

*School Soda Contracts:
A Sample Review of Contracts in Oregon Public School Districts, 2004*

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Oregon's Public Health Institute

Community Health Partnership is an independent, not-for-profit organization committed to improving the health of Oregonians through advocacy and support of effective public health policy and activities.

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EXECUTIVE SUMMARY

Background

Because of increasing concern about childhood obesity, several initiatives are underway nationwide and in Oregon to address the nutritional value of foods available in schools. As nutrition reform efforts begin, particular controversy has emerged in balancing financial priorities and schools' nutritional goals. One source of supplementary funding is money generated through beverage contracts between schools and soda companies. Yet little is known about the nature of these agreements and the precise rights and benefits that are exchanged. How lucrative are the financial gains? What rights have schools granted companies? What restrictions do contracts place upon schools? What limitations apply to vendors?

As nutrition reform efforts begin, particular controversy has emerged in balancing financial priorities and schools' nutritional goals.

Methods

In response to the lack of specific information about contracts in Oregon, Community Health Partnership (CHP), a not-for-profit organization dedicated to improving the public's health, initiated this survey to collect information about contracts between public school districts and soda vendors. Between May and October 2004, CHP conducted a telephone survey of 25 school districts throughout Oregon. The survey asked district officials about the existence of soda contracts, and if identified, CHP requested a copy of the contracts in accordance with Oregon Public Records Law. The scope of contracts analyzed was limited to contracts at the school district level, and did not include agreements established between individual schools and vendors. The 25 districts serve more than 288,000 students, representing more than 50 percent of the total students enrolled in Oregon public schools.

Summary of Findings

Exclusive beverage contracts are prevalent in Oregon schools.

- Of the 25 districts surveyed, 48% (12) identified district-level beverage contracts.
- The remaining 52% (13) of districts surveyed did not identify district-level contracts, but 77% (10) of these districts identified contracts at individual schools.

The majority of revenue from these contracts is realized through student purchases, and not from payments made by the companies.

- Funds generated fall within three major categories: 1) revenue from the sale of products, split between the vendor and district, 2) cash advances paid by vendors, and 3) non-cash items, such as scoreboards. Contracts may include one, two, or all three of these financial incentives.

Contracts are more lucrative for vendors than they are for school districts.

- On an annual basis, vendor cash advances and non-cash payments range between \$2 and \$8 per student, while in exchange vendors can expect to gain between \$14 and \$32 in sales revenue.
- Total revenues for districts range between \$12 to \$24 per student annually.

In the larger school finance picture, beverage contracts raise a comparatively small amount of funds.

- ✦ District contract revenues amount to less than half a percent of annual district per-student spending.

Because financial incentives are tied to the sale of products, both districts and vendors have an interest in increasing the amount of beverages that students purchase.

- ✦ Half of the districts have commission arrangements that financially reward districts for selling large-sized, carbonated soft drinks, compared to water or juices.
- ✦ Even items such as scholarship funds may be designed to increase the amount that students drink. As one vendor summarized, “the more [students] drink, the more scholarship money is earned.”

Contract lengths range from 3 to 15 years, with an average length of 9 years.

- ✦ In some cases, districts have renewed contracts early. One district, for example, has already signed a 5-year extension covering 2007 to 2012.
- ✦ Several districts guarantee vendors a minimum sales volume over the life of the contracts, promising sales ranging between 37 to 45 drinks per student annually. If volume requirements are not met, vendors have the right to extend the contracts until such goals are reached.
- ✦ Upon early termination or material restrictions of vendor rights, districts must repay vendors cash sums received in advance.

Vendors also gain exclusive advertising rights to promote and increase the sale of products in schools.

- ✦ Such advertising provisions range from rights to display vendor trademarks on scoreboards or the surface of vending machines to more extensive rights to promote products on school campuses, display advertising banners and messages, and publicize vendor products as the “exclusive products” of the district schools.

Districts relinquish autonomy over nutrition-related decisions, such as the selection of products.

Most of the money generated comes from students purchasing beverages, and a significant portion of this revenue goes directly to the companies, as opposed to the schools.

- ✦ Vendors have significant control over the selection of products, the number and placement of machines, and the times that beverages are accessible to students.
- ✦ Only one of the 12 districts retains full and sole discretion to choose products offered to students. An additional three districts have contract terms that specify the types of products that may be offered to students in different grade-levels.

Conclusion

Analysis of contracts between Oregon school districts and soda companies suggests that the districts, schools, school boards, parents, students, and policymakers may want to take a closer look at the value of these agreements. Most of the money generated comes from students purchasing beverages, and a significant portion of this revenue goes directly to the companies, as opposed to the schools. Given the comparatively small amounts paid to schools by vendors, Oregon communities may want to rethink the restrictions placed on their freedom to purchase beverages, and the merit of allowing companies to market and advertise brand products in schools. If the fundamental purpose of the contracts is to generate money for under-funded school activities, are these agreements truly helping communities achieve that goal?

If the fundamental purpose of the contracts is to generate money for under-funded school activities, are these agreements truly helping communities achieve that goal?

STUDY PURPOSE

To gain information about the extent and nature of beverage contracts between Oregon public school districts and soft-drink companies.

BACKGROUND

Because of increasing concern about childhood obesity, several initiatives are underway nationwide and in Oregon to address the nutritional value of foods sold in schools. In June 2004, Congress passed a law requiring district education authorities to develop “local wellness policies.”¹ With the aim of creating healthy school environments, groups comprised of parents, students, school officials, food service managers, and other community members must develop these policies, setting nutrition standards for all foods sold on school campuses, and goals for nutrition education and physical activity, by the beginning of the 2006-2007 school year.

In Oregon, local and state groups have already begun to consider reforms to school foods. The Oregon Department of Education sponsored a Task Force in the Fall 2004 and developed the report, *Food Choices in Oregon Schools: Evaluation and Recommendations for Improving the School Nutrition Environment*, encouraging a series of policy and community actions to improve school nutritional offerings.² In the 2005 legislative session, several bills propose statewide nutrition standards for foods sold outside federally-sponsored school meals.³ Locally, schools and districts have also begun to make changes. In Redmond, for example, the school board recently banned the sale of high-sugar items on school grounds during the school day; in Umatilla, the district brought the “Nutrition Magician” into elementary schools, using magic as a means to teach healthy eating habits.⁴

As nutrition reform efforts begin, particular controversy has emerged in balancing financial priorities and schools’ nutritional goals. In response to tightening budgets, schools have increasingly turned to food sales to fund activities and programs. Many of the foods sold, however, have little nutritional value and, unlike the federal school lunch and breakfast programs, they are not subject to nutrition standards.⁵

One source of supplementary funding is money generated through beverage contracts with soda companies. The Oregon School Board Association’s Winter 2005 *Focus On Critical Issues* notes that many Oregon schools “have contracts with Coca-Cola or Pepsi-Cola that give the companies exclusive ‘pouring rights’ in exchange for a steady stream of funding to help pay for school athletics, music programs, or other activities.”⁶ According to a 2002 survey by the Oregon Department of Education, over 75 percent of responding school principals confirmed their schools have contracts with soda companies.⁷

Yet little is known about the nature of these agreements and the precise rights and benefits that are exchanged.

Yet little is known about the nature of these agreements and the precise rights and benefits that are exchanged. How lucrative are the financial gains? What rights have schools granted companies? What restrictions do contracts place upon schools? What limitations apply to vendors? As communities begin to develop local wellness policies, these questions, and the implications for school nutrition environments, will be important issues for discussion.

In response to the lack of specific information about contracts in Oregon, Community Health Partnership (CHP), a not-for-profit organization dedicated to improving the public's health, initiated this survey to collect information about contracts between public school districts and soda vendors. Oregon communities weighing school financial and nutrition priorities should be well informed about the financial value of these contracts, and the rights that are being exchanged to raise additional school funds.

METHOD

Between May and October 2004, CHP conducted a telephone survey of 25 public school districts throughout Oregon. Districts surveyed represent more than 288,000 students (52 percent of the total students enrolled in Oregon public schools), diverse geographic regions throughout Oregon, and districts of various sizes, ranging from 337 to 51,654 enrolled students. Please see Appendix A for a description of the criteria used to select districts, and Appendix B for a list of districts included in the sample.

The survey asked district officials about the existence of district contracts with soda and/or snack food companies, and if identified, CHP requested a copy of the contracts in accordance with Oregon Public Records Law.⁸ The scope of contracts requested was limited to contracts at the school district level, and did not include agreements established between individual schools and vendors. Please see Appendix C for a copy of the survey instrument.

CHP completed telephone questionnaires for all 25 districts surveyed, providing a 100 percent response rate.⁹ Of the districts surveyed, 12 identified district-level contracts with beverage vendors. The remaining 13 districts did not identify district-level contracts, but 10 of these districts identified contracts between individual schools and vendors.¹⁰

CHP reviewed a total of 19 contracts provided by all 12 districts reporting district-level contracts.

CHP reviewed a total of 19 contracts provided by all 12 districts reporting district-level contracts. Three districts have more than one contract, either because of contracts with multiple vendors, or separate contracts with the same vendor for different schools in the district. The 12 school districts with contracts reviewed by this study include: Beaverton (1 contract), Coos Bay (3 contracts), Eugene (2 contracts), Greater Albany (1 contract), Hermiston (1 contract), Hillsboro (1 contract), Hood River (1 contract), Medford (5 contracts), North Clackamas (1 contract), Portland (1 contract), Salem-Keizer (1 contract), and Tigard-Tualatin (1 contract). Of these 12 districts, student enrollment ranges from approximately 3,500 students to over 50,000 students. Vendors party to the contracts are either local branches of Pepsi-Cola or Coca-Cola, or local distributors of these brands.¹¹

Because of the limited number of district snack-food contracts identified, this review is limited to beverage contracts only. The analysis focuses on the terms and conditions of the contracts, and does not attempt to evaluate whether relationships exist between district characteristics, such as resources or rural and urban locations, and the quality or strength of the contracts. This analysis also does not address the enforceability or validity of the contract terms.

FINDINGS AND ANALYSIS

This analysis provides a qualitative assessment of the contracts in four main areas: 1) a general overview of the agreements, detailing the length and scope of the contracts, 2) financial benefits derived by both school districts and vendors, 3) advertising rights granted to vendors, and 4) discretion and control maintained by school districts in managing the availability and placement of beverages in schools. Appendix D provides an overview of the contracts reviewed, and Appendix E details the benefits and rights exchanged by each agreement.

Overview of Agreements

The beverage contracts establish agreements between beverage vendors and school districts that provide funding and other incentives to schools and districts in exchange for exclusive, long-term rights to sell and advertise beverage products on school campuses.¹² The term “beverage” is defined in detail by each contract, but generally includes all carbonated soft drinks, juices and juice products, bottled water, and other non-carbonated beverages.¹³

The lengths of the agreements studied range from terms of 3 to 15 years, with an average contract length of 9 years. Two districts have contracts with extensions beginning several years in the future. For example, one district already has a 5-year contract extension beginning in 2007. Two districts also grant vendors the “right of first refusal,” obligating the districts to negotiate with those vendors for 90 days upon expiration of their existing contracts if the districts are interested in establishing new contracts.¹⁴ Such provisions may limit these districts’ freedom to contract with new vendors, even after the existing contracts have expired.¹⁵

The lengths of the agreements studied range from terms of 3 to 15 years, with an average contract length of 9 years.

The scope of schools and property covered by the contracts varies by district. Seven of the 12 districts have contracts that apply to all district property, including all schools, athletic facilities and other property owned or operated by the district;¹⁶ 1 of the 12 districts has a contract that applies to all district schools and property, except for elementary schools;¹⁷ and 4 districts have contracts that cover specific middle and/or high schools within the district.¹⁸ Overall, the number of students enrolled in schools subject to the district contracts range from 2,202 to 51,654.¹⁹

Seven of the 12 districts studied have contracts that apply to elementary schools. Two of these 7 districts have contracts disallowing vendors from making beverages available to elementary students;²⁰ two districts have contracts that limit the types or times that beverages are available to elementary students;²¹ and three districts have contracts that do not limit the availability of beverages in elementary schools.²² Two of the 3 districts without limitations specified in the contracts identified district policy or practice prohibiting soda in elementary schools.²³

As exclusive agreements, the contracts limit the rights of districts and schools to sell competing beverages on district property.

As exclusive agreements, the contracts limit the rights of districts and schools to sell competing beverages.²⁴ Such exclusivity requirements may also apply to the sale of beverages by all others using district property, such as through student activities or community events.²⁵ Seven of the 12 districts have contracts that include beverages sold in school cafeterias by the school food

service programs.²⁶ The contract exclusivity requirements also apply to advertising, marketing, and promotional rights granted to the vendors.

Regarding the operation of the agreements, the contracts generally provide that vendors will supply, install, and remove the vending equipment, as well as maintain, repair, and stock the machines. In addition, vendors track and collect income from machines, and distribute funds as provided by the contracts. Several contracts also identify districts' responsibilities to pay for electricity powering the machines. All agreements are subject to Oregon law, with the exception of one agreement subject to New York law.²⁷

Financial Incentives

District financial incentives created by the contracts generally fall within three major categories: 1) revenue generated from the sale of beverages, split between the vendor and district, 2) cash advances paid by vendors, and 3) non-cash items, such as scoreboards, scholarships, and beverages or other products. Contracts may include one, two, or all three of these financial incentives.

Revenue from the sale of beverages to students, staff and others is the largest source of funds generated by the contracts.

Sales Revenue

Revenue from the sale of beverages to students, staff and others is the largest source of funds generated by the contracts. All but one of the 12 districts with contracts receive such revenue, which is generally collected through two types of arrangements: sales commissions and net profits.²⁸ The sales commissions are based on agreements with the vendors to pay districts a certain percentage of the gross sales.²⁹ Under these arrangements, vendors supply beverages without charge and make monthly cash payments to districts or individual schools based on the agreed upon commission percentages.³⁰ The contracts do not specify how districts or schools should spend this money.³¹

Half of the 12 districts have contract commission structures that financially reward districts for selling larger and carbonated soft drinks.

District commission percentages vary according to each contract, ranging from 15 to 50.1% of the gross sales revenue, and averaging 32% among the districts studied.³² Commission percentages may also differ within contracts based on beverage sizes and whether the drinks are carbonated or not. Portland school district, for example, receives a 50.1% commission for 20 oz. carbonated beverages, 35.1% for 12 oz. carbonated beverages, and 30.1% for all non-carbonated beverages, such as water, juice, and sports drinks. Half of the 12 districts have contract commission structures that financially reward districts for selling larger and carbonated soft drinks.

In addition to the sales commissions, 10 of the 12 districts also have contracts that establish product pricing agreements, whereby districts purchase beverages at prices set forth by the contracts, and then sell these beverages and retain the net profits. The product prices are subject to increases by vendors, and pricing levels vary among the contracts.³³ This arrangement applies to beverages, for example, that are dispensed by fountain equipment or sold through non-vending outlets.

District sales revenues depend on the volume of products sold. Based on estimated sales volumes for 6 of the 12 districts, annual district sales revenues range from approximately \$25,500 to \$260,000, without regard for the number of students subject to the contracts.³⁴ On a per student basis, annual revenue projections range from approximately \$7 to \$16, but again this value depends on the quantity of beverages that students and others purchase.³⁵

TABLE 1: ESTIMATED AVERAGE ANNUAL SALES REVENUE FOR SIX DISTRICTS

DISTRICT	COMBINED SALES	DISTRICT SHARE	VENDOR SHARE
Coos Bay (2,424)*	\$ 90,000	\$ 25,500 (35/15%)**	\$ 64,500 (65/85%)**
Eugene (5,700)*	\$240,000	\$ 60,000 (25%)**	\$180,000 (75%)**
Greater Albany (3,081)*	\$100,000	\$ 40,000 (40%)**	\$ 60,000 (60%)**
Hillsboro (18,850)*	\$850,000	\$250,000 (30/25%)**	\$600,000 (70/75%)**
Salem-Keizer (37,137)*	\$790,000	\$260,000 (35/30/25%)**	\$530,000 (65/70/75%)**
Tigard-Tualatin (11,981)*	\$520,000	\$190,000 (25/15%)**	\$330,000 (75/85%)**

* number of students covered by the contract ³⁶

** % sales revenue ^{37, 38}

Vendors collect the majority of sales revenue generated by the contracts, receiving between 49.9 and 85% of the total revenue, and an average share of 68%.³⁹ Based on the same estimated sales volumes for the 6 districts, vendors can expect to gain annually between \$60,000 and \$600,000 from school sales, or between \$14 and \$32 per student. Table 1 illustrates the combined annual revenue expected from student purchases, and the amount split between the district and vendor. These figures do not factor in district or vendor costs associated with the beverage sales. In addition, certain expenses specified by the contracts, such as license and recycling fees, or container deposits, may be subtracted from the gross sales.

