

Ordinance No. 123117

Council Bill No. 116628

AN ORDINANCE relating to the Seattle Center Department; authorizing execution of an agreement with AEG Management WA, LLC for AEG to provide certain marketing, sales, technical operations and other services related to KeyArena at Seattle Center.

Related Legislation File: _____

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|--|---|
| Date Introduced and Referred: 9.8.09 | To: (committee): Parks & Seattle Center |
| Date Re-referred: | To: (committee): |
| Date Re-referred: | To: (committee): |
| Date of Final Action: 10.5.09 | Date Presented to Mayor: 10.6.09 |
| Date Signed by Mayor: 10.8.09 | Date Returned to City Clerk: 10.8.09 |
| Published by Title Only <input checked="" type="checkbox"/> 2 | Date Vetoed by Mayor: |
| Published in Full Text | Date Passed Over Veto: |
| Date Veto Published: | Date Returned Without Signature: |

The City of Seattle – Legislative Department

Council Bill/Ordinance sponsored by: *Tom Roemer*

Committee Action:

| Date | Recommendation | Vote |
|-------------|----------------------------------|-----------------------|
| 9-29 | pass (substituted for V2) | 3-0 TR, RE, JD |

This file is complete and ready for presentation to Full Council. _____

Full Council Action:

| Date | Decision | Vote |
|----------------|---------------|------------------------------|
| 10-5-09 | Passed | 8-0 (Absent: Burgess) |

Law Department

ORDINANCE 123117

AN ORDINANCE relating to the Seattle Center Department; authorizing execution of an agreement with AEG Management WA, LLC for AEG to provide certain marketing, sales, technical operations and other services related to KeyArena at Seattle Center.

BE IT ORDAINED BY THE CITY OF SEATTLE AS FOLLOWS:


Section 1. As requested by the Seattle Center Director and recommended by the Mayor, the Seattle Center Director, or his or her designee, is authorized to execute, for and on behalf of The City of Seattle, an agreement with AEG Management WA, LLC. substantially in the form of the agreement attached hereto and identified as "AGREEMENT FOR BOOKING, MARKETING, SALES AND TECHNICAL OPERATIONS SERVICES FOR KEYARENA AT SEATTLE CENTER BY AND BETWEEN THE CITY OF SEATTLE AND AEG MANAGEMENT WA, LLC" (Attachment 1) for purposes related to the provision of booking, marketing, sales, and technical operations services for KeyArena at Seattle Center through 2015.

Section 2. Any act taken after passage of this ordinance consistent with the authority and prior to the effective date of this ordinance is hereby ratified and confirmed.

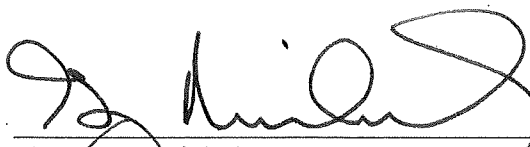
Section 3. This ordinance shall take effect and be in force thirty (30) days from and after its approval by the Mayor, but if not approved and returned by the Mayor within ten (10) days after presentation, it shall take effect as provided by Municipal Code Section 1.04.020.




1 Passed by the City Council the 5th day of October, 2009, and
2 signed by me in open session in authentication of its passage this
3 5th day of October, 2009.

4
5 
6 _____
7 President _____ of the City Council

8 Approved by me this 8th day of October, 2009.

9
10 
11 _____
12 Gregory J. Nickels, Mayor

13 Filed by me this 8th day of October, 2009.

14
15 
16 _____
17 City Clerk

18 (Seal)

19 Attachment 1: AGREEMENT FOR BOOKING, MARKETING, SALES AND TECHNICAL
20 OPERATIONS SERVICES FOR KEYARENA AT SEATTLE CENTER BY AND BETWEEN
21 THE CITY OF SEATTLE AND AEG MANAGEMENT WA, LLC
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ATTACHMENT 1
AGREEMENT FOR
BOOKING, MARKETING, SALES AND TECHNICAL OPERATIONS SERVICES
FOR
KEYARENA
AT SEATTLE CENTER
BY AND BETWEEN
THE CITY OF SEATTLE
AND
AEG MANAGEMENT WA, LLC

This Booking, Marketing, Sales and Technical Operations Services Agreement (the "Agreement") is made this 31st day of January 2009, by and between AEG Management WA, LLC, a Delaware limited liability company ("AEG") and the City of Seattle, a municipal corporation of the State of Washington ("Seattle"), operating through its Seattle Center Department ("Seattle Center") and Seattle Center Director ("Director," together with Seattle and Seattle Center, the "City").

RECITALS

WHEREAS, the KeyArena at Seattle Center is a world-class sports and entertainment facility located at 401 1st Ave. N. in Seattle, Washington ("Arena");

WHEREAS, the Arena houses the Seattle Storm ("Storm"), a professional basketball team playing as part of the Women's National Basketball Association ("WNBA"), the Seattle Thunderbirds ("T-Birds"), a professional hockey team playing as part of the Western Hockey League ("WHL"), the Seattle University's men's and women's basketball teams (collectively, the "University") playing as part of the National Collegiate Athletic Association ("NCAA"), as well as a wide range of other events;

WHEREAS, the Basketball Club of Seattle ("Club") previously performed certain marketing, sales and technical operation functions at the Arena;

WHEREAS, the City, with the departure of the Club is seeking an entity to perform and improve upon these functions;

WHEREAS, AEG is one of the leading sports and entertainment presenters in the world;

WHEREAS, AEG brings unmatched local, regional and national resources and a proven ability to maximize events at facilities as well as an unique ability to deliver opportunities for corporate partnerships to the Arena, and

WHEREAS, AEG and the City wish to enter into the Agreement as hereinafter set forth to continue the world-class venue and patron experience at the Arena;

NOW, THEREFORE, in consideration of the mutual promises contained herein, the parties, intending to be legally bound, hereby agree as follows.



**ARTICLE I
DEFINITIONS**

1.1 Definitions of Terms.

The capitalized words used below in this Agreement have the following meanings:

A. AEG Operational Costs means all direct out of pocket costs and expenses incurred by or on behalf of AEG in connection with the performance of the Technical & Operational Services for Events and Excluded Events as well as services performed in connection with Excluded Events during the Term of the Agreement, including without limitation, costs and expenses associated with creative services, web services, video/LED programming, payroll, fringe benefits, supplies, equipment and uniforms and training for AEG staff that work at the Arena performing Technical and Operational Services and all other direct costs related to the performance of the services by AEG pursuant to this Agreement.

B. AEG's Share means AEG's share of Incremental Net Revenue for the applicable Contract Year during the Term of the Agreement as more specifically set forth in Section 4.1.

