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EXHIBITION PLACE

May 22, 2003

To: The Board of Governors of Exhibition Place

From: Dianne Young
General Manager & CEO

Subject: Hot Air Balloon Attraction at Exhibition Place

Recommendation:

It is recommended that the Board extend the due diligence period with Aerophile S.A. ("Aerophile") for the operation of a hot air balloon attraction at Exhibition Place until December 31, 2003.

Background:

At its meeting of November 2002, the Board approved the terms for a three-year license agreement with Aerophile S.A. ("Aerophile") to operate a hot air balloon attraction at Exhibition Place in 2003-05. The terms approved by the Board included a 90-day due diligence period that expired February 28, 2003. To facilitate approval for this new attraction, Councillor Silva submitted a Notice of Motion for the meeting of City Council of November 26, 27 and 28, 2002, requesting that Council consider a minor variance to the City sign by-law, which variance was approved for a period not to exceed six years (expiring in November 2008).

Discussion:

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. The terms of the proposed license agreement with Aerophile included a 90-day due diligence period which was required by the operator so that it could acquire a major title sponsor for the balloon at a cost of approximately \$1.0 Million annually. The operator was very diligent, working with both ViaCom and Trillium Marketing, but was unable to secure such as sponsor within the due diligence period.

At the same time, Aerophile secured a license agreement with the National Museum of Aviation in Ottawa and entered into a three-party agreement with a Canadian company to operate the hot air balloon attraction at this location. This group has expressed an interest in operating the hot air balloon attraction at Exhibition Place and they are now working with Aerophile to secure an appropriate title sponsor for this location. However, these discussion only commenced late in

February and the parties did not conclude their business agreement until April, 2003, making it impossible to finalize sponsors and order and have delivered a custom balloon envelope in time for the 2003 summer season and CNE. Therefore, staff recommends that the due diligence period be extended to December 31, 2003 and that staff report back to the Board at its meeting in January 2004 with its recommendations.

This extension is acceptable to the operators and Aerophile and gives them sufficient time to complete their negotiations with potential sponsors and also provides the CNE with an acceptable notice period to include it in the 2004 CNE. As well, it gives the operators the opportunity to run the hot air balloon attraction in Canada for a full season at the Ottawa location and resolve all permitting and authority/jurisdiction issues that arise whenever a new attraction like this operates for the first time.

Both the CNE and Molson INDY have been notified of the delay and both have expressed an interest to work with them in 2004. The variance approved by Council in November 2003 would continue to be in effect should all parties come to an agreement to operate the hot air balloon attraction at Exhibition Place during the period 2004-06.

Conclusion:

This report recommends that the Board extend the due diligence period with Aerophile to expire December 31, 2003 and that staff present its recommendations for this attraction to the Board at its meeting of January 2004.

Contact:

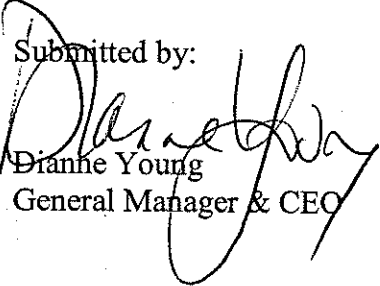
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Submitted by:


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General Manager & CEO

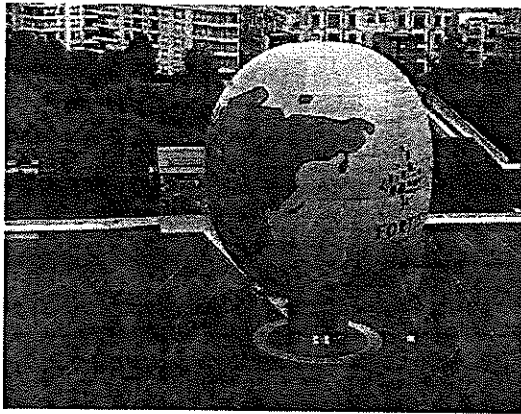
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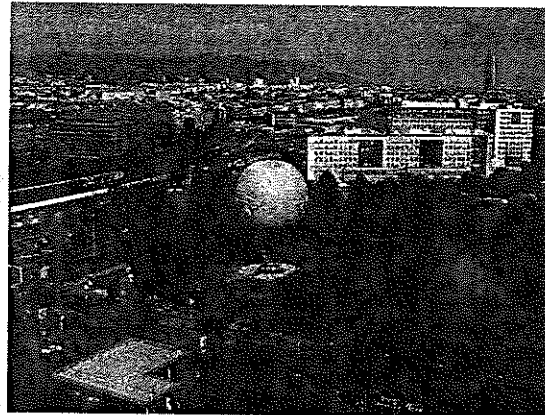
Aero 30 flight in Berlin, 2000



Aero 30 flight in Huis Ten Bosch (Japan), 2001



Aero30 flight in Bordeaux, 2001



Aero 30 flight in Vienna, 2000