Because financial incentives are tied to the sale of beverages, both districts and vendors have an interest in increasing the amount of beverages that students purchase. The Eugene school district request for vendor proposals, for example, states explicit district goals to maximize volume and income for the district in selecting appropriate vendors.⁴⁰ Both the Hillsboro and Tigard-Tualatin contracts grant vendors explicit rights to undertake on-campus beverage promotions “designed to increase the sale of [p]roducts on [c]ampus.”⁴¹ A 10-year funding summary for the Salem-Keizer projects 5% annual sales increases for each year of the contract.⁴²

Because financial incentives are tied to the sale of beverages, both districts and vendors have an interest in increasing the amount of beverages that students purchase.

Another contract mechanism promoting sales is a minimum sales guarantee, agreed upon by a total of 3 of the 12 districts. The two Eugene contracts, for instance, guarantee a combined minimum sale of 80,000 cases, or almost 2 million beverages over the 8-year terms of the contracts. On a per student basis, this equates to a commitment of 42 beverages per student annually. Likewise, Hillsboro school district guarantees the sale of 420,000 cases over the 12-

year term of its contract, averaging 45 beverages per student annually; and the three Coos Bay contracts guarantee a combined total of 30,000 cases over 8-year contracts, averaging 37 beverages per student per year.⁴³ If these case hurdles are not met, vendors have the right to extend the contract terms until the volume goals are reached.⁴⁴

If these case hurdles are not met, vendors have the right to extend the contract terms until the volume goals are reached.

The minimum sales guarantees promise significant revenue from student purchases. To meet the minimum sales volume requirements of the two Eugene contracts, for instance, students and others will have to spend an 8-year total of almost \$2 million, or \$42 per student annually to meet that minimum.⁴⁵ Vendors can expect to retain 75% of this, or \$1.5 million; and the Eugene district will make 25%, totaling approximately \$500,000. To meet the 420,000 cases guaranteed by the Hillsboro contract, students and others must spend a 12-year total of \$10 million, \$3 million of which will go to the district, and \$7 million to the vendor.⁴⁶

Cash Advances

Vendor cash advances to districts are identified in the contracts by a variety of terms, including “sponsorship fee,” “exclusive provider fee,” “signing fee,” “lump sum payment,” and “direct cash contribution.” Nine of the 12 districts receive cash advance fees, which are paid in the form of direct cash payments both initially and/or on an annual basis over the life of the contract. For purposes of this analysis, these fees are referred to as cash advances because they are paid prior to being earned and districts must repay a pro-rated portion of advance payments upon early termination. Districts have full discretion regarding the use of these funds, and the contracts do not specify purposes for which the fees are dedicated.⁴⁷

Without regard to the varied contract lengths or the number of students covered, cash advances made by vendors range from total payments of \$11,000 to \$2,215,000. Divided equally over the terms of the contracts, average annual payments range from \$5,500 to \$276,000.⁴⁸ On a per-student basis, these annual advances range from \$1.33 to \$8.63 per student. Because most cash advance fees are paid over the course of several years, payments made at future dates also depreciate in value. For example, Tigard-Tualatin’s \$1.5 million cash advance is actually worth about \$1.3 million because payments are made over the course of 15 years; in other words, the \$25,000 payment scheduled for 2013 is worth about \$7,000 in today’s dollars.⁴⁹

Annually, cash advance payments range from \$1.33 to \$8.63 per student.

Most of the contracts provide for larger payments at the beginning of the contract term, followed by smaller annual payments. For example, Portland’s 8-year contract has a \$2.2 million cash advance, with an initial \$1.9 million payment, followed by annual \$45,000 installments for the remaining contract term. Tigard-Tualatin’s 15-year contract has a cash advance totaling \$1.5 million, with \$1.25 million paid during the first 5 years, followed by annual payments of \$25,000 for the remaining 10 years. Only one agreement, Salem-Keizer’s 11-year contract, sets forth annual payment amounts that increase over time. Greater Albany’s 3-year contract is the single contract that sets forth a fee schedule paid in equal installments over the course of the contract term.

All but one of the 9 districts receiving cash advance payments are required to refund a prorated portion of the cash advance upon early termination of the contract.⁵⁰ In some cases, districts that receive non-cash items, such as scoreboards, are required to refund a prorated portion of the value of the non-cash

item.⁵¹ Refund amounts are generally calculated by dividing the vendor's prepaid cash advance equally over the term of the contract, and prorating the amount of refund based on the remaining contract term. For districts receiving large upfront payments, these "pay back" provisions may seriously limit a district's ability to terminate the contract or restrict the rights of vendors, especially if those funds have already been spent.

For instance, if the Eugene school district chose to terminate its two 8-year limited-exclusive contracts initiated in 2001, the district would owe a total of approximately \$160,000 as of January 1, 2005.⁵² Likewise, Portland school district would owe approximately \$1.2 million, and Tigard-Tualatin school district would owe an estimated \$770,000.⁵³ Such provisions can also make it difficult for individual schools within a district to decide against the contracts, if such action is even permissible. According to the two Eugene contracts, for example, an individual school wishing to terminate the contracts would owe approximately \$40,000 as of January 1, 2005.⁵⁴

Several of the pay back provisions also provide for the potential reduction or loss of prepaid fees based on subsequent regulations or other limitations of vendor rights under the contracts. Such provisions likely discourage district support for any policy changes negatively impacting the contracts. For contracts that span 8, 10 or 15 years, these provisions may also restrict the policies and decisions of future school boards, bound by commitments made more than a decade prior.

Non-Cash Items

Most of the contracts provide non-cash items to districts, such as scholarships, scoreboards, computer software, and beverage products. Generally, these items are received in addition to sales revenues and/or cash advances. In four districts, the districts receive non-cash items such as scoreboards rather than cash advance fees.⁵⁵

The values of non-cash items range from several hundred dollars per year to fund, for example, scholarships, to \$20,000 annual or one-time payments to purchase scoreboards. In one case, the district receives \$1 million to fund a new sports playing field. Although often assigned with dollar values gained by the districts, many of these items also serve advertising and promotional purposes for the vendors. Scoreboards, for example, are often required to feature vendor logos, and scholarships may be designated with vendor brand names.

Several contracts involve non-cash promotional items designed to increase student consumption of beverages. As explained by one vendor's proposal, free "marketing support" like Mountain Dew shorts in-a-can and Pepsi t-shirts, "will enhance commissions to the school and provide continuity with Pepsi's national marketing programs."⁵⁶ Such items are valued at \$3,000 for the district.⁵⁷

Even items such as scholarships may be designed to increase student consumption of company products. The Salem-Keizer contract, for example, provides for a scholarship program with a total projected value to the district of approximately \$284,000 over the 11-year contract term.⁵⁸ The program is based on a vendor payment of \$0.50 for each case of beverages purchased, and assumes an annual 5% increase in case sales. The goal of this program, as described in the vendor's proposal, is "to act as a volume incentive for students in the district. The more they drink, the more scholarship money is earned."⁵⁹

For districts receiving large upfront payments, these "pay back" provisions may seriously limit a district's ability to terminate the contract or restrict the rights of vendors, especially if those funds have already been spent.

According to the \$20,000 estimated value of the scholarship fund in the first contract year, Salem-Keizer students would have to consume 40,000 cases, or 26 drinks per student that year. By year 11, with a projected annual 5% increase in sales, the scholarship has an estimated value of approximately \$32,000, setting a consumption goal of 65,000 cases, or approximately 42 beverages per student.⁶⁰

“...The more they drink, the more scholarship money is earned.”

A closer look at the economics of the scholarship fund demonstrates that the vendor stands to profit far more from the scholarship program than Salem-Keizer students and families. In other words, to reach the estimated \$20,000 value of the scholarship in the first contract year, Salem-Keizer students were encouraged to spend a total of almost \$1 million, \$624,000 of which is retained by the vendor, and \$336,000 collected by the district.⁶¹ Thus, while funding the \$20,000 scholarship, the vendor gains an estimated \$624,000. Because the scholarship is based on the volume of beverages purchased, it is theoretically funded by student purchases rather than vendor donations.

Summary of Total Contract Financial Values

Based on the total value of cash advances, estimated sales revenue, and/or non-cash items for 6 of the 12 districts, the districts make a combined total ranging between \$12 to \$24 per student annually, depending on the volume of beverages sold. Compared to overall district spending, these estimated figures equate to approximately a fifteenth to a third of a percent of annual district spending per student, which averages \$7,000.⁶²

TABLE 2: OVERVIEW OF TOTAL REVENUE GENERATED BY CONTRACTS FOR SIX DISTRICTS AND VENDORS

DISTRICT	TOTAL VENDOR PAYMENTS**	TOTAL STUDENT SALES***	TOTAL DISTRICT SHARE****	TOTAL VENDOR SHARE****
Coos Bay (3)(8 years, 2,424)*	\$30,000	\$720,000	\$204,000 (35/15%)	\$516,000 (65/85%)
Eugene (2) (8 years, 5,700)*	\$320,000	\$1,939,872	\$484,968 (25%)	\$1,454,904 (75%)
Greater Albany (3 years, 3,081)*	\$38,050	\$297,600	\$119,040 (40%)	\$178,560 (60%)
Hillsboro (12 years, 18,850)*	\$1,300,000	\$10,080,000	\$3,024,000 (30/25%)	\$7,056,000 (70/75%)
Salem-Keizer (11 years, 37,137)*	\$2,350,000	\$8,677,198	\$2,862,010 (35/30/25%)	\$5,815,188 (65/70/75%)
Tigard-Tualatin (15 years, 11,981)*	\$1,500,000	\$7,836,000	\$2,838,900 (25/15%)	\$4,997,100 (75/85%)

* contract length, number of students covered by the contract ⁶³

** cash advances plus non-cash items

*** combined district and vendor sales revenue

**** % sales revenue ^{64, 65}

The majority of funds generated by the contracts come from student sales, a significant portion of which is directed to vendors. As illustrated in Table 2, vendor sales revenues amount to several times more than the sums paid through cash advances and/or non-cash items. Under the two Eugene contracts,

for example, vendors will make 4.5 times as much money in sales revenues as compared to the cash advances paid to the Eugene district. On an annual per student basis, vendor cash advances and non-cash payments average between \$2 and \$8, while in exchange vendors can expect to gain between \$14 and \$32 in sales revenue.⁶⁶ In addition, as discussed in the next sections, vendors gain rights to advertise and promote company products to students, as well as to control the selection and availability of beverages in schools.

Advertising Rights

Vendors gain significant value from the contracts through opportunities to advertise to students, staff, and others. All the contracts involve some level of advertising, although they vary in the extent of advertising permitted. Such advertising ranges from rights to display vendor trademarks on scoreboards or the surface of vending machines to more extensive rights to promote company beverage products on school campuses, display advertising banners and messages, and publicize vendor beverages as the “exclusive products” of the district.

The Tigard-Tualatin and Hillsboro contracts, for example, grant vendors extensive advertising rights, including rights to undertake beverage promotions “designed to increase the sale of products;”⁶⁷ advertise at point-of-sale locations, concessions and on menu-boards; place signs in “premier and dominant locations;”⁶⁸ and rights for the vendor to promote itself as a sponsor of the district; or refer to any brand product (without limitation) as the exclusive drink of the schools, district, or district teams. The districts have some control over the advertising’s content, with the right to reject materials reasonably deemed “offensive, disruptive or contrary to sound educational practice.”⁶⁹ Yet how this limit is applied or interpreted is unclear.

The Portland contract also grants explicit advertising rights, adding limitations that allow advertising on the surface of vending machines, cups featuring vendor logos, and one logo banner in each student store and booster-sale location. Company images are subject to the district’s approval, and may be rejected if deemed “objectionable or a distraction to district activities.”⁷⁰ The Portland school district also grants the vendor the right to promote itself as the “Exclusive Provider” of the district, schools, or district teams, and to refer to any of the vendor’s products (without limitation) as the exclusive beverage of the school athletic program or teams. Portland, Hillsboro and Tigard-Tualatin school districts have also agreed to take legal actions, such as cease-and-desist orders, to stop “ambush marketing,” a term used by the contracts to refer to attempts by competing companies to associate their products with the district, thereby infringing upon the vendors’ exclusive association rights.

Examples of contracts limiting advertising include the Greater Albany contract, which specifically limits images displayed on the surface of new vending machines to graphics that promote educational activities, physical fitness, and non-carbonated beverages. The two Eugene contracts also limit advertising, specifying that signs will only be allowed on vending machines, coolers, and other dispensers; “no other signage will be allowed.”⁷¹ One of the Eugene contracts, however, references a separate contract granting signage rights, indicating that these rights may be negotiated in other agreements.

Advertising ranges from rights to display vendor trademarks on scoreboards or the surface of vending machines to more extensive rights to promote company beverage products on school campuses, display advertising banners and messages, and publicize vendor beverages as the “exclusive products” of the district.

Vendor product promotional items, such as t-shirts or CDs, are often identified as additional contract benefits for the districts. Yet limitations or guidelines for these activities are unclear. Tigard-Tualatin and Hillsboro school districts grant vendors explicit rights to undertake on-campus product promotions, without limiting the time, content or location of these promotions. Other contracts neither establish vendor rights nor explicitly restrict vendor promotional practices, leaving the extent of permissible promotional activities unclear.

District Control Over Contracts

The contracts demonstrate varied levels of district control and discretion in managing the availability and placement of beverages in schools. Such controls include decisions to select the types and sizes of beverages available, determine the number and placement of vending machines, and limit the times that beverages are accessible to students.

Only one of the 12 districts retains full and sole control over the selection of beverages.

Only one of the 12 districts retains full and sole control over the selection of beverages.⁷² An additional three districts specify certain restrictions limiting the types of beverages available.⁷³ Portland school district, for example, prohibits vending machines in elementary schools, and limits beverages in middle school vending machines to water, juice drinks, juice-based products, and sports drinks; all beverages may be vended in high schools, subject to district approval. Beaverton school district limits beverages in elementary school vending machines to district-approved waters and juices; beverages vended in middle and high schools are mutually determined by the vendor and district, with changes subject to district approval.

One of the 12 districts explicitly allows the vendor to determine the beverages offered, but requires district approval of such determinations.⁷⁴ The remaining 7 districts grant vendors rights to make beverages available, without specifying district control over the selection of the beverages, or limiting the types of beverages allowed. A few districts identified successful efforts to restrict beverages offered through requests to the vendors. The Tigard-Tualatin school board, for instance, voted to eliminate the sale of all carbonated beverages to students during the school day in all schools, and the vendor has agreed to these changes without adjusting the contract's financial arrangement.⁷⁵ Other districts may be undertaking similar efforts that are not reflected in the contract documents reviewed.

Beverage selection is also driven by vendor and district goals to maximize profits.

Beverage selection is also driven by vendor and district goals to maximize profits. The two Eugene contracts, for example, state the district's goal to "maximize choice and maximize income" for the district.⁷⁶ The vendor proposal for the Salem-Keizer contract also communicates this approach to beverage selection, stating the company's "standard brand set" will optimize district revenue.⁷⁷

None of the contracts include district limitations on the sizes of beverages offered. The Eugene and Coos Bay contracts provide that the districts and vendors will collaboratively determine the capacity of machines to dispense beverages in various containers. By implication, such decisions about machine capacities will impact the size of beverages offered. The Tigard-Tualatin contract specifies the vendor's right to install machines with capacities to dispense plastic bottles versus cans in a ratio of 2 to 1; that is, 70% of machines will dispense plastic bottles, and 30% will dispense cans. Portland school district's

contract requires machines capable of dispensing a variety of product sizes, but does not identify limits to those sizes. None of the other contracts address requirements for machine dispensing capacities, leaving these decisions largely up to vendors and the machines that they install.

The number, location, and times that machines are available are also issues of control that vary among the contracts. The two Eugene contracts, for example, permit a maximum of 12 machines in each high school, placed in “strategic locations determined by the school administration with collaboration of representatives from the selected vendor(s).”⁷⁸ By contrast, Beaverton school district’s contract requires a minimum of 232 machines placed in mutually-agreed-upon locations determined by “Pepsi’s survey of [c]ampus needs.”⁷⁹ The vendor proposal for Salem-Keizer school district references the vendor’s national study recommending one machine per 100 students and strategic product placements to maximize profits. Three districts’ contracts do not address machine number or location requirements, leaving authority over these decisions unclear.

