

Assignment of Queen Elizabeth Theatre Lease

Date: January 26, 2022

To: Board of Governors of Exhibition Place

From: Don Boyle, Chief Executive Officer

Wards: All

SUMMARY

The Board and 16730801 Ontario Inc. (the "Tenant") entered into a lease for the Queen Elizabeth Theatre (the "QET") dated May 1, 2008, as amended by a Lease Amending Agreement dated May 1, 2010 and a Lease Amending Agreement dated May 9, 2018 which expired on April 30, 2020.

At its meeting of June 13, 2019 the Board approved, subject to City of Toronto ("City") authorization, a new lease between the City as Landlord and the Tenant for a term of ten (10) years commencing May 1, 2020 and ending April 30, 2030.

At its meeting of September 19, 2019, the Board approved a new lease between the City as Landlord and the Tenant for the Fountain Dining Room located adjacent to the QET, which is also currently leased by the Tenant. The approved term of this new lease was also for ten (10) years commencing May 1, 2020 and ending April 30, 2030.

At its meeting of February 11, 2020, the Board, approved a new lease for the Queen Elizabeth Theatre between the City, as landlord, 16730801 Ontario Inc., as tenant, and the Board, for a term of ten (10) years commencing May 1, 2020 and ending April 30, 2030, with an option to extend the Lease in favour of the Tenant for a further term of ten (10) years from May 1, 2030 to April 30, 2040. Subsequently, the parties entered into a lease on these terms and conditions (the "Lease").

The Board also approved at its meeting of February 11, 2020 a term of ten (10) years for the Fountain Dining Room lease, with an option to extend the Lease in favour of the Tenant for a further term of ten (10) years from May 1, 2030 to April 30, 2040, which would make both leases coterminous. The parties entered into a lease on these terms and conditions. The tenant is also requesting an assignment of Fountain Dining Room lease which is the subject of a separate report.

By letter dated October 4, 2021, the Tenant provided a written request for consent to an assignment of the Lease to QET Operations Ltd., a single purpose subsidiary of the MRG Group ("MRG"), pursuant to an asset purchase agreement between the Tenant and MRG. Article 16.2 of the Lease provides that the Tenant shall not assign, in whole or in part, this Lease or the leasehold interest of the Tenant in the Leased Property, or otherwise dispose of same, without first obtaining the written consent of the Landlord, which consent may be unreasonably withheld.

The Board approve in principle the assignment by 16730801 Ontario Inc. as Tenant of its interest in the Lease to QET Operations Ltd and recommend that the City, as Landlord, approve the assignment of the Lease.

Staff have reviewed certain information provided by MRG to Exhibition Place and City Corporate Real Estate Management staff and are satisfied with recommending this assignment of the Lease to QET Operations Ltd.

RECOMMENDATIONS

The Chief Executive Officer recommends that:

1. The Board authorize the Chief Executive Officer to request the necessary City of Toronto authorities to arrange for the City of Toronto's consent, as landlord, to the assignment by 16730801 Ontario Inc. of the tenant's interest in the lease dated May 1, 2020 between the City of Toronto, as landlord, 16730801 Ontario Inc., as tenant, and The Board of Governors of Exhibition Place, to QET Operations Ltd.

FINANCIAL IMPACT

There is no financial impact to the Board.

DECISION HISTORY

The 2017 - 2019 Strategic Plan has a Business Development goal to grow event activity and maintain strong relationships with existing clients, and identify areas for revenue enhancements.

At its meeting on March 6, 2008 the Board approved entering into a lease with the Tenant for a term of three (3) years commencing May 1, 2008 and concluding April 30, 2011.

On April 23, 2010, the Board approved the staff recommendation to extend the term of the lease with the Tenant to April 30, 2020, on the terms and conditions set out in the staff recommendation.

