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November 15, 2002

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 approve a license agreement with Aerophile S.A. ("Aerophile") for the operation of a hot air balloon attraction at Exhibition Place on the terms and conditions set out in this report.**

**Background:**

At its meeting of January 1999, the Board established development objectives which included attracting new activities to the grounds to bring new audiences and extend the seasonal use of the site; and define/explore/identify and exploit new uses of the open space that provide a variety of family-oriented amusement, entertainment, and recreation uses.

**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. Regarded as a major tourist attraction, the "Aero 30" hot air balloon attraction has been operating since 1994 in Japan, Switzerland, China, Australia, France, Germany, Austria, Italy and the United States. Over one million passengers have flown in the "Aero 30" which is a multiple-passenger hot air balloon that is designed, owned and operated by Aerophile.

The "Aero 30" looks very much like a typical hot air balloon, with one important distinction – it is controlled by a sophisticated hydroelectric winch and cable system that ensures greater stability, safety and control of the hot air balloon and attached gondola. Unlike typical hot balloons with a basket or gondola that accommodate the pilot and 4-6 passengers, the "Aero 30" features a polyester and aluminum gondola designed to comfortably accommodate 30 passengers at a time.

The hydroelectric winch system that controls both ascent and descent can produce as many as six flights per hour to a maximum altitude of 150 metres in wind speeds as high as 35 km/h. The balloon is regarded as an aircraft and, as such, is required to meet the strictest safety regulations, as are the pilots and crew who operate it.

It is designed for maximum safety and control with a primary electric motor system; an auxiliary diesel engine system; and a portable electric motor emergency descent system. A certified pilot accompanies guests in the gondola and can, via a remote control, operate the primary system from the air. The system can also be operated by the ground crew who are always stationed during flights and who would be responsible for operating the auxiliary and emergency descent systems.

Aerophile has expressed an interest in establishing an "Aero30" attraction at Exhibition Place and is seeking a three-year license agreement with the Board. As a tourist attraction, the "Aero 30" at Exhibition Place would provide the public with a unique opportunity to view the City of Toronto and Lake Ontario from the comfort and safety of the balloon's gondola. And, at an altitude of some 300 feet, it would be a visible and attractive landmark that would draw visitors to the grounds.

The total project cost is approximately CDN\$3.0M, which includes the purchase of the balloon, gondola, winch housing and connections, and all site preparation costs. Aerophile and its corporate sponsor will be fully responsible for all capital costs. Aerophile is presently working with ViaCom to locate and secure its corporate sponsor and in exchange for the capital investment, it is understood that the sponsor's logo would be incorporated into the design of the balloon. Some photographs of sponsored balloons operating in other countries are attached to this report as Appendix "A".

Aerophile and its sponsors and agents will be required to comply with all of the advertising guidelines, rules and regulations, bylaws and legislation that govern commercial advertising in the City of Toronto and Exhibition Place. Accordingly, in anticipation of the Board considering this report and recommendation at its meeting of November, 2002 and with a commencement date in the Spring, 2003, Councillor Silva has submitted a Notice of Motion for the meeting of City Council of November 26, 27 and 28, 2002, with a request that Council consider a minor variance to the City sign by-law.

Staff have discussed this attraction with the CNE, and understand that the CNE is interested in including the "Aero 30" in the rides and attractions offered by the annual CNE and Mr. David Bednar will be reporting on this matter directly to the CNEA Board of Directors on the terms of the agreement to operate during the CNE period.

Staff has also discussed this attraction with the Molson INDY and while Aerophile is aware the INDY is not obligated to permit the "Aero 30" to operate during their race event, preliminary discussions indicate that Molson INDY would also be interested in including this attraction in their event.

Accordingly, staff recommend the Board enter into a Licence Agreement with Aerophile on the following terms and conditions and such other terms and conditions as required by the General Manager and CEO and the City Solicitor:

- (a) Permitted Concept/Use: Aerophile shall use the Licenced Area for the purpose of constructing, installing, operating and maintaining an "Aero 30" Helium Balloon attraction and permitted associated structures, including a gift/souvenir shop and waiting area.
- (b) Location: - to be determined and agreed to by Exhibition Place
- (c) Licenced Area: Estimated at approximately 2,000 square metres of principal operating area, plus an additional 2,000 square metres of perimeter area which will be used only for the purpose of anchoring the Balloon during periods of non-operation.
- (d) Term: Three years, commencing on May 1, 2003 and ending on April 30, 2006 with an option for the Board to extend, at the Board's sole discretion, for a maximum of a further three years on terms and conditions to be negotiated.
- (e) Early Termination: Aerophile may terminate the Licence Agreement prior to its expiry without penalty, provided that it delivers written notice to the Board on/before December 31<sup>st</sup> of any year of the Term
- (f) Due Diligence: A maximum of 90 days to commence on December 1, 2003 for the purpose of confirming the suitability of the site and the ability of Aerophile to proceed with the permitted use.
- (g) Permitted Advertising: During the Due Diligence Period, and subject to the approval of the Board and compliance with the Board's advertising guidelines, Aerophile will work to find an advertiser for the purpose of placing advertisements on the Balloon. Aerophile agrees that the Board shall be entitled to a free display on the gondola of the Balloon including site identification and the Exhibition Place logo and name
- (h) Possession Date: No later than March 1, 2003
- (i) Pre-Construction/Construction Period: March 1 to May 15, 2003
- (j) Commencement Date: No later than May 15, 2003
- (k) Deposit: Aerophile shall on execution of a Term Letter provide a deposit in the amount of CDN\$10,000.00. Should the parties execute a licence agreement, the deposit shall be applied to the first rent accruing to the Board. Should the parties mutually agree, acting reasonably, to terminate the Term Letter, the deposit shall be returned to Aerophile without interest.
- (l) Rent: Aerophile shall pay the following on an annual basis:
  - (i) Annual Base Rent: CDN\$50,000.00, payable in twelve monthly installments annually, the first payment of which will become due on the Commencement Date.
  - (ii) Percentage Rent: 20% of that portion of the Annual Gross Revenue in excess of CDN\$1,000,000.00. "Annual Gross Revenues" shall mean all revenues, net of GST, PST, and the advertising agency fees related to the sponsor/advertisement on the balloon earned in relation to Aerophile's operations in the Licenced Area, including revenues from admissions, advertising, food and beverage sales, promotions, photographs, gift shop sales, private functions, merchandise sales,

