



Exhibition Place

December 15, 2016

To: The Board of Governors of Exhibition Place

From: Dianne Young, Chief Executive Officer

ACTION REQUIRED

Subject: **Consent to Assignment of Agreement between Cieslok Media Ltd and Bell Media Inc.**

Summary:

This report recommends that the Board consent to an assignment to Bell Media Inc. (Bell Media) of the existing agreement between that of Cieslok Media Ltd (“Cieslok”) and the Board dated July 1, 2010 (the “Billboard Agreement”) for the existing Strachan Outdoor Billboard Sign. As set out in the Billboard Agreement such assignment requires the written consent of the Board. The proposed transaction between the purchaser Bell Media and Cieslok is expected to close January 3, 2017.

Recommendations:

It is recommended that the Board approve of the Consent to the Assignment of the Billboard Agreement from Cieslok to Bell Media in accordance with the terms and conditions set out in this report and such other terms and conditions as acceptable to the City Solicitor and the CEO.

Financial Impact:

Approval of the assignment to Bell Media has no financial implications.

Decision History:

The Exhibition Place 2014 – 2016 Strategic Plan had a Financial Goal “*to maintain a positive operating financial performance across Exhibition Place and all its businesses*” and as a Strategy to support this Goal “*we will seek new and/or expand revenue opportunities within our existing operations*”.

At its meeting on September 4, 2015 and then subsequently by Council on October 2, 2015 the Board approved specific amendments to the Lease Agreement with Cieslok.
<http://www.toronto.ca/legdocs/mmis/2015/ex/bgrd/backgroundfile-84460.pdf>

At its meeting of May 23, 2014, the Board approved the assignment of the Agreement to Cieslok Media Ltd. from Clarity Outdoor Media Inc. (“Clarity”).
<Q:\BOG Public\BOG Reports\2014 Reports\May 23\Clarity Assignment-1.doc>

At its meeting of June 16, 2013, City Council adopted Item PG25.3 to enact a site specific by-law amendment to Chapter 694 Signs, General to permit a reconfiguration of the west facing side of the sign.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.PG25.3>

At its meeting of October 2, 2012, City Council adopted Item PG17.2 to enact a site specific by-law amendment to Chapter 694 Signs, General to permit the replacement of the east facing sign faces to be modified to include two faces displaying from static copy with mechanical (trivision) sign and one face displaying electronic moving sign copy.
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.PG17.2>

At its meeting of May 25, 2012, the Board approved of amendments to the Agreement to permit modifications to the east and west sides of the sign which amendments were approved by City Council Item EX 21.32 at its meeting of July 11, 2012.

<Q:\BOG Public\BOG Reports\2012 Reports\May 25\Clarity Outdoor Billboard Sign Upgrades Final-1.docx>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX21.32>

At its meeting of May 29, 2009, the Board approved entering into a 15-year agreement with Clarity for the Strachan Billboard which Agreement was approved by City Council (EX 33.50) at its meeting of August 5, 2009. Subsequently, amendments to the agreement were approved by the Board and Council in January 2010 (EX 39.3) and in August 2010 (EX 46.52).

<Q:\BOG Public\BOG Reports\2009 Reports\May 29\Clarity- Outdoor Strachan Signage.doc>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.EX33.50>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.EX46.52>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.TE32.82>

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2010.EX39.3>

(a) Issue Background:

The Billboard Agreement requires the written consent of the Board to an assignment by Cieslok to Bell Media. Cieslok wrote to staff on December 19, 2016 to request this assignment to be effective January 3, 2017 the expected closing date between the parties. Upon completion of the proposed transaction, Cieslok will become a wholly-owned subsidiary of Bell Media. Bell Media proposes to acquire all of the issued and outstanding shares of Cieslok which will result in a change of control which is deemed to be an assignment under the Billboard Agreement.

(b) Comments:

Sections 14.1 and 14.2 of the Billboard Agreement provides for a right of assignment, the pertinent parts read as follows:

“14.1 This Agreement shall not be assigned by the Company without the prior consent in writing of the Board. The consent of the Board shall not be unreasonably withheld, delayed or subject to any fee. ... It shall be unreasonable for the Board to withhold its consent where the proposed assignee is a media company with the financial wherewithal, reputation and creditworthiness required to fulfill the obligations of the Company under the Agreement.

14.2 Any consent by the Board will be subject to the Assignee signing an agreement with the Board providing that the Assignee will be bound under the Agreement as if it had originally executed it as the Company. Notwithstanding any assignment the Company shall remain jointly and severally liable with any permitted assignee with respect to the performance of all the terms and conditions of this Agreement for the balance of the Term, excluding any renewals or extensions thereof.”

Bell Media creates content and builds brands that entertain, inform, engage, and inspire audiences through the platforms of their choice. Bell Media is Canada’s leading content creation company with premier assets in television, radio, out-of-home advertising, and digital media. Bell Media owns 30 local television stations led by CTV, Canada’s highest-rated television network; 30 specialty channels, including TSN and RDS, Canada’s most-watched specialty channels in English and French; and four pay TV services, including The Movie Network and Super Écran. Bell Media is also Canada’s largest radio broadcaster, operating 105 licensed radio stations in 54 markets across the country, as well as managing the iHeartRadio brand and streaming service in Canada. Bell Media owns Astral Out of Home with a network of more than 30,000 advertising faces in British Columbia, Alberta, Ontario, Québec, and Nova Scotia. Bell

Media also operates more than 200 websites; delivers TV Everywhere with its CraveTV and GO video streaming services; operates multi-channel network Much Digital Studios; produces live theatrical shows via its partnership with Iconic Entertainment Studios; and owns Dome Productions Inc., a multi-platform production company. Bell Media is part of BCE Inc. (TSX, NYSE: BCE), Canada's largest communications company.

As of the date of this report, there are no outstanding violations in respect of the Cieslok sign issued by the City of Toronto.

Because the Billboard Agreement has a "participation rent", it will be a potential benefit to the Board to have the Strachan sign marketed by Bell Media as part of its entire portfolio as there are synergies with companies such as the size of Bell Media. Bell Media currently manages through Astral Media Outdoor the outdoor pillar billboard sign in the Press lot at Exhibition Place.

Terms & Conditions of the Assignment

The general terms and conditions of the Consent to Assignment proposed below reflect the rights of the parties as set out in the Billboard Agreement and address some of the financial issues that are of particular importance to Exhibition Place. In addition to these terms, other conditions recommended by City Legal will be negotiated and form part of the Assignment Agreement.

- a) Parties: The Board, Cieslok and Bell Media.
- b) Assignment Date: On closing as agreed to by the Parties which date shall be on or around January 3, 2017.
- c) Assignment: As of the Assignment Date, Cieslok assigns to Bell Media all of Cieslok's rights, obligations and liability under the Agreement and Bell Media assumes all such rights, obligations and liabilities. Without limiting the generality of the foregoing, Bell Media will be bound under the Agreement as if it had originally executed such Agreement on the commencement of the Term of the Agreement being July 1, 2010 and notwithstanding this Assignment Agreement, Bell Media and Cieslok shall continue to remain jointly and severally liable with respect to all the terms and conditions of the Agreement until the expiry of the Term of the Agreement being June 30, 2025.
- d) Payment of Outstanding Accounts: On the Assignment Date, Cieslok will arrange to pay any outstanding accounts receivable owing the Board by Cieslok under the terms of the Agreement.
- e) Future Payments: Commencing on the Assignment Date, Bell Media shall make payments to the Board as provided for in the Agreement.
- f) Other such terms as acceptable to the Chief Executive Officer and the City Solicitor

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Submitted by:

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