

January 8, 2009

**ACTION REQUIRED**

To: The Board of Governors of Exhibition Place

From: Dianne Young  
Chief Executive Officer

Subject: **Agreement for Operation of Outdoor Billboard Sign – Astral Media Outdoor, L.P.**

**Summary:**

This report recommends the Board enter into a fifteen (15) year licence agreement with Astral Media Outdoor, L.P. (“Astral”) for the operation of an existing outdoor billboard sign. In 1998 the Board entered into a ten-year agreement with Omni Outdoor and Company (now Astral Media) for the construction and operation of a pillar billboard on the south side of the Gardiner Expressway near Dufferin Street, which expired on December 31, 2008. The current agreement provides either party with the option to request an opportunity to attempt to negotiate an extension of the current agreement before the Board may pursue its option to purchase the sign and re-tender the opportunity to the market. Pursuant to the agreement, the Board gave notice to Astral to commence negotiations.

Given the special nature of the billboard industry, following approval from the Board, Exhibition Place engaged an industry consultant, Allvision Canada Company (“Allvision”) to provide expert advice to the Board, assist Exhibition Place with its negotiations with Astral and, if required, draft a request for proposals document. As proposed by Allvision, the expiration of the Astral term offered the Board an opportunity to generate revenues from two streams – one based on revenues on an up-front lump sum payment predicated on future cash flows taking into consideration the value of the asset and the second based on revenues from annual rent from the long term lease.

Based on the Allvision assessment, the Astral offer being recommended to the Board meets or exceeds all key market values. Furthermore, this negotiated agreement is more efficient than pursuing the Board’s option to purchase the sign and re-tender the opportunity, especially in today’s marketplace.

**Recommendations:**

**It is recommended that the Board, subject to approval by City Council:**

- 1. Enter in an agreement with Astral Media on the terms and conditions outlined in this report and the Confidential Attachment I and such other terms and conditions as may be satisfactory to the Chief Executive Officer of the Board and the City Solicitor; 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 the agreement between the Board and Astral will result in a positive income stream to the Board as detailed in Confidential Attachment 1.

### Decision History:

In 1998 the Board entered into a ten-year agreement with Omni Outdoor & Company + Radiomutel Inc. for a pillar billboard structure located at Exhibition Place on the south side of the Gardiner Expressway in the parking lot near the Press Building for the design, construction, installation, maintenance and operation of the electronic sign including all fixtures, equipment and operating systems. This agreement was subsequently assigned to Omni's successor company, Astral. 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 Astral agreement on December 31, 2008.

### Issue Background:

The ten-year agreement with Astral expired on December 31, 2008. The agreement provided for a possible extension at the expiration of the term subject to renegotiation of the terms and conditions. Exhibition Place staff, in consultation with Allvision, entered into negotiations with Astral for an extension of the agreement for either a ten (10) year or a fifteen (15) year term. Allvision has been able to negotiate favourable options for a 15-year period as outlined in the terms and conditions in this report and the Confidential Attachment I.

### Comments:

The proposal from Astral offers the Board the opportunity to generate revenues from two streams. First, revenues based on an up-front lump sum payment predicated on future cash flows taking into consideration the value of the asset and secondly, revenues from annual rent from the long term lease.

Prior to commencing negotiations with Astral, Allvision performed an analysis of market/trends/projections for billboards in Canada in general, and along the Gardiner corridor in particular. Three options with distinct sign attributes were established and with each of these the market value was assessed. The various options were as follows:

- Maintain the current Trivision and replace existing message centres.
- Replace existing Trivision with Digital Signs capable of changing static messages electronically and replace existing message centres.
- Replace existing Trivision with Digital Signs capable of changing static messages electronically and eliminating existing message centres.

Based on the Allvision assessment, the Astral offer proposed in this report either meets or exceeds all key market values and according to Allvision a negotiated agreement will be more efficient than pursuing the Board option to purchase the sign and re-tender the opportunity.

