

November 24, 2009

ACTION REQUIRED

To: The Board of Governors of Exhibition Place

From: Dianne Young, Chief Executive Officer

Subject: **Amendment to Agreement for the Existing Strachan Outdoor Billboard Sign – Clarity Outdoor Media Inc.**

Summary:

This report recommends an amendment to the timing of the payments of the lump sum from Outdoor Media Inc. (“Clarity”) related to the operation of an existing Gardiner outdoor billboard sign at Strachan Avenue.

During the negotiations of the final agreement, Clarity requested a change in the payment dates for the Lump Sum Payments from those previously submitted by Clarity in its submission to the public Request for Proposal (RFP) issued by the City of Toronto in the Winter, 2009. Clarity’s request came as a result of its negotiations with the financial institution from which Clarity is obtaining its funds. The requested change to the lump sum payment schedule has no effect on the overall financial value to the Board on a net present value basis and still meets and exceeds all key market values as set out in the assessment outlined in the RFP and made by the Board’s consultant, Allvision Canada Company (“Allvision”). A commitment to the revised payment schedule has been confirmed directly with Clarity’s lenders and letters of assurance have been requested on or before December 4, 2009 with the transfer of funds to the Board immediately upon approval of this report by City Council and receipt of an executed agreement.

Recommendations:

It is recommended that the Board approve of:

- 1. Subject to the approval of City Council, entering into an agreement with Clarity on the terms and conditions as originally approved by the Board and City Council, except for a change to the payment schedule as described in the attached Confidential Attachment I; and,**
- 2. Direct that the confidential information in Attachment 1 not be released publicly in order to protect the competitive position and the future economic interests of Exhibition Place**

Financial Impact:

Approval of this proposed amendment to the agreement between the Board and Clarity will have no negative impact on the net present value of the financial return to the Board and results in a positive income stream to the Board as detailed in Confidential Attachment 1.

Decision History:

At its meeting of June 20, 2008, the Board approved of entering into an agreement with Allvision for the provision of outdoor signage consulting services given the expiration of the CBS agreement on August 31, 2009.

At its meeting of May 29, 2009 the Board approved of Clarity as the successful proponent of the Billboard Sign (Strachan) RFP and the terms and conditions of the long-term agreement with Clarity which was subsequently approved by City of Toronto Council on August 5, 2009.

Issue Background:

A Request for Proposals (RFP) was released through the City of Toronto Purchasing Division on March 27, 2009 and called for a qualified outdoor billboard operator to purchase, operate and maintain the existing Strachan Billboard for a period of 15 years commencing September 1, 2009. Proposals were received from three companies: Clarity Outdoor Media Inc, CBS Outdoor Ltd and Pattison Outdoor Advertising, with the Clarity offer being recommended to the Board as it far exceeded the next financial proposal received.

During the negotiations of the final agreement, Clarity was, due to a change in market conditions, unable to secure the financing required to meet the payment dates for the Lump Sum Payments as contained in Clarity's original proposal.

Comments:

Clarity has now requested a change to the lump sum payment schedule that would change the timing of the Lump Sum payments but does not change the overall financial value to the Board calculated on a net present value basis and still meets and exceeds all key market values as set out in the assessment by the Board's consultant, Allvision. This proposed amendment does not affect the evaluation of the proposal as the winning proposal under the original RFP process. A commitment to the revised payment schedule has been confirmed directly with Clarity's lenders indicating that funds will be transferred to the Board upon approval of this report by City Council and execution of the required agreement.

Clarity is a privately held Ontario corporation specializing in the sale of outdoor advertising. Clarity was formed as a sister company to Tribar Industries Inc. in 2008 and Clarity and Tribar Industries have identical ownership structures and shareholders. Tribar Industries originally formed in the 1960's as a technology company focusing on the development and manufacture of various indoor and outdoor LED signage products, successfully expanded over the last decade to operate a network of company owned digital signs on a number of different sign locations. This business component was transferred from Tribar in 2008 to Clarity. It should be noted that Clarity has been responsible for the full operation of the east facing sign face of the Strachan Billboard since 2000 as a subcontractor to the current operator CBS and therefore has significant experience in marketing this sign.

Other than the payment schedule as set out in the Confidential Attachment, the substantial terms and conditions of the proposed agreement have been negotiated and finalized based on the terms as presented in the May 29th report approved by the Board and City Council.

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Submitted by:

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