feet of variation). This provided five more exhibitors, for a total of 35.

Results related to each assumption tested follow.

1. RESULTS - SECTIONS 5.4(c)(1) – (5) - Exhibitors Performing Own Work

Approach
Sections 5.4(c)(1)- (5) allow the exhibitor and exhibitor employees to perform certain activities themselves, and to load and unload their materials from privately owned vehicles. We tested the assumption that these rights were offered for the three shows selected that took place subsequent to the enactment of the Legislative Reforms, as described previously in the “sampling approach” section.

Results
For the specific shows that were tested, we found that the rights in Sections 5.4(c)(1) – (5) were offered to exhibitors within the exhibitor kits.
2. FINDINGS AND RESULTS SECTION 5.4(c)(16) – Reduced Crew Sizes

Approach
Section 5.4(c)(16) requires that crew sizes for any task shall not exceed two persons unless the Authority determines otherwise based on safety considerations. We tested the assumption that the rights resulted in smaller crew sizes for the specific sample of exhibitors described previously in the “sampling approach” section, for the shows that took place subsequent to the enactment of the Legislative Reforms.

Findings
During the testing of a sample of 107 exhibitors, we found that 71% used crews sized no larger than two people subsequent to the Legislative Reforms. We found that 31 of the exhibitors (29%) utilized one or more crew sizes that were larger than two people. The Act, in Section 5.4(c)(16), limits the crew size to two people unless the MPEA determines otherwise, in consultation with the Advisory Council. However, MPEA does not require formal documentation of the approval of crew sizes larger than two people.

The general show contractors and MPEA indicated that larger crew sizes were necessary when a larger booth was being constructed or large machinery was being set up. However, there was no formal documentation that the MPEA determined that crew sizes larger than two people were acceptable or what circumstances should direct show contractors surrounding the need for a larger crew size. Without formal documentation to guide crew size determination, it is not clear whether exhibitors fully received the benefits of reduced crew sizes.

Recommendations
We recommend that the MPEA develop procedures to document the approval of crew sizes larger than two individuals. In practice, decisions to increase crew sizes often need to be made on-site during the run of the show as a matter of safety, and it is neither practical nor feasible for consultation with the MPEA or the Advisory Council to be obtained prior to allowing for a crew size larger than two people. We recommend that MPEA work to develop a process to conduct post-event reviews of crew sizes, with the goal of standardizing approval of certain routine exceptions with the input of the Advisory Council. MPEA indicated that they agree with our recommendation and that they intend to work with the Advisory Council on developing such a process.

Results
For the specific sample of exhibitors that we tested, by comparing detailed billing information from show contractors for a sample of exhibitors both prior to and subsequent to the legislation, we found that a number of crew sizes decreased. However, due to limitations in the determination of MPEA approval of crew sizes larger than two persons, we were unable to determine whether the two person crew size limit was followed when crew sizes of more than two people existed.

3. FINDINGS AND RESULTS - SECTIONS 5.4(6) - (11) – Labor Work Rules

Approach
Sections 5.4(6) - (11) set forth certain time windows for straight-time, over-time, and double-time wages for union contractors. We tested that these rights were complied with for a specific example of exhibitors, as described previously in the “sampling approach” section, which took place subsequent to the enactment of the Legislative Reforms.

We tested billing files at the general show contractors and at MPEA for accuracy and completeness, and accumulated information from the files. We tested billing files at two different general show contractors, GES and Freeman. Show contractors are the primary parties who perform exhibit rental, set-up, installation, dismantling, and decorating to exhibitors. We also tested billing files at MPEA, for ETS/Focus One, McCormick Place’s electrical and technology services function.
Findings
During the testing of selected exhibitor billings (107 exhibitors in total) we reported no exceptions on 100 out of the 107 exhibitors tested (94%). We found the following exceptions:

Freeman:
- One work order supporting services billed to an exhibitor post-legislation was missing from the respective exhibitor file. The work order was missing from the file because it related to services provided by a third party but billed by Freeman; the work order was never retained for Freeman's file.

GES:
- A total of four work orders supporting services billed to the exhibitors post-legislation were missing from the respective exhibitor files. GES indicated that the work orders were possibly misfiled in another exhibitor's file in error and were unable to be located.
- One exhibitor was overcharged for hours worked post-legislation was noted; the overcharge amounted to $114.63. GES indicated that this error was the result of a key-in error in preparing the bill from the underlying work order.

