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THE FOURTH HERBERT SMITH FREEHILLS AND NLU DELHI

INTERNATIONAL NEGOTIATION COMPETITION

8 - 10 SEPTEMBER 2017

THE LION'S SHARE GENERAL BACKGROUND INFORMATION

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GENERAL BACKGROUND INFORMATION

The parties

Icon Entertainment Pty Ltd

Icon Limited ("**Icon**") is a well-known real estate business which owns and operates a unique set of property assets in Sydney, Melbourne and Perth, through its subsidiary companies. It is listed on the Australian Securities Exchange.

One of the properties in the Icon group is a building in Melbourne, affectionately named the "Shell". The name is informed by the building's enormous roof which is composed of curved metal plates overlaid on top of each other. The building originally housed Melbourne's largest contemporary art collection but has now been re-developed and re-invented as a live entertainment venue. It is currently considered less popular than the other large capacity music venues in Melbourne, as it is relatively new. Notwithstanding this, the Shell is well-equipped with a potential capacity of 60,000, modern facilities and good transport links. It also has a plot of land to one side of the property which could be developed into an outdoor entertainment space.

The Shell is owned and managed by one of Icon's subsidiary companies, Icon Entertainment Pty Ltd ("**Icon Entertainment**"). Icon Entertainment owns and manages all of Icon's entertainment venues. Icon Entertainment is experienced at managing this type of venue but, where appropriate, it may select partners to work with it on particular projects if it feels this would enhance or provide additional value to a project.

Blue Lion Pty Ltd

Blue Lion Pty Ltd ("**Blue Lion**") is a drinks company. Its primary and most successful product is a caffeinated energy drink. The Blue Lion energy drink is Australia's most popular energy drink and over six billion cans were sold worldwide in 2016; a significant increase on the previous year. Blue Lion is looking to maintain its position as Australia's preferred energy drinks company, whilst looking to improve sales of its new soft drink range.

Blue Lion's success has been partly due a very strong focus on the image of its brand. Blue Lion has invested heavily in developing a young, cool image that resonates with consumers and helps create a strong affiliation with its products. Blue Lion has purposefully entered into numerous sponsorship agreements to develop an awareness of the Blue Lion brand and reinforce consumer perceptions that the brand is modern and synonymous with fun events, such as sports or live music.

Blue Lion is always on the lookout for new brand investment opportunities and is of the view that acquiring a stake in a popular music venue in Australia would be a useful sideline for the company.

Background

The Icon group has decided that, with property prices in Melbourne remaining relatively flat, now is the time to invest in a range of new properties across the city. Icon is of the view that the stagnation of property prices in Melbourne is only temporary, and in the long term property prices will continue to rise. In order to free up funds for the purchase of new properties, Icon has decided to reduce costs in certain parts of its business. The Shell is likely to require capital expenditure in the near future; as such, it has been identified as an asset that would benefit from a joint venture partner to invest in and co-manage the property with Icon Entertainment.

Icon Entertainment has met with Blue Lion previously to explore the possibility of forming a joint venture between the companies to own and manage the Shell. Icon Entertainment has been impressed by the strength of Blue Lion's brand and is excited about the ideas that Blue Lion has floated for the project, including the development of the plot of land to the side of the Shell to host external events, such as BMX biking. However, Icon Entertainment is not sure whether Blue Lion is able to financially commit to being a 50:50 partner with it on the project. The parties have not yet discussed the precise contributions of both Blue Lion and Icon Entertainment,

GENERAL BACKGROUND INFORMATION (CONTINUED)

but Icon Entertainment has made it clear that it expects a significant capital injection by Blue Lion at the commencement of the joint venture and possible further financial commitment in the future.

Icon Entertainment has successfully run entertainment venues in the past but is aware that the Shell is not currently perceived as a leading live music venue. Icon Entertainment is encouraged by Blue Lion's experience of hosting live entertainment events and is quietly optimistic that Blue Lion can contribute fresh proposals to the project that will help to drive increased attendances at events hosted at the Shell. Icon Entertainment is also hopeful that the publicity generated by a high-profile partnership with Blue Lion will create increased interest in the venue.