sponsorships and any other revenues which have been or should have been collected or received by Aerophile, including any percentage, commission or other revenue payable to Aerophile by any permitted licensee, concessionaire or subtenant during the Term.

- (m) Grounds Closure: Aerophile acknowledges and agrees that Exhibition Place, including the Licenced Area, may be totally closed to the public on a temporary basis and/or an admission fee may be charged to enter Exhibition Place for certain events, including but not limited to the Molson Indy and the annual Canadian National Exhibition ("CNE"). At such times when the grounds are totally closed and/or an admission fee is charges for an event that is in excess of three (3) days (excluding the Molson Indy and the CNE), the Board will work with the event to facilitate access to the Licenced Area.
- (n) Waterfront Plan: Aerophile shall familiarize itself with the Central Waterfront Secondary Plan and/or the initiatives of the Toronto Waterfront Revitalization Task Force, and acknowledges that the Board may require that the use and occupation of the Licenced Area conforms with all policies and processes that City Council may adopt as a result of the Waterfront Revitalization, except where such use may be specifically exempted by City Council;
- (o) Parking: Aerophile acknowledges that the Board shall retain all revenues from the operation of all parking facilities (surface and underground) owned and operated by the Board.
- (p) CNEA: Aerophile agrees to work with the Canadian National Exhibition Association (the "Association") on a cooperative basis to incorporate its attraction into the operation of the annual CNE each year during the Term, at discounted or special admittance fees (as negotiated by the parties).
- (q) Indemnity & Insurance: Aerophile shall indemnify the Board, the City of Toronto and the CNEA, their officers, elected officials, employees and agents against any and all claims, loss, costs and damages arising as a result of Aerophile's operation of the Balloon and the use and occupation of the Licenced Area. Aerophile shall provide adequate security and insurance in a form and amount satisfactory to the Board and the City's Manager of Risk Management.
- (r) Approvals: Aerophile shall be responsible, at its sole expense, for obtaining any and all government approvals required for the operation of the Balloon and the construction of any required structures and improvements, including the issuance of any required permits and shall comply with any requirements for operation of the Balloon as specified by the Board's safety engineering consultant.
- (s) Special/Standard Clauses: The Board shall have the right to audit Aerophile's books; overdue payments shall be subject to interest; Aerophile shall pay all Taxes and all costs associated with its operations; Aerophile accepts the Licenced Area "as is"; there shall be no assignment of the Agreement without the prior consent of the Board; and "assignment" shall include an effective change in control of Aerophile; Aerophile shall provide the Board with a performance bond; all construction plans shall be subject to Board approval; Aerophile must comply with all collective agreements between the Board and all Labour/Trade Unions standard termination and default clauses.

Conclusion:

This report recommends that the Board enter into a license agreement with Aerophile for the operation of a hot air balloon attraction at Exhibition Place the terms and conditions contained in this report.

Contact:

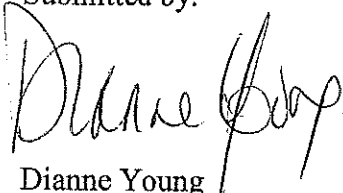
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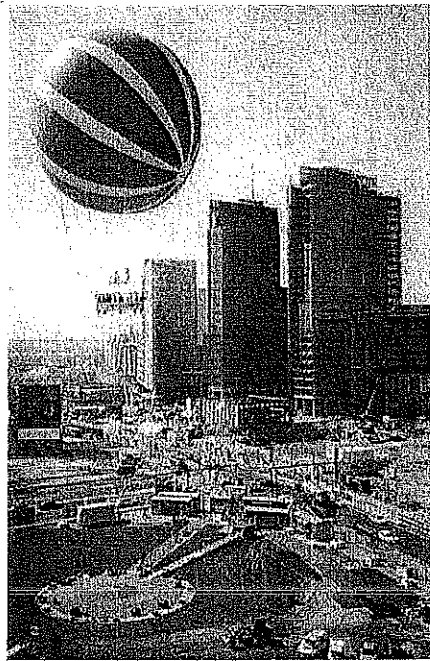
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Submitted by:



Dianne Young  
General Manager & CEO

Schedule "A"



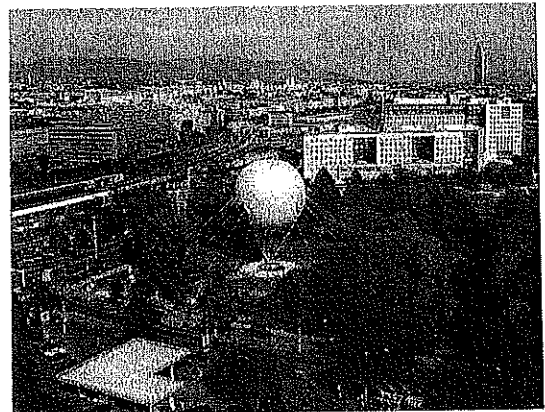
Aero 30 flight in Berlin, 2000



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



Aero30 flight in Bordeaux, 2001



Aero 30 flight in Vienna, 2000