Contract controls over the time that beverages are accessible to students may differ. In Hillsboro’s contract, for example, the vendor has the right to make beverages available at all hours, except where prohibited by federal regulation.⁸⁰ Greater Albany school district, alternatively, requires that all machines be equipped with electronic timers controlled by the district. The Hermiston contract requires that machines are operable at all hours, but allows the district to impose time limitations on student access to machines. Coos Bay also has full discretion and control to turn machines off at any time. Four districts do not address time limitations at all, again leaving authority over these decisions unclear.

• None of the contracts include district limitations on the sizes of beverages offered.

CONCLUSION

Analysis of contracts between Oregon school districts and soda companies suggests that the districts, schools, school boards, parents, students, and policymakers may want to take a closer look at the value of these agreements. At first glance, contracts appear lucrative – millions or thousands of dollars in vendor payments, sales commissions, and other non-cash items – all providing a steady stream of funding to keep important school activities afloat.

Most of the money generated by these contracts, however, comes from students purchasing beverages. In addition, a significant portion of this revenue goes to the companies, as opposed to the schools; vendors are in fact collecting far more revenue than they are paying.

Most of the money generated by these contracts, however, comes from students purchasing beverages. In addition, a significant portion of this revenue goes to the companies, as opposed to the schools; vendors are in fact collecting far more revenue than they are paying. The companies are also guaranteed an array of privileges, including long-term, exclusive rights to sell brand products, control over the types and times that beverages are available, the placement, capacity, and number of machines, and finally, opportunities to advertise and promote products in schools.

Given the comparatively small amounts paid to schools by vendors, Oregon communities may want to rethink the restrictions placed on their freedom to purchase beverages, and the merit of allowing companies to market and advertise brand products in schools. In the larger picture of school finance, beverage contracts raise a comparatively small percentage of funds. If the fundamental purpose of the contracts is to generate money for under-funded school activities, are these agreements truly helping communities achieve that goal?

If the fundamental purpose of the contracts is to generate money for under-funded school activities, are these agreements truly helping communities achieve that goal?

Acknowledgments: Community Health Partnership would like to thank the school district business managers and other district officials for participating in this study. We appreciate the responsiveness of each district to provide copies of the contracts, as well as the efforts made by districts to clarify and respond to follow up questions.

ENDNOTES

- 1 42 U.S.C. § 1751 (Child Nutrition and WIC Reauthorization Act of 2004, P.L. 108-265). Only districts participating in the federal meal programs are required to establish the local wellness policies.
- 2 *Food Choices in Oregon Schools: Evaluation and Recommendations for Improving the School Nutrition Environment*, prepared by the Nutrition Task Force and Child Nutrition Programs, Oregon Department of Education, March 2005. Key issues surrounding current school food choices were identified as: student health, current policy landscape, financial factors, educational considerations, and contracts. The report provides recommendations in the areas of policy, community action, and school curriculum.
- 3 See e.g. S.B. 560, S.B. 860, H.B. 2023, H.B. 2517, Oregon 2005 Regular Session.
- 4 *Focus on Critical Issues: Downsizing the Student Body*, Oregon School Boards Association, Winter 2005, pp. 7-8.
- 5 The federal school meal programs (National School Lunch Program, School Breakfast Program) are subject to federal regulations, which set nutrition standards in accordance with the Dietary Guidelines for Americans. Nutrition standards do not exist for foods sold outside these programs, including foods sold through venues such as school stores, vending machines, cafeteria a la carte items, and fundraisers. Limited restrictions prohibit “foods of minimal nutritional value” (FMNV) sold during meal times in the food service area. Prohibited FMNV are defined by four categories: soda, water ices, chewing gum, and certain candies. The sale of FMNV is not regulated during other times of the school day or in areas outside the food service or eating areas. See 7 CFR §§210.10-11, *et. al.* (lunch), 220.8, 220.12 (breakfast), Pt. 210, App. B, Pt. 220, App. B.
- 6 *Focus on Critical Issues: Downsizing the Student Body*, Oregon School Boards Association, “Vending: Don’t Kill the Messenger,” Winter 2005, pp. 8.
- 7 *School Health Education Profile (SHEP) Report 2002*, Oregon Department of Education, Healthy Kids Learn Better, September 2003, Appendix 2, pp. 93. In response to the question “Does your school or district have a contract with a soft drink company?,” 52.6% of responding schools identified exclusive contracts, 14% reported non-exclusive contracts, and 9.4% identified contracts but were uncertain of whether they were exclusive or not. These figures are based on responses from 171 school principals, and a survey response rate of 50%. Although figures may not be used to extrapolate the frequency of contracts in all Oregon schools, these figures at least provide preliminary estimates of the prevalence of contracts among Oregon public schools.
- 8 Or. Rev. Stat. § 192.420 (2003) (“Every person has a right to inspect any public record of a public body in this state, except as otherwise expressly provided by ORS 192.501 to 192.505.”)
- 9 CHP initiated the survey with district business managers, and if necessary, contacted additional district representatives with purview of the contracts.
- 10 The 10 school districts identifying agreements between individual schools and vendors include: Bend La-Pine, Douglas County, Gresham-Barlow, Jefferson County, John Day, La Grande, Lake County, Ontario, Reynolds, and Sherman. The remaining three districts (Enterprise, Harney County, and Springfield) did not report contracts between individual schools and soda vendors. In school districts without district-wide contracts, each school may make individual arrangements with vendors. District officials do not have purview of these contracts and were therefore unable to provide details of the types of arrangements that exist. Further research is needed to collect information about the extent and nature of contracts at individual schools. The Bend-La Pine school district, for example, recently released the report, *Commercialism and Fundraising in Bend-La Pine Public Schools* (August 2004), identifying variation among school agreements and recommending centralized negotiations for such contracts. Based on limited follow up telephone calls to individual schools, CHP learned that multiple contracts or other arrangements may exist within a single school. For example, one school had 4 vending machines, each managed by a different school group or club.
- 11 Of the 19 contracts reviewed, there were: 10 contracts with local branches of Pepsi-Cola, 5 contracts with local branches of Coca-Cola, 2 contracts with Willamette Beverage Company, 1 contract with Vend West Services, and 1 contract with Swire Pacific Holdings.
- 12 All but two districts grant vendors exclusive marketing and/or advertising rights. Eugene school districts grants vendors “limited exclusive” rights, allowing the sale of both Coke and Pepsi products; Coos Bay grants vendors non-exclusive rights. By definition, an “exclusive contract” is an agreement requiring a buyer to purchase all needed goods from one seller. See Black’s Law Dictionary 466 (7th ed. 2000). In relation to the beverage contracts reviewed, vendors’ exclusive rights pertain to both beverage sales as well as advertising rights.

- 13 The contracts may also identify permitted beverage exceptions, such as freshly brewed coffee, unpackaged water, milk, or fresh-squeezed juices.
- 14 After this period, if agreements are not reached, the districts must give the vendors the chance to compete with other third party offers. A “right of first refusal” is a contractual right of a party to match the terms of a third party’s offer, and obtain a desired contract over the third party. See Black’s Law Dictionary 1062 (7th ed. 2000). Hillsboro and Tigard-Tualatin school districts both grant vendors the right of first refusal.
- 15 This analysis is limited to a description of provisions contained in the contracts, and does not address whether these provisions are enforceable.
- 16 Beaverton, Hermiston, Hillsboro, Hood River, Portland, Salem-Keizer, and Tigard-Tualatin school districts have contracts that apply to all schools and district property. Hermiston’s contract is currently limited to one high school and two middle schools.
- 17 North Clackamas school districts’ contract explicitly excludes elementary schools from coverage under the contract.
- 18 Coos Bay, Eugene, Greater Albany, and Medford school districts have contracts that apply to specific high schools or middle schools in each district.
- 19 See Appendix D for the number of students covered by each contract. CHP approximated the number of students covered by the contracts based on school year 2002-2003 student enrollment figures published by the Oregon Department of Education’s *School Finance, Data & Analysis* (SFDA) reports. While student enrollment figures may vary each contract year, these numbers are intended as general estimates of the numbers of students covered by the contracts. Only the two Eugene contracts expressly identify the estimated number of students covered, in which case this analysis uses the Eugene contract figures rather than the 2002-2003 Department of Education estimates.
- 20 Portland school district prohibits vending machines in elementary schools, except in areas not accessible to students, such as faculty lounges. Portland’s food service program is subject to the contract, which would include elementary school cafeterias, but the contract explicitly protects the food service program’s autonomy to select beverages served, as well as references federal regulations prohibiting the sale of soda in food service areas during meal times. Hermiston’s contract currently excludes elementary schools, but these schools would be subject to the contract if they were to start selling beverages.
- 21 The Beaverton contract limits products vended at elementary schools to “school district-approved waters and juices.” The Tigard-Tualatin contract limits the hours that vending machines may be turned on in elementary schools to between 3:00 pm and 7:00 am during the week, and at all times on weekends. Tigard-Tualatin school district policy also limits beverages in elementary school to milk and 100% juice. Recently, the school board also eliminated the sale of carbonated beverages to students at all grade-levels during the school day. (March 15, 2005 email from Janet Beer, Food Service Director, Tigard-Tualatin School District to Nicola Pinson, Report Author, Community Health Partnership (on file with author)).
- 22 Contracts for Hillsboro, Hood River, and Salem-Keizer school districts do not specify limitations on the availability of beverages in elementary schools.
- 23 Hillsboro school district did not respond to CHP’s inquiry regarding the district beverage policy for elementary schools. The business manager for Hood River school district identified district practice to prohibit soda in elementary schools. (See telephone conversation with Nick Hogan, District Business Manager, October 21, 2004, on file with author). A representative from Salem-Keizer school district’s purchasing department identified district policy that disallows soda in elementary schools (telephone conversation with La Von Maskell, Purchasing Department, October 15, 2004, on file with author). According to the Salem-Keizer contract, the vendor has rights to make all beverages available in all schools, including elementary.
- 24 Some contracts apply only to vending machines, while other contracts apply more broadly to all products sold, dispensed, served, or sampled on campus.
- 25 This analysis does not address whether these provisions are enforceable. In general, contracts cannot restrict the rights of third parties. In the contracts reviewed, districts are required to restrict beverage sales by third parties, and the contracts do not directly restrict these sales.
- 26 Contracts for Beaverton, Hillsboro, Medford, North Clackamas, Portland, Salem-Keizer, and Tigard include the district food service programs.
- 27 Salem-Keizer’s contract is governed by the laws of New York. Parties entering into a contract may select the state law that they would like to govern the contract. Further research is needed to evaluate the vendor and/or district reasons for selecting New York law as opposed to Oregon law.

- ²⁸ According to the five Medford contracts, financial incentive to the district is in the form of scoreboards, and a total of \$11,000 in cash payments. The 5 contracts do not identify district commission nor product price agreements. The district business manager confirmed that the district does not collect revenue from the sale of products. (See telephone conversation with Galen Anderson, District Business Manager, September 29, 2004, on file with author).
- ²⁹ Contracts identify district commission percentages based on “cash collected,” “monies collected,” “vend price,” or “gross sales.” Expenses specified by the contracts, such as license and recycling fees, or container deposits, may also be deducted from the gross sales.
- ³⁰ In general, districts reserve the right to audit vendor records. In some but not all cases, the contracts require that payments include an itemized statement of sales for each school and/or piece of equipment. Some contracts do not address sales reports or audit expectations at all.
- ³¹ Each district may have its own arrangement for disbursing commission revenues to schools within the district. The Bend-LaPine report *Commercialism and Fundraising in Bend-La Pine Public Schools (August 2004)* pointed out issues with the accountability and control of money earned by fundraising activities at individual schools. Likewise, it is unclear from review of the contract documents alone how districts and schools maintain accountability of the money generated through the contracts.
- ³² For districts with multiple commission rates (e.g. 30% for carbonated beverages and 25% for non-carbonated beverages), CHP calculated an average commission rate for each district; based on these district averages, an overall average was figured for the 10 districts with commission percentage information (i.e. all districts studied, except for Hermiston and Medford), which equaled 32%.
- ³³ The contracts may guarantee prices for a certain time frame, after which prices are subject to increases. Of the pricing figures provided, it is not possible to compare price variations because of limited price information for similar years.
- ³⁴ Sales revenue estimates are based on the estimated revenues included in vendor proposals provided by three districts (Salem-Keizer, Tigard-Tualatin, and Eugene), the estimated sales volume provided by one district contract (Greater Albany), and the minimum sales volumes guaranteed by two districts (Coos Bay and Hillsboro). For the Eugene school district contracts, CHP assumed the same projections for the Pepsi-Cola contract as estimated by the Coca-Cola contract because of the almost identical nature of the two contracts. For the three districts with minimum or estimated sales volumes (Hillsboro, Coos Bay, Greater Albany) CHP calculated the projected sales revenues based on assumed vend prices of \$1.00 and 24 items per case. Although these estimated figures do not reflect actual sales revenue generated, they demonstrate the expected value of the contracts as agreed by the vendors and districts.
- ³⁵ See *supra* note 19 for explanation of student enrollment figures.
- ³⁶ The Coos Bay, Eugene, and Greater Albany contracts cover specific high schools and middle schools in the districts. The number of students covered by these contracts is based on the number of students enrolled in these schools for the 2002-2003 school year, as reported by the Oregon Department of Education. The Hillsboro, Salem-Keizer, and Tigard-Tualatin contracts cover all schools and facilities within the districts, and therefore the number of students covered by these contracts reflects the total number of students enrolled in these districts. All student enrollment figures are based on 2002-2003 enrollment figures published by the Oregon Department of Education *School Finance, Data & Analysis* (SFDA) reports. Only the two Eugene contracts expressly identify the estimated number of students covered (5700), in which case this analysis uses the Eugene contract figures rather than the 2002-2003 Oregon Department of Education estimates. While student enrollment figures may vary each contract year, these numbers are intended as general estimates of the numbers of students covered by the contracts.
- ³⁷ Percentages in parentheses in the table column “District Share” refer to district commission rates. Multiple percentages reflect either the various commission rates under a single contract, or different commission rates under several contracts.
- ³⁸ Percentages in parentheses in the table column “Vendor Share” refer to the vendor share of sales revenue (i.e. remaining portion of sales revenue based on district commission rates). Multiple percentages reflect rates based on the various district commission rates under a single contract, or different district commission rates under several contracts.
- ³⁹ For districts with multiple commission rates (e.g. 30% for carbonated beverages and 25% for non-carbonated beverages), CHP calculated an average revenue percentage for each vendor; based on the vendor averages for each district, an overall vendor average was figured for the 10 districts with commission percentage information (i.e. all districts studied, except for Hermiston and Medford), which equaled 68%.

