

January 13, 2009

ACTION REQUIRED

To: The Board of Governors of Exhibition Place

From: Dianne Young
Chief Executive Officer

Subject: **Amendment to Servomation Inc. Agreement**

Summary:

This report recommends the Board approve the amendment to the existing agreement with Servomation (c.o.b. as Centerplate) as outlined below. As part of its marketing plan, Servomation is looking to enhance its revenue stream; add new concepts using subcontractors; and improve two concession stands that Centerplate is currently operating on their own. While Exhibition Place has over the years approved of subcontractors operating within the Direct Energy Centre, these subcontractors have operated from portable units and not within the “built-in” concession stands. However, Centerplate believe that this change will add some new concepts that are used in similar trade/consumer facilities and have proven to be successful. Through this change Centerplate believe they will have the opportunity of improving overall sales by 5%.

To protect the Board’s interest and revenue stream, all subcontractors engaged by Servomation must first be approved annually by Exhibition Place and when presented Exhibition Place considers not only the food mix but the standard of operation of the subcontractor.

Currently, only sales from concessions are included in Gross Revenues (as defined by the agreement) in order to determine minimum annual commissions due to the Board. However, the proposed amendment will also include revenue from these two new subcontracted concession stands as part of annual Gross Revenues for the purpose of calculating fees and commissions. Accordingly, this should have no impact on annual minimum fees payable to the Board.

Recommendation:

It is recommended that the Board approve the amendment to the existing Section 5.1.3 of the Agreement with Centerplate on the terms and conditions outlined in this report and other such terms and conditions satisfactory to the Chief Executive Officer and the City Solicitor.

Financial Impact:

There are no negative financial impact from the approval of the agreement between the Board and Servomation. Under this agreement, no sales should be taken away from the existing concessions revenue stream and revenue from subcontractors will likely increase from the new concepts and refreshed concession stands.

Decision History:

At the October 2002 meeting of the Board, approval was given to enter into an Agreement with Servomation as the exclusive provider of food and beverage services within the Direct Energy Centre which agreement will expire on June 30, 2010.

Issue Background:

As part of its marketing plan, Servomation is looking to enhance its revenue stream and refresh their product line by adding new concepts using subcontractors in two concession stands that they are currently operating on their own; one stand in Hall A and one in Hall B. This will add some new concepts that are used by Centerplate in similar trade/consumer facilities which have proven to be successful. At this point, Servomation is thinking of providing food selections to appeal to Toronto's diverse communities (ie swarma, mediterranean salads, gyros) and other popular foods such as crepes.

To protect the Board's interest and revenue stream, all subcontractors hired by Servomation must first be approved annually by Exhibition Place. Currently, only sales from concessions are included in Gross Revenues (as defined by the agreement) in order to determine minimum annual commissions due to the Board. However, the proposed amendment will also include revenue from these two new subcontracted concession stands as part of annual Gross Revenues for the purpose of calculating fees and commissions. Accordingly; this should have no impact on annual minimum fees payable to the Board.

Comments:

Pursuant to the existing Centerplate, Section 5.1.3 reads as follows:

For greater certainty, the parties agree that the following revenues shall not be included in annual Gross Revenues for the purpose of calculating fees and commissions under this section 5.1:

- (a) Revenues generated in the Agreement from Food Services provided by the FSP within the Coliseum and those events listed in Article 2.4 above; and
- (b) Revenues from Subcontractors shared with the Board under section 5.1.2;

Exhibition Place staff are recommending that Section 5.1.3 be deleted and replaced as follows:

“For greater certainty, the parties agree that the following revenues shall not be included in annual Gross Revenues for the purposes of calculating fees and commissions under this Section 5.1:

- (a) Revenues generated under this Agreement from Food Services provided by the FSP within the Coliseum and those events listed in Article 2.4 above; and
- (b) Revenues from Subcontractors shared with the Board under Section 5.1.2, with the exception of Subcontractor revenues derived from those retail locations in the Facility denoted as “Concession Stand #2 located in the south west corner in Hall ‘A’ and Concession Stand #5 located in the south west corner in Hall ‘B’”. For the avoidance of doubt, the parties specifically agree that although Subcontractor Revenues from Stand # 2 and Stand #5 will be shared in accordance with Section 5.1.2, such revenues shall be included in annual Gross Revenues for the purpose of calculating fees and commissions under Section 5.1.

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Submitted by:

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