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March 6, 2006

To: The Board of Governors of Exhibition Place

From: Dianne Young
General Manager & CEO

Subject: Termination of Aerophile Agreement

Purpose:

This report reports for the information of the Board the termination of the licence agreement with Aerophile S.A. (Aerophile) pursuant to the terms of the agreement with the Board.

Financial Implications & Impact Statement:

The termination of this lease will result in a negative impact of \$60,000 in the 2006 Operating Budget for Exhibition Place Program.

Recommendation(s):

This report recommends that the Board receive this report for its information and the General Manager and the City Solicitor work with Aerophile on any issues related to the termination of the licence agreement.

Background:

At its meeting of November 2002, the Board approved entering into a licence agreement with Aerophile for a three-year term for the operation of a helium-filled balloon attraction at Exhibition Place. City Council at its meeting of November 2002 approved a minor variance to the City sign by-law allowing a helium balloon attraction (with advertising) to operate at Exhibition Place.

At its meeting of May 2003, the Board extended the due diligence period from December 31, 2003. At its meeting of January 2004, the Board approved amendments to the licence with respect to Percentage Rent during the period of the annual CNE gross sales calculation of Percentage rent in Years 2 and 3.

In September 2004, the Board approved further amendments to the licence to waive the Base Rent which would be payable in July and August, 2004 given the great difficulty in entry to the Exhibition Place site in June/July because of the concentrated set up for the Molson Indy, and given the commission paid by Aerophile to the CNE.

Finally in May 2005, the Board approved of a further amendment to allow Aerophile to suspend operations for the period from April to November 2005 and waive Base Fee and Annual Percentage Fee for the period of non-operation being from May 1, 2005 to February 29, 2006.

Comments:

Aerophile is a registered aircraft manufacturer located in Chantilly, France that has been in operation since 1993, and is the world's leading operator of tethered balloons used for entertainment and amusement purposes. In 2004, Aerophile constructed the Aero 30 site at Exhibition Place at a cost of approximately \$250,000 and operated this attraction throughout the summer/fall 2004. However, Aerophile found that outside the CNE period, it was very difficult to carry on a viable business at Exhibition Place and in the first year lost approximately \$60,000. One of the key parts of its financial plan was the sale of "title" sponsorship on the balloon which in the first year of operation was Computerland. As reported to the Board last May, in early 2005, Aerophile unexpectedly received notice of the unilateral cancellation of the Computerland sponsorship which provided substantial financing to cover the operating costs.

Since the cancellation of the Computerland sponsorship, Aerophile undertook a campaign to find a replacement sponsor but has been unable to do so and has decided, in accordance with the terms of its Agreement with the Board, to exercise its right to terminate the Agreement.

Exhibition Place staff and City Legal will be working on formalizing the termination. While there are no accounts receivable owing from Aerophile, given the solid commitments and sales campaign that Aerophile was making in securing a sponsor, staff were optimistic that they would recommence operations in 2006 and budgeted accordingly. Therefore, this termination will have a negative impact of \$60,000 to the Exhibition Place Operating Budget which will have to be made up from other areas.

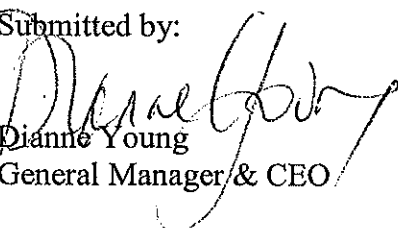
Conclusion:

This report outlines actions taken with respect to Aerophile for the information of the Board.

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Submitted by:


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