- ⁴⁰ Eugene’s request for vendor proposals states, “Vendors for the machines in the high schools will be selected to create a balance of maximum choice and maximum income for the District. Because students have a variety of tastes and choices, it is unlikely that maximum volume and income could be obtained through a single vendor. Consequently, it is likely that the District will select 2 or more vendors for each high school.” Eugene Request for Proposal (RFP), Item 12, pp. 3. (RFP integrated into contract by reference).
- ⁴¹ Hillsboro-Coca-Cola contract, pp. 5; Tigard-Tualatin-Coca-Cola contract, pp. 4.
- ⁴² According to the funding summary, the district can expect to collect approximately \$200,000 in the first contract year based on existing sales figures; assuming the 5% annual increase, this amount would grow to an annual profit of over \$300,000 in the 10th contract year. Based on these same figures, vendors have an even greater financial incentive to increase sales, collecting \$400,000 in the first contract year, and growing to approximately \$635,000 in the tenth year. Please also note that Salem-Keizer has an 11-year contract; at the time the funding summary was made, the contract was 10 years.
- ⁴³ These figures are based on 24 beverages per case, and divided by the length of the contracts and the number of students subject to the contracts. For Eugene, the following calculation was made: 80,000 cases x 24 beverages per case = 1,920,000 total beverages; 1,920,000 total beverages ÷ 8 contract years = 240,000 beverages per year; 240,000 beverages per year ÷ 5,700 students = 42 beverages per student per year. The 5,700 student figure is based on the contract estimates of the number of students in high schools covered by the contracts. The Hillsboro minimum sales figures are based on: 420,000 cases x 24 beverages per case = 10,080,000 total beverages; 10,080,000 total beverages ÷ 12 contract years = 840,000 beverages per year; 840,000 beverages per year ÷ 18,850 students = 45 beverages per student per year. The Coos Bay figures are based on: 30,000 cases x 24 beverages per case = 720,000 total beverages; 720,000 total beverages ÷ 8 contract years = 90,000 beverages per year; 90,000 beverages per year ÷ 2,424 students = 37 beverages per student per year. The student numbers for Coos Bay and Hillsboro school districts are based on school year 2002-2003 student enrollment figures published by the Oregon Department of Education’s *School Finance, Data & Analysis* (SFDA) reports.
- ⁴⁴ The Eugene contracts do not explicitly grant vendors the right to extend the contracts until the volume goals are met. Instead, if 50% of the total volume has not been sold by the end of the fifth contract year, the district agrees to make “necessary adjustments” to reach the volume goals. Actions comprising necessary adjustments are not further defined.
- ⁴⁵ For purposes of this report, CHP assumed the same commission projections for the Pepsi-Cola contract as estimated by the Coca-Cola contract because of the almost identical nature of the two contracts, and the fact that both contracts have a guarantee minimum sales volume of 40,000 cases, for a shared total of 80,000 cases. The Coca-Cola contract projects district sales revenues at \$242,484 based on the sale of 40,000 cases; for both contracts, therefore, the district would collect \$484,968 (\$242,484 x 2). This calculation assumes the vend prices of \$1.00 and \$1.25 which were used in the vendor proposal to project district sales revenue: 40,000 cases x 24 beverages per case = 960,000 beverages; (920,256 x \$1.00 vend price) + (39,744 x \$1.25 vend price) = \$969,936 (total revenue generated by one contract); \$969,936 x 25% = \$242,484 (district’s 25% commission share for one contract); \$969,936 x 75% = \$727,452 (vendor’s 75% share of revenue for one contract). Sales revenue for both contracts, therefore, is calculated by multiplying the above figures by two: total revenue for the district and vendors combined (*i.e.* the total amount spent by students to purchase the guaranteed minimum number of beverages) = \$1,929,872 (\$969,936 x 2); the district’s 25% commission share amounts to \$484,968 (\$242,484 x 2); the vendors’ remaining 75% shares equate to a total of \$1,454,904 (\$727,452 x 2). The total amount spent per student annually (for beverages purchased through both contracts) amounts to \$42.32 (\$1,929,872 ÷ 8 contract years = \$241,234 per year; \$241,234 ÷ 5,700 students = \$42.32 per student per year).
- ⁴⁶ This calculation assumes 24 items per case, a vend price of \$1.00, and a district commission rate of 30%: (420,000 cases X 24 = 10,080,000 beverages; 10,080,000 beverages X \$1.00 vend price = \$10,080,000; \$10,080,000 X 30% = \$3,024,000 (district commission); \$10,080,000 X 70% = \$7,056,000 (vendor share).
- ⁴⁷ Three districts (Coos Bay, Hood River and North Clackamas) do not receive cash advances. For purposes of this analysis, cash advance fees are limited to vendor payments for which districts retain full discretion in the use of funds. North Clackamas school district receives \$30,000 explicitly earmarked to purchase scoreboards featuring the Pepsi logo, and Coos Bay school district receives three \$10,000 cash payments (totaling \$30,000) earmarked to fund the district’s track and field project. Because the contracts require specific use of these funds, the payments are classified as non-cash items. Hood River school district receives a scoreboard, and the contract does not specify its value.
- ⁴⁸ Annual figures are based on cash advance amounts divided equally over the duration of the contracts, and do not reflect the amount that districts may receive in a given year.

- ⁴⁹ For purposes of this report, cash advance figures reflect the dollar values identified in the contracts rather than the net present value of these amounts. Six districts (Beaverton, Greater Albany, Hermiston, Portland, Salem-Keizer, and Tigard-Tualatin) have contracts with cash advance fees paid over the course of multiple years. If calculating the net present value for each of these contracts based on a discount rate of 6%: Beaverton's \$2,032,290 cash advance paid over 10 years has a present value of \$1,777,286; Greater Albany's cash advance of \$38,050 paid over 3 years has a present value of \$36,159; Hermiston's cash advance of \$95,000 paid over 4 years has a present value of \$88,948; Portland's cash advance of \$2,215,000 paid over 8 years has a present value of \$2,151,207; Salem-Keizer's cash advance of \$1,550,000 paid over 11 years has a present value of \$1,148,500; and Tigard-Tualatin's cash advance of \$1,500,000 paid over 15 years has a present value of \$1,287,891.
- ⁵⁰ Greater Albany is the single district that does not have a refund provision stated in the contract. Payments to the district are made in equal installments over the course of the 3-year contract, therefore avoiding large upfront payments that must be paid back upon early termination of the contract.
- ⁵¹ Several Medford contracts contain "buy out" provisions for schools if choosing to terminate the contracts early; these schools receive scoreboards rather than cash fees. The Hillsboro contract includes a \$1 million playing field in the contract formula calculating the amount that the district must refund upon early termination of the contract.
- ⁵² The refund amounts were calculated based on formulas or requirements of each contract. The two Eugene contracts require the district to pay \$1,666.67 for each month remaining in the 8-year contract upon early termination. The two contracts began on January 18, 2001, and if terminated as of January 1, 2005, the district would owe \$1,666.67 multiplied by 48 remaining contract months, and multiplied by 2 (amount owed for both contracts), which equals \$160,000.32.
- ⁵³ The Portland contract began on December 1, 2001, and if terminated as of January 1, 2005, the district refund amount would be calculated according to the following formula specified by the contract: \$1.9 million (initial fee), divided by 96 months (the entire contract term) and multiplied by the number of months remaining in the contract (59 months), which equals \$1,167,708; in addition, the district must refund annual fees paid during the year of termination (\$45,000), divided by 12 months and multiplied by the number of months remaining in the contract year (11 months), equaling \$41,250. The total refund owed by Portland school district would therefore amount to \$1,208,958 (\$1,167,708 + \$41,250) if terminated as of January 1, 2005. The Tigard-Tualatin Coca-Cola contract specifies that fees are deemed to be earned equally over the entire contract. The contract began on February 1, 1999, and if terminated as of January 1, 2005, the district would owe all fees paid prior to January 1, 2005 (\$1.275 million), divided by the entire term of the contract (180 months), and multiplied by the number of months remaining in the contract term (109 months).
- ⁵⁴ The two Eugene contracts state that if an individual school terminates their portion of the contract, the school must refund \$416.67 for each month remaining in the 8-year contract. The two contracts began on January 18, 2001, and if terminated as of January 1, 2005 by an individual school, the school would owe \$416.67 multiplied by 48 remaining contract months, and multiplied by 2 (amount owed for both contracts), which equals \$40,000.32.
- ⁵⁵ These districts are Coos Bay, Hood River, Medford, and North Clackamas. Please see the individual contract review charts in Appendix E for further detail of values exchanged by these contracts.
- ⁵⁶ Pepsi-Cola Response to Salem-Keizer school district Request for Proposal #286, September 9, 1998, pp. 30. The vendor proposal is incorporated into the original contract signed in October 1998; a subsequent contract signed in January 2002 confirming the contract terms and conditions does not address the availability of these promotional items.
- ⁵⁷ *Id.*
- ⁵⁸ A 10-year funding summary for the contract identifies a total scholarship value of \$251,565, assuming annual 5% sales increases. With the one-year extension, the scholarship value would equal an additional \$32,579, totaling \$284,144.
- ⁵⁹ Pepsi-Cola response to Salem-Keizer school district Request for Proposal #286, September 9, 1998, pp. 28.
- ⁶⁰ These calculations are based on 24 items per case and an estimated 37,137 enrolled students based on 2002-2003 figures from the Oregon Department of Education's *School Finance, Data & Analysis* (SFDA) reports. While student enrollment numbers may vary each contract year, these calculations are intended to illustrate general district financial incentives and estimated consumption expectations.
- ⁶¹ This calculation is based on the sale of 40,000 cases with 24 items per case, and assumes a district commission rate of 35%, a vendor revenue share of 65%, and a purchase price of \$1.00 per beverage (as identified by the contract).

- ⁶² This calculation is based on district spending per student reported in the Oregon Department of Education's 2002-2003 School Finance, Data & Analysis (SFDA) reports. According to district profile reports of "all operating funds" per student, Coos Bay spends \$7,494, Eugene spends \$7,368, Greater Albany spends \$6,596, Hillsboro spends \$6,606, Salem-Keizer spends \$6,835, and Tigard-Tualatin spends \$7,783. Average spending for these 6 districts is \$7,114 ($\$42,682 \div 6$). For the 12 districts studied, annual spending per student ranges from approximately \$6,000 to almost \$8,000. Please see the chart in Appendix F detailing the total financial value of the contracts.
- ⁶³ The Coos Bay, Eugene, and Greater Albany contracts cover specific high schools and middle schools in the districts. The number of students covered by these contracts is based on the number of students enrolled in these schools for the 2002-2003 school year, as reported by the Oregon Department of Education. The Hillsboro, Salem-Keizer, and Tigard-Tualatin contracts cover all schools and facilities within the districts, and therefore the number of students covered by these contracts reflects the total number of students enrolled in these districts. All student enrollment figures are based on 2002-2003 enrollment figures published by the Oregon Department of Education *School Finance, Data & Analysis* (SFDA) reports. Only the two Eugene contracts expressly identify the estimated number of students covered (5700), in which case this analysis uses the Eugene contract figures rather than the 2002-2003 Oregon Department of Education estimates. While student enrollment figures may vary each contract year, these numbers are intended as general estimates of the numbers of students covered by the contracts.
- ⁶⁴ Percentages in parentheses in the table column "Total District Share" refer to district commission rates. Multiple percentages reflect either the various commission rates under a single contract, or different rates under several contracts.
- ⁶⁵ Percentages in parentheses in the table column "Total Vendor Share" refer to vendor share of sales revenue (*i.e.* remaining portion of sales revenue based on district commission rates). Multiple percentages reflect rates based on the various district commission rates under a single contract, or different district commission rates under several contracts.
- ⁶⁶ Vendor payment figures are based on the sum of vendor cash advances and non-cash payments (listed in the column titled "Total Vendor Payments" of Table 2), divided by the length of the contract and the number of students covered. Figures are limited to the 6 districts for which numbers were provided to calculate estimated sales revenue.
- ⁶⁷ Hillsboro-Coca-Cola contract, pp. 5; Tigard-Tualatin-Coca-Cola contract, pp. 4.
- ⁶⁸ Tigard-Tualatin-Coca-Cola contract, pp. 4.
- ⁶⁹ Hillsboro-Coca-Cola contract, pp. 4; Tigard-Tualatin-Coca-Cola contract, pp. 4.
- ⁷⁰ Portland-Coca-Cola contract, pp. 4.
- ⁷¹ Eugene Request For Proposal (RFP), Item 11, pp. 3. (RFP integrated into contract by reference).
- ⁷² Hermiston school district is the single district with a contract that clearly specifies the district's sole control over the types of products sold in machines.
- ⁷³ Beaverton, Greater Albany, and Portland school districts have contracts that specify the types of products that may be available in vending machines for certain grade levels or in specific locations, such as cafeterias and locker rooms. See Appendix E for further detail of each contract.
- ⁷⁴ North Clackamas school district's contract states that vending prices and products will be determined by the vendor and approved by North Clackamas School District. See North Clackamas-PBG Contract, pp. 3.
- ⁷⁵ March 15, 2005 email from Janet Beer, Food Service Director, Tigard-Tualatin School District to Nicola Pinson, Report Author, Community Health Partnership (on file with author).
- ⁷⁶ Eugene Request For Proposal (RFP), Item 12, pp. 3. (RFP is integrated into contract by reference).
- ⁷⁷ Pepsi-Cola response to Salem-Keizer school district Request for Proposal #286, September 9, 1998, pp. 5. The vendor proposal is incorporated into the original contract signed in October 1998; a subsequent contract signed in January 2002 confirming the contract terms and conditions does not contain this language.
- ⁷⁸ Eugene Request For Proposal (RFP), Item 4, pp. 2. The RFP is integrated into both contracts by reference.
- ⁷⁹ Beaverton School District-Pepsi Bottling Group Contract, pp. 6.
- ⁸⁰ See 7 CFR §§210.11 (lunch), 220.12 (breakfast), Pt. 210, App. B, Pt. 220, App. B.

APPENDIX A

Sample Selection Criteria

APPENDIX B

Survey Sample of 25 School Districts

APPENDIX C

Copy of Survey Instrument

APPENDIX D

Contract Overview Chart

APPENDIX E

Individual Contract Review Charts

APPENDIX F

Overview of Contract Financial Values

DISTRICT SAMPLE SELECTION CRITERIA

Oregon has a total of 198 school districts, encompassing 1,219 schools and 547,071 enrolled students, according to 2003 Oregon Department of Education figures. Each of the 198 school districts belong to one of 20 Education Service Districts (ESDs), which are located throughout the state and provide regional support to the local districts.

The 25 Oregon public school districts included in this survey were selected according to the following criteria:

1. The largest school district in each of the 20 ESDs, and
2. All school districts with over 10,000 enrolled students.

The goals of these selection criteria were twofold: 1) to select districts collectively serving the majority of students in Oregon, and 2) to obtain geographic representation of districts located throughout the state. The bias of the sample is toward larger districts, although smaller districts are still represented because of districts selected in each ESD.

The 25 districts in the sample represent 288,251 Oregon students (52% of the total students enrolled in Oregon public schools), diverse geographic regions throughout Oregon, and districts of various sizes, ranging from 337 to 51,654 enrolled students. In addition, 28.7% of the students covered by the sample are members of minority populations, representative of the 23.7% minority students in the state as a whole. Further, 36.2% of the students in the sample are eligible for free and reduced-priced lunches, approximately representative of the 38.5% students eligible for free and reduced-priced lunches statewide. Figures are based on the *School Finance, Data & Analysis* (SFDA) reports published by the Oregon Department of Education for the school year 2002-2003.

BEVERAGE CONTRACT SURVEY SAMPLE: 25 OREGON PUBLIC SCHOOL DISTRICTS

DISTRICT	EDUCATION SERVICE DISTRICT (ESD)	ENROLLMENT	NUMBER OF MINORITY STUDENTS (%)	NUMBER OF STUDENTS ELIGIBLE FOR FREE/REDUCED LUNCH (%)
Beaverton	NW Regional	35,320	10,878 (30.8%)	8,583 (24.3%)
Bend-La Pine	High Desert	13,671	1,084 (7.9%)	4,393 (32.1%)
Coos Bay	South Coast	3,791	921 (24.3%)	1,836 (48.4%)
Enterprise	Region 18	438	15 (3.4%)	142 (32.4%)
Eugene	Lane	18,735	4,391 (23.4%)	4,835 (25.8%)
Greater Albany	Linn-Benton-Lincoln	8,226	1,149 (14%)	2,883 (35.1%)
Gresham-Barlow	Multnomah (> 10,000)	11,712	1,965 (16.8%)	3,412 (29.1%)
Harney County	Harney County	1,128	166 (14.7%)	577 (51.2%)
Hermiston	Umatillia-Morrow	4,305	1,547 (39.9%)	1,995 (46.3%)
Hillsboro	NW Regional (> 10,000)	18,850	6,082 (32.3 %)	5,853 (31.1%)
Hood River	Region 9	3,867	1,578 (40.8%)	1,831 (47.4%)
Jefferson County	Jefferson	3,195	1,953 (61.1%)	2,148 (67.2%)
John Day	Grant	874	29 (3.3%)	376 (43%)
La Grande	Union/Baker	2,297	170 (7.4%)	797 (34.7%)
Lake County	Lake	861	123 (14.3%)	349 (40.5%)
Medford	Southern Oregon	13,014	2,334 (17.9%)	4,664 (35.8%)
North Clackamas	Clackamas	15,777	3,433 (21.8%)	4,467 (28.3%)
Ontario	Malheur	2,795	1,458 (52.2%)	1,687 (60.4%)
Portland	Multnomah	51,654	20,370 (39.4%)	21,265 (41.2%)
Reynolds	Multnomah (> 10,000)	10,332	3,462 (33.5%)	5,141 (49.8%)
Roseburg	Douglas	6,788	796 (11.7%)	2,491 (36.7%)
Salem-Keizer	Willamette	37,137	14,421 (38.8%)	16,987 (45.7%)
Sherman	North Central	337	33 (9.8%)	136 (40.4%)
Springfield	Lane (> 10,000)	11,166	1,757 (15.7%)	5,002 (44.8%)
Tigard	NW Regional (> 10,000)	11,981	2,595 (21.7%)	2,583 (21.6%)
25 districts	20 ESDs + All districts >10,000	288,251 (52% of 554,071 total students)	82,710 (28.7% of sample)	104,433 (36.2% of sample)

2004 OREGON SURVEY OF SCHOOL BEVERAGE AND SNACK FOOD CONTRACTS

District Telephone Interview Guide

Name and Title: _____

District: _____

Phone: _____ Email: _____

Part I. District-Level Contracts with Beverage or Snack-Food Companies

1. Does your district have contract(s) with soda and/or snack-food companies granting them rights to sell soda and/or snacks in schools?