C. AEG's Share of Incremental Surcharge Revenue means 50% of Incremental Surcharge Revenue.

D. Arena means the interior footprint of the facility located at 401 1st Ave. N. in Seattle, Washington and commonly known as "KeyArena."

E. Arena Naming Rights means the right to name portions of the Arena, or be included in the name of the Arena, together with associated arena naming sponsor rights including but not limited to signage identifying the specific name of the Arena located on the interior of the Arena.

F. Arena Net Revenue means an amount equal to the sum of Event Net Revenue plus Sponsorship & Premium Seating Net Revenue.

G. Baseline Net Revenue shall mean \$1,800,000 for the first Contract Year and, if the Initial Term is extended as set forth herein, \$2,000,000 for the second through fourth Contract Years, \$2,000,000 for the fifth Contract Year as such amount shall be increased by CPI for each succeeding Contract Year thereafter through the end of the Term as set forth in Section 4.1.

H. Booking and Marketing Services shall mean those services performed by AEG as more specifically set forth in Exhibit B attached hereto and incorporated as if fully set forth herein.

I. City's Share means City's share of Incremental Net Revenue for the applicable Contract Year during the Term of the Agreement as more specifically set forth in Section 4.1.

J. City Share of Incremental Surcharge Revenue means 50% of Incremental Surcharge Revenue.



K. Consumer Price Index ("CPI") means if the Agreement is renewed, the annual Baseline Net Revenue shall be adjusted upward, and in no event shall be adjusted downward, annually, on January 1st of the fifth Contract Year, by the amount of the percentage change that occurred during the preceding Contract Year in the Consumer Price Index ("CPI") for All Urban Consumer Items, Seattle-Tacoma-Bremerton Metropolitan Statistical Area using the base 1982-84 = 100, as published by the U.S. Department of Labor, Bureau of Labor Statistics, or its successor; provided further, that in the event of any change in the index base (1982-84 = 100) or other modification of such index, the parties hereto shall apply whatever conversion factor(s) are necessary to establish the true percentage change in the CPI for any year(s) in which such modification(s) occur, and in the event such index is discontinued, the parties hereto shall select and use for such rent adjustment purpose, another, similar index that reflects consumer price changes; provided further in no event shall such CPI exceed 2% for purposes of this Agreement.

L. Contract Year means each twelve-month period that begins on January 1st and ends on the following December 31st during the Term of this Agreement; provided however, the first Contract Year shall commence on November 1, 2008 and end on October 31, 2009 unless the Seattle City Council approves renewal of the Agreement in which case the first Contract Year shall end on December 31, 2009.

M. Event means any sports, entertainment, cultural, civic, other activity or event which is conducted at the Arena, excluding Excluded Events.

N. Event Expenses means those expenses which are directly related to an Event and which would not otherwise have been incurred except for the occurrence of such Event, which include without limitation, expenses related to fees paid by promoters, cleaning, security, ushers, security, ticket takers, advertising, set up, clean up, production costs, supplies and equipment, out-of-pocket travel expenses, permits, taxes, and any other costs or category of costs as shown on the financials originally provided to AEG and used to calculate Baseline Net Revenue, but excluding AEG Operational Costs.

O. Event Gross Revenue means any and all revenue and receipts of every kind derived from the presentation of Events at the Arena, all as determined in accordance with generally accepted accounting principles, including, but not limited to: (i) license, lease and rental fees; (ii) revenue from merchandise sales; (iii) box office income; (iv) ticket royalties, rebates, commissions from ticket service fees; (v) food service and concession/catering revenues; (vi) reimbursement of event expenses and telecommunication services; and (vii) other revenue as shown on the financials provided to AEG and used in calculating the Baseline Net Revenue and shown in Exhibit A, but excluding: (i) revenue derived from the sale of Arena Naming Rights to the current Arena Naming Rights holder, KeyCorp or any successor Arena Naming Rights holder, unless otherwise agreed by the parties as contemplated in Article I of Exhibit C hereto; (ii) advertising revenues related to the sale of sponsorship or advertising rights unrelated to the Arena specifically, but related to the Seattle Center as a whole; (iii) revenue derived from the lease or rental of space outside of the Arena; (iv) interest; (v) facility surcharge and admission fee revenues as contemplated by Section 4.2; (vi) parking revenues; and (vii) Sponsorship & Premium Seating Gross Revenue.

P. Event Manager means the individual responsible for coordinating the Event operations of the Arena.



Q. Event Net Revenue means Event Gross Revenue less Event Expenses.

R. Excluded Events shall mean (i) all Storm home preseason, regular season and playoff games played at the Arena; (ii) all University home preseason, regular season and playoff games played at the Arena; (iii) all T-Birds home preseason, regular season, and playoff games played at the Arena; and (iv) the Bumbershoot Festival.

S. Excluded Sponsorship Rights shall mean, unless otherwise agreed by the parties, (i) the Arena Naming Rights and Sponsorship Rights granted to KeyCorp or any successor granted the same or substantially similar Arena Naming Rights; (ii) advertising or sponsorship rights related to the Seattle Center generally as a whole, and not to the Arena specifically; (iii) Sponsorship Rights currently granted to the Storm, University, and T-Birds or (iv) Sponsorship Rights in connection with any space outside of the Arena.

T. Guaranteed Amount(s) shall have the meaning ascribed to it in Section 4.4.

U. Incremental Net Revenue means the increases from Baseline Net Revenue in Arena Net Revenues generated and retained in connection with the performance of the Services at the Arena.

V. Incremental Surcharge Revenue means, for each ticket sold to an Event or Excluded Event in which there is imposed a ticket surcharge in excess of two dollars (\$2.00) per ticket (less applicable taxes on such surcharge amount), the gross amount of revenues or receipts generated by the imposition of the full surcharge less an amount equal to the number of tickets so issued multiplied by \$2.00 (less applicable taxes on such surcharge amount).

W. Premium Seating means premium seating programs at the Arena, including Suites, Suite Level Club Seats, as well as any premium seating programs created during the Term at the Arena.

X. Premium Seating Rights means the rights to sell Premium Seating.

Y. Sales Services means those services performed by AEG as more specifically set forth in Exhibit C attached hereto and incorporated as if fully set forth herein.

Z. Seattle Center Director or "Director" means the Director of City's Seattle Center Department or his or her designee.

AA. Services shall have the meaning set forth in Article II.