The following exceptions noted at GES are control-related issues but did not affect compliance with the usage of appropriate wage-rate windows post-legislation:
- Four invoices we selected to test included mathematical errors whereby exhibitors were not charged the correct amounts. There was one over-billing in the amount of $128.30. There were three under-billings in amounts ranging from $179.55 - $897.66. These errors occurred because the computer extensions on certain billings caused incorrect extensions of the billings.
- One exhibitor was overbilled for hours worked pre-legislation in the amount of $178.70. GES indicated that this error was the result of a key-in error in preparing the bill from the underlying work order.
- Two exhibitor files were missing (pre-legislation) and therefore we were unable to test the billings for those two exhibitors. GES indicated that the files could have been misfiled along with other exhibitors or shows, or could be located in the legal department of the Company. GES was undergoing a move of their office during the examination which further limited the ability to find these files.
- One work order supporting services billed to an exhibitor pre-legislation were missing from the respective exhibitor file. GES indicated that the work orders were possibly misfiled in another exhibitor's file in error and were unable to be located.

ETS:
- One exhibitor was billed a total of four hours of double-time when the hours should have been incurred at straight-time. The total over-billing amounted to $316.00.

The following exceptions noted at ETS were control-related issues but did not affect compliance with the usage of appropriate wage-rate windows post-legislation:
- Two exhibitors were billed a total of 8.5 hours for over-time when the hours should have been incurred at straight-time. The total over-billing amounted to $478.50. Both exceptions related to pre-legislation shows.
Recommendations
We recommend that the general contractors and ETS/Focus One develop formal procedures to ensure the complete and accurate maintenance of exhibitor files and billings, and that all parties regularly perform internal audits to test that the procedures are being followed. In addition, we recommend that reasons for mathematical errors found on invoices be investigated to determine the cause of the errors to properly resolve them.

Results
We reported no exceptions on 100 out of the 107 exhibitors tested (94%). We reported compliance exceptions on 7 out of the 107 exhibitors tested (6%). The exceptions related to billing information tested affecting post-legislation compliance, including clerical errors and missing billing files, time sheets and work orders.

4. FINDINGS AND RESULTS – ASSUMPTIONS AND LIMITATIONS RELATED TO THE ASSUMPTION THAT EXHIBITOR RIGHTS SET FORTH IN THE LEGISLATIVE REFORMS HAVE PRODUCED COST REDUCTIONS FOR EXHIBITORS

Approach
We tested the assumption that the Legislative Reforms produced cost reductions for exhibitors. We compared the total amounts the show contractors and MPEA billed exhibitors for the three shows selected, as described previously in the “sampling approach” section, which took place post-legislation to the total amounts billed for the respective shows that took place pre-legislation.

We tested billing files for accuracy and completeness, and accumulated information from the files. The testing of billing files occurred at GES, Freeman, and ETS/Focus One (MPEA).

Findings
Due to restricted access to certain financial data deemed confidential and proprietary by the show contractors, we were unable to ensure the selection of a statistically valid sample of exhibitors or to verify the completeness of exhibitor billings. Therefore, we cannot project the results found in the sample we examined to the entire population of exhibitors in order to report on the assumption that exhibitors have experienced cost savings as a result of the Legislative Reforms. Also, comparability of total labor billings between different show years of any trade show is inherently subject to numerous uncontrollable variables, which could have caused exhibitors to incur more or less labor costs despite the Legislative Reforms. Exhibitors may have had more elaborate exhibits, or made different labor usage decisions, causing an exhibit to incur more or less labor independent of the Legislative Reforms.

We did identify the following results related to the specific sample of 107 exhibitors tested. The following summarizes the total change in labor costs paid by the specific sample of exhibitors post-legislation when compared to the total labor costs paid by the same exhibitors pre-legislation:

<table>
<thead>
<tr>
<th></th>
<th>Number of Exhibitors</th>
<th>Increase (Decrease) in Labor Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exhibitors that saved post-legislation</td>
<td>89</td>
<td>$ (1,143,586)</td>
</tr>
<tr>
<td>Exhibitors that did not save post-legislation</td>
<td>18</td>
<td>$ 63,519</td>
</tr>
<tr>
<td>Total net cost-savings post-legislation</td>
<td>107</td>
<td>$ (1,080,067)</td>
</tr>
</tbody>
</table>

As previously described, we were unable to test 5 of the exhibitor files in the sample of 107, because the files were not available, however, we did obtain cost information for the 5 exhibitors, which is included within the table above.
5. FINDINGS – CONSIDERATIONS REGARDING THE AUDIT PROVISION OF THE ACT

