

## MEMORANDUM

<b>TO:</b>	Dick Bowers
<b>FROM:</b>	Renaissance Sports & Entertainment LLC
<b>DATE:</b>	June 26, 2013
<b>RE:</b>	Revised Proposal

Dick,

As a follow up to our conversations this morning, Renaissance Sports & Entertainment LLC, Managing Partner of IceArizona Acquisitions Co, is pleased to provide you with the following overview of revenue streams, as well as an additional proposal that we believe will address the comments you raised during our discussion.

The following are baseline estimates of the revenue streams we have previously presented. These numbers are based upon the average attendance of the past four years, which have been the lowest attendance years in Coyote's history at the Glendale Arena. We all recognize that there have been external factors that have caused the attendance to be lower over the past four years compared to the previous seasons, and, therefore these are appropriate numbers to utilize to determine a baseline estimate. However, it is also important to note that, notwithstanding the recession and the other issues affecting the future of the team, attendance has consistently increased year-over-year, and it is expected to continue to increase if the team remains in Glendale under the stable ownership that IceArizona will provide.

The following represents hockey game average attendance over the past four years:

2012-2013 - 13,923  
2011-2012 - 12,420  
2010-2011 - 12,188  
2009-2010 - 11,989

Four-year average - 12,630

**A. Previously Discussed Additional Revenue Streams**

- Hockey Game Surcharge - \$1,553,490** (\$3.00 per ticket x 12,630 average attendance x 41 games)  
  
(The above does not include pre-season or post-season games).
- Non-Hockey Surcharge - \$1,725,000** (\$5.00 per ticket x 15,000 average attendance x 23 events)

For calculating the ticket surcharge for non-hockey games, we used average attendance of 15,000 per event for 23 annual events which represent a historic low for the Arena.

3. **Rent paid to the City for use of Arena and Parking - \$500,000**
4. **Parking Revenues - \$2,243,125**

Parking revenues are determined based upon the following formulas:

- a. Hockey - 41 games x 4,000 average spots utilized x \$10 per car minus \$20,000 per game (\$820,000) = \$820,000
- b. Non-Hockey - 23 events x 5,500 spots utilized x \$15 minus 25% for IceArizona = \$1,423,125

IceArizona will lease the 5,500 space parking lot from the City and be responsible for management. IceArizona will retain the first \$20,000 collected from the 41 regular season hockey games and the balance will be paid to the City. Parking revenues derived from non-hockey events (and all pre and post-season hockey games) will all be paid to the City less 25% of collections.

5. **Arena Naming Rights Revenue - \$671,700 – (\$3,358,000 x .20)**

Arena Naming Rights are based upon the NHL average of \$3,358,000. The City will receive 20% of the annual profit of this revenue stream.

6. **Hockey Generated Sales Taxes - \$636,930**

The City receives sales taxes from the sale of hockey tickets and concessions. These revenues will no longer exist if the team leaves Glendale. The methodology utilized is as follows:

- Glendale's portion of the 9.2% sales tax is approximately 3%
- Hockey attendance is based upon the above average of 12,630
- Average hockey ticket price used is \$38
- Average concession per cap used is \$3 per patron, an excessively conservative estimate.

**B. Recap of Revenue Streams**

Existing City Surcharge	\$1,553,490
Non-hockey Surcharge	1,725,000

Rent	500,000
Parking	2,243,125
Arena Name Rights	671,600
Sales Tax Revenue	<u>636,930</u>
TOTAL	<u>\$7,330,145</u>

**C. Proposed Limited Guarantee**

IceArizona understands the fact that the City has currently budgeted \$6,500,000 for arena management fees. We have been vocal in our disagreement with this number as it is our researched conclusion that the cost to the City, if the Coyotes leave, will be significantly higher once lost revenues and arena operation costs are factored into the cost figures. However, in the spirit of long term cooperation, IceArizona has developed the above listed revenue streams, and provided worse case estimates. Based upon the above base estimates, there is a worst case difference of \$1,169,855 between the management fee IceArizona requires and the City revenue streams combined with the budgeted amount of \$6,500,000.

IceArizona therefore is proposing the following form of “limited guarantee” in an effort to minimize the risk to the City and close the gap that would exist in the worst case scenario described above.

IceArizona will institute a \$1.50 “Manager” ticket surcharge to all events, (hockey and non-hockey), with all revenues from the Manager surcharge then placed in an escrow account in the name of IceArizona but subject to a perfected security interest in favor of the City. At the conclusion of each hockey season, audited reports will determine the exact revenue received by the City from the above listed revenue streams for that fiscal year. The City will then have a right to draw upon the escrow fund for the amount in which there is a deficit, not to exceed the cash available in the escrow account. The calculations will be as follows: \$8,500,000 total revenue required by the City per annum less actual monies collected by the City from the revenue sources described in Section A above (the “Reconciliation”). The City will have the ability, based upon the Reconciliation, to withdraw from the escrow account the audited deficit amount up to the maximum (if necessary) of the escrow account. However, all unused escrow funds will immediately be returned to IceArizona at the conclusion of the audit period. The escrow account will be re-set to a zero dollar balance at the beginning of each fiscal year.

Based upon the above described attendance figures, and utilizing a suggested surcharge amount of \$1.50 per ticket, it is expected the escrow account will contain a minimum annual balance of \$1,294,245.

The provisions of this paragraph C are subject to the approval of a majority of the investors of IceArizona.

**D. Prior Debt Owed to the NHL**

The City will also realize additional annual revenue based upon the agreement recently structured with the National Hockey League. More specifically, Glendale has the ability to pay to the National Hockey League the \$25,000,000 (currently in escrow) over a five year period, beginning with an immediate payment of \$5,000,000. This implies a combined savings of \$1,000,000 over a five year period assuming a conservative 2% interest rate vs. having to make the entire payment now. Clearly, if the Coyotes leave Glendale, the NHL will expect all \$25,000,000 to be paid immediately.

Total Revenue to the City over the term - \$1,000,000.

Once again, IceArizona is very enthusiastic regarding the potential of a long term, successful partnership with the City of Glendale. We look forward to working expeditiously to effectuate a finalized lease.

This proposal is, of course, subject to negotiating final documents in a form acceptable to the City and IceArizona in their sole and absolute discretion.