BB. Sponsorship Rights means all advertising, sponsorship and promotional rights sold at or in connection with the Arena, including (i) all interior signage; (ii) internet rights for the Arena website; (iii) all Premium Seating programs during the Term; and (iv) other permanent or temporary rights granted by City or any other party designated by City and vested with authority to grant such rights inside the Arena, including sponsorship rights, pouring rights and naming rights for designated portions of the Arena but excluding Excluded Sponsorship Rights.



CC. Sponsorship & Premium Seating Expenses means all direct costs and expenses incurred by or on behalf of AEG in connection with the sale of Sponsorship Rights and Premium Seating Rights (including without limitation, any costs of fulfillment and commissions) and the performance and oversight of the Sales Services (including without limitation, payroll and travel expenses) excluding any expenses incurred by AEG in connection with the performance of any services for Excluded Events .

DD. Sponsorship & Premium Seating Gross Revenue means all gross revenues and receipts of every kind generated in connection with the sale of Sponsorship Rights and Premium Seating Rights at the Arena..

EE. Sponsorship & Premium Seating Net Revenue means Sponsorship & Premium Seating Gross Revenue less Sponsorship & Premium Seating Expenses.

FF. Suite Level Club Seats means the approximately 144 club seats and associated hospitality areas in the north and south clubs of the Arena suite level to which Club Seat licensees are granted access within the Arena, licensed under long-term agreements or for individual events.

GG. Suite Manager means one or more experienced individuals employed or engaged by AEG as a manager to provide the Sales Services that are normal and appropriate for a world-class public performance facility.

HH. Suites means the approximately 48 luxury suites and associated hospitality areas to which Suite licensee are granted access within the Arena licensed under long-term agreements, or for individual events.

II. Technical & Operational Services means those services performed by AEG as more particularly set forth in Exhibit D attached hereto and incorporated as if fully set forth herein.

JJ. Tenants shall mean, collectively, the Storm, T-Birds, University and the Bumbershoot Festival.

ARTICLE II SCOPE OF SERVICES

2.1 Engagement.

City hereby engages AEG to perform the Booking and Marketing Services, Sales Services, and Technical & Operational Services, as more specifically described in Exhibits B, C, and D, respectively (collectively, the "Services"), upon the terms and conditions as provided herein, and AEG hereby accepts such engagement and in connection therewith shall perform the Services.



2.2 Standard of Performance.

AEG shall perform the Services in a first-class, professional, businesslike and efficient manner consistent with industry standards for other third-party service providers performing similar services for a comparable world-class entertainment arena.

City warrants and represents that it shall take all actions reasonably necessary to keep and maintain the condition of the Arena as a world-class entertainment arena during the Term of this Agreement.

ARTICLE III TERM

The term of Agreement shall commence on November 1, 2008 and continue in effect until December 31, 2009 (the "Initial Term"), unless earlier terminated in accordance with the terms set forth herein. Provided AEG is not in default and there is no event that, with the giving of notice, the passage of time or both, would result in a default, then, with the approval of the Seattle City Council, the Initial Term shall be renewed for an additional period of six (6) Contract Years through December 31, 2015 (the "Extended Term," together with the Initial Term, the "Term") upon the same terms and conditions. Each "Contract Year" during the Term shall commence on January 1st and end on the following December 31st; provided however; the first Contract Year shall commence on November 1, 2008 and end October 31, 2009, unless the City council approves renewal of the Agreement, in which case the first Contract Year shall end on December 31, 2009. In the event this Agreement is not renewed for the Extended Term, City agrees to reimburse AEG, within thirty (30) days after the expiration of the Initial Term, for all direct costs incurred by AEG (and not previously reimbursed by City) in connection with the performance of the services contemplated by this Agreement.

ARTICLE IV COMPENSATION

4.1 Incremental Net Revenue Split.

As compensation for AEG providing the Services during the Term of the Agreement, AEG and City agree to split Incremental Net Revenue as follows:

- A. 1st Contract Year: City and AEG shall split Incremental Net Revenue (i.e. Arena Net Revenue in excess of Baseline Net Revenue of \$1,800,000) as follows: 60% to City ("City's Share") and 40% to AEG ("AEG's Share").
- B. 2nd, 3rd and 4th Contract Year (if applicable): City and AEG shall split Incremental Net Revenue (i.e. Arena Net Revenue in excess of Baseline Net Revenue of \$2,000,000) as follows: 60% to City as City's Share and 40% to AEG as AEG's Share.
- C. 5th Contract Year (if applicable): City and AEG shall split Incremental Net Revenue, Arena Net Revenue in excess of Baseline Net Revenue (as adjusted



by CPI) as follows: 60% to City as City's Share and 40% to AEG as AEG's Share.

D. 6th Contract Year (if applicable): City and AEG shall split Incremental Net Revenue, Arena Net Revenue in excess of Baseline Net Revenue (as adjusted by CPI) as follows: 60% to City as City's Share and 40% to AEG as AEG's Share.

E. 7th Contract Year (if applicable): City and AEG shall split Incremental Net Revenue, Arena Net Revenue in excess of Baseline Net Revenue (as adjusted by CPI) as follows: 60% to City as City's Share and 40% to AEG as AEG's Share.

If and when the City Share for the any given Contract Year equals \$1,700,000 ("City Share Threshold"), City and AEG agree to split all remaining Incremental Net Revenue for such Contract Year (i.e. above \$4,633,333.30 in Incremental Net Revenue for the first Contract Year, above \$4,833,333.30 in Incremental Net Revenue for the second, third and fourth Contract Years and above the CPI adjusted equivalent for Contract Years 5 through 7) as follows: 50% to City and 50% to AEG. (For example, if in the first Contract Year, Arena Net Revenues equal \$6,000,000, the parties would split Incremental Net Revenue in the amount of \$4,200,000 as follows: (i) of the first \$2,833,333.30 in Incremental Net Revenue, City would receive \$1,700,000 (60% of Incremental Net Revenue until such time as City's Share equals \$1.7M) and AEG would receive \$1,133,333.30 (40% of Incremental Net Revenue until such time as City's Share equals \$1.7M), and (ii) of the remaining \$1,366,666.70 in Incremental Net Revenue, each of City and AEG would receive \$683,333.35 (or 50% of \$1,366,666.70))

4.2 Incremental Surcharge Revenue.

In addition to amounts set forth in Section 4.1, as further compensation for AEG providing the Services during the Term of the Agreement, AEG and City agree to split Incremental Surcharge Revenue as follows: 50% to City and 50% to AEG. Incremental Surcharge Revenue will only be available to AEG after the Baseline Net Revenue has been exceeded in any given year.