<https://www.explace.on.ca/files/file/58c6df474bf7a/Item-36-Queen-Elizabeth-Theatre-final.pdf>

At its meeting of June 13, 2019 the Board approved a new lease for a term of ten (10) years commencing May 1, 2020 and ending April 20, 2030.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EP3.22>

At its meeting on September 19, 2019, the Board approved of the staff recommendation to extend the term of the lease with the Tenant for the Fountain Dining Room to April 30, 2030, on the terms and conditions set out in the staff recommendation.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.EP6.14>

At its meeting of February 11, 2020, the Board, subject to obtaining the necessary City of Toronto authorization, approved the Lease for the Queen Elizabeth Theatre between the City of Toronto, as landlord, the Tenant and the Board, for a term of ten (10) years commencing May 1, 2020 and ending April 30, 2030, with an option to extend the Lease in favour of the Tenant for a further term of ten (10) years from May 1, 2030 to April 30, 2040.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.EP9.11>

COMMENTS

By letter dated October 4, 2021, the Tenant provided a written request for consent to an assignment of the Lease to QET Operations Ltd., a single purpose subsidiary of the MRG Group ("MRG"), pursuant to an asset purchase agreement between the Tenant and MRG. Article 16.2 of the Lease provides that the Tenant shall not assign, in whole or in part, this Lease or the leasehold interest of the Tenant in the Leased Property, or otherwise dispose of same, without first obtaining the written consent of the Landlord, which consent may be unreasonably withheld.

Pursuant to the terms of the Lease, no assignment shall be effective until the assignee agrees with the Landlord to assume all the terms, covenants and conditions of the Lease and to be bound thereby, and further provided that no such assignment shall relieve the Tenant of its obligations under the Lease.

City Corporate Real Estate Management ("CREM") staff have advised they would require that the Tenant be current with their existing financial obligations and not otherwise in default under the Lease as a condition of recommending City approval of any assignment.

Staff from Exhibition Place and CREM requested and obtained from MRG the following documents to enable a review and consideration of the assignment of the Lease. Staff may require other financial and business information for further due diligence.

- (a) MRG's Corporate Profile Report and details on their organizational structure to demonstrate MRG's subsidiary's ability to take on the Lease.
- (b) Details on MRG ownership structure to assess ownership and partners' percentage ownership stake to understand who we dealing with in case of liability and other issues if they arise.
- (c) Recent Audited Financial Statements.

Staff are satisfied with recommending this assignment to QET Operations Ltd., a subsidiary of MRG.

The Tenant has worked with MRG over the last eight (8) years as their top booking agent for theatre events. The Tenant has agreed to work with MRG for three (3) years following the assignment, if approved, to help with transition and management of both the Queen Elizabeth Theatre and Fountain Dining Room.

About The MRG Group

MRG is one of Canada's leading hospitality and entertainment companies, and intends to invest into the QET and Fountain venues. This will undoubtedly add to the venues' popularity, and the existing Tenant will continue to work and collaborate with MRG.

MRG, which has been in operation since 2008, owns and operates a total of 13 venue and hospitality properties across Canada and recently expanded operations into the US. In 2018, it acquired BeatRoute Media, a music and lifestyle brand rooted in compelling storytelling for the music fan.

MRG's mission is to create positive shareable experiences for all who come in contact with the venues, events, and content. MRG is the largest independent promoter in Canada and is taking aim at the US and international markets.

MRG has offices in Toronto, New York, Vancouver, Victoria, Calgary, Montreal, Miami, and Los Angeles.

MRG Group Story

Inspired by his strong family ties and upbringing centered in Whistler, BC's hospitality landscape, founder & President, Matthew Gibbons developed an unwavering desire to create unforgettable experiences for people. Ever in favour of authenticity, Gibbons paved his own way in pursuit of his passion. With time-tested hospitality values ingrained in him, together with his appreciation for the 'good times' he was to create what now stands as The MRG Group in 2008 with the purchase of one of Vancouver's iconic venues, The Vogue Theatre.

