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EXHIBITION PLACE

January 22, 2001

TO: The Board of Governors of Exhibition Place

FROM: Dianne Young
General Manager & CEO

SUBJECT: **Sponsorship Agreement with Coca-Cola Bottling Ltd.**

Recommendation:

It is recommended that the Board enter into a three party sponsorship agreement with Coca-Cola Bottling Ltd. ("Coca-Cola") and the CNEA for a period of three years to be the official and exclusive soft drink provider to Exhibition Place (including the NTC) and CNEA on the terms and conditions set out in this report and such other terms and conditions satisfactory to the General Manager & CEO and the City Solicitor.

Background:

At its meeting of June 19, 1998, the Board approved of a 3-year agreement with Coca-Cola to be the exclusive sponsor within the NTC.

Discussion:

Prior to the expiry of the current (separate) sponsorship agreements with Coca-Cola and the NTC and CNEA respectively, the Board through the Trillium Wilkinson Group ("Trillium") entered into discussions with Coca-Cola to enter into a new consolidated sponsorship relationship for a term of three years. Previously, the NTC and CNEA had separate agreements with Coca-Cola (NTC – three-year deal ending October 31, 2000 and CNE, three-year deal ending September 4, 2000).

A proposal was prepared and forwarded in July 2000 to Coca-Cola outlining a plan to consolidate Coca-Cola's presence throughout the grounds and become the "Exclusive Soft Drink Sponsor to Exhibition Place" (including the NTC) and CNEA. Throughout the early discussions, it became evident that specific, individual attention needed to be given to both the NTC and CNEA respectively as each property's needs were highly specific and often mutually exclusive. Accordingly, Trillium approached the overall negotiations with Coca-Cola on this basis – keeping in mind the initial philosophy of developing a consolidated agreement for the entire grounds.

In addition to its discussion with Coca-Cola, Trillium also contacted competing beverage companies and put forward a proposal. However, there was no interest for the competing beverage company to enter into negotiations with Exhibition Place or CNEA at the same sponsorship level as Coca-Cola. As a result, Trillium entered into exclusive negotiations with Coca-Cola to finalize pricing and distribution issues.

The proposed terms and condition of the Coca-Cola agreement with the Board are as follows:

(a) Term: Three-year term commencing November 1, 2000 and expiring October 31, 2003. Excludes rights during the Molson Indy, Royal Agricultural Winter Fair, 2002 World Youth Days, and the renovated IHL facility in the Coliseum.

(b) Annual Sponsorship Fee: Coca-Cola will pay the Board a Sponsorship Fee of $160,000.00 annually to be paid upon execution of the Agreement and on November 1, 2001 and 2002 respectively. Of this fee, the NTC will be allocated $70,000 and the CNEA will receive $90,000 annually.

(c) Volume Incentive: The sponsorship fee set forth by Coca-Cola's is predicated upon the achievement of minimum sales volumes over the life of the agreement. If sales volumes are achieved prior to the end of the 3-year term, Coca-Cola has agreed to renegotiate the agreement to include an additional sponsorship fee and/or a volume rebate.

(d) Payment of Percentage Commission from Coca-Cola Vending Machines: Coca-Cola will pay the Board (or its caterer directly) and the CNEA respectively, a separate commission on all Full Service Vending ("FSV") Machine Revenues. FSV Machine Revenues shall mean all gross revenues from Coca-Cola branding vending machines. All commissions to be paid in quarterly installments during each year of the agreement. Commissions will be paid to the CNEA for all permanent and incremental (estimated 18 machines) FSV machines that are on the grounds and within any building (including the NTC) during the 18-day Fair. Commissions will be paid to Exhibition Place for all FSV Machines located on the grounds on a permanent basis outside the NTC and outside the 18 day Fair period. Finally, commissions will be paid to the Board, or its caterer, for all other machines located in and within the footprint of the NTC. The Board's caterer, pursuant to its agreement with the Board or the CNEA, returns 20% of this commission to the Board or 25% of this commission to the CNEA as the case may be. Commission rates are set as follows:

The Board or its caterer (all FSV located in NTC)	40%
CNE (all FSV for 18 day Fair)	25%
Exhibition Place (all FSV located on grounds-excluding NTC and CNE)	25%

(e) Locations of FSV Machines: The parties shall agree to allow Coca-Cola to place additional FSV Machines across the grounds on a permanent basis, subject to relocation, in the case of event requirements or development of the grounds, at the request of the Board, acting reasonably, to such new location as may be agreed. The number and location of which will be mutually agreed upon and subject to Board approval. Coca-Cola will be fully responsible for all costs associated with the installation, maintenance, repair, replacement and removal of all existing and new FSV Machines.