Yes (continue to question 3) No (continue to question 2)

2. If no, have you been approached by a vendor to enter into a district-wide contract?

Yes No

3. Can you identify each of the contracts and provide us with a copy ?

a. _____ c. _____

b. _____ d. _____

4. Which district official(s) would be best to speak with if we have more follow up questions about the details of the contracts? (e.g. how they were negotiated, how they are currently operating, challenges or successes in the negotiating process).

Part II. School-Level Contracts with Beverage or Snack-Food Companies

5. Do individual schools in your district have contract(s) with soda and/or snack food companies granting them rights to sell soda and/or snacks in the school?

Yes No (skip to end) Don't know (skip to end)

6. Can you provide us with a list of the schools with contracts?

Yes No

7. If yes, please list the schools with contracts and, if possible, provide contact information for appropriate individuals for us to contact.

a. _____ e. _____

b. _____ f. _____

c. _____ g. _____

d. _____ h. _____

OVERVIEW OF BEVERAGE CONTRACTS IN 12 OREGON PUBLIC SCHOOL DISTRICTS

DISTRICT	DISTRICT SIZE	STUDENTS SUBJECT TO CONTRACT(S)	SCHOOLS & DISTRICT PROPERTY SUBJECT TO CONTRACT(S)	VENDOR(S)	DURATION
Beaverton	35,320	35,320	All schools and facilities	Pepsi-Cola	10 years
Coos Bay (3 contracts)	3,791	2,424	High school and middle schools	Coca-Cola Willamette Beverage Vend West Services	8 years 8 years 8 years
Eugene (2 contracts)	18,735	5,700	High schools	Coca-Cola Willamette Beverage	8 years 8 years
Greater Albany	8,226	3,081	High schools and middle school	Pepsi-Cola	3 years
Hermiston	4,305	2,202	All schools and facilities (limited to one high school and two middle schools)	Swire Pacific Holdings	5 years
Hillsboro	18,850	18,850	All schools and facilities	Coca-Cola	12 years
Hood River	3,867	3,867	All schools	Pepsi-Cola	12 years
Medford (5 contracts)	13,014	2,019 1,882 1,185 1,147 --	High school High school Middle school Middle school Stadium	Pepsi-Cola Pepsi-Cola Pepsi-Cola Pepsi-Cola Pepsi-Cola	10 years 9 years 11 years 11 years 7 years
North Clackamas	15,777	7,289	All schools and facilities, except elementary	Pepsi-Cola	10 years
Portland	51,654	51,654	All schools and facilities	Coca-Cola	8 years
Salem-Keizer	37,137	37,137	All schools and facilities	Pepsi-Cola	11 years
Tigard-Tualatin	11,981	11,981	All schools and facilities	Coca-Cola	15 years

BEAVERTON CONTRACT REVIEW CHART

DISTRICT: Beaverton School District 48J (“District”)
 VENDOR: Pepsi Bottling Group, Portland Office (“Pepsi”)
 TITLE: Agreement
 TERM: 10 years (July 1, 2001 – June 30, 2011)
 SCHOOLS COVERED: Entire premises of every school and facility owned or operated by the school district, now or in the future, including all elementary, middle, high, and alternative schools.
 STUDENTS COVERED: 35,320 students (based on 2002-2003 student enrollment)
 DISTRICT SIZE: 35,320 students (based on 2002-2003 student enrollment)

CONTRACT EXCHANGE:

DISTRICT	VENDOR
<p>Cash Advance (“Sponsorship Fee”)</p> <ul style="list-style-type: none"> ♦ Total: \$2,032,290* (less applicable taxes) ♦ Initial (2001): \$988,290 ♦ Annual (2002-2010): \$116,000/year <p>* Upon early termination, material restrictions of vendor rights, or government regulation prohibiting availability of beverages, district must reimburse “unearned” portion of prepaid fees. If terminated on 1/1/05 district would owe \$700,388.</p>	<p>Beverage Availability Rights</p> <ul style="list-style-type: none"> ♦ Exclusive right to sell, dispense, serve or make “beverages” available for sale through vending and food service outlets on campus. ♦ Includes cafeterias, except beverages offered through federally-sponsored meals programs; Includes all concessionaires, food service vendors and booster clubs selling beverages. ♦ Products vended at elementary schools limited to water and juices; products vended in other schools mutually determined; vendor product changes subject to district approval. ♦ Placement of minimum of 232 machines based on Pepsi survey of campus needs; district right to require removal or relocation. ♦ Time limits not specified, except reference to federal time/place regulations.
<p>Commission Sales Revenue</p> <ul style="list-style-type: none"> ♦ Carbonated: 47% of “cash collected”* ♦ Non-Carbonated: 37% of “cash collected”* <p>* Less sales taxes, license and recycling fees; vend prices set by contract.</p>	<p>Advertising Rights</p> <ul style="list-style-type: none"> ♦ Right to place full trademark panels on all sides of vending machines, retail and fountain equipment. ♦ Required use of cups with Pepsi logo. ♦ Advertising through non-cash items.
<p>Product Purchasing Agreement</p> <ul style="list-style-type: none"> ♦ District purchases products at prices set by contract and retains net profits from sales, usually through retail (non-vending) outlets. ♦ Price increase after first two years determined by Pepsi, but no greater than 5% per year. 	

continues

CONTRACT EXCHANGE CONTINUED: BEAVERTON

DISTRICT	VENDOR
<i>Non-Cash Items (estimated values)</i>	<i>Sales Revenue</i>
<ul style="list-style-type: none"> • Scholarships: \$0.40 per case sold each year. • Electrical upgrades: \$500 per machine for necessary upgrades, not to exceed \$12,000. • Beverage donations: 1,015 cases per agreement year; sports drinks. (no est. value) • Recycling: 279 containers; district right to redeem bottles returned. (no est. value) • Software: funding sources and Pepsi PrintOut. (no est. value) 	<ul style="list-style-type: none"> • Carbonated: 53% of “cash collected” • Non-Carbonated: 63% of “cash collected”
<i>Vendor Services</i>	<i>Product Purchasing Agreement</i>
<ul style="list-style-type: none"> • Vendor provides equipment, installation, removal, maintenance, stocking and collection of receipts. • Vendor assumes risk of loss, destruction or damage to equipment, except loss that can be attributed to negligence of district or agents. 	<ul style="list-style-type: none"> • District purchases products at prices set by contract, generally for sales through retail (non-vending) outlets.
	<i>Other District Costs/Responsibilities</i>
	<ul style="list-style-type: none"> • Not identified.

COOS BAY CONTRACT REVIEW CHART (COCA-COLA)

DISTRICT: Coos Bay School District No. 9 (“District”)

VENDOR: Coca-Cola Bottling Co. of Los Angeles d/b/a Coca-Cola Bottling Co. of Oregon (“Vendor”)

TITLE: Vending Agreement (Nonexclusive)

TERM: 8 years (August 1, 2000 – July 31, 2008)

SCHOOLS COVERED: Marshfield High School, Millicoma and Sunset Middle Schools. Excludes elementary schools, district administrative office, and faculty rooms.

STUDENTS COVERED: 2,424 students (based on 2002-2003 enrollment)

DISTRICT SIZE: 3,791 students (based on 2002-2003 student enrollment)

CONTRACT EXCHANGE:

DISTRICT	VENDOR
<i>Cash Advance (“Capital Contribution”)</i>	<i>Nonexclusive Vending Rights</i>
<ul style="list-style-type: none"> • See non-cash items below (classified as non-cash because dedicated for specific purchase, as opposed to discretionary use). 	<ul style="list-style-type: none"> • Nonexclusive right to make “beverages” available for sale through vending machines and concession stands.
<i>Commission Sales Revenue</i>	<ul style="list-style-type: none"> • Limitations of types or selection of products not specified.
<ul style="list-style-type: none"> • 35% of “monies collected” • Vend prices set by contract, subject to increases by mutual consent. 	<ul style="list-style-type: none"> • Recognizes rights of food service vendors, school booster clubs, Willamette Beverage Company, Vend West Services and other vendors to sell competing products.
<i>Product Purchasing Agreement</i>	<ul style="list-style-type: none"> • Machine number and locations mutually agreed upon. Placement of machines equal in number and proximity to competitors.
<ul style="list-style-type: none"> • Contract does not set forth separate product purchasing agreement. 	<ul style="list-style-type: none"> • At district discretion, vending machines may be turned off at anytime.
<i>Non-Cash Items</i>	<ul style="list-style-type: none"> • <i>Minimum Sales Volume:</i> 10,000 cases of each Vendor’s products. Contract shall be automatically extended until reached.
<ul style="list-style-type: none"> • \$10,000 “capital contribution” toward district’s track and field project. • Note: No contract reimbursement provision upon early termination or other restrictions of vendor rights. 	

continues

CONTRACT EXCHANGE CONTINUED: COOS BAY (COCA-COLA)

DISTRICT	VENDOR
<p><i>Vendor Services</i></p> <ul style="list-style-type: none"> • Vendor provides equipment, installation, removal, maintenance, stocking and collection of receipts. • Vendor provides recycling containers and district may elect to have Vendor collect beverage containers and pay District rebate of \$0.05 per container. • Vendor assumes risk of any theft or damage to goods and equipment. 	<p><i>Advertising Rights</i></p> <ul style="list-style-type: none"> • Preface to contract identifies Vendor desire to advertise products, but the contract does not address explicit rights granted. • Vendor prohibited from expressing or implying that products are endorsed by District, or that District is promoting purchase of products by students, employees, or others. <p><i>Sales Revenue</i></p> <ul style="list-style-type: none"> • 65% of "monies collected" <p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none"> • Contract does not set forth separate product purchasing agreement. <p><i>Other District Costs/Responsibilities</i></p> <ul style="list-style-type: none"> • Not identified.

COOS BAY CONTRACT REVIEW CHART (WILLAMETTE BEVERAGE COMPANY)

DISTRICT: Coos Bay School District No. 9 (“District”)

VENDOR: Willamette Beverage Company (“Vendor”)

TITLE: Vending Agreement (Nonexclusive)

TERM: 8 years (August 1, 2000 – July 31, 2008)

SCHOOLS COVERED: Marshfield High School, Millicoma and Sunset Middle Schools
Excludes elementary schools, district administrative office, and school faculty rooms.

STUDENTS COVERED: 2,424 students (based on 2002-2003 enrollment)

DISTRICT SIZE: 3,791 students (based on 2002-2003 student enrollment)

CONTRACT EXCHANGE:

DISTRICT	VENDOR
<p>Cash Advance (“Capital Contribution”)</p> <ul style="list-style-type: none"> See non-cash items below (classified as non-cash because dedicated for specific purchase, as opposed to discretionary use). 	<p>Nonexclusive Vending Rights</p> <ul style="list-style-type: none"> Nonexclusive right to make “beverages” available for sale through vending machines and concession stands. Limitations of types or selection of products not specified. Recognizes rights of food service vendors, school booster clubs, Coca-Cola, Vend West Services and other vendors to sell competing products. Machine number and locations mutually agreed upon. Placement of machines equal in number and proximity to competitors. At district discretion, vending machines may be turned off at anytime. <i>Minimum Sales Volume:</i> 10,000 cases of each Vendor’s products. Contract shall be automatically extended until reached.
<p>Commission Sales Revenue</p> <ul style="list-style-type: none"> 35% of “monies collected” Vend prices set by contract, subject to increases by mutual consent. 	
<p>Product Purchasing Agreement</p> <ul style="list-style-type: none"> Contract does not set forth separate product purchasing agreement. 	
<p>Non-Cash Items</p> <ul style="list-style-type: none"> \$10,000 “capital contribution” toward district’s track and field project. <p><i>Note: No contract reimbursement provision upon early termination or other restrictions of vendor rights.</i></p>	

continues

CONTRACT EXCHANGE CONTINUED: COOS BAY (WILLAMETTE BEVERAGE COMPANY)

DISTRICT	VENDOR
<p><i>Vendor Services</i></p> <ul style="list-style-type: none"> • Vendor provides equipment, installation, removal, maintenance, stocking and collection of receipts. • Vendor provides recycling containers and district may elect to have Vendor collect beverage containers and pay District rebate of \$0.05 per container. • Vendor assumes risk of any theft or damage to goods and equipment. 	<p><i>Advertising Rights</i></p> <ul style="list-style-type: none"> • Preface to contract identifies Vendor desire to advertise products, but the contract does not address explicit rights granted. • Vendor prohibited from expressing or implying that products are endorsed by District, or that District is promoting purchase of products by students, employees, or others. <p><i>Sales Revenue</i></p> <ul style="list-style-type: none"> • 65% of “monies collected” <p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none"> • Contract does not set forth separate product purchasing agreement. <p><i>Other District Costs/Responsibilities</i></p> <ul style="list-style-type: none"> • Not identified.

COOS BAY CONTRACT REVIEW CHART (VEND WEST SERVICES)

DISTRICT: Coos Bay School District No. 9 (“District”)

VENDOR: Vend West Services, Inc. (“Vendor”)

TITLE: Vending Agreement (Nonexclusive)

TERM: 8 years (August 1, 2000 – July 31, 2008)

SCHOOLS COVERED: Marshfield High School, Millicoma and Sunset Middle Schools
Excludes elementary schools, district administrative office, and school faculty rooms.

STUDENTS COVERED: 2424 students (based on 2002-2003 enrollment)

DISTRICT SIZE: 3791 students (based on 2002-2003 student enrollment)

CONTRACT EXCHANGE:

DISTRICT	VENDOR
<p><i>Cash Advance (“Capital Contribution”)</i></p> <ul style="list-style-type: none"> • See non-cash items below (classified as non-cash because dedicated for specific purchase, as opposed to discretionary use). <p><i>Commission Sales Revenue</i></p> <ul style="list-style-type: none"> • 15% of “monies collected” • Vend prices set by contract, subject to increases by mutual consent. <p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none"> • Contract does not set forth separate product purchasing agreement. <p><i>Non-Cash Items</i></p> <ul style="list-style-type: none"> • \$10,000 “capital contribution” toward district’s track and field project. <p><i>Note: No contract reimbursement provision upon early termination or other restrictions of vendor rights.</i></p>	<p><i>Nonexclusive Vending Rights</i></p> <ul style="list-style-type: none"> • Nonexclusive right to make “beverages” available for sale through vending machines and concession stands. • Limitations of types or selection of products not specified. • Recognizes rights of food service vendors, school booster clubs, Coca-Cola, Willamette Beverage Company, and other vendors to sell competing products. • Machine number and locations mutually agreed upon placement of machines equal in number and proximity to competitors. • At district discretion, vending machines may be turned off at anytime. • <i>Minimum Sales Volume:</i> 10,000 cases of each Vendor’s products. Contract shall be automatically extended until reached.

continues

CONTRACT EXCHANGE CONTINUED: COOS BAY (VEND WEST SERVICES)

DISTRICT	VENDOR
<p><i>Vendor Services</i></p> <ul style="list-style-type: none"> • Vendor provides equipment, installation, removal, maintenance, stocking and collection of receipts. • Vendor provides recycling containers and district may elect to have Vendor collect beverage containers and pay District rebate of \$0.05 per container. • Vendor assumes risk of any theft or damage to goods and equipment. 	<p><i>Advertising Rights</i></p> <ul style="list-style-type: none"> • Preface to contract identifies vendor desire to advertise products, but the contract does not address explicit rights granted. • Vendor prohibited from expressing or implying that products are endorsed by District, or that District is promoting purchase of products by students, employees, or others. <p><i>Sales Revenue</i></p> <ul style="list-style-type: none"> • 85% of “monies collected” <p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none"> • Contract does not set forth separate product purchasing agreement. <p><i>Other District Costs/Responsibilities</i></p> <ul style="list-style-type: none"> • Not identified.

