



## Broadcasting Decision CRTC 2009-103

Route reference:

Broadcasting Notice of Public Hearing 2008-14

Ottawa, 2 March 2009

### **Northern Lights Entertainment Inc.**

Iqaluit, Nunavut

*Application 2008-1307-3, received 29 September 2008*

*Public Hearing in Orillia, Ontario*

*26 January 2009*

### **CKIQ-FM - Acquisition of assets**

*The Commission **approves** an application by Northern Lights Entertainment Inc. for authority to acquire the assets of CKIQ-FM Iqaluit from Nunavut Nalautinga Ltd. and for a broadcasting licence to continue the operation of the undertaking.*

### **The application**

1. The Commission received an application by Northern Lights Entertainment Inc. (Northern Lights) for authority to acquire the assets of the English-language commercial radio programming undertaking CKIQ-FM Iqaluit from Nunavut Nalautinga Ltd. (Nalautinga). The applicant also requested a new broadcasting licence to continue the operation of the undertaking under the same terms and conditions as those in effect under the current licence. The Commission did not receive any interventions in connection with this application.
2. Northern Lights is a corporation owned and controlled by Mr. Glenn Craig.

### **Commission's analysis and determinations**

3. Based on its examination of the application, the Commission has identified the following issues to be addressed in determining whether approval of the proposed transaction is consistent with the public interest:
  - the assessment of the value of the transaction; and
  - the assessment of the proposed tangible benefits.

### **Assessment of the value of the transaction**

4. As set out in Public Notice 1998-41 and reaffirmed in Broadcasting Public Notice 2006-158, because the Commission does not solicit competing applications for authority to transfer the ownership or control of radio undertakings, the onus is on the applicant to demonstrate that the proposed value of the transaction is acceptable and reasonable.

5. The value of the transaction, based on the terms of the Agreement for Purchase and Sale of Assets, is \$185,000 plus 75% of the good accounts receivable at closing.
6. It is the Commission's practice to include in the value of the transaction the value of elements as at the date of the transaction or as determined for financial statements prepared sufficiently close to the date of the transaction.
7. The applicant filed financial statements as at 31 March 2008. In the circumstances, the Commission considers the value on those financial statements to be a reasonable proxy for the value at the date of the transaction. The good accounts receivable on the 31 March 2008 financial statements amount to \$108,140. A portion of 75% represents an amount of \$81,105 to be included in the value of the transaction.
8. As a result of the transaction, the purchaser will be assuming leases. The Commission estimated the value of the lease commitments over a five-year period based on the monthly payments and renewal options. The estimated value of the leases amounts to \$225,421.
9. The value of the transaction, as revised by the Commission, amounts to \$491,526.

#### **Assessment of the proposed tangible benefits**

10. As set out in Public Notice 1998-41 and reaffirmed in Broadcasting Public Notice 2006-158, the Commission requires that parties seeking to acquire ownership or control of profitable radio undertakings make commitments in the form of tangible benefits of no less than 6% of the value of transactions.
11. The applicant requested an exemption from the Commission's tangible benefits policy due to the isolated nature of the community and the unique situation of its distant and remote location. Northern Lights argued that payment of benefits in the amount of 6% of the value of the transaction may be reasonable in major commercial markets but that, in small centres such as Iqaluit, such a requirement constitutes an undue hardship that is difficult to meet without affecting the long-term operations of the radio service. The applicant noted, however, that, if the Commission were to require this commitment, it would request permission to provide the tangible benefit funding to local organizations and defer payment over the length of its entire licence period.
12. In Public Notice 1998-41 the Commission stipulated that it would be prepared to forgo benefits requirements in the case of transactions involving the sale of unprofitable undertakings. However, the Commission also stated that it would not "systematically apply this exemption to stations in the first five years of operation."
13. At the time of the filing of the application, CKIQ-FM was still within this five-year period. Having reviewed the station's financial statements as well as the information provided by the applicant, the Commission concludes that CKIQ-FM, while not as yet profitable, is not in jeopardy, and that no compelling arguments were presented in support of an exemption.

14. In light of the above, the Commission determines that Northern Lights is required to pay clear and unequivocal benefits contributions representing a minimum direct financial contribution of \$29,491.56 (representing 6% of the revised amount of \$491,526). In accordance with Commission practice, this contribution will be spread equally over a seven-year period. Consistent with Public Notice 1998-41, and as reaffirmed in Broadcasting Public Notice 2006-158, the Commission will expect financial contributions to be distributed as follows:
- 3% of the value of the transaction to be allocated to the Radio Starmaker Fund;
  - 2% of the value of the transaction to be allocated, at the discretion of the purchaser, to FACTOR or MUSICACTION; and
  - 1% of the value of the transaction to be allocated to the Iqaluit Music Society.

### **Conclusion**

15. In light of the above, the Commission is satisfied that the proposed transaction is in the public interest, and as such **approves** the application by Northern Lights Entertainment Inc., subject to the application of the tangible benefits policy, for authority to acquire the assets of the English-language commercial radio programming undertaking CKIQ-FM Iqaluit from Nunavut Nalautinga Ltd.
16. Upon surrender of the current licence issued to Nalautinga, the Commission will issue a new broadcasting licence to Northern Lights. The licence will expire 31 August 2015, and will be subject to the **conditions** set out in Broadcasting Regulatory Policy 2009-62, with the exception of condition of licence number 8 relating to the solicitation of local advertising. That condition of licence does not apply to stations operating in a single-station market.
17. The Commission reminds the applicant that it must adhere to the requirements relating to contributions to Canadian content development set out in section 15 of the *Radio Regulations, 1986*, as amended from time to time.

### **Employment equity**

18. In accordance with Public Notice 1992-59, the Commission encourages the licensee to consider employment equity issues in its hiring practices and in all other aspects of its management of human resources.

Secretary General

### **Related documents**

- *Conditions of licence for commercial AM and FM radio stations*, Broadcasting Regulatory Policy CRTC 2009-62, 11 February 2009

- *Commercial Radio Policy 2006*, Broadcasting Public Notice CRTC 2006-158, 15 December 2006
- *Commercial Radio Policy 1998*, Public Notice CRTC 1998-41, 30 April 1998
- *Implementation of an employment equity policy*, Public Notice CRTC 1992-59, 1 September 1992

*This decision is to be appended to the 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>.*