(f) Equipment: Coca-Cola will continue to provide cooling and dispensing equipment to the Board, the NTC and the CNEA during the annual 18 day Fair for a total estimated value of $1,200,000 free of charge.

(g) Food Building Booths: Coca-Cola has agreed to complete a $100,000 renovation of its South Booth, prior to the 2001 CNE. In addition, Coca-Cola will cease to operation of its North Booth, effective 2001.

(h) CNE Satellite Coca-Cola Booths: Coca-Cola will take over the management of these booths (approx. 5) and pay the CNEA the appropriate commission rate.

(i) Pricing: Overall product pricing levels for the year 2001 will remain relatively constant with the exception of:

- NTC/Board's caterer - will receive a 3% increase on all products (after rebates)
- CNE – will receive price reductions for all products except 600 ml. bottles which will be increased by 7.8%.

Product and Package	Exhibition Place Pricing (Includes CNE)	Rebated Pricing for all permanent 3rd Parties on the grounds (ie tenants)	Servo Pricing
20ltr BIB	$ 56.10	$ 47.85	N/A
355ml cans *	$ 7.49	$ 7.49	N/A
600ml	$ 17.95	$ 16.60	$ 15.86
1ltr carb.	$ 10.50	$ 10.50	$ 10.50
473ml	$ 19.00	$ 18.21	$ 18.21
591ml Dasani	$ 12.35	$ 12.35	$ 12.35
591 ml Powerade	$ 25.00	$ 25.00	N/A

Note: 355ml cans are only available to the Board's caterer on a limited basis for staff use NTC catered events (ie banquets) and to all CNEA concessionaires for sale to the public during the annual CNEA Fair.
Note: Prices may increase on a yearly basis based on the increase in the CPI or 3% whichever is less plus material cost changes in raw material, whichever is less.

(j) Audited Year-End Reports: Coca-Cola shall provide the Board, NTC and CNEA with an annual audited statement, in form and content satisfactory to the General Manager & CEO, of all revenues earned and commissions owing under the agreement to be submitted with the payment of the percentage commission.

(k) Right of Audit: The Board shall, at its discretion, be entitled to audit the sales records, to be kept in Toronto, of Coca-Cola operations at Exhibition Place at any time during the term of the agreement and up to three (3) years thereafter.

(l) Union Agreements: Coca-Cola shall comply with all agreements in force between the Board and any union or association with respect to Exhibition Place.

(m) Assignment: The agreement between the Board, CNEA and Coca-Cola shall not be assigned by Coca-Cola without the consent of the Board.

(n) Taxes: Coca-Cola shall be responsible for the payment of any and all rates, taxes or assessments with respect to the location and operation of the machines which are imposed upon the Board or Coca-Cola by any taxing authority having jurisdiction.

(o) Insurance/Indemnity: Coca-Cola shall provide proof of insurance in a form and amount satisfactory to the Board and containing provisions including the Board, CNEA, O&Y-SMG Canada and the City of Toronto as additional insured with a cross liability/severability of interest clause of standard wording. Insurance shall be primary before any insurance held by the additional insured and the Board shall be entitled to thirty days notice of any intention to cancel or not to renew the policy. Coca-Cola shall indemnify the Board, the CNEA, O&Y-SMG Canada and the City of Toronto with respect to any and all liability arising from any damage or injury as a result of the acts or omissions of Coca-Cola, or its employees or any other person for whom it is in law responsible, in the exercise of its rights under the agreement.

Conclusion:

This report recommends entering into a three-year agreement with Coca-Cola to make it the "Official Soft Drink" until October 2003 to the NTC, CNEA and throughout Exhibition Place. Mr. David Bednar and Mr. Ernest Vincent are in agreement with the terms and conditions outlined in this report and Mr. Bednar will be presenting a similar report to the CNEA Board of Directors at its next meeting for consideration and approval.

Dianne Young
General Manager & CEO

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