The MPEA has the power to implement, enforce, and administer the exhibitor rights set forth in the Act including the promulgation of rules. Section 5.4(e) of the Act requires the MPEA to perform audits to determine and verify that the exhibitor rights legislation has produced cost reductions for exhibitors and those cost reductions have been fairly passed along to the exhibitors. The Act also indicates that when requested, the show contractor or show manager is to provide information and other documentation reasonably necessary to conduct an examination. While the Act authorizes the MPEA to implement, enforce and administer the Act, the audit provision scope has been limited due to certain key matters, including:

- The legislation requires that show contractors, show managers, and exhibitors participate in audits under the Legislative Reforms, but specifics on the level of information and detail to be provided, and the timing of responses to such requests, is not stipulated in the legislation as it currently reads. This resulted in limitations in the information that was available for us to examine, and also led to delays in the receipt of certain information. In order to allow for an examination under the attestation standards established by the American Institute of Public Accountants (AICPA) to be performed, specifics on the detail of information to be provided and response time need to be clarified within the Legislative Reforms.

- The legislation requires an examination of cost savings twice every calendar year. After the Legislative Reforms are initially implemented for each trade show, additional savings in future post-legislation years are not as likely to occur, making it probable that additional audits specific to cost savings (such as the examination of cost savings in report 4) will be of limited value.

- There are inherent limitations based on the nature of the industry that prohibits the analysis of cost savings. Certain factors can be controlled in a sample of exhibitors, such as the specific exhibitors tested, exhibit square footage, and exhibit weight. However, even if those factors are consistent year to year, inherent variability will likely occur, such as different labor decisions by the exhibitor, more or less complex exhibits (which would require more or less labor to complete), and a myriad of other factors. The Legislative Reforms requires an audit of data that is inherently difficult to audit.

Recommendations

MPEA should consider appropriate remedies to implement the provisions of the Act. Specifically, more clarity should be provided in the Act regarding the scope and timing of information to be provided, or the audit requirement should be clarified or expanded to allow for a consulting engagement performed by an independent accountant, which would produce more detailed and potentially useful information. Further, the requirement to test cost savings in perpetuity should be revisited since this requirement will become less relevant as time passes.

An allowance for an independent accountant to perform periodic consulting engagements or limited scope examinations may be more informative and effective going forward in lieu of the current restrictive requirements for examinations in compliance with the AICPA attestation standards. A consulting engagement or limited scope examination by an independent accountant would allow more flexibility in the type of information an independent accountant could report and would help address the concern of limitations on the level of detail provided by show contractors, which was not sufficient for us to render an overall examination opinion.

Also, the scope of information to be provided by various parties is not specified within the Act. The Act only requires that all parties cooperate with an audit, which can be subject to interpretation. In order for an opinion to be rendered, an independent accountant must be able to obtain a population of all
exhibitors for the show that is being tested, and must be able to verify that the population is complete, so that a valid sample may be chosen and so that the results of testing can be projected to all exhibitors.

In conclusion, we recommend that MPEA consider legislative remedy to the current Legislative Reforms, either to require additional specific information, or to modify the nature of independent accountant’s assurance required, in order to produce more informative and effective monitoring results for all constituents. MPEA indicated that they agree with our recommendation, and that they intend to work with the Advisory Council to seek modification of the Legislative Reforms.
Attachment B:
Exhibitor Rights Legislation
(70 ILCS 210/5.4)
Sec. 5.4. Exhibitor rights and work rule reforms.

(a) Legislative findings.

(1) The Authority is a political subdivision of the State of Illinois subject to the plenary authority of the General Assembly and was created for the benefit of the general public to promote business, industry, commerce, and tourism within the City of Chicago and the State of Illinois.

(2) The Authority owns and operates McCormick Place and Navy Pier, which have collectively 2.8 million square feet of exhibit hall space, 700,000 square feet of meeting room space.

(3) The Authority is a vital economic engine that annually generates 65,000 jobs and $8 billion of economic activity for the State of Illinois through the trade shows, conventions, and other meetings held and attended at McCormick Place and Navy Pier.

(4) The Authority supports the operation of McCormick Place and Navy Pier through not only fees on the rental of exhibit and meeting room space, electrical and utility service, food and beverage services, and parking, but also hotel room rates paid by persons staying at the Authority-owned hotel.

(5) The Authority has a compelling and proprietary interest in the success, competitiveness, and continued viability of McCormick Place and Navy Pier as the owner and operator of the convention facilities and its obligation to ensure that these facilities produce sufficient operating revenues.