The existing Astral sign (as shown in "Appendix A") is a two-sided trivision sign which has the following components on each side: a top Logo Panel (displaying the Direct Energy Centre

logo), the Name Panel (displaying the Exhibition Place name), the pixel Readograph Centre (displaying messages determined by the Board from time to time which have included tenants and events and City public services announcements); and at the bottom the Advertising Panels (display advertising messages sold by Astral on the trivision panels).

The components of the proposed trivision Astral sign (with the financial provisions of Option "A") will continue exactly the same as the existing sign except that the trivision panels will be upgraded by Year 2 of the Term.

If, subject to the conditions listed below, Astral is permitted to convert the trivision sign to a two-sided Digital Sign (with the financial provisions of Option "B") as shown on Appendix "B", the components of the Digital Sign will be as follows: a top Logo Panel (displaying the Direct Energy Centre logo), the Name Panel (displaying the Exhibition Place name), and Digital Advertising Panels on both sides of the Sign. There will no longer be a Readograph Centre, however, instead Exhibition Place will have the exclusive use of one flip on both sides of the full Digital Advertising Panels and be able to use or offer this space to shows/tenants and the City.

"Digital" images are not video screens but static images similar to a power point presentation which have the benefit of being changed electronically at Astral's head office rather than manually at the site. Digital images are also superior in both quality and clarity and certainly this is the direction the signage industry is moving to.

At this point, the City of Toronto has not approved any digital billboard signs and City staff are presently undertaking a complete review of billboard signage and are expected to report out to City Council this year. If City Council decides not to allow digital signage then the Astral sign will not be converted to digital but the agreement will continue with the operation of a trivision sign and the rental payments will be made for the entire term in accordance with Option "A" as set out in the Confidential Attachment.

In addition to the financial terms and condition set out in the Confidential Attachment, the substantial terms and conditions of the proposed agreement are as follows:

- a) Length of Licence Term: Fifteen (15) years with no further renewal of the Term commencing on January 1, 2009 (the "Commencement Date");
- b) Conversion to Digital: Astral shall convert the trivision sign to a two-sided digital sign (the "Digital Sign") if the following conditions are met:
  - i. City Council approves the permitting of digital billboard signs;
  - ii. The Board approves of the design of the Digital Sign; and,
  - iii. Astral applies and receives all necessary City permits and sign variances for the Digital Sign.
- c) Capital Expenditure: Astral shall replace the existing trivision Message Centre signs with new trivision signs at its sole cost and expense within two years of the Commencement Date unless permits are issued to re-configure the trivision panels to Digital Signs. If permits are issued to reconfigure the trivision panels to digital, Astral shall re-configure the existing sign at its sole expense within 120 days of the date upon which the required permit is issued (the "Digital Permit Date");
- d) Free Advertising: During the Term Astral shall continue to provide up to \$50,000 per annum in free advertising in the form of posters or billboards throughout the Census Metropolitan Toronto Area and Greater Montreal Area City based on advertising rates in effect from time