Committed to preserving the venue's history and performing arts culture Gibbons embedded his own values; providing positive shareable experiences coupled with a hands-on approach at every level of service. Since its revitalization under Gibbon's ownership, The Vogue Theatre has played host to music's greatest, from Prince to Motorhead and The Decemberists to Mumford and Sons, the venue now annually hosts upwards of 200 events and remains a staple on Vancouver's famed theatre row.

The Vogue Theatre laid the foundation for MRG's rapidly growing venue portfolio where entertainment and hospitality meet across the country. From Vancouver to Toronto, MRG landed in the heart of Toronto's entertainment district on 250 Adelaide Street West in 2013 and opened their doors with the launch of the Rock 'n' Horse Saloon and Adelaide Hall.

The Rock 'n' Horse's distinct beaming lights invite the masses in for a complete western experience with southern hospitality. They offer country fare, southern sounds and a rockin' dancefloor, favourable with country fans and curious good-timers alike.

Contrasted in the basement of the building, Adelaide Hall serves as an extension of Gibbon's vision for unique music venues. Backed by superior sound and lighting production, they have hosted hundreds of notable acts such as Mother Mother, Run the Jewels and K Flay. Its intimate feel is reminiscent of a recording studio and gifts fans with an up and close artist experience.

Above Adelaide Hall, MRG introduced The Porch and Dublin Calling in 2014 and 2015 respectively. Crowning the 250 Adelaide building, The Porch offers sweeping views of Toronto's skyline with the CN Tower being a particularly favoured photo op for The Porch goers. Its quirky food truck is open until 11 pm in combination with a mix and mingle lounge vibe that allows for guests to escape the city hustle and chill out. The newest addition to what now stands as a multi-storey complex spanning 4 floors is the modern Irish sports bar, Dublin Calling. The 21 big screens showcasing local and international sports, an array of party games, multiple dart lanes and sliding garage doors for the summer season make Dublin Calling a friendly neighbourhood bar that caters to the party enthusiasts on weekends.

Expansion in the East prompted the purchase of the historical Yale Hotel and the takeover of Biltmore Cabaret in Vancouver in 2014 and 2015. The rebranded Yale Saloon sits as a reminder of the Vancouver of old, paying homage to its blues roots with country flavour. With everything from a bucking bull to a boot stomping dance floor, "The Yale" boasts the city's largest in-house smoker and continues to draw in the crowds with a southern twist awaiting.

Out on Prince Edward Street, Biltmore Cabaret was a welcomed addition to the growing portfolio of performance venues, hosting acts across all genres and welcoming all to their weekly throwback DJ nights, dance parties, Drag Shows, and cultural fundraisers. In the fall of 2017, Dublin Calling Vancouver came to life at 900 Granville Street, expanding the brand MRG has built in Toronto, bringing more unpretentious fun to the people of Vancouver with 3 floors decorated with 30-plus screens to display any and every game you want to see including ping pong tables, dart lanes, and many more games to enjoy with friends.

2018 brought MRG & The Imperial together. The Imperial is a 6,000 square foot stylish, state-of-the-art private event and multimedia facility located in Vancouver's urban core. Described as the city's hidden gem, The Imperial can accommodate concerts, corporate presentations, sit-down dinner service, fundraising events, and private events.

In company with their venues, MRG Concerts has produced over 500 shows and events a year. MRG Concerts is now the leading independent concert promotions company in Canada. Their focus on customer and client experience has led the concerts division to produce unforgettable shows such as Blondie and Brian Wilson, while continuing to support Canadian acts such as Dan Mangan, Wintersleep, and Hey Ocean.

Going into its third year, Westward Music Festival, showcases local and international talent in a multi-venue format throughout the city of Vancouver. The festival has seen the likes of Tribe Called Red, Blood Orange, Vince Staples, Bishop Briggs, and Keelela.

With their ever growing commitment to creating memorable experiences for guests, they brought in the New Year with the introduction of award-winning event production company, John Donnelly & Associates, which centers around large scale activations touching on both music, food, and cultural experiences.

CONTACT

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SIGNATURE

Don Boyle
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