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EXHIBITION PLACE

June 25, 2001

To: The Board of Governors of Exhibition Place

From: Dianne Young
General Manager & CEO

Subject: **Amendment to the CNEA Coke Sponsorship Agreement**

Recommendation:

It is recommended that the Board of Governors concur with the recommendation of the Board of Directors of the CNEA with respect to amending the three-year agreement between the CNEA and Coca-Cola Bottling Ltd. ("Coke") as outlined in the attached report.

Background:

At its meeting of February 22, 2001, the CNEA Board of Directors approved of entering into a 3-year agreement with Coke which agreement was previously authorized by the Board of Governors at its meeting of January 26, 2001. At its meeting of June 28, 2001 the CNEA Board of Directors will review and consider the attached report. Should the above recommendation change, the Corporate Secretary will report any changes to the Board on June 29th.

Discussion:

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

Conclusion:

This report recommends that the Board authorize an amendment to the three-year sponsorship agreement between the CNEA and Coke.

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Submitted by:

Dianne Young
General Manager & CEO

Canadian National Exhibition

June 18, 2001

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

From: David Bednar
General Manager

Subject: **Coke Sponsorship**

Recommendation:

This report is submitted for the approval of the Executive Committee and the Board of Directors.

Background:

At its meeting of February 2001 the Board approved a 3 year agreement with Coca-Cola Bottling.

Discussions:

Subsequent to the approval of the Board of Governors and CNEA Board, further discussion with Coca-Cola has brought about changes to the proposed agreement as follows:

- Coke will not pay commission on Coke products sold from vending machines
- Coke will assume operation of satellite booths and will be allocated one additional location in the vicinity of the Prince's Gates, primarily to provide service for the "Inferno at the EX". All booths will pay normal sales commissions.
- Coke's pricing for 600 ml bottles will increase by $.50 per case.

All other aspects of the agreement remain as previously approved by the Board.

The prior proposed agreement was based on Coke's desire to eliminate the sale of 355 ml cans of Coke during the CNE, to be replaced entirely by 600 ml bottles. After careful consideration, CNEA staff cannot recommend this action for the following reasons

- The CNE patron would be left with little or no choice, whether or not he or she wanted to buy a small Coke or a large one. Other than the fountain drinks, the only choice would the 600 ml bottle.
- Patrons will be given a broader range in pricing. Bottles are typically priced 50 – 100% more than cans.
- Many of our concessionaires operate in limited space. Cans take up less room in coolers and cool faster than the bottles.

The new agreement, as previously approved by the Board, was offered by Coke as a package of revisions to the prior agreement. Those revisions include the closure of one Coke booth in the Food Building (north end), a complete renovation to the other Food Building location, an increase in cash from $85,000 to $90,000, direct responsibility for the outside booths, and pricing guarantees to our concessionaires. Their arguments in favour of a complete switch to 600 ml bottles included uniformity of presentation, value, increased volume, and better control of on-site sales. The 600 ml, therefore, was considered by Coke to be a key aspect of the package mentioned above.

From the CNEA's perspective, however, two points argued strongly against the switch: concerns that our patrons will react negatively to having to buy a larger drink; and concerns that, especially on busy days, our concessionaires will have difficulty cooling sufficient product to keep up with demand. Because Coke's offer was based on the conversion, it was necessary for the CNEA to concede in other aspects of the agreement. The proposed revenue from commissions on vending machines was not part of our prior agreement with Coke. As such, this revenue is not part of the 2001 Operating budget.

We are pleased that Coke has taken on the outside booths as we believe it will result in a better looking operation, so the addition of another booth at regular commission poses no problem. The revised pricing for the 600 ml should have no impact on the final retail price to our patron, as it represents an increase of approximately $.04 per bottle to the concessionaire.

Conclusion:

This report recommends a revised 3 year agreement with Coca-Cola Bottling Company Ltd.

Respectfully submitted,

David Bednar
General Manager