- to time. The purpose of the advertising shall be limited to purposes of the Board and the City of Toronto and its agencies and shall include, with the approval of Astral acting reasonably, advertising for the purpose of tenants, licensees or sponsors of Exhibition Place provided that these tenants are not regular outdoor advertisers of the proposed advertisement;
- e) Message Board: Based on the existing trivision configuration of the sign, Astral shall provide Exhibition Place or its sponsors/tenants, at no charge, with the exclusive right to advertise on both pixel Message Centres, and in addition, provide the right to advertise on all three exposures of the trivision panel on one side of the trivision sign for four months commencing on or about March 1<sup>st</sup> in each contract year over the Term to the Board's new naming sponsor of the Automotive Building;
  - f) Exhibition Place Advertisements on Digital Sign: If the trivision sign is reconfigured to digital, Astral shall provide Exhibition Place, or its sponsors or the City of Toronto, at no charge, the right to advertise on one exposure of the digital panel on both sides of the sign for twelve months during each contract year over the Term. The reconfiguration to a Digital Sign will provide a new and better advertising opportunity for the Automotive Building naming sponsor and Astral shall continue its commitment for the naming sponsor as per clause (g) above within the Digital Sign in terms of both exposure and advertising dollar value;
  - g) Limitation on Sale of Advertising by Astral: Astral agrees that advertising on the sign shall not be made available to competitors of the Board's major events held either at Exhibition Place, in the Direct Energy Centre and in the Allstream Centre during the time period of the major event and in the period 15 days prior to the major event. Major events include but are limited to: the Canadian National Exhibition, Royal Agricultural Winter Fair, Honda Indy and the CHIN Picnic;
  - h) Naming Sponsor of Direct Energy Centre: The Sign will continue to display the logo for the Direct Energy Centre as required by the sponsorship agreement with Direct Energy Services Inc. However, the right for Direct Energy Centre naming sponsor to purchase additional advertising on one exposure of the trivision panel as included in the existing agreement shall be deleted as this right was not exercised by the naming sponsor and there is no right in the agreement between the Board and Direct Energy agreement to require this provision to be included;
  - i) Ownership of Sign: Throughout the Term, Astral shall be the owner of the Sign. At the end of the Term, all title, right and interest in the Sign shall be deemed to be transferred to the Board without cost. Despite this provision, the Board reserves the right to direct that Astral, at its expense, remove the sign and restore the Site to its former condition within 15 days after the end of the Term;
  - j) Assignment: Astral shall not assign the agreement without the consent in writing of the Board which shall not be unreasonably withheld provided that Astral shall remain jointly and severally liable with any permitted assignee with respect to the performance of all the terms and conditions. A change in corporate ownership or control of Astral shall be deemed an assignment under this agreement;
  - k) Union Obligations: Astral shall comply with all trade union/ association agreements affecting work done on the grounds;
  - l) Indemnity/Insurance: Astral shall indemnify the Board and the City of Toronto with respect to any and all expenses, costs or claims as a result of Astral's exercise of its rights under the agreement or use of the grounds. Astral shall provide sufficient insurance in such form and amount as required by the CEO, in consultation with the City's Insurance & Risk Management Group;
  - m) Annual Statements: within 30 days following the end of each Contract Year, Astral shall deliver to the Board a statement showing the computation of the annual and any additional fees payable. Statements shall be verified by a licensed accountant within 90 days following

end of the contract year verifying the initial statements and any adjustments required. The Board shall have the right of reasonable access by its own auditor to Astral's books to verify Astral's obligations;

- n) Astral shall upon execution of the agreement provide performance security as required by the CEO to secure the modification and reconfiguration of the signs as contemplated in the agreement.
- o) Boards Rights to Purchase Advertising Exposures: Astral grants the Board the right to purchase, at competitive rates, the right to advertise on all sides of the Sign, whether television or digital; And,
- p) General Obligations:
  - i. Astral should be responsible for operating and maintaining the Sign and for paying all costs thereby incurred.
  - ii. Astral shall be responsible for securing advertisers for the Advertising Panel and for paying for all costs, including commissions, thereby incurred
  - iii. Astral shall be responsible for all Taxes and Impositions, including any realty taxes which may arise out of the operation of the sign.
  - iv. Astral shall be responsible for the cost of electricity used in connection with the Sign
  - v. Astral shall be responsible for the remote control of the Message Centre which will be located in Astrals' offices
  - vi. Astral shall comply with advertising guidelines established by the Board

In addition to the financial terms and condition set out in the Confidential Attachment, all terms and conditions contained within the original Agreement dated August 17, 1998 shall remain substantially the same unless otherwise noted above.

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Dianne Young, CEO

Appendix "A"  
Components of the Existing and Proposed Trivision Sign



Appendix "B"  
Components of the Proposed Digital Sign