(6) The Authority's convention facilities were constructed and renovated through the issuance of public bonds that are directly repaid by State hotel, auto rental, food and beverage, and airport and departure taxes paid principally by persons who attend, work at, exhibit, and provide goods and services to conventions, shows, exhibitions, and meetings at McCormick Place and Navy Pier.

(7) State law also dedicates State occupation and use tax revenues to fulfill debt service obligations on these bonds should State hotel, auto rental, food and beverage, and airport and departure taxes fail to generate sufficient revenue.

(8) Through fiscal year 2010, $55 million in State occupation and use taxes will have been allocated to make debt service payments on the Authority's bonds due to shortfalls in State hotel, auto rental, food and beverage, and airport and departure taxes. These shortfalls are expected to continue in future fiscal years and would require the annual dedication of approximately $40 million in State occupation and use taxes to fulfill debt service payments.
(9) In 2009, managers of the International Plastics Showcase announced that 2009 was the last year they would host their exhibition at McCormick Place, as they had since 1971, because union labor work rules and electric and food service costs make it uneconomical for the show managers and exhibitors to use McCormick Place as a convention venue as compared to convention facilities in Orlando, Florida and Las Vegas, Nevada. The exhibition used over 740,000 square feet of exhibit space, attracted over 43,000 attendees, generated $4.8 million of revenues to McCormick Place, and raised over $200,000 in taxes to pay debt service on convention facility bonds.

(10) After the International Plastics Showcase exhibition announced its departure, other conventions and exhibitions managers and exhibitors also stated that they would not return to McCormick Place and Navy Pier for the same reasons cited by the International Plastics Showcase exhibition. In addition, still other managers and exhibitors stated that they would not select McCormick Place as a convention venue unless the union labor work rules and electrical and food service costs were made competitive with those in Orlando and Las Vegas.

(11) The General Assembly created the Joint Committee on the Metropolitan Pier and Exposition Authority to conduct hearings and obtain facts to determine how union labor work rules and electrical and food service costs make McCormick Place and Navy Pier uneconomical as a convention venue.

(12) Witness testimony and fact-gathering revealed that while the skilled labor provided by trade unions at McCormick Place and Navy Pier is second to none and is actually "exported" to work on conventions and exhibitions held in Orlando and Las Vegas, restrictive work rules on the activities show exhibitors may perform present exhibitors and show managers with an uninviting atmosphere and result in significantly higher costs than competing convention facilities.

(13) Witness testimony and fact-gathering also revealed that the mark-up on electrical and food service imposed by the Authority to generate operating revenue for McCormick Place and Navy Pier also substantially increased exhibitor and show organizer costs to the point of excess when compared to competing convention facilities.

(14) Witness testimony and fact-gathering further revealed that the additional departure of conventions, exhibitions, and trade shows from Authority facilities threatens the continued economic viability of these facilities and the stability of sufficient tax revenues necessary to support debt service.
(15) In order to safeguard the Authority's and State of Illinois' shared compelling and proprietary interests in McCormick Place and Navy Pier and in response to local economic needs, the provisions contained in this Section set forth mandated changes and reforms to restore and ensure that (i) the Authority's facilities remain economically competitive with other convention venues and (ii) conventions, exhibitions, trade shows, and other meetings are attracted to and retained at Authority facilities by producing an exhibitor-friendly environment and by reducing costs for exhibitors and show managers.

(16) The provisions set forth in this Section are reasonable, necessary, and narrowly tailored to safeguard the Authority's and State of Illinois' shared and compelling proprietary interests and respond to local economic needs as compared to the available alternative set forth in House Bill 4900 of the 96th General Assembly and proposals submitted to the Joint Committee on the Metropolitan Pier and Exposition Authority. Action by the State offers the only comprehensive means to remedy the circumstances set forth in these findings, despite the concerted and laudable voluntary efforts of the Authority, labor unions, show contractors, show managers, and exhibitors.

(b) Definitions. As used in this Section:

"Booth" means the demarcated exhibit space of an exhibitor on Authority premises.

"Contractor" or "show contractor" means any person who contracts with the Authority, an exhibitor, or with the manager of a show to provide any services related to drayage, rigging, carpentry, decorating, electrical, maintenance, mechanical, and food and beverage services or related trades and duties for shows on Authority premises.

"Exhibitor" or "show exhibitor" means any person who contracts with the Authority or with a manager or contractor of a show held or to be held on Authority premises.