Blue Lion is keen to partner Icon on the ownership and management of the iconic Shell venue. Blue Lion hopes that having a well-known music venue associated with its brand will help to cement its position in the Australian energy drinks market. Blue Lion feels this should extend beyond an ownership interest in the Shell; as such, Blue

Lion is interested in obtaining naming rights to the venue as part of the joint venture package.

Blue Lion has quite specific plans for the Shell and would like to host at least 30 brand-sponsored events there each year, including hosting international BMX and skateboard competitions. Blue Lion envisages directly streaming many of its events directly via Blue Lion TV, a web streaming service that Blue Lion has created which is currently free of charge. Blue Lion requires complete discretion over the type of events it is seeking to host at the venue. In addition, it would also want the ability to veto any non-branded events if they do not meet with Blue Lion's brand standards, as they do not want the venue to be considered dull.

Blue Lion is reluctant to commit to a full 50:50 joint venture with Icon Entertainment, as it would prefer to contribute a smaller amount than that envisaged by Icon Entertainment. Blue Lion would, however, want to retain a significant amount of control over some of the decisions to be made by the joint venture company, such as the use of the side plot of land next to the venue, the events hosted at the venue, and major supplier contracts.

ICON ENTERTAINMENT

Confidential information

Icon Entertainment is looking to form a joint venture to operate the Shell and help the Shell become one of Australia's premier live entertainment venues. Icon Entertainment is currently managing a number of venues but none with the capacity of the Shell. It is eager to explore the idea of partnering with another company in order to increase the capital available to the project, and to help increase attendance at Shell events and public awareness of the Shell as a leading live entertainment venue.

Icon Entertainment owns the freehold of the Shell. As it is an iconic building which Icon and Icon Entertainment believe can be a consistent generator of revenue for the Icon group for many years to come, Icon Entertainment is not prepared to put the freehold into a joint venture. However, it is prepared to grant and contribute a long 30-year lease to the joint venture for use of the venue. Icon estimates that the lease is worth US\$125 million.

As Icon has plans to utilise its existing available capital in the acquisition of new properties, it is of paramount importance that any joint venture partner for Icon Entertainment makes a significant cash contribution to the joint venture company. Ideally, Icon Entertainment is seeking a 50:50 partnership, so would expect Blue Lion to contribute the value of the lease in cash to the joint venture on formation.

Icon Entertainment preferably wants Blue Lion to commit to providing financing to the project in the future as well. It is happy for future financing to be sourced from the joint venture partners on a pro rata basis and is willing to contribute once Blue Lion's initial investment is exhausted; however, it would expect to be able to dilute Blue Lion's shareholding if Blue Lion fails to fund a future financing request.

If Blue Lion is unwilling to commit to being an equal partner in the joint venture, Icon Entertainment will demand that it retains overall control of the project through its majority voting rights. In particular, it would want to ultimately determine how the funds Blue Lion invests in the joint venture are spent.

Icon Entertainment understands that Blue Lion has a

number of different ideas to increase attendance at the Shell, which is welcome as Icon Entertainment is currently losing out to more established venues. It is hoped that Blue Lion as a brand can help attract a new, younger audience to the venue as Blue Lion is well-known for its commitment to developing upcoming artists. Icon Entertainment is willing to allow Blue Lion to host up to 20 events at the venue each year as part of the joint venture deal, provided it continues to hold at least 10% of the equity in the joint venture company.

Notwithstanding Icon Entertainment's willingness to use Blue Lion's ideas in managing the Shell and hosting branded events, Icon Entertainment would want to retain the power to decide which other acts perform at the venue throughout the year. Icon Entertainment is concerned that Blue Lion may veto acts without due reason if given the power to do so, so feels it needs to retain this right in order to protect revenue streams.

