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## EXHIBITION PLACE

January 5, 2006

To: The Board of Governors of Exhibition Place

From: Dianne Young  
General Manager & CEO

Subject: **Lease with Immersion Studios – Music Building**

**Purpose:**

This report recommends a renewal of the lease with Immersion Studios Incorporated (“Immersion Studios”) for the Music Building.

**Financial Implications & Impact Statement:**

This lease will result in basic rental payments over the term of \$207,448.00 plus any Additional Rent for services delivered and property taxes of approximately \$25,000.

**Recommendations:**

**It is recommended that the Board enter into a lease agreement with Immersion Studios (c.o.b. I-mmersion) for a period of three years, commencing June 1, 2006 and expiring May 31, 2009, on substantially the terms and conditions of the present lease as outlined in this report and such other terms as are required by the General Manager and the City Solicitor.**

**Background:**

The present three-year agreement with Immersion Studios for the lease of Music Building expires May 31, 2006.

**Discussion:**

In 1997, the Board and the CNEA entered into a three-year lease with Immersion Studios to lease the Music Building which lease provided for an entertainment program to be held during the CNE in each of the three years of the term. This agreement was renewed in 2000 and amended to exclude the requirement by Immersion Studios to provide an entertainment program during the CNE, however the current lease does allow for use of one of the three pods of the Music Building, on the condition that Immersion Studios received a rental rebate equal to the pro-rata share of the building that is open to the public; that the CNEA assume all costs

associated with relocating Immersion Studios' equipment and other related costs; and that the CNEA confirms details of its use of the pod to the Tenant on/before the first of May annually.

Immersion Studios, which is a new media interactive educational software programming and design company, has used the Music Building as its permanent production studio and offices, and also for the purpose of promoting and marketing its products (which include both the software and the hardware required to run this software). Generally, the product areas developed by Immersion Studios are 3D digital interactive films, interactive exhibits, learning labs and media labs, invent proprietary software and delivery systems, and participate in research and development with educational institutions.

Since 1997, they have been awarded numerous awards and industry recognition for its work. Its productions and cinemas are located worldwide. Originally located in the Smithsonian, Washington DC; iSci, Montreal and Mystic Aquarium and presently located in the Victoria Museum, Melbourne Australia; MOTE Marine Laboratory, Florida; W5 Discovery Centre, Belfast, U.K.; Museum of Science, Miami; Discovery Centre, Springfield, Missouri; Sellafield Visitor Centre, England; with a new one in development in Western Ireland. One of the major projects undertaken in the last two years was to be part of the design build team of the Canada Pavilion at the Japan World's Fair.

Mr. Stacey Spiegel continues to be the President and CEO of Immersion Studios and continues to be directly involved in the day-to-day operations of the company. During the course of their lease with the Board, Immersion Studios has been in good standing and has been supportive and cooperative of the Board's other initiatives (i.e.: World Youth Days, Molson INDY, and CNE).

Accordingly, this report is recommending that the Board enter a new three-year lease with Immersion Studios commencing June 1, 2006, on the same terms and conditions of the present lease, including the ability for the CNEA to use one pod during each annual fair during the term of the Lease and the ability of the Tenant to terminate the lease during the Term provided the Tenant provides three months notice to the Board. The new lease proposes the increase basic rent as noted below:

PRESENT RENTAL TERMS	PROPOSED LEASE TERMS
<p><u>Minimum Rent:</u></p> <p>Year 1 \$60,900.00 p/a or \$6.09 psf</p> <p>Year 2 \$61,814.00 p/A or \$6.18 psf</p> <p>Year 3 \$62,741.00 p/A or \$6.27 psf</p> <p>Year 4 \$63,263.00 p/A or \$6.35 psf</p> <p>Year 5 \$64,845.00 p/A or \$6.51 psf</p> <p>Year 6 \$66,466.00 p/A or \$6.67 psf</p>	<p><u>Minimum Rent:</u></p> <p>Year 1: \$67,795.00 (2.0% increase) paid as follows:                      June – December, 2006 \$38,892.00                      January – May, 2007 \$28,903.00</p> <p>Year 2: \$69,150.00 (2.0% increase) paid as follows:                      June – December, 2007 \$40,464.00                      January – May, 2008 \$28,686.00</p> <p>Year 3: \$70,533.00 (2.0% increase) paid as follows:                      June – December, 2008 \$40,160.00                      January – May, 2009 <u>\$30,373.00</u></p> <p>Term: \$207,448.00 or \$6.94 psf</p>
<p>Utilities, taxes and operating costs paid by tenant</p>	<p>Utilities, taxes and operating costs paid by tenant</p>

Conclusion:

This report recommends entering into an agreement with Immersion Studios for the lease of the Music Building for a period of three years, to expire on May 31, 2009, on substantially the same terms and conditions as in the present lease except as stated above.

Contact:

Dianne Young

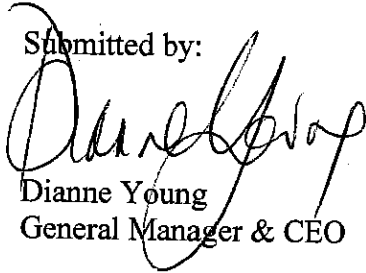
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Submitted by:

A handwritten signature in black ink, appearing to read "Dianne Young", is written over the printed name and title.

Dianne Young

General Manager & CEO