4.3 Payment of Shares of Incremental Net Revenue.

Subject to the annual settlement and reconciliation of amounts due the parties as set forth in Section 8.3, City shall estimate and pay quarterly to AEG, AEG's Share, if any, of the Incremental Net Revenue and AEG's Share of Incremental Surcharge Revenue. The Incremental Net Revenue and Incremental Surcharge Revenue shares shall be calculated each fiscal quarter (January through March, April through June, July through September, October through December) of the Term and Extended Term (if applicable) and AEG's Share of Incremental Net Revenue and AEG's Share of Incremental Surcharge Revenue paid within sixty (60) calendar days of the end of each calendar quarter thereafter. All such payments shall be in lawful money of the United States of America or in a money order or check payable in such form and sent or delivered to **AEG, 800 W, Olympic Blvd., Suite 305, Los Angeles, CA 90015**, or to such other address as AEG shall specify by written notice to City. Late payments shall accrue interests at a rate of 12% per annum from the date due until paid.

4.4 Minimum Guarantee to City.

AEG guarantees payment to the City of the following minimum amounts (“Guaranteed Amounts,” and for each applicable Contract Year, the “Guaranteed Amount”) with respect to City’s Share of Incremental Net Revenue and City’s Share of Incremental Surcharge Revenue:

| Contract Year | Dates | Annual Minimum City’s Share of Incremental Net Revenue and Incremental Surcharge Revenue (“Guaranteed Amounts”) |
|----------------------|------------------------|--|
| Year 1 | 11/1/2008 – 12/31/2009 | N/A |
| Year 2 | 1/1/2010 – 12/31/2010 | \$750,000 |
| Year 3 | 1/1/2011 – 12/31/2011 | \$1,000,000 |
| Year 4 | 1/1/2012 – 12/31/2012 | \$1,000,000 |
| Year 5 | 1/1/2013 – 12/31/2013 | \$1,000,000 |
| Year 6 | 1/1/2014 – 12/31/2014 | \$1,000,000 |
| Year 7 | 1/1/2015 – 12/31/2015 | \$1,000,000 |

If City’s Share of Incremental Net Revenue plus City’s Share of Incremental Surcharge Revenue for any Contract Year is less than the Guaranteed Amount for such Contract Year, AEG shall remit to City the amount by which the Guaranteed Amount for such Contract Year exceeds the sum of the City’s Share of Incremental Net Revenue plus City’s Share of Incremental Surcharge Revenue, to be paid within 90 days of the end of each Contract Year (as applicable) in connection with the final year-end accounting as set forth in Article VIII.

**ARTICLE V
BUDGET**

5.1 Budget Review.

Within sixty (60) days of execution of this Agreement, AEG will prepare and submit to Director for his/her review and approval AEG’s proposed budget for the first Contract Year. No later than thirty (30) days prior to January 1st of each Contract Year thereafter, AEG will prepare and submit to Director for his/her review and approval AEG’s proposed budget for such Contract Year. Each such proposed budget shall include AEG’s good faith projection of revenues and expenses in connection with the performance of the Services for the upcoming Contract Year. The budget shall be prepared in a form consistent with the budget attached hereto as Exhibit E, and shall include appropriate line items for Sponsorship & Premium Seating Revenues, Sponsorship & Premium Seating Expenses and AEG Operational Costs. The Director agrees to provide AEG with all information in his or her possession necessary to enable AEG to prepare such proposed budget.

Within sixty (60) days of execution of this Agreement, City will prepare and submit to AEG for its review City’s proposed budget for the first Contract Year. In addition, no later than fifteen (15) days prior to January 1st of each Contract Year thereafter, City shall prepare and submit to AEG its proposed budget for such Contract Year, which budget shall include City’s good faith estimate of event revenues and expenses for the upcoming Contract Year, including



appropriate line items for Event Gross Revenues, Incremental Surcharge Revenue, Event Expenses, Event Net Revenues and Arena Net Revenues. AEG agrees to provide Director with all information in its possession necessary to enable City to prepare such budget.

ARTICLE VI EXPENSES

6.1 AEG Operational Costs.

City shall reimburse AEG for all AEG Operational Costs. Requests for reimbursement of AEG Operational Costs shall be submitted by AEG to City at each month's end and shall be payable within thirty (30) days thereafter.

6.2 Sponsorship & Premium Seating Expenses.

Any Sponsorship & Premium Seating Gross Revenues generated in connection with the sale of Sponsorship Rights and Premium Seating Rights shall be applied first toward payment of all outstanding Sponsorship & Premium Seating Expenses incurred by or on behalf of AEG before any disbursement of Sponsorship & Premium Seating Net Revenue (as part of Incremental Net Revenue).

6.3 Other Expenses.

City shall be solely responsible for the payment of all Event Expenses, as well as any other expenses associated with the ownership, operation and management of the Arena, except as specifically set forth herein.

ARTICLE VII PROCEDURE FOR HANDLING REVENUE

AEG shall establish and maintain a separate bank account or accounts in one or more depositories designated by Director for the purpose of collecting Sponsorship & Premium Seating Gross Revenue. The bank account shall be in the name of AEG and with signature authority on each bank account in those employees of AEG, as AEG shall determine. All Sponsorship & Premium Seating Gross Revenue collected by AEG in connection with the Arena shall be deposited into such bank account(s) for the Arena and, subject to Article VI, Sponsorship & Premium Seating Expenses for the Arena shall be paid by AEG from such bank account. All Sponsorship & Premium Seating Gross Revenue collected by AEG arising from the Arena, and interest earnings from such bank account(s), is the sole property of City, held in trust by AEG for the City for application as provided herein. AEG agrees to pay the City on a monthly basis Sponsorship & Premium Seating Net Revenues, if any, earned during the preceding month, within thirty (30) calendar days following the last day of each month throughout the Term. All such payments shall be in lawful money of the United States of America or in a money order or check payable in such form and sent or delivered to Accounts Receivable, c/o Seattle Center Fiscal Services, 305 Harrison Street, Seattle, Washington, 98109, or to such other address as the Director shall specify by written notice to AEG. Late payments shall accrue interest at a rate of 12% per annum from the date due until paid. Any amounts remaining in such bank accounts upon termination of this Agreement for any reason, after



payment of all outstanding Sponsorship & Premium Seating Expenses shall be promptly paid by AEG to the City.

ARTICLE VIII
REPORTING, AUDITS, RECORD KEEPING AND CONFIDENTIALITY

8.1 Monthly Reports by AEG.

AEG agrees to provide the City, within thirty (30) days after the end of each month of each Contract Year during the Term, financial reports for the Services performed in connection with the Arena, including reports on all AEG Operational Costs, Sponsorship & Premium Seating Gross Revenue, and Sponsorship & Premium Seating Expenses. All information shall be documented to the Director's reasonable satisfaction, formatted to correspond with the "event type" and event service order ("ESO") number categories currently used by the Seattle Center, and provided in electronic form. City may request that AEG provide additional information provided such requests are reasonable and directly related to the performance of AEG's Services hereunder.

