

EXHIBITION PLACE

June 1, 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 month-to-month lease with Immersion Studios Incorporated (“Immersion Studios”) for the Music Building for a period not to exceed six months (December 31, 2006).

Financial Implications & Impact Statement:

This month-to-month lease for six months with Immersion Studios will result in basic rental payments over the term of \$38,892.00 plus any Additional Rent for services delivered and a pro-rata of annual property taxes estimated to be \$25,000.

Recommendations:

It is recommended that the Board:

- 1. Enter into a month-to-month lease agreement with Immersion Studios (c.o.b. Immersion) for a period not to exceed six months expiring December 31, 2006, or earlier on the terms and conditions of the present lease except for basic rent which will increase as outlined in this report; and**
- 2. Staff report back to the Board on the status of this lease on or before December 31, 2006.**

Background:

The present three-year agreement with Immersion Studios for the lease of Music Building expired May 31, 2006. At its meeting in January 2006, the Board approved of a new three-year lease with Immersion Studios commencing June 1, 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.

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).

At the beginning of 2006, I met with Mr. Spiegel and negotiated the terms and conditions of a further three-year lease agreement which was subsequently reported to the Board. The new lease proposed 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 \$30,373.00</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>

However, between January and May, the Board of Directors of Immersion Studios have decided to consider a sale of the company assets and therefore, until that sale is finalized, they are requesting that they continue on a month-to-month basis for the next six months under the terms and conditions of the present lease except for the payment of the increase in basic rent as reflected above.

Given the long-standing nature of the tenancy between Immersion Studios and the Board, staff are recommending the direction sought by the tenant.

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

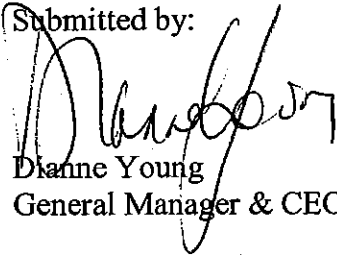
GM & CEO

Tel: 416-263-3611

Fax: 416-263-3640

Email: dyoung@explace.on.ca

Submitted by:



Dianne Young

General Manager & CEO