"Exhibitor employee" means any person who has been employed by the exhibitor as a full-time employee for a minimum of 6 months before the show's opening date.

"Hand tools" means cordless tools, power tools, and other tools as determined by the Authority.

"Licensee" means any entity that uses the Authority's premises.

"Manager" or "show manager" means any person that owns or manages a show held or to be held on Authority premises.

"Personally owned vehicles" means the vehicles owned by show exhibitors or the show management, excluding commercially registered trucks, vans, and other vehicles as determined by the Authority.
"Premises" means grounds, buildings, and facilities of the Authority.

"Show" means a convention, exposition, trade show, event, or meeting held on Authority premises by a show manager or show contractor on behalf of a show manager.

"Union employees" means workers represented by a labor organization, as defined in the National Labor Relations Act, providing skilled labor services to exhibitors, a show manager, or a show contractor on Authority premises.

(c) Exhibitor rights.

In order to control costs, increase the competitiveness, and promote and provide for the economic stability of Authority premises, all Authority contracts with exhibitors, contractors, and managers shall include the following minimum terms and conditions:

(1) Consistent with safety and the skills and training necessary to perform the task, as determined by the Authority, an exhibitor and exhibitor employees are permitted in a booth of any size with the use of the exhibitor's ladders and hand tools to:

   (i) set-up and dismantle exhibits displayed on Authority premises;

   (ii) assemble and disassemble materials, machinery, or equipment on Authority premises; and

   (iii) install all signs, graphics, props, balloons, other decorative items, and the exhibitor's own drapery, including the skirting of exhibitor tables, on the Authority's premises.

(2) An exhibitor and exhibitor employees are permitted in a booth of any size to deliver, set-up, plug in, interconnect, and operate an exhibitor's electrical equipment, computers, audio-visual devices, and other equipment.

(3) An exhibitor and exhibitor employees are permitted in a booth of any size to skid, position, and re-skid all exhibitor material, machinery, and equipment on Authority premises.

(4) An exhibitor and exhibitor employees are prohibited at any time from using scooters, forklifts, pallet jacks, condors, scissors lifts, motorized dollies, or similar motorized or hydraulic equipment on Authority premises.

(5) The Authority shall designate areas, in its discretion, where exhibitors may unload and load exhibitor materials from privately owned vehicles at Authority premises with the use of non-motorized hand trucks and dollies.
(6) On Monday through Friday for any consecutive 8-hour period during the hours of 6:00 a.m. and 10:00 p.m., union employees on Authority premises shall be paid straight-time hourly wages plus fringe benefits. Union employees shall be paid straight-time and a half hourly wages plus fringe benefits for labor services provided after any consecutive 8-hour period; provided, however, that between the hours of midnight and 6:00 a.m. union employees shall be paid double straight-time wages plus fringe benefits for labor services.

(7) On Monday through Friday for any consecutive 8-hour period during the hours of 6:00 a.m. and 10:00 p.m., a show manager or contractor shall charge an exhibitor only for labor services provided by union employees on Authority premises based on straight-time hourly wages plus fringe benefits along with a reasonable mark-up. After any consecutive 8-hour period, a show manager or contractor shall charge an exhibitor only for labor services provided by union employees based on straight-time and a half hourly wages plus fringe benefits along with a reasonable mark-up; provided, however, that between the hours of midnight and 6:00 a.m. a show manager or contractor shall charge an exhibitor only for labor services provided by union employees based on double straight-time wages plus fringe benefits along with a reasonable mark-up.

(8) On Saturdays for any consecutive 8-hour period, union employees on Authority premises shall be paid straight-time and a half hourly wages plus fringe benefits. After any consecutive 8-hour period, union employees on Authority premises shall be paid double straight-time hourly wages plus fringe benefits; provided, however, that between the hours of midnight and 6:00 a.m. union employees shall be paid double straight-time wages plus fringe benefits for labor services.

(9) On Saturdays for any consecutive 8-hour period, a show manager or contractor shall charge an exhibitor only for labor services provided by union employees on Authority premises based on straight-time and a half hourly wages plus fringe benefits along with a reasonable mark-up. After any consecutive 8-hour period, a show manager or contractor shall charge an exhibitor only for labor services provided by union employees based on double straight-time hourly wages plus fringe benefits along with a reasonable mark-up; provided, however, that between the hours of midnight and 6:00 a.m. a show manager or contractor shall charge an exhibitor only for labor services provided by union employees based on double straight-time wages plus fringe benefits along with a reasonable mark-up.