8.2 Quarterly & Monthly Reports by City.

City agrees to provide AEG with an Arena accounting report for the preceding quarter of each Contract Year. Each report shall include Event Gross Revenue by source, Incremental Surcharge Revenue, Event Expenses by type and Arena Net Revenue for the quarter. In addition, City shall provide AEG monthly "line of business" reports and, upon request, City shall report Event information by Event. All information shall be documented to AEG's reasonable satisfaction, which may include requests for additional types of information from time to time, and provided in electronic form.

8.3 Year End Report; Final Accounting and Settlement.

Within sixty (60) days following the end of the each Contract Year throughout the Term, AEG shall submit to City a year-end report that includes an accounting of all AEG Operational Costs, Sponsorship & Premium Seating Gross Revenues and Sponsorship & Premium Seating Expenses in connection with the Services provided by AEG during the preceding Contract Year. Such report and accounting shall be in a form reasonably acceptable to the City and accompanied by such documentation as the City may reasonably require. Within sixty (60) days following the end of each Contract Year, City shall submit to AEG a year-end report that includes an accounting of all Event Gross Revenues, Event Expenses as well as AEG Operational Costs, Sponsorship & Premium Seating Gross Revenues, Sponsorship & Premium Seating Expenses, and Incremental Surcharge Revenue, Incremental Net Revenue, used in calculating the compensation set forth in Article IV and City shall pay to AEG amounts due and owing under Article IV. Such report and accounting shall be in a form reasonably acceptable to AEG and accompanied by such documentation as AEG may reasonably require.

8.4 Maintenance of Records and Annual Financial Audits.

AEG shall establish and maintain an accounting system for documents generated and kept in connection with the Services performed at the Arena that conforms to generally accepted



accounting practices as consistently applied. AEG shall also maintain books and records related to the performance of the Services hereunder for a period of at least two (2) years following the expiration or termination of this Agreement and shall produce them at Seattle Center for inspection and copying in King County, Washington, with reasonable promptness upon the City's request. From time to time during the Term of this Agreement and for a period of at least three (3) years thereafter, the City, at its own expense and upon reasonable notice, may cause its designated accountants to audit the records maintained by AEG that directly pertain to performance by AEG of the Services provided at the Arena hereunder. If such audit or inspection reveals an error to the disadvantage of City, AEG shall immediately pay such amount to City together with interest. Moreover, if such discrepancy is greater than 5% then AEG shall reimburse City for the reasonable costs of such audit or inspection.

AEG shall have the right, to be exercised no more than three (3) times per Contract Year, at its sole expense, upon reasonable advance notice and during the City's normal business hours, to inspect and audit the relevant books and records of City that directly pertain to the arena for the purpose of verifying any reports, information or payments due hereunder. If such audit or inspection reveals an error to the disadvantage of AEG, City shall immediately pay such amount to AEG together with interest. Moreover, if such discrepancy is greater than 5%, then City shall reimburse AEG for the reasonable costs of such audit or inspection.

8.5 Accounting Systems.

AEG shall use such inventory control systems and/or equipment as is customary in the industry to record AEG Operating Costs, Sponsorship & Premium Seating Gross Revenues, and Sponsorship & Premium Seating Expenses. All systems and equipment shall be subject to inspection by City, its officers, employees and representatives, upon reasonable notice during such hours that the Arena is operating or during regular business hours. Any such inspection shall be made so as not to interfere with AEG's business activities hereunder.

8.6 Confidentiality.

AEG recognizes that as a public governmental entity, the City is subject to the Washington State Public Disclosure Act, RCW Chapter 42.56. If AEG discloses to the City any document or information that is clearly identified as "Confidential and Proprietary," the City will not disclose such information to any person (other than its own employee, agent, or representative who must have such information for the performance of that party's obligations hereunder) without AEG's written authorization; however, in the event such information is requested in any public disclosure request, the City will promptly notify AEG and will not disclose such information for ten (10) days in order to allow AEG to seek a protective order.

AEG agrees that they will not permit the duplication or disclosure of any information designated in advance by City as "Confidential and Proprietary" to any person (other than its own employee, agent, or representative who must have such information for the performance of AEG's obligations hereunder) unless such duplication, use or disclosure is specifically authorized in writing by City.



**ARTICLE IX
USE OF FACILITY**

9.1 Access to Arena.

AEG and its agents, employees, suppliers and other such persons, which are necessary for AEG to render Services contemplated herein, shall have non-exclusive access to office space provided by City (as mutually agreed by the parties) and areas of the Arena as the Director may determine are necessary or appropriate for AEG to provide the Services contemplated herein, subject to reasonable security precautions. When providing Services hereunder, AEG's agents, employees, suppliers and other persons necessary to its operations shall be entitled to admission to such areas, including restrooms and changing rooms, through a reasonably convenient entrance designated by City.

9.2 Parking.

City shall provide AEG with four (4) parking permits for such Seattle Center parking facility, as the Director shall from time to time designate. AEG shall be permitted to utilize the Arena loading dock for load/unload purposes only. The charge for any additional parking utilized by AEG shall be at the established Seattle Center parking rate in effect at the time of such parking space use.

9.3 Care of Facility.

AEG, its directors, employees, agents and subcontractors shall not damage or in any manner deface the Arena and shall not cause anything to be done whereby any Seattle Center facility shall be in any manner defaced or damaged by AEG, its directors, employees, agents and subcontractors. AEG shall submit a written notice to the Seattle Center Director regarding the circumstances of any damages to the Arena or other Seattle Center facility by AEG, its directors, employees, agents and subcontractors within forty-eight (48) hours after the occurrence of any such event. If during the period of AEG's use, the Arena or any other Seattle Center facility is damaged or defaced as a direct result of AEG's gross negligence or willful misconduct, AEG shall pay City such sum as is reasonably necessary to restore the damaged portion of the Arena to its condition immediately prior to the occurrence of such damage. Any payments made by AEG to the City under the foregoing sentence shall not be considered to be part of AEG Operational Costs, Event Expenses, or Sponsorship & Premium Seating Expense as defined in this Agreement.

**ARTICLE X
OPERATIONS**

10.1 [INTENTIONALLY OMITTED.]

10.2 Use of Recycled Content Paper.

AEG shall use, whenever practicable, recycled content paper on all documents submitted to City, in accordance with Seattle Municipal Code ("SMC") 3.38.904.