EUGENE CONTRACT REVIEW CHART (COCA-COLA)

DISTRICT: Eugene School District 4J (“District”)
 VENDOR: Coca-Cola Bottling of Oregon (“Coke”)
 TITLE: Limited Exclusive Cold Beverage Services Contract
 TERM: 8 years (January 18, 2001 – January 17, 2009)
 SCHOOLS COVERED: 4 high schools: South Eugene, Sheldon, Churchill, North Eugene
 STUDENTS COVERED: 5,700 students (based on contract figures)
 DISTRICT SIZE: 18,735 students (based on 2002-2003 student enrollment)

CONTRACT EXCHANGE:

DISTRICT	VENDOR
<p>Cash Advance (“Lump Sum Payment”) Total: \$160,000* \$80,000 (Jan. 18, 2001) \$80,000 (June 15, 2001)</p> <p>* Upon early termination, district must reimburse prorated portion of prepaid fees. If terminated as of 1/1/2005, district would owe approximately \$80,000.</p>	<p>Limited Exclusive Beverage Service Rights</p> <ul style="list-style-type: none"> ♦ Limited-exclusive right to provide vending machines and limited beverage dispensers at concession stands and athletic fields. ♦ Excludes the food service program; contract does not apply to retail sale of beverages by other groups on school grounds. ♦ “Variety” of different beverage options including but not limited to carbonated and non-carbonated soft drinks, 100% juice and fruit juice drinks, teas, isotonic and water will be available; contract does not specify limitation or selection of products. ♦ District right to choose initial beverage container in collaboration with Vendor. ♦ Number of machines limited to 6 at each high school; strategic locations determined by school administration in collaboration with Vendor. ♦ Machines will be operable at all times of day. ♦ <i>Minimum Sales Volume:</i> Each school must sell 10,000 cases, for a combined total of 40,000 cases. “Necessary adjustments” may be made to reach volume goal.
<p>Commission Sales Revenue</p> <ul style="list-style-type: none"> ♦ 25% of “gross sales” ♦ District right to set vend prices in collaboration with Vendor. 	
<p>Product Purchasing Agreement</p> <ul style="list-style-type: none"> ♦ Contract does not set forth separate product purchasing agreement. 	
<p>Non-Cash Items</p> <ul style="list-style-type: none"> ♦ Vendor’s proposal identifies: “PowerAde program,” “Fruitopia Program,” and vending promotions such as T-shirts in a can, free CDs, and pizza certificates. 	

continues

CONTRACT EXCHANGE CONTINUED: EUGENE (COCA-COLA)

DISTRICT	VENDOR
<p><i>Vendor Services</i></p> <ul style="list-style-type: none"> • Vendor provides equipment, installation, removal, maintenance, stocking and collection of receipts. 	<p><i>Advertising Rights</i></p> <ul style="list-style-type: none"> • Advertising rights not explicitly granted. • Signage will only be permitted on vending machines, coolers, or other dispensers. No other signage will be allowed. • Advertising through non-cash items. <p><i>Sales Revenue</i></p> <ul style="list-style-type: none"> • 75% of “gross sales” <p><i>Product Purchasing Agreement Sales</i></p> <ul style="list-style-type: none"> • Contract does not set forth separate product purchasing agreement. <p><i>Other District Costs/Responsibilities</i></p> <ul style="list-style-type: none"> • District pays electric/utility fees.

EUGENE CONTRACT REVIEW CHART (WILLAMETTE BEVERAGE)

DISTRICT:	Eugene School District 4J (“District”)
VENDOR:	Willamette Beverage d/b/a Pepsi-Cola Bottling Co. of Eugene (“Pepsi”)
TITLE:	Limited Exclusive Cold Beverage Services Contract
TERM:	8 years (January 18, 2001 – January 17, 2009)
SCHOOLS COVERED:	4 high schools: South Eugene, Sheldon, Churchill, North Eugene
STUDENTS COVERED:	5,700 students (based on contract figures)
DISTRICT SIZE:	18,735 students (based on 2002-2003 student enrollment)

CONTRACT EXCHANGE:

DISTRICT	VENDOR
<p>Cash Advance (“Lump Sum Payment”)</p> <ul style="list-style-type: none"> Total: \$160,000* <ul style="list-style-type: none"> \$80,000 (Jan. 18, 2001) \$80,000 (June 15, 2001) <p>* Must reimburse prorated portion upon early termination. As of January 1, 2005, contract reimbursement would amount to approximately \$80,000.</p>	<p>Limited Exclusive Beverage Service Rights</p> <ul style="list-style-type: none"> Limited-exclusive right to provide vending machines and limited beverage dispensers at concession stands and athletic fields. Excludes the food service program; contract does not apply to retail sale of beverages by other groups on school grounds. “Variety” of different beverage options including but not limited to carbonated and non-carbonated soft drinks, 100% juice and fruit juice drinks, teas, isotonic and water will be available; contract does not specify limitation or selection of products. District right to choose initial beverage container in collaboration with Vendor. Number of machines limited to 6 at each high school; strategic locations determined by school administration in collaboration with Vendor. Machines will be operable at all times of day. <i>Minimum Sales Volume:</i> Each school must sell 10,000 cases, for a combined total of 40,000 cases. “Necessary adjustments” may be made to reach volume goal.
<p>Commission Sales Revenue</p> <ul style="list-style-type: none"> 25% of “gross sales” District right to set vend prices in collaboration with Vendor. 	
<p>Product Purchasing Agreement</p> <ul style="list-style-type: none"> District purchases products at prices set by contract and retains net profits from sales, usually through retail (non-vending) outlets. <p>Note: District purchases products at price equal to vend price minus the commission amount.</p>	
<p>Non-Cash Items</p> <ul style="list-style-type: none"> Not addressed/included in contract. 	

continues

CONTRACT EXCHANGE CONTINUED: EUGENE (WILLAMETTE BEVERAGE)

DISTRICT	VENDOR
<p><i>Vendor Services</i></p> <ul style="list-style-type: none"> • Vendor provides equipment, installation, removal, maintenance, stocking and collection of receipts. 	<p><i>Advertising Rights</i></p> <ul style="list-style-type: none"> • Advertising rights not explicitly granted. • Signage will only be permitted on vending machines, coolers, or other dispensers. No other signage will be allowed. <p><i>Sales Revenue</i></p> <ul style="list-style-type: none"> • 75% of “gross sales” <p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none"> • District purchases products at prices set by contract, generally for sales through retail (non-vending) outlets. <p><i>Other District Costs/Responsibilities</i></p> <ul style="list-style-type: none"> • District pays electric/utility fees.

GREATER ALBANY CONTRACT REVIEW CHART

DISTRICT: Greater Albany School District 8J (“School District”)
 VENDOR: Pepsi-Cola of Corvallis (“Vendor”)
 TITLE: Exclusive Pouring Rights Contract
 TERM: 3 years (July 1, 2004 – June 30, 2007)
 SCHOOLS COVERED: 2 high schools and 1 middle school (S. Albany, W. Albany, N. Albany)
 STUDENTS COVERED: 3,081 students (based on 2002-2003 enrollment)
 DISTRICT SIZE: 8,226 students (based on 2002-2003 student enrollment)

CONTRACT EXCHANGE:

DISTRICT	VENDOR
<p><i>Cash Advance (“Direct Cash Contribution”)</i></p> <ul style="list-style-type: none"> ♦ Total: \$38,050.000 - 3 annual installments <ul style="list-style-type: none"> \$11,350 (2004) \$11,350 (2005) \$11,350 (2006) \$4,000 (add-on for Middle School) ♦ Note: No reimbursement provision in contract upon early termination or other restrictions of rights. 	<p><i>Pouring Rights</i></p> <ul style="list-style-type: none"> ♦ Exclusive pouring rights for products sold at two high schools and one middle school, including retail and vending sales. ♦ Excludes food service program; includes student store and athletic events. ♦ Guarantee of 7 machines at each high school, and 3 machines at middle school. Machine locations specified by contract terms. ♦ Limitations on types of product available in cafeterias and locker rooms; juice and water must be available wherever soft drinks sold. ♦ District requires all products be in plastic bottles with screw tops (<i>i.e.</i> 20 oz products). ♦ Machines equipped with electronic timers controlled by District.
<p><i>Commission Sales Revenue</i></p> <ul style="list-style-type: none"> ♦ 40% of “gross revenue”* ♦ Vend prices established by each school. <p>* Less bottle loss</p>	<p><i>Advertising Rights</i></p> <ul style="list-style-type: none"> ♦ Advertising rights not explicitly granted. ♦ Contracts specifies that new vending machines must feature graphics that promote educational activities, physical fitness and non-carbonated beverage choices.
<p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none"> ♦ District purchases products at prices set by contract and retains net profits from sales, usually through retail (non-vending) outlets. 	
<p><i>Non-Cash Items</i></p> <ul style="list-style-type: none"> ♦ Not addressed/included in contract. 	

continues

CONTRACT EXCHANGE CONTINUED: GREATER ALBANY

DISTRICT	VENDOR
<p><i>Vendor Services</i></p> <ul style="list-style-type: none"> • Vendor provides equipment, installation, removal, maintenance, stocking and collection of receipts. • Vendor provides recycling services. 	<p><i>Sales Revenue</i></p> <ul style="list-style-type: none"> • 60% of “gross revenue” <p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none"> • District purchases products at prices set by contract, generally for sales through retail (non-vending) outlets. <p><i>Other District Costs/Responsibilities</i></p> <ul style="list-style-type: none"> • Not identified.

HERMISTON CONTRACT REVIEW CHART

DISTRICT:	Hermiston School District (“District”)
VENDOR:	Swire Pacific Holdings Inc. (“Vendor”)
TITLE:	Exclusive Marketing Agreement
TERM:	5 years (beginning 2000/01 school year – June 30, 2005)
SCHOOLS COVERED:	Entire district, but currently limited to: 1 high school (Hermiston High) and 2 middle schools (Armand Larive and Sandstone)
STUDENTS COVERED:	2,202 students (based on 2002-2003 enrollment)
DISTRICT SIZE:	4,305 students (based on 2002-2003 student enrollment)

CONTRACT EXCHANGE:

DISTRICT	VENDOR
<p>Cash Advance (“Cash Consideration”)</p> <ul style="list-style-type: none"> ♦ Total: \$95,000* - 4 annual installments <ul style="list-style-type: none"> \$30,000 (2000) \$30,000 (2001) \$25,000 (2002) \$10,000 (2003) <p>* Must reimburse prorated portion upon early termination. As of January 2005, total reimbursement would amount to \$9,500.</p>	<p>Marketing Rights</p> <ul style="list-style-type: none"> ♦ Exclusive right to market products at school facilities, and District off-campus sales. ♦ Excludes school food service program. ♦ Product selection subject to District control. ♦ Machine location subject to District control. ♦ Minimum of one vending machine per 120 students. ♦ Machines must be operable at all hours, but District may impose time limitations on student access to machines.
<p>Commission Sales Revenue</p> <ul style="list-style-type: none"> ♦ Beverages: % depends on whether full or self service (decided by each school). Vend prices not addressed by contract. 	<p>Advertising Rights</p> <ul style="list-style-type: none"> ♦ Right to display logo, name, and/or advertising message in school facilities. ♦ Advertising through non-cash items.
<p>Product Purchasing Agreement</p> <ul style="list-style-type: none"> ♦ District purchases products at prices set by contract and retains net profits from sales, usually through retail (non-vending) outlets. 	<p>Sales Revenue</p> <ul style="list-style-type: none"> ♦ Beverages: % depends on whether full or self service (decided by each school).

continues

CONTRACT EXCHANGE CONTINUED: HERMISTON

DISTRICT	VENDOR
<p><i>Non-cash Items (Estimated Values)</i></p> <ul style="list-style-type: none"> • Three \$500 student scholarships. • Beverages (\$500 retail value per year). • Student, teacher and parent awards. (no est. value) • PowerAde On-The-Field Kits. (no est. value) • Vending promotions upon district request. (no est. value) 	<p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none"> • District purchases products at prices set by contract, generally for sales through retail (non-vending) outlets.
<p><i>Vendor Services</i></p> <ul style="list-style-type: none"> • Vendor provides equipment, installation, removal, maintenance, stocking and collection of receipts. 	<p><i>Other District Costs/Responsibilities</i></p> <ul style="list-style-type: none"> • Not identified.

HILLSBORO CONTRACT REVIEW CHART

DISTRICT: Hillsboro School District 1J (“District”)

VENDOR: Coca-Cola Bottling Co. of Oregon (“Bottler”)

TITLE: Sponsorship Agreement

TERM: 12 years (September 1, 1998 – August 31, 2010)

SCHOOLS COVERED: Entire premises of each and every school and facility owned or operated by District, now and in the future, including all elementary, middle, high, and alternative schools.

STUDENTS COVERED: 18,850 students (based on 2002-2003 student enrollment)

DISTRICT SIZE: 18,850 students (based on 2002-2003 student enrollment)

CONTRACT EXCHANGE:

DISTRICT	VENDOR
<p>Cash Advance (“Sponsorship Fees”)</p> <ul style="list-style-type: none"> ♦ Total: \$1,300,000* <ul style="list-style-type: none"> \$1,000,000 (all-weather playing field surface, classified as non-cash item for purposes of report analysis) \$300,000 (single payment upon installation of vending machines) <p>* <i>Reimbursement clause upon early termination. Bottler right to adjust fees based on subsequent government regulations and other limitations of Bottler’s rights. As of January 1, 2005, total reimbursement would amount to \$596,000.</i></p> <p>Commission Sales Revenue</p> <ul style="list-style-type: none"> ♦ Carbonated: 30% of “cash collected” * ♦ Non-carbonated: 25% of “cash collected” * ♦ Vend prices set by contract, subject to Vendor right to increase. <p>* <i>Less taxes, recycling and debit card fees.</i></p>	<p>Exclusive Beverage Availability Rights</p> <ul style="list-style-type: none"> ♦ Products shall be exclusive beverages sold, dispensed, served or sampled on campus. ♦ Includes food service program; applies to all persons serving beverages on campuses; applies to sports teams. ♦ No limitations on types of products sold. ♦ One vending machine per 110 students. ♦ <i>Minimum Sales Volume: 420,000 cases; contract shall be extended until reached.</i> <p>Exclusive Advertising Rights</p> <p>Exclusive Beverage Merchandising Rights</p> <ul style="list-style-type: none"> ♦ Point-of-sale advertising ♦ Trademark panel on all sides of machines ♦ Concession/menu board advertising ♦ Use of approved cups; Product promotions designed to increase sales.

continues

CONTRACT EXCHANGE CONTINUED: HILLSBORO

DISTRICT	VENDOR
<p><i>Product Purchase Agreement</i></p> <ul style="list-style-type: none"> ♦ District purchases Products at prices set by contract and retains net profits from sales, usually through retail (non-vending) outlets. <p><i>Note: products prices competitive with “similarly situated customers”.</i></p>	<p><i>Exclusive Advertising and Promotional Rights</i></p> <ul style="list-style-type: none"> ♦ Right to advertise and promote beverages. ♦ Right to greater advertising presence and sign space than any other sponsor of the District. ♦ Right to promote self as District sponsor. ♦ Right to refer to any product, without limitation, as the “official” or “exclusive” drink of the District, schools or teams. ♦ Right to be the exclusive beverage sponsor at of any and all Stadium events.
<p><i>Non-Cash Items (estimated values)</i></p> <ul style="list-style-type: none"> ♦ All-weather playing field surface. (see \$1,000,000 above) ♦ PowerAde On-The-Field-Kit. (no est. value) ♦ Fruitopia Software. (no est. value) ♦ “Scholarship 101” and “School to Work” software programs. (no est. value) 	<p><i>Other Vendor Rights</i></p> <ul style="list-style-type: none"> ♦ Right of first refusal: upon termination, District must negotiate exclusively with Vendor for 90 days.
<p><i>Vendor Service</i></p> <ul style="list-style-type: none"> ♦ Vendor provides equipment, installation, removal, maintenance, stocking and collection of receipts. 	<p><i>Sales Revenue</i></p> <ul style="list-style-type: none"> ♦ Carbonated: 70% of “cash collected” ♦ Non-carbonated: 75% of “cash collected”
	<p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none"> ♦ District purchases products at prices set by contract, generally for sales through retail (non-vending) outlets.
	<p><i>Other District Costs/Responsibilities</i></p> <ul style="list-style-type: none"> ♦ Actions to stop “ambush marketing.” ♦ District shall maintain all signs and other advertising in good repair.

