



Broadcasting Decision CRTC 2005-390

Ottawa, 10 August 2005

Newcap Inc., on behalf of a corporation to be incorporated

Red Deer, Alberta

*Applications 2005-0131-3; 2005-0165-2
Public Hearing at Niagara Falls, Ontario
6 June 2005*

Acquisition of assets and change of effective control

*The Commission **approves** the applications by Newcap Inc., on behalf of a corporation to be incorporated, for authority to effect a change in ownership and control of the radio programming undertakings CIZZ-FM and CKGY-FM Red Deer.*

The applications

1. The Commission received two applications by Newcap Inc. (Newcap), on behalf of a corporation to be incorporated (NewCo), for authority to effect a multi-step transaction affecting the ownership and control of Corus Radio Company's (Corus Radio) radio programming undertakings CIZZ-FM and CKGY-FM Red Deer.
2. The proposed transaction would be effected as follows:
 - i) Corus Radio, a wholly-owned subsidiary of Corus Entertainment Inc. (Corus), would sell its assets of CIZZ-FM and CKGY-FM to NewCo, a corporation to be incorporated as a subsidiary of Corus Radio;
 - ii) Corus Radio would sell all of its issued and outstanding shares to be owned in NewCo to Nelvana Limited (Nelvana), a wholly-owned subsidiary of Corus; and
 - iii) Newcap would purchase from Nelvana all of the issued and outstanding shares of NewCo.
3. As a result of this transaction, the effective control of the radio programming undertakings would be transferred to Newcap, a wholly-owned subsidiary of Newfoundland Capital Corporation Limited, a corporation controlled by Mr. Harold R. Steele.

Value of the transaction

4. The value of the transaction is estimated at \$8,392,714 and is based on anticipated long-term cash flow projections of the business. The Commission finds this valuation method acceptable and reasonable in the circumstances.

Benefits

5. In accordance with the *Commercial Radio Policy 1998*, Public Notice CRTC 1998-41, 30 April 1998, Newcap proposed a tangible benefits package of \$503,563, representing a financial contribution of 6% of the value of the transaction.
6. This financial contribution would be allocated over five years to support Canadian talent development in the Red Deer area. It would be distributed annually to the Canadian Association of Broadcasters' Radio Starmaker Fund (\$50,356), Foundation to Assist Canadian Talent on Records (FACTOR) (\$33,571) and local initiatives (\$16,785).

Interventions

7. The Commission did not receive any interventions in connection with these applications.

Commission's analysis and determination

8. In its determination, the Commission has considered the potential impact of this transaction on the Red Deer market. The Commission notes that, in addition to Corus Radio, there are a number of other radio broadcasters currently serving Red Deer residents, including Jim Pattison Broadcast Group Limited Partnership, which recently was granted a licence to operate a second commercial FM station in the market.¹ Red Deer residents are also served by local television stations, a daily newspaper and a number of community newspapers. In light of the above, the Commission considers that the Red Deer market is and will continue to be served by a variety of news voices.
9. Although not directly involved in the Red Deer market, Newcap owns and operates a number of radio stations serving communities across the province of Alberta. The Commission notes that Newcap is a well-established broadcaster in Alberta, and considers that Newcap's knowledge and understanding of the communities it currently serves will be of benefit to the listeners in Red Deer.
10. In assessing the applications, the Commission also considered the applicant's commitment to respect the business plans of CIZZ-FM and CKGY-FM (conceived and executed formats) and to continue these plans to the full benefit of the community and its employees in Red Deer.
11. In light of the above, the Commission is satisfied that this multi-step transaction is in the public interest. The Commission **approves** the applications by Newcap Inc., on behalf of Newco, for authority to effect a change in ownership and control of the radio programming undertakings CIZZ-FM and CKGY-FM Red Deer.

¹ See *English-language FM radio station in Red Deer*, Broadcasting Decision CRTC 2004-117, 15 March 2004, and *Transfer of assets – Corporate reorganization*, Broadcasting Decision CRTC 2004-564, 23 December 2004.

12. The Commission will issue new licences for CIZZ-FM and CKGY-FM to NewCo once the applicant has satisfied the Commission, with supporting documentation, that the following requirements have been met:
- an eligible Canadian corporation has been incorporated in accordance with the applications in all material respects;
 - the current licences issued to Corus Radio have been surrendered to the Commission; and
 - the applicant has filed copies of all final and binding agreements between Newcap, NewCo and Corus Radio, including but not limited to the Asset Purchase Agreement, the Non-Competition Agreement and the Intellectual Property Licence Agreement, and the Commission is satisfied with the agreements.
13. The new licence for CIZZ-FM will expire 31 August 2010, and the new licence for CKGY-FM will expire 31 August 2007, the current expiry dates. The licences will be subject to the same terms and **conditions** as those in effect under the current licences.

Employment equity

14. Because this licensee is subject to the *Employment Equity Act* and files reports concerning employment equity with the Department of Human Resources and Skills Development, its employment equity practices are not examined by the Commission.

Secretary General

This decision is to be appended to each licence. It is available in alternative format upon request, and may also be examined in PDF format or in HTML at the following Internet site: <http://www.crtc.gc.ca>