10.3 Use of Recyclable and Biodegradable Products.

AEG shall, whenever reasonably possible, use recyclable and biodegradable products for containers and supplies used in the Arena; provided, however, that the City reserves the right to restrict the use of cans and bottles for particular events. AEG shall use Green Seal certified cleaning products in performance of all cleaning and janitorial work to protect the health, safety, wellness and environmentally sustainable practices that the City of Seattle requires of companies doing business with the City.

**ARTICLE XI
FACILITY AND EQUIPMENT**

11.1 Graphics, Signage and Advertising.

A. All graphic designs, text and images of any type or nature to be viewed by the general public and placed upon or affixed to any of the Arena, whether authorized or performed by AEG, including but not limited to printed materials, advertising, signage and other promotional materials and the location thereof, shall be subject to the approval of the Director, which approval shall not be unreasonably withheld, conditioned or delayed; provided however that subject to the approval of the Director, City agrees that AEG may brand certain trade advertising and other printed materials where the Arena name would customarily appear with AEG Facilities name and logo (together with the Arena name).

B. AEG will make available in electronic format, at no additional charge, all promotional and marketing materials created to advertise the Arena and authorizes the City to utilize such materials. This includes graphics, images, photographs, drawings and original art created for the Arena or to be used in publicizing the Arena.

**ARTICLE XII
AEG STAFFING AND EMPLOYEES**

12.1 Management.

Prior to the commencement of this Agreement and not less than thirty (30) days prior to any change, AEG shall identify to the City the senior AEG employee designated as its authorized representative at the Arena who shall oversee from the account at the Arena. This individual shall serve as a liaison between AEG and the City with respect to AEG's Services at the Arena.

12.2 Staffing

AEG shall select, employ, train, furnish and deploy employees (including relief personnel) necessary to fulfill AEG's obligations hereunder who are proficient, productive and courteous to patrons; and shall discipline and if necessary discharge staff that fail to meet these standards, consistent with applicable law. AEG shall employ sufficient staff in accordance with industry standards necessary to perform the Services. Staffing levels shall be subject to the approval of the Director, which approval shall not be unreasonably withheld, conditioned or delayed. Whenever reasonably practicable, AEG shall hire its personnel from within the greater Seattle area. Upon receipt of notice from City of any reasonable and significant objection to any



of AEG's employees, AEG shall have the opportunity to address and remedy such objection. In the event AEG is unable to address the objection to the reasonable satisfaction of City, AEG shall discontinue the use of such employee in connection with this Agreement and a suitable person shall be promptly substituted; provided however, that City's right to require replacement of an AEG employee, and AEG's obligation to comply with any such request shall be subject to restrictions imposed upon AEG by any federal, state or local statute, law, code, regulation or ordinance or by any collective bargaining agreement or other contract affecting such employee.

12.3 Involvement of Former City Employees.

AEG shall promptly notify City in writing of any person hired, retained or employed by AEG who is expected to perform any of the Services hereunder who, to AEG's actual knowledge, during the twelve (12) months immediately prior to the expected commencement date of such work or subcontract, was a City officer or employee. AEG shall ensure that no Services hereunder are performed by any person (employee, subcontractor, or otherwise) hired, retained or employed by AEG who both: (1) to AEG's actual knowledge was a City officer or employee within the past twelve (12) months; and (2) as such was officially involved in, participated in, or acted upon any matter related to the services hereunder, or is otherwise prohibited from such performance by SMC 4.16.075.

12.4 Appearance

All of AEG's employees shall be required to wear an identification badge provided by City and Director approved uniforms or professional business attire while on duty and shall be groomed in a manner consistent with a world-class performing multi-use sport and entertainment arena. Employees shall be restricted from consuming alcoholic beverages while on duty or in areas where patrons or clients are present. Smoking is permitted only in designated, outdoor areas.

ARTICLE XIII ADDITIONAL RIGHTS RESERVED BY CITY

13.1 Sponsorship, Advertising and Pouring Rights.

The City retains the sole and exclusive right to approve Sponsorship Rights and Premium Seating Rights to be sold by AEG at the Arena, provided such approval shall not be unreasonably withheld, conditioned or delayed.

13.2 Programs and Novelties.

The City retains the sole and exclusive right to sell or authorize the sale of programs and novelties in the Arena.



**ARTICLE XIV
INSURANCE**

Prior to undertaking any work or performing any Services under this Agreement, each of AEG and the City shall obtain and shall thereafter maintain continuously throughout the term of this Agreement the insurance specified on Exhibit F.

**ARTICLE XV
INDEMNIFICATION**

AEG does hereby release and shall defend, indemnify and hold City and its employees and agents harmless from all losses, liabilities, claims (including claims arising under federal, state or local environmental laws), costs (including reasonable attorneys' fees), actions or damages of any sort whatsoever arising out of (i) AEG's performance of the Services contemplated by this Agreement to the extent attributable to the acts or omissions, willful misconduct or breach of this Agreement by AEG, its servants, agents, and employees, (ii) AEG's failure to comply with all laws applicable to the provision of its services hereunder including, but not limited to, the Americans with Disabilities Act, 42 U.S.C. Sections 12101-12213 as amended by the Civil Rights Act of 1991 (42 U.S.C. Section 1981(a)), as it now exists and as it may be amended in the future by statute or judicial interpretation; provided that such failure does not arise from any default of this Agreement by the City of its obligations specified in this Agreement or from the negligent acts or omissions or willful conduct of the City or its servants, agents or employees; (iii) the fact that after the commencement of the Term hereunder AEG has caused or contributed to any condition on, above, beneath or arising from the premises occupied by the Facility which might, under any law, give rise to liability or which would or may require any "response," "removal" or "remedial action" (as such terms are defined under the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act); provided that such fact does not arise from any default by the City of its obligations specified in this Agreement or from the negligent acts or omissions or willful conduct of the City or its servants, agents or employees; or (iv) any unsound operating condition with respect to the Facility or the premises occupied by the Facility that AEG caused or contributed to after the commencement of the Term hereunder; provided that such fact does not arise from any default by the City of its obligations specified in this Agreement or from the negligent acts or omissions or willful conduct of the City or its servants, agents or employees. In furtherance of these obligations, and only with respect to City, and its employees and agents, AEG waives any immunity it may have or limitation on the amount or type of damages imposed under any industrial insurance, worker's compensation, disability, employee benefit or similar laws. AEG acknowledges that the foregoing waiver of immunity was mutually negotiated and agrees that the indemnification provided for in this section shall survive any termination or expiration of this Agreement.