HOOD RIVER CONTRACT REVIEW CHART

DISTRICT: Hood River School District
 VENDOR: Pepsi-Cola Bottling Co.
 TITLE: Exclusive School Beverage Agreement Addendum
 TERM: 12 years (original: September 1, 2000 – September 1, 2007; extension: September 1, 2007 – August 31, 2012)
 SCHOOLS COVERED: All schools in the district, including elementary, middle and high schools.
 STUDENTS COVERED: 3,867 students (based on 2002-2003 student enrollment)
 DISTRICT SIZE: 3,867 students (based on 2002-2003 student enrollment)

CONTRACT EXCHANGE:

DISTRICT	VENDOR
<p><i>Cash Advance (“Sponsorship Fee”)</i></p> <ul style="list-style-type: none"> None (See “Scoreboard Program” below) 	<p><i>Beverage Availability Rights</i></p> <ul style="list-style-type: none"> Exclusive beverage rights, including all pre-mix, post-mix, cans and bottles. Application to food service program unclear. District practice prohibits soda in elementary schools; but not specified by contract or formal district policy.
<p><i>Commission Sales Revenue</i></p> <ul style="list-style-type: none"> 12 oz. sodas: 35.6– 45.5%* 20 oz. sodas: 20.8 – 32.7%* Juice: 24.6 – 39.7%* Water: 9.7% – 27.7%* <p>* Commission percentages vary according to the vend price: the higher the price charged, the higher the rate of commission.</p>	<p><i>Advertising/Promotional rights</i></p> <ul style="list-style-type: none"> Advertising Rights not explicitly granted. Ads through school newspaper and sport programs. Advertising through non-cash items.
<p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none"> District purchases products at contracted prices and retains net profits from sales, usually through retail (non-vending) outlets. 	<p><i>Sales Revenue</i></p> <ul style="list-style-type: none"> 12 oz. sodas: 54.5 – 64.4 %* 20 oz. sodas: 67.3 – 79.2%* Juice: 60.3 – 75.4%* Water: 72.3 – 90.3%* <p>* Percentages vary according to the vend price charged.</p>

continues

CONTRACT EXCHANGE CONTINUED: HOOD RIVER

DISTRICT	VENDOR
<p><i>Non-Cash Items</i></p> <ul style="list-style-type: none"> • Scoreboard: 7-year exclusive contract required per board provided. (no est. value) • Menu boards, neon signs, point of sale materials and other sales aides; illuminated reader board. (no est. value) • Tuition funding software. (no est. value) • Sports cooler, cups and beverage products. • Annual ads, school newspaper ads, and various sport program ads. (no est. value) • Promotional banners. (no est. value) • Pepsi products at “greatly reduced price” for sake at one fundraiser. (no est. value) • Special event support. (no est. value) <p><i>Note: No contract reimbursement provision upon early termination or other restrictions of vendor rights.</i></p>	<p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none"> • District purchases products at prices set by contract, generally for sales through retail (non-vending) outlets. <p><i>Other District Costs/Responsibilities</i></p> <ul style="list-style-type: none"> • Not identified.
<p><i>Vendor Services</i></p> <ul style="list-style-type: none"> • Pepsi provides equipment and maintenance. 	

MEDFORD CONTRACT REVIEW CHART (1)

DISTRICT: Medford School District (on behalf of North Medford High School) (“School”)

VENDOR: Pepsi-Cola Bottling Company of Medford

TITLE: Advertising Contract

TERM: 5 year extension (10 year total, June 11, 1999 – June 11, 2009)

SCHOOLS COVERED: North Medford High School

STUDENTS COVERED: 2,019 students (based on 2002-2003 enrollment)

DISTRICT SIZE: 13,014 students (based on 2002-2003 student enrollment)

CONTRACT EXCHANGE:

DISTRICT	VENDOR
<p><i>Cash Advance</i></p> <ul style="list-style-type: none"> None 	<p><i>Beverage Availability Rights</i></p> <ul style="list-style-type: none"> <i>School Premises:</i> Pepsi products will be the only soft drinks, juices, teas, waters, all-sport or any comparable product sold through vending machines and/or permanent fountain installations on school premises. <i>Cafeteria:</i> Exclusive soft drink and beverage rights in the cafeteria, unless District contracts with a private food service provider, whereby Pepsi will receive first consideration. <i>School-Sponsored Events:</i> First consideration will be given to Pepsi for beverages sold at school sponsored events.
<p><i>Commission Sales Revenue</i></p> <ul style="list-style-type: none"> None 	
<p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none"> Contract does not set forth separate product purchasing agreement. 	
<p><i>Non-Cash Items</i></p> <ul style="list-style-type: none"> Baseball scoreboard and signage.* (no est. value) Ad panel and cable football scoreboard shared with Western Bank.* (no est. value) One electronic message center.* (no est. value) <p>* After 8 years, school has the option to “buy out” Pepsi for the sum of \$8,000.</p> <p><i>Note: Scoreboards become property of school and school is responsible for installation, maintenance and liability relating to boards.</i></p>	
<p><i>Vendor Services</i></p> <ul style="list-style-type: none"> Not specified by documents received. 	<p><i>Advertising/Promotional Rights</i></p> <ul style="list-style-type: none"> Advertising rights through scoreboards and electronic message center. Other advertising rights not explicitly granted. <p><i>Sales Revenue</i></p> <ul style="list-style-type: none"> 100%

continues

CONTRACT EXCHANGE CONTINUED: MEDFORD (1)

DISTRICT	VENDOR
	<p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none">✦ Contract does not set forth separate product purchasing agreement. <p><i>Other District Costs/Responsibilities</i></p> <ul style="list-style-type: none">✦ Not identified.

MEDFORD CONTRACT REVIEW CHART (2)

DISTRICT: Medford School District (on behalf of South Medford High School) (“School”)

VENDOR: Pepsi-Cola Bottling Company of Medford

TITLE: Advertising Contract

TERM: 2 year extension (9 year total: September 7, 2000 – September 7, 2009)

SCHOOLS COVERED: South Medford High School

STUDENTS COVERED: 1,882 students (based on 2002-2003 enrollment)

DISTRICT SIZE: 13,014 students (based on 2002-2003 student enrollment)

CONTRACT EXCHANGE:

DISTRICT	VENDOR
<p>Cash Advance</p> <ul style="list-style-type: none"> ♦ Total: \$7,000 (See also \$4,000 for extension of Speigelberg Stadium contract) <p><i>Note: No contract reimbursement provision upon early termination or other restrictions of Vendor rights.</i></p>	<p>Beverage Availability Rights</p> <ul style="list-style-type: none"> ♦ <i>School Premises:</i> Pepsi products will be the only soft drinks, juices, teas, waters, all-sport or any comparable product sold through vending machines and/or permanent fountain installations on school premises. Quota of 1 vendor per 100 students enrolled. ♦ <i>School-Sponsored Events:</i> First consideration will be given to Pepsi for beverages sold at school sponsored events. ♦ <i>Cafeteria:</i> Exclusive soft drink and beverage rights in the cafeteria, unless District contracts with a private food service provider, whereby Pepsi will have first rights to provide beverages.
<p>Commission Sales Revenue</p> <ul style="list-style-type: none"> ♦ None 	<p>Advertising/Promotional Rights</p> <ul style="list-style-type: none"> ♦ Advertising rights through scoreboards and electronic message center. Other advertising rights not explicitly granted.
<p>Product Purchasing Agreement</p> <ul style="list-style-type: none"> ♦ Contract does not set forth separate product purchasing agreement. 	<p>Sales Revenue</p> <ul style="list-style-type: none"> ♦ 100%
<p>Non-Cash Items</p> <ul style="list-style-type: none"> ♦ None <p>Vendor Service</p> <ul style="list-style-type: none"> ♦ Not specified by documents received. 	

continues

CONTRACT EXCHANGE CONTINUED: MEDFORD (2)

DISTRICT	VENDOR
	<p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none"> • Contract does not set forth separate product purchasing agreement. <p><i>Other District Costs/Responsibilities</i></p> <ul style="list-style-type: none"> • Not identified.

MEDFORD CONTRACT REVIEW CHART (3)

DISTRICT: Medford School District (on behalf of Hedrick Middle School) (“School”)

VENDOR: Pepsi-Cola Bottling Company of Medford

TITLE: Advertising Contract

TERM: 7 year extension (11 year total: June 11, 1999 – June 11, 2010)

SCHOOLS COVERED: Hedrick Middle School

STUDENTS COVERED: 1,185 students (based on 2002-2003 enrollment)

DISTRICT SIZE: 13,014 students (based on 2002-2003 student enrollment)

CONTRACT EXCHANGE:

DISTRICT	VENDOR
<p><i>Cash Advance</i></p> <ul style="list-style-type: none"> None 	<p><i>Beverage Availability Rights</i></p> <ul style="list-style-type: none"> <i>School Premises:</i> Pepsi products will be the only soft drinks, juices, teas, waters, all-sport or any comparable product sold through vending machines and/or permanent fountain installations on school premises. Exception for one Power-Ade machine near the athletic field along side the All-Sport machines. <i>School-Sponsored Events:</i> First consideration will be given to Pepsi for beverages sold at school sponsored events. <i>Cafeteria:</i> Exclusive soft drink and beverage rights in the cafeteria, unless District contracts with a private food service provider, whereby Pepsi will have first consideration to provide beverages.
<p><i>Commission Sales Revenue</i></p> <ul style="list-style-type: none"> None 	
<p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none"> Contract does not set forth separate product purchasing agreement. 	
<p><i>Non-Cash Items</i></p> <ul style="list-style-type: none"> Scoreboard with Ad Panel.* (no est. value) Icemaker and bin.* (no est. value) <p>* At the end of 10 years, the school will have the option to buy out Pepsi for the sum of \$125/month for each month remaining in the contract.</p> <p>Note: Scoreboard becomes property of school and school is responsible for installation, maintenance and liability relating to board.</p>	
<p><i>Vendor Service</i></p> <ul style="list-style-type: none"> Not specified by documents received. 	<p><i>Advertising/Promotional Rights</i></p> <ul style="list-style-type: none"> Advertising rights through scoreboards and electronic message center. Other advertising rights not explicitly granted.
	<p><i>Sales Revenue</i></p> <ul style="list-style-type: none"> 100%

continues

CONTRACT EXCHANGE CONTINUED: MEDFORD (3)

DISTRICT	VENDOR
	<p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none">† Contract does not set forth separate product purchasing agreement. <p><i>Other District Costs/Responsibilities</i></p> <ul style="list-style-type: none">† Not identified.

MEDFORD CONTRACT REVIEW CHART (4)

DISTRICT: Medford School District (on behalf of McLoughlin Middle School) (“School”)
 VENDOR: Pepsi-Cola Bottling Company of Medford
 TITLE: Advertising Contract
 TERM: 2 year extension (11 year total: September 17, 1998 – September 17, 2009)
 SCHOOLS COVERED: McLoughlin Middle School
 STUDENTS COVERED: 1,147 students (based on 2002-2003 enrollment)
 DISTRICT SIZE: 13,014 students (based on 2002-2003 student enrollment)

CONTRACT EXCHANGE:

DISTRICT	VENDOR
<p><i>Cash Advance</i></p> <ul style="list-style-type: none"> None 	<p><i>Beverage Availability Rights</i></p> <ul style="list-style-type: none"> <i>School Premises:</i> Pepsi products will be the only soft drinks, juices, teas, waters, all-sport or any comparable product sold through vending machines and/or permanent fountain installations on school premises. Exception for one Power-Ade machine near the athletic field along side the All-Sport machines. <i>School-Sponsored Events:</i> First consideration will be given to Pepsi for beverages sold at school sponsored events. <i>Cafeteria:</i> Exclusive soft drink and beverage rights in the cafeteria, unless District contracts with a private food service provider, whereby Pepsi will have first consideration to provide beverages.
<p><i>Commission Sales Revenue</i></p> <ul style="list-style-type: none"> None 	
<p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none"> Contract does not set forth separate product purchasing agreement. 	
<p><i>Non-Cash Items</i></p> <ul style="list-style-type: none"> Football scoreboard and ad panel.* (no est. value) <p>* At the end of 10 years, the school has the option to buy out Pepsi for the sum of \$125/month for each month remaining in the contract.</p> <p>Note: Scoreboard becomes property of school and school is responsible for installation, maintenance and liability relating to board.</p>	
<p><i>Vendor Service</i></p> <ul style="list-style-type: none"> Not specified by documents received. 	<p><i>Advertising/Promotional Rights</i></p> <ul style="list-style-type: none"> Advertising rights through scoreboards and electronic message center. Other advertising rights not explicitly granted.
	<p><i>Sales Revenue</i></p> <ul style="list-style-type: none"> 100%

continues

CONTRACT EXCHANGE CONTINUED: MEDFORD (4)

DISTRICT	VENDOR
	<p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none"> ✦ Contract does not set forth separate product purchasing agreement. <p><i>Other District Costs/Responsibilities</i></p> <ul style="list-style-type: none"> ✦ Not identified.

MEDFORD CONTRACT REVIEW CHART (5)

DISTRICT: Medford School District (on behalf of Speigelberg Stadium) (“Stadium”)
 VENDOR: Pepsi-Cola Bottling Company of Medford
 TITLE: Advertising Agreement
 TERM: 2 year extension (7 year total: May 5, 1999 – May 5, 2006)
 SCHOOLS COVERED: Speigelberg Stadium
 STUDENTS COVERED: Unable to estimate.
 DISTRICT SIZE: 13,014 students (based on 2002-2003 student enrollment)

CONTRACT EXCHANGE:

DISTRICT	VENDOR
<p><i>Cash Advance</i></p> <ul style="list-style-type: none"> • \$4,000 to South Medford High School (See South Medford High School Advertising Agreement) <p><i>Note: No contract reimbursement provision upon early termination or other restrictions of vendor rights.</i></p>	<p><i>Beverage Availability Rights</i></p> <ul style="list-style-type: none"> • Pepsi will be exclusive products sold through vending machines and/or permanent fountain installations at Stadium. • First consideration will be given to Pepsi for all beverages sold at Stadium-sponsored events.
<p><i>Commission Sales Revenue</i></p> <ul style="list-style-type: none"> • None 	<p><i>Advertising/Promotional Rights</i></p> <ul style="list-style-type: none"> • Pepsi signage will be kept on scoreboard for the duration of its life. Other advertising rights not explicitly granted.
<p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none"> • Contract does not set forth separate product purchasing agreement. 	<p><i>Sales Revenue</i></p> <ul style="list-style-type: none"> • 100%
<p><i>Non-Cash Items</i></p> <ul style="list-style-type: none"> • None 	<p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none"> • Contract does not set forth separate product purchasing agreement.
<p><i>Vendor Service</i></p> <ul style="list-style-type: none"> • Not specified by documents received. 	<p><i>Other District Costs/Responsibilities</i></p> <ul style="list-style-type: none"> • Not identified.

NORTH CLACKAMAS CONTRACT REVIEW CHART

DISTRICT:	North Clackamas School District 12 (“School District”)
VENDOR:	The Pepsi Bottling Group, LLC (“PBG”)
TITLE:	Agreement
TERM:	10 years (September 1, 2000 – August 31, 2010)
SCHOOLS COVERED:	All District schools, except elementary schools, and all other facilities owned or operated by the District, now and in the future.
STUDENTS COVERED:	7,289 (based on 2002-2003 enrollment figures)
DISTRICT SIZE:	15,777 (based on 2002-2003 enrollment figures)

CONTRACT EXCHANGE:

DISTRICT	VENDOR
<p><i>Cash Advance (“Sponsorship Fee”)</i></p> <ul style="list-style-type: none"> None <p><i>Commission Sales Revenue</i></p> <ul style="list-style-type: none"> Carbonated: 38% of “cash collected” * Non-carbonated: 30% of “cash collected” * Vend prices set by Vendor and approved by District. <p>* Minus any applicable taxes.</p> <p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none"> District purchases products at prices set by contract and retains net profits from sales, usually through retail (non-vending) outlets. 	<p><i>Exclusive Beverage Availability Rights</i></p> <ul style="list-style-type: none"> Exclusive right to make products available for sale and distribution on Campus. No limitation on types of products available. Includes food service department, with certain product exceptions. <p><i>Advertising/Promotional Rights</i></p> <ul style="list-style-type: none"> Right to place full trademark panels on all sides of vending machines and other dispensing equipment. All scoreboards will have the Pepsi logo. <p><i>Sales Revenue</i></p> <ul style="list-style-type: none"> Carbonated: 62% of cash collected Non-carbonated: 70% of cash collected <p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none"> District purchases products at prices set by contract, generally for sales through retail (non-vending) outlets. <p><i>Other District Costs/Responsibilities</i></p> <ul style="list-style-type: none"> Not identified.

continues

CONTRACT EXCHANGE CONTINUED: NORTH CLACKAMAS

DISTRICT	VENDOR
<i>Non-Cash Items (estimated values)</i>	
<ul style="list-style-type: none"> <li data-bbox="250 428 779 491">♦ \$30,000* for purchase of scoreboards featuring the Pepsi logo. Single payment on 5/31/2001. <li data-bbox="250 499 779 596">♦ Beverages (40 cases annually to each Middle and High School; 3 cases of All Sport powder). (no est. value) <li data-bbox="250 604 779 638">♦ “Tuition Funding Sources” database. (no est. value) <li data-bbox="250 646 779 709">♦ Scholarship fund based on \$0.40 Vendor donation per case sold. (no est. value) <li data-bbox="250 718 779 873">* <i>Must reimburse upon early termination “unearned” portion of sponsorship fee as well as other “support funds” paid to schools under prior agreements. As of January 1, 2005, total reimbursement would amount to \$71,700.</i> 	
<i>Vendor Services</i>	
♦ Vendor provides equipment, installation, removal, maintenance, stocking and collection of receipts.	