(10) On Sundays and on State and federal holidays, union employees on Authority premises shall be paid double straight-time hourly wages plus fringe benefits.

(11) On Sundays and on State and federal holidays, a show manager or contractor shall charge an exhibitor only for labor services provided by union employees on Authority premises based on double straight-time hourly wages plus fringe benefits along with a reasonable mark-up.
(12) The Authority has the power to determine, after consultation with the Advisory Council, the work jurisdiction and scope of work of union employees on Authority premises during the move-in, move-out, and run of a show, provided that any affected labor organization may contest the Authority's determination through a binding decision of an independent, third-party arbitrator. When making the determination, the Authority or arbitrator, as the case may be, shall consider the training and skills required to perform the task, past practices on Authority premises, safety, and the need for efficiency and exhibitor satisfaction. These factors shall be considered in their totality and not in isolation. Nothing in this item permits the Authority to eliminate any labor organization representing union employees that provide labor services on the move-in, move-out, and run of the show as of the effective date of this amendatory Act of the 96th General Assembly.

(13) During the run of a show, all stewards of union employees shall be working stewards. Subject to the discretion of the Authority, no more than one working steward per labor organization representing union employees providing labor services on Authority premises shall be used per building and per show.

(14) An exhibitor or show manager may request by name specific union employees to provide labor services on Authority premises consistent with all State and federal laws. Union employees requested by an exhibitor shall take priority over union employees requested by a show manager.

(15) A show manager or show contractor on behalf of a show manager may retain an electrical contractor approved by the Authority or Authority-provisioned electrical services to provide electrical services on the premises. If a show manager or show contractor on behalf of a show manager retains Authority-provisioned electrical services, then the Authority shall offer these services at a rate not to exceed the cost of providing those services.

(16) Crew sizes for any task or operation shall not exceed 2 persons unless, after consultation with the Advisory Council, the Authority determines otherwise based on the task, skills, and training required to perform the task and on safety.

(17) An exhibitor may bring food and beverages on the premises of the Authority for personal consumption.

(18) Show managers and contractors shall comply with any audit performed under subsection (e) of this Section.

(19) A show manager or contractor shall charge an exhibitor only for labor services provided by union employees on Authority premises on a minimum half-hour basis.
The Authority has the power to implement, enforce, and administer the exhibitor rights set forth in this subsection, including the promulgation of rules. The Authority also has the power to determine violations of this subsection and implement appropriate remedies, including, but not limited to, barring violators from Authority premises.

(d) Advisory Council.

(1) An Advisory Council is hereby established to ensure an active and productive dialogue between all affected stakeholders to ensure exhibitor satisfaction for conventions, exhibitions, trade shows, and meetings held on Authority premises.

(2) The composition of the Council shall be determined by the Authority consistent with its existing practice for labor-management relations.

(3) The Council shall hold meetings no less than once every 90 days.

(e) Audit of exhibitor rights.

The Authority shall retain the services of a person to complete, at least twice per calendar year, a financial statement audit and compliance attestation examination to determine and verify that the exhibitor rights set forth in this Section have produced cost reductions for exhibitors and those cost reductions have been fairly passed along to exhibitors. The financial statement audit shall be performed in accordance with generally accepted auditing standards. The compliance attestation examination shall be (i) performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and shall examine the compliance with the requirements set forth in this Section and (ii) conducted by a licensed public accounting firm, selected by the Authority from a list of firms prequalified to do business with the Illinois Auditor General. Upon request, a show contractor or manager shall provide the Authority or person retained to provide auditing services with any information and other documentation reasonably necessary to perform the obligations set forth in this subsection. Upon completion, the report shall be submitted to the Authority and made publicly available on the Authority's website.

(f) Exhibitor service reforms. The Authority shall make every effort to substantially reduce exhibitor's costs for participating in shows.

(1) Any contract to provide food or beverage services in the buildings and facilities of the Authority, except Navy Pier, shall be provided at a rate not to exceed the cost established in the contract. The Board shall periodically review all food and beverage contracts.

(2) A department or unit of the Authority shall not serve as the exclusive provider of electrical services.
(3) Exhibitors shall receive a detailed statement of all costs associated with utility services, including the cost of labor, equipment, and materials.

(g) Severability. If any provision of this Section or its application to any person or circumstance is held invalid, the invalidity of that provision or application does not affect other provisions or applications of this Section that can be given effect without the invalid provision or application.

(Source: P.A. 96-898, eff. 5-27-10; 96-899, eff. 5-28-10.)