The City does hereby release and shall defend, indemnify and hold AEG and its employees and agents harmless from all losses, liabilities, claims (including claims arising under federal, state or local environmental laws), costs (including reasonable attorneys' fees), actions or damages of any sort whatsoever to the extent attributable to (i) the acts or omissions, willful misconduct or breach of this Agreement by City, its servants, agents, and employees; (ii) the fact that at any time prior to, as of, or after the commencement of the Term hereunder the Facility has not been operated, or the Facility and the premises occupied by such Facility are not or have not



been, in compliance with all applicable laws, including, but not limited to, the Americans with Disabilities Act, 42 U.S.C. Sections 12101-12213 as amended by the Civil Rights Act of 1991 (42 U.S.C. Section 1981(a)), as it now exists and as it may be amended in the future by statute or judicial interpretation; provided that such fact does not arise from any default by AEG of its obligations specified in this Agreement or from the negligent acts or omissions or willful conduct of AEG or its servants, agents or employees; (iii) the fact that prior to, as of, or after the commencement of the Term hereunder there is any condition on, above, beneath or arising from the premises occupied by the Facility which might, under any law, give rise to liability or which would or may require any "response," "removal" or "remedial action" (as such terms are defined under the Comprehensive Environmental Response, Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act); provided that such fact does not arise from any default by AEG of its obligations specified in this Agreement or from the negligent acts or omissions or willful conduct of AEG or its servants, agents or employees; or (iv) any structural defect or unsound operating condition with respect to the Facility or the premises occupied by the Facility, as of or after the commencement of the Term hereunder; provided that such fact does not arise from any default by AEG of its obligations specified in this Agreement or from the negligent acts or omissions or willful conduct of AEG or its servants, agents or employees. In furtherance of these obligations, and only with respect to AEG and its employees and agents, City waives any immunity it may have or limitation on the amount or type of damages imposed under any industrial insurance, worker's compensation, disability, employee benefit or similar laws. The City acknowledges that the foregoing waiver of immunity was mutually negotiated and agrees that the indemnification provided for in this section shall survive any termination or expiration of this Agreement.

ARTICLE XVI TAXES, LICENSES AND COMPLIANCE

16.1 Licenses and Permits.

AEG shall be responsible for obtaining all licenses and permits and other approvals specifically required by law for the performance of the Services in the Arena prior to commencing its operations, and shall maintain the same throughout the Term of this Agreement. AEG shall at all times observe all restrictions, rules and conditions of all such licenses and permits and shall use commercially reasonable efforts at all times to avoid any loss or suspension thereof. Prior to undertaking any Services under this Agreement, AEG shall submit a photocopy or facsimile copy of a current and valid Business License issued by The City of Seattle to the Director. If any license or permit necessary for the provision of Services expires during the Term of this Agreement then, prior to next providing services hereunder, AEG shall obtain and deliver to the Director documentation of its possession of current and valid licenses and permits.

16.2 Compliance with Laws.

The parties, at no expense to each other, shall comply with all applicable laws of the United States and the State of Washington; the Charter and ordinances of The City of Seattle; and the rules, regulations, orders and directives of their administrative agencies and the officers thereof.



16.3 Americans with Disabilities Act.

Each party shall comply with all applicable provisions of the Americans with Disabilities Act of 1990 (“ADA”) in performing the Services under this Agreement; except that the parties acknowledge and agree that AEG’s responsibilities with respect to the ADA are limited to the Services it provides in connection with the Suites and Suite Level Club Seats and do not apply to ADA claims as described in subsection (ii) of the second paragraph of Article XV. AEG’s failure to comply with the provisions of the ADA as it specifically relates to the performance of AEG’s Services shall be a material breach of this Agreement.

16.4 WISHA Requirements.

The parties shall comply with the requirements of the Washington Industrial Safety and Health Act (“WISHA”), as it may be amended, throughout the Term of this Agreement.

16.5 Fair Contracting Practices Ordinance.

AEG shall comply with City’s Fair Contracting Practices Ordinance, SMC Chapter 14.10, as amended. Conduct made unlawful by that ordinance constitutes a breach of contract. Engaging in an unfair contracting practice may also result in the imposition of a civil fine or forfeiture under the Seattle Criminal Code as well as various civil remedies.

16.6 Equal Benefits.

AEG shall comply with the requirements of SMC Ch. 20.45 and Equal Benefits Program Rules implementing such requirements, under which AEG is obligated to provide the same or equivalent benefits (“equal benefits”) to its employees with domestic partners as AEG provides to its employees with spouses. As City’s request, AEG shall provide complete information and verification of AEG’s compliance with SMC Ch.20.45. Failure to cooperate with such a request shall constitute a material breach of this Agreement.

As remedies for violation of SMC Ch.20.45, City may:

- A. Require AEG to pay actual damages for each day that AEG is in violation of SMC Ch.20.45 during the term of Agreement; or
- B. Terminate the Agreement; or
- C. Disqualify AEG from bidding on or being awarded a City of Seattle contract for a period of up to five (5) years; or
- D. Impose such other remedies as specifically provide for in SMC Ch.20.45 and the Equal Benefits Program Rules promulgated thereunder.

16.7 Taxes.

AEG shall pay, before delinquency, all taxes, levies and assessments arising from the revenues generated and expenses incurred in connection with Services performed by AEG at the Premises, including Washington State Leasehold Excise Taxes if any; provided however, any such taxes, if paid by AEG (not including AEG’s or its affiliates’ own corporate year-end income



taxes or other AEG corporate related taxes or assessments), shall be treated as Sponsorship & Premium Seating Expenses.

**ARTICLE XVII
EQUAL EMPLOYMENT OPPORTUNITY AND OUTREACH**

AEG agrees to comply and shall require its subcontractors to comply with all federal, state and local laws prohibiting discrimination with regard to creed, religion, race, age, color, sex, marital status, sexual orientation, gender identity, political ideology, ancestry, national origin, or the presence of any sensory, mental or physical handicap including, without limitation, the provisions of SMC 20.42 (Equality in Contracting).

The foregoing provision shall be inserted in any subcontracts for the work covered by this Agreement and any breach of such provision shall be a material breach of this Agreement.

**ARTICLE XVIII
EFFORTS TO USE WOMEN AND MINORITY BUSINESS ENTERPRISES**

18.1 General.

If AEG hires employees or subcontracts for the performance of the Services under this Agreement, then AEG shall use affirmative efforts to recruit and encourage participation by women and minority candidates and businesses. Outreach efforts may include the use of solicitation lists, advertisements in publications directed to minority communities, breaking down total requirements into smaller tasks or quantities where economically feasible, making other useful schedule or requirements modifications that are likely to assist small or WMBE businesses to compete, targeted recruitment efforts, and using the services of available minority community and public organizations to perform outreach. AEG shall ensure that all employees, particularly supervisors, are aware of, and adhere to their obligation to maintain a working environment free from discriminatory conduct, including but not limited to harassment and intimidation of minorities, women, or WMBE businesses.