PORTLAND CONTRACT REVIEW CHART

DISTRICT: Portland School District (“District”)

VENDOR: Coca-Cola Bottling of Los Angeles d/b/a/ Coca-Cola Bottling Company of Oregon (“Vendor”)

TITLE: Beverage Vending Agreement

TERM: 8 years (December 1, 2001 – December 1, 2009)

SCHOOLS COVERED: All district schools and facilities, current and future. (Note: Contract also acknowledges several existing contracts with individual schools and allows for natural expiration).

STUDENTS COVERED: 51,654 students (based on 2002-2003 student enrollment)

DISTRICT SIZE: 51,654 students (based on 2002-2003 student enrollment)

CONTRACT EXCHANGE:

DISTRICT	VENDOR
<p>Cash Advance (“Exclusive Provider Fee”)</p> <ul style="list-style-type: none"> • Total: \$2,215,000 - 8 annual installments <ul style="list-style-type: none"> \$1,900,000 (2001) \$45,000 (2002-2009) * <i>Upon early termination, District must refund prorated portion of prepaid fees. If contract terminated as of 1/1/2005, District would owe \$1.2 million. Vendor right to adjust fees if rights materially restricted, or government or other regulation prohibits availability of beverages as outlined by contract.</i> 	<p>Beverage Availability Rights</p> <ul style="list-style-type: none"> • Exclusive products sold, dispensed, served or sampled on campus. • Vendor right to install machines using plastic bottles; maximum of 1 machine per 125 students. • District right to approve initial products offered, as well as product changes; vended products limited in middle schools to water, juice drinks, juice-based products, and isotonic; vending machines prohibited in elementary schools; all products may be vended in high schools. • Timer devices required on machines; time limits in middle schools; no limits in high schools. • Includes the food service program, but does not limit product selection.
<p>Commission Sales Revenue</p> <ul style="list-style-type: none"> • 12 oz. soda: 35.1% of vend price • 20 oz. soda: 50.1% of vend price • All non-carbonated: 30.1% vend price • Vend prices set by contract, subject to annual Vendor increases upon district approval. • Vendor pays applicable taxes and deposits. 	

continues

CONTRACT EXCHANGE CONTINUED: PORTLAND

DISTRICT	VENDOR
<i>Product Purchasing Agreement</i>	<i>Advertising Rights</i>
<ul style="list-style-type: none"> ♦ District purchases products at prices set by contract and retains net profits from sales, usually through retail (non-vending) outlets. ♦ Prices subject to annual vendor increases based on reasonable costs. 	<ul style="list-style-type: none"> ♦ Advertising limited to surface of vending machines, approved cups, and one logo banner in each student store and booster sale location. ♦ Vendor right to promote status as District’s “Exclusive Provider,” or refer to any product as the “exclusive” product of athletic program. ♦ No other advertising permitted, subject to District’s Advertising Policy.
<i>Non-Cash Items (estimated values)</i>	<i>Sales Revenue</i>
<ul style="list-style-type: none"> ♦ 740 cases of 12 oz. beverages annually. (no est. value) ♦ Powerade athletic kit. (no est. value) ♦ Web fee. (one per high school; maximum annual value of \$20,000 per high school) 	<ul style="list-style-type: none"> ♦ 12 oz. soda: 64.9% of vend price ♦ 20 oz. soda: 49.9% of vend price ♦ All non-carbonated: 69.9% of vend price
<i>Vendor Services</i>	<i>Product Purchasing Agreement</i>
<ul style="list-style-type: none"> ♦ Vendor provides equipment, installation and removal, maintenance, stocking and collection of receipts. ♦ Recycling services, proceeds to District. 	<ul style="list-style-type: none"> ♦ District purchases products at prices set by contract, generally for sales through retail (non-vending) outlets.
	<i>Other District Costs/Responsibilities</i>
	<ul style="list-style-type: none"> ♦ District pays electric/utility fees. ♦ Responsibility to take actions to stop “ambush marketing” if necessary.

SALEM-KEIZER CONTRACT REVIEW CHART

DISTRICT: Salem-Keizer School District (“School District”)
 VENDOR: Pepsi Bottling Group (“Pepsi”)
 TITLE: Schools Agreement (2002-2008); Non-Alcoholic Beverage Pouring and Advertising Rights (1998-2001)
 TERM: 11 years (September 1998 – August 31, 2009)
 SCHOOLS COVERED: All district schools and facilities, including elementary, middle, high and alternative schools.
 STUDENTS COVERED: 37,137 students (based on 2002-2003 student enrollment)
 DISTRICT SIZE: 37,137 students (based on 2002-2003 student enrollment)

CONTRACT EXCHANGE:

DISTRICT	VENDOR
<p>Cash Advance (“Sponsorship Fee”)</p> <ul style="list-style-type: none"> ♦ Total: \$1,550,000 - 11 annual installments (1998-2008) \$110,000 (1998) \$115,000 (1999) \$120,000 (2000) \$125,000 (2001) \$140,000 (2002) \$145,000 (2003) \$150,000 (2004) \$155,000 (2005) \$160,000 (2006) \$165,000 (2007) \$165,000 (2008) <p>* Upon early termination, material restrictions of vendor rights, or government regulation prohibiting availability of beverages, District must reimburse “unearned” portion of prepaid fees. If terminated 1/1/05, District would owe \$150,000.</p>	<p>Beverage Availability Rights</p> <ul style="list-style-type: none"> ♦ Exclusive right to make beverages available for sale and distribution; products shall be the exclusive beverages sold, dispensed, served or available on campus. ♦ Includes food service program; applies to all concessionaires, booster clubs, athletic and special events, or other activities on campus. ♦ No limitations on products available. ♦ District policy does not allow carbonated beverages in elementary schools, but restriction not referenced in contract. <p>Advertising Rights</p> <ul style="list-style-type: none"> ♦ Vendor right to place full trademark panels on all sides of vending machines. ♦ Advertising through non-cash items. <p>Sales Revenue</p> <ul style="list-style-type: none"> ♦ 65% of carbonated soft drinks priced at \$1.00 bottle and \$0.60 can. ♦ 70% of carbonated soft drinks priced at \$0.75 bottle and \$0.50 can. ♦ 75% of all non-carbonated beverages.

continues

CONTRACT EXCHANGE CONTINUED: SALEM-KEIZER

DISTRICT	VENDOR
<p><i>Commission Sales Revenue</i></p> <ul style="list-style-type: none"> • 35% of carbonated soft drinks priced at \$1.00 bottle and \$0.60 can.* • 30% of carbonated soft drinks priced at \$0.75 bottle and \$0.50 can.* • 25% of all non-carbonated beverages.* <p>* Less sales taxes, license and recycling fees.</p>	<p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none"> • District purchases products at prices set by contract, generally for sales through retail (non-vending) outlets. <p><i>Other District Costs/Responsibilities</i></p> <ul style="list-style-type: none"> • Not identified.
<p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none"> • District purchases products at prices set by contract and retains net profits from sales, usually through retail (non-vending) outlets. 	
<p><i>Non-Cash Items (estimated values)</i></p> <ul style="list-style-type: none"> • Scholarship fund (\$0.50 per case) • Scoreboards (\$20,000/year) • Printed sports program (\$24,000/year) • Printed "Trainer's Program" (\$24,000/year) • Beverages (no est. value) • Funding sources software (no est. value) • Merchandise (\$5,000/year) • Recycling containers with District right to redeem (no est. value). 	
<p><i>Vendor Services</i></p> <ul style="list-style-type: none"> • Equipment, installation, removal, maintenance, stocking and receipt collection. 	

TIGARD-TUALATIN CONTRACT REVIEW CHART

DISTRICT: Tigard-Tualatin School District (“District”)
 VENDOR: Coca-Cola Bottling Company of Los Angeles d/b/a Coca-Cola Bottling Company of Oregon (“Sponsor”)
 TITLE: Sponsorship Agreement
 TERM: 15 years (February 1, 1999 – January 31, 2013)
 SCHOOLS COVERED: All district schools and facilities, current and future, including elementary, middle, high schools, post secondary and alternative schools.
 STUDENTS COVERED: 11,981 students (based on 2002-2003 enrollment)
 DISTRICT SIZE: 11,981 students (based on 2002-2003 student enrollment)

CONTRACT EXCHANGE:

DISTRICT	VENDOR
<p>Cash Advance (“Sponsorship Fee”)</p> <ul style="list-style-type: none"> ♦ Total: \$1.5 million - 15 annual installments (1999-2013) <ul style="list-style-type: none"> \$500,000 (1999) \$150,000 (2000) \$150,000 (2001) \$225,000 (2002) \$225,000 (2003) \$25,000 (2004-2013) <p><i>* Upon early termination, District must refund prorated portion of prepaid fees. If contract terminated as of 1/1/2005, District would owe \$680,000. Vendor right to adjust fees if rights materially restricted, or government or other regulation prohibits availability of beverages as outlined by contract.</i></p> <p>Commission Sales Revenue</p> <ul style="list-style-type: none"> ♦ Carbonated: 25% of cash collected * ♦ Non-carbonated: 15% of cash collected * ♦ Initial vend prices set by contract, subject to annual Vendor adjustments. <p><i>* Less taxes, recycling and debit card fees.</i></p>	<p>Beverage Availability Rights</p> <ul style="list-style-type: none"> ♦ Exclusive right to make beverages available for sale and distribution; exclusive beverages sold, dispensed, served or sampled at all locations, with limited exceptions. ♦ Includes food service program; applies to all teams, booster clubs, and all other persons. ♦ No limitations on types of products available. ♦ Time limits in elementary and middle schools. <p>Advertising/Promotional Rights</p> <ul style="list-style-type: none"> ♦ Exclusive merchandising rights: point-of-sale and menu board advertising; usage of “approved cups” with logo; on-campus promotions to increase sale of products. ♦ Exclusive advertising rights: signage, including but not limited to scoreboards. ♦ Exclusive promotional rights: right to promote Vendor as a sponsor of the District; right to refer to any products as the “official” or “exclusive” drink of the District, schools, or teams; right to sponsor events at stadiums.

continues

CONTRACT EXCHANGE CONTINUED: TIGARD-TUALATIN

DISTRICT	VENDOR
<p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none"> • District purchases products at prices set by contract and retains net profits from sales, usually through retail (non-vending) outlets. 	<p><i>Other Vendor Rights</i></p> <ul style="list-style-type: none"> • Right of first refusal: upon termination, District must negotiate exclusively with Vendor for 90 days.
<p><i>Non-Cash Items</i></p> <ul style="list-style-type: none"> • Educational software. (\$11,250) • PowerAde On-The-Field-Kit. (\$6,000) • Sampling. (\$23,625) 	<p><i>Sales Revenue</i></p> <ul style="list-style-type: none"> • Carbonated: 75% cash collected • Non-carbonated: 85% cash collected
<p><i>Vendor Services</i></p> <ul style="list-style-type: none"> • Vendor provides equipment, installation, removal, maintenance, stocking and collection of receipts. 	<p><i>Product Purchasing Agreement</i></p> <ul style="list-style-type: none"> • District purchases products at prices set by contract, generally for sales through retail (non-vending) outlets.
	<p><i>Other District Costs/Responsibilities</i></p> <ul style="list-style-type: none"> • District will maintain all scoreboards, signs and other advertising for products in good order and repair. • District responsibility to take actions to stop “ambush marketing” if necessary.

OVERVIEW OF CONTRACT FINANCIAL BENEFITS FOR DISTRICTS

DISTRICT	CONTRACT(S) DURATION	STUDENT(S) COVERED BY CONTRACT	CASH ADVANCE	DISTRICT SALES REVENUE	NON-CASH ITEMS*	TOTAL ANNUAL CONTRACT(S) REVENUE PER STUDENT**	DISTRICT SPENDING PER STUDENT	PERCENTAGE OF ANNUAL DISTRICT SPENDING PER STUDENT
Beaverton	10	35,320	Total: \$2,032,290 Annual: \$203,229 or \$5.75/student	(no sales estimates)	Machine electrical upgrades (< \$10,000), scholarships (.40 per case sold), beverages (including 1,015 cases/year), 279 recycling containers, computer software.	Unable to calculate based on information provided.	\$6,290	--
Coos Bay (3 contracts)	8	2,424	None	Total: \$204,000 Annual: \$25,500 or \$10.52/student	Track and field project (\$10,000 from each vendor). Total: \$30,000 Annual: \$3,750 or \$1.55/student	\$12.07	\$7,494	.16%
Eugene (2 contracts)	8	5,700	Total: \$320,000 Annual: \$40,000 or \$7.02/student	Total: \$484,968 Annual: \$60,621 or \$10.64/student	None	\$17.66	\$7,368	.24%
Greater Albany	3	3,081	Total: \$38,050 Annual: \$12,683 or \$4.12/student	Total: \$119,040 Annual: \$39,680 or \$12.88/student	None	\$17.00	\$6,596	.26%
Hermiston	5	2,202	Total: \$95,000 Annual: \$19,000 or \$8.63/student	(no sales estimates)	Scholarships (\$1,500/year), beverages (\$500/year), awards.	Unable to calculate based on information provided.	\$7,399	--
Hillsboro	12	18,850	Total: \$300,000 Annual: \$25,000 or \$1.33/student	Total: \$3,024,000 Annual: \$252,000 or \$13.37/student	Playing field, beverages, software. Total: \$1,000,000 Annual: \$83,333 or \$4.42/student	\$19.12	\$6,606	.29%
Hood River	12	3,867	None	(no sales estimates)	Scoreboard (value not identified).	Unable to calculate based on information provided.	\$7,958	--
Medford (5 contracts)	2-7 (extensions)	6,233	Total: \$11,000 Annual: \$5,500 or \$2.92/student	None	Scoreboards (value not identified).	Unable to calculate based on information provided.	\$6,423	--
North Clackamas	10	7,289	None	(no sales estimates)	Scoreboard (\$30,000), scholarship (.40 per case sold), beverages. Total: \$30,000 Annual: \$3,000 or \$.41/student	Unable to calculate based on information provided.	\$6,417	--
Portland	8	51,654	Total: \$2,215,000 Annual: \$276,875 or \$5.36/student	(no sales estimates)	Web services (\$20,000/yr), beverages (740 cases/yr). Total: \$160,000, Annual: \$20,000.	Unable to calculate based on information provided.	\$7,925	--
Salem-Keizer	11	37,137	Total: \$1,550,000 Annual: \$140,909 or \$3.79/student	Total: \$2,862,010 Annual: \$260,183 or \$7.01/student	Scoreboards, printed programs, merchandise. Total: \$803,000 Annual: \$73,000 or \$1.97/student	\$12.77	\$6,835	.19%
Tigard-Tualatin	15	11,981	Total: \$1,500,000 Annual: \$100,000 or \$8.35/student	Total: \$2,838,900 Annual: \$189,260 or \$15.80/student	None	\$24.15	\$7,783	.31%

* Values of non-cash items are based on values identified by the contracts. In some cases, estimated values were not provided.

** Cash Advance + Sales Revenue + Non-Cash



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