Icon Entertainment thinks that Blue Lion may be interested in being retained as the exclusive supplier of drinks to the Shell as part of the joint venture deal. Whilst Icon Entertainment acknowledges that Blue Lion is the market leader in the energy drinks market, it views the rest of Blue Lion's drinks range as relatively new and unproven and thinks that giving Blue Lion exclusive soft drink rights may worsen the customers' overall experience at the venue. As such, Icon Entertainment is happy to entertain entering into an exclusive supplier agreement in relation to Blue Lion's energy drinks only.

Icon Entertainment is hesitant to allow Blue Lion to acquire the naming rights for the Shell if Blue Lion's contribution to the joint venture does not match that of Icon Entertainment. However, Icon Entertainment may allow Blue Lion to acquire the naming rights if the deal as a whole is sufficiently beneficial to Icon. That said, Icon Entertainment would expect Blue Lion to lose its naming rights if its shareholding in the joint venture fell below 10%.

Icon Entertainment has some concerns regarding the level of signage that Blue Lion requires. Icon Entertainment does not want there to be any damage to the façade of the building or for the signage to detract from the aesthetics of the building, which are valued by visitors and the public alike. Icon Entertainment suggests that the plot to the side of the venue is used to erect any signs required by Blue Lion, and that the erection of such signs should be at Blue Lion's own cost.

BLUE LION

Confidential information

Blue Lion is excited by the opportunity to acquire an interest in the ownership and management of the Shell, and thinks that hosting Blue Lion themed events at the venue will help develop the Blue Lion brand. Blue Lion has specific ideas about the type of events it wants to see at the Shell and would like control over the events that the Shell hosts.

Blue Lion is aware that Icon Entertainment is proposing to contribute a 30-year lease of the venue to the joint venture on formation, valued at US\$125 million. Blue Lion is unwilling to match this level of investment, but would be prepared to take a circa 30% stake in the joint venture company for around US\$60 million. Blue Lion is of the view that 30% remains a sizeable contribution considering it is not acquiring a legal interest in the Shell freehold and it will be contributing its expertise on hosting live music events to the joint venture.

A key motivation for entering into the joint venture for Blue Lion is to secure naming rights for the Shell for at least a five-year period. Blue Lion believes the name "Blue Lion Arena" would be suitable, as it is memorable and clearly identifies its brand name. Blue Lion would like a large sign to be erected at the venue with the name displayed. Blue Lion has not yet considered where such a sign would be located.

Blue Lion acknowledges that the Shell is not currently considered one of the leading live entertainment venues in Melbourne, but with the right acts and some strategic investment, Blue Lion is of the view that it could become one of the leading destinations in the city. For this reason, Blue Lion would want to have a say in how its investment into the joint venture is spent. It is particularly keen on some of the funds being spent to develop the side plot adjacent to the venue for hosting skateboarding and BMX events.

Blue Lion is open to providing further funding to the business in the future, but would not want to contribute any capital for at least three years as it feels US\$60 million is more than sufficient to meet the joint venture's working capital and capital investment needs over this timeframe.

Blue Lion is anxious not to alienate existing customers or dilute the strength of its brand by associating itself with acts which Blue Lion would not have previously supported. For this reason, Blue Lion wishes to secure a degree of control over the types of events that the Shell hosts. It also wants to be able to organise at least 30 specific Blue Lion events per year over which it has complete discretion.

Blue Lion, in addition to their market leading energy drinks, has also developed a non-caffeinated soft drinks range, which it views as being a key part of its business moving forward. The new range has been on sale in Australia for just under a year. Blue Lion has invested significantly in market research and is convinced that consumers will increasingly choose to purchase Blue Lion's soft drinks over its competitors' if given the opportunity.

Blue Lion views the partnership with Icon Entertainment as a chance to enter into an exclusive supplier agreement for the Shell to sell not only its popular energy drinks, but also its new soft drinks range. An exclusive supplier agreement would help to increase awareness and sales of the soft drinks range and help make Blue Lion's investment in the Shell profitable. If the venture proves successful, Blue Lion may consider entering into similar arrangements in relation to other music venues around Australia.