A breach of the foregoing provision shall be a material breach of this Agreement.

18.2 Recordkeeping.

AEG shall maintain, for at least 24 months after the expiration or earlier termination of this Agreement (i) AEG's records of employment, employment advertisements, application form and other pertinent employment data necessary to determine compliance with this Article; and (ii) relevant records and information necessary to document all of AEG's solicitations to subcontractors and suppliers, all subcontractor and supplier proposals received, and all subcontractors and suppliers actually utilized under this Agreement. The City shall have the right to inspect and copy such records at reasonable time and upon reasonable advance notice.



**ARTICLE XIX
CONTINGENCIES**

19.1 Failure to Perform Excused.

Neither party shall be liable to the other for any nonperformance, in whole or in part, of its obligations under this Agreement caused by the occurrence of any contingencies beyond the reasonable control of the parties, including but not limited to declared or undeclared war, sabotage, insurrection, riot, or other acts of civil disobedience, acts of a public enemy, acts of governments or agencies affecting the terms of this Agreement, strikes, labor disputes, acts of third parties not within the control of the party whose performance is affected, shortages of fuel, failures of power, accidents, fires, explosions, floods and other similar contingencies (each a "Force Majeure Event"). If any such contingencies occur, the party whose performance is affected shall have a reasonable time in which to resume performance and such party's nonperformance shall not constitute a default under Article 19. Notwithstanding the foregoing, if AEG's ability to perform its obligations under this Agreement is temporarily impaired by any such contingency, the City shall have the right to utilize substitute marketing and sales staff and technical operations service providers in any area of the Arena, without liability to AEG of any kind during the period of such impairment. If a party is unable to resume full performance for a period of at least forty-five (45) days, either party shall have the right to terminate this Agreement on thirty (30) days' prior written notice to the other party. No suspension shall result in an extension of the expiration date of this Agreement unless specifically agreed upon, in writing, by the parties. If AEG has knowledge that any actual or potential labor dispute is impairing or threatening to impair its performance under this Agreement, AEG shall immediately give notice, including all relevant information, to City. AEG shall make all reasonable efforts to prevent and mitigate the effects of any interruption in service regardless of its cause. If the provisions of this Section 19.1 are triggered resulting in the suspension of AEG's obligations hereunder or the termination of this Agreement, the City shall pay AEG its share of Incremental Net Revenue as such amount may be prorated through the date of suspension in accordance with Article 20.

19.2 Damage or Destruction.

If any portion of the Facility is damaged by fire or other casualty, preventing AEG from providing the Services contemplated by this Agreement to a material extent, City will, within thirty (30) days after learning of such damage, notify AEG in writing of the time necessary for City to repair or restore such damage, as reasonably estimated by City's architect, engineer or contractor. If such estimate states that repair or restoration of such damage is not anticipated to be completed within one hundred and eighty (180) days from the date of such damage, then either party may terminate this Agreement upon thirty (30) days prior written notice to the other party.

**ARTICLE XX
TERMINATION**

Without limiting the terms of Section 3.1 above, this Agreement may be terminated (i) by either party upon sixty (60) days prior written notice, if the other party fails to perform or comply



with any of the material terms, covenants, agreements or conditions hereof, and such failure is not cured during the first thirty (30) days of such sixty (60) day notification period, (ii) by City, upon sixty (60) days' prior written notice, if, during the Term of this Agreement, City signs a binding agreement under which a National Basketball Association ("NBA") and/or National Hockey League ("NHL") franchise agrees to play all of its home games at the Arena, (iii) by City, upon sixty (60) days' prior written notice, if City commences renovation of all or a substantial portion of the Arena, which renovation is not expected to be completed within three hundred and sixty five days (365) from the date of its commencement and the scope of such renovation makes it unreasonable to use the Arena for any events; (iv) by either party immediately by written notice upon the other party being judged bankrupt or insolvent, or if any receiver or trustee of all or any part of the business property of the other party shall be appointed and shall not be discharged within one hundred twenty (120) days after appointment, or if either party shall make an assignment of its property for the benefit of creditors or shall file a voluntary petition in bankruptcy or insolvency, or shall apply for bankruptcy under the bankruptcy or insolvency laws now in force or hereinafter enacted, Federal, State or otherwise, or if such petition shall be filed against either party and shall not be dismissed within one hundred twenty (120) days after such filing; (v) by City if Arena Net Revenue for each Contract Year 2 through 7 is less than the Baseline Net Revenue for such Contract Year, provided City gives AEG written notice of such intention to terminate within sixty (60) days following the end of the Contract Year at issue and AEG has not made a curative payment in the amount of the shortfall difference between Arena Net Revenue and Baseline Net Revenue for the applicable Contract Years; (vi) by City if City decides to discontinue using KeyArena or if the City Council does not appropriate funds that are necessary for its continued operation.

In the event this Agreement is terminated prior to the end of the Term, the Owner shall ensure that AEG is paid: (i) within sixty (60) days following the effective date of termination of the Agreement, AEG's Share of Incremental Net Revenue computed on a pro rata basis, by adjusting the Baseline Net Revenue Amount, City Share Threshold Amount, and Guaranteed Amount for the Contract Year in which the termination occurred based on the period of time between the beginning of the Contract Year in which the termination occurred and the effective date of termination; and (ii) all AEG Operational Costs incurred as of the effective date of such termination. The Incremental Net Revenue amount shall be calculated and distributed to the parties in accordance with the prorated Baseline Net Revenue Amount and City Share Threshold amount in the same order and preference as set forth in Article IV (For example only, if the Agreement is terminated effective July 1, 2010, and Arena Net Revenue as of July 1, 2010 for that Contract Year equals \$2,500,000, the following adjustment would be made: (i) the Baseline Net Revenue Amount would be adjusted to \$1,000,000 (50% of \$2,000,000); (ii) the City Share Threshold amount would be adjusted to \$850,000 (50% of \$1,700,000); (iii) The Guaranteed Amount would be adjusted to \$ 375,000; (iv) City and AEG would split Incremental Net Revenue as adjusted (i.e. Arena Net Revenues in excess of \$1,000,000) earned as of July 1, 2010 with City retaining \$850,000 of such Incremental Net Revenues as adjusted and AEG retaining \$566,666 of