



EXHIBITION PLACE

May 12, 2000

To: The Board of Governors of Exhibition Place

From: Kathryn Reed-Garrett
Director of Business Development

Subject: Request to Assign Gallop and Gallop Agreement

Recommendations:

It is recommended that the Board:

- (1) **Consent to the assignment of the agreement between the Board and Gallop and Gallop Advertising Inc. ("Gallop"), for the Gallop advertising sign to MediaCom Inc. ("MediaCom") on such terms as approved by the General Manager and the City Solicitor, such assignment to be deemed to come into effect on May 31, 2000, subject to:**
 - (a) **the final resolution of the preconditions to the Agreement, including the final settlement of the legal action between the City, Gallop and Stelco; and**
 - (b) **agreement by the parties as to the additional benefits to the Board as defined in Section 15.2 of the Agreement which benefits come into effect as a condition of the assignment; and**
- (2) **Authorize staff to enter into negotiations with MediaCom with respect to the additional benefits to the Board and amendments to the agreement, if required, and report back to the Board at its June meeting.**

Background:

As its meeting of January 29, 1999, the Board approved a report entitled "Relocation of Advertising Sign from High Park Area to Exhibition Place", which approved the relocation of the Gallop advertising sign located at 6 Windermere Drive to Exhibition Place to an area between Strachan Ave., and the General Services Building. At that same meeting, the Board approved the basic terms and conditions of an agreement with Gallop, subject to approval by the City of Toronto of a sign by-law amendment, a final settlement of the litigation between the City, Stelco and Gallop that is satisfactory to the City, and the actual removal of the sign from the property at 6 Windermere Ave.

At its meeting of May 1, 2, and 3, 1999, City Council approved the terms and conditions of the Board's agreement with Gallop, and further approved the required by-law amendments and variances necessary to permit the erection of the advertising sign at Exhibition Place.

Discussion:

On June 15, 1999, the City received a Notice of Appeal to the Ontario Municipal Board which was filed in objection to the by-law amendments approved by Council. The appeal was heard on September 18 and 19, 1999 and a ruling was rendered on October 6, 1999, denying the appeal. Over the course of the next several months Gallop, working closely with staff and the City Building Permit Examiner resolved all outstanding issues and a permit to erect the advertising sign at Exhibition Place was issued in December 1999.

Delays related to the final design and technical requirements of the new foundation, the tendering of the contract and securing of sub-contractors, and other matters beyond the control of the parties such as the loss of the Ford Motor Company as one of the principal advertisers, delayed the commencement of construction by several months. In an attempt to mitigate the financial loss to the Board as a result of these delays, staff have secured an agreement from Gallop to commence paying base rent effective June 15, 2000, even though the advertising sign will not be fully operational until mid-to-late August, 2000.

The Board's solicitor has advised staff that an agreement has been reached between the City, Gallop and Stelco to settle the outstanding litigation with respect to the previous erection of the sign on the 6 Windermere site and that a court order to this effect shall be issued.

Since the building permit was issued in December 1999, Gallop has received several expressions of interest from other advertising companies for the purchase of the sign once it is relocated to Exhibition Place. Gallop has requested an assignment of its rights under the Agreement with the Board to MediaCom.

MediaCom, Canada's leading outdoor advertising company, is a wholly owned subsidiary of Infinity Outdoor (Infinity Broadcasting). Infinity Outdoor is one of the largest out-of-home media companies in the world, operating approximately 250,000 billboard, transit and mall displays and sports marketing services in the United States, Canada and Mexico. Infinity Broadcasting also owns and operates more than 160 radio stations in 35 major U.S. markets, and manages and holds an equity position in Westwood One Inc., one of the leading producers and distributors of syndicated and network radio programming in the U.S. Managing over 17,000 advertising display faces from coast to coast, MediaCom's products include Posters (Billboards), Transit Shelter displays, Superboards, Permanents, Wall Murals, Airport Displays and Mediacolumns. MediaCom operates Canada's largest network of transit shelter advertising displays, which includes in excess of 10,000 units in partnership with more than 40 municipalities across the country. In addition to full production facilities, MediaCom has also invested heavily in state-of-the-art research and technology, as well as new design and operating standards. MediaCom has annual revenues in excess of \$100 million; Infinity Outdoor earned \$2.45 billion in net revenues in 1999. The majority holder of Infinity Outdoor is Viacom, and both Infinity and Viacom are publicly traded on the New York Stock Exchange.

Given that removal of the sign from its previous location has begun (with a significant portion of the sign now removed) and that the City Solicitor has advised that the City settlement is

imminent, staff are now recommending that the Board approve of the assignment of the Agreement from Gallop to MediaCom on a conditional basis.

Section 15.2 of the Agreement provides that the Board may, in giving its consent, require that the proposed assignee provide free advertising or compensation equivalent to the value of the 24/365 message board currently available on the Omni sign. With the assignment, MediaCom will be providing the free advertising for the Board on the Gallop sign equivalent to the OMNI sign on the one panel which has become available for the marketplace given that Ford is no longer an advertiser on the Gallop sign. In addition, on assignment MediaCom will be providing either airtime on one of its other signs in Toronto or revenues equivalent in value to the 10% on the other sign face.

In addition, MediaCom has approached staff requesting amendments to the Agreement which would provide an immediate increase to the Board of both revenues and the value of other services. Therefore, staff is recommending that the Board enter into negotiations with MediaCom about possible amendments to the terms of the agreement and report back to the Board at its meeting of June with its recommendations.

Conclusion:

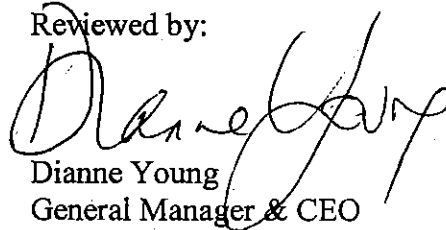
This report recommends that the Board approve the assignment of rights from Gallop to MediaCom for the advertising sign that is to be relocated to Exhibition Place.

Submitted by:



Kathryn Reed-Garrett
Director of Business Development

Reviewed by:



Dianne Young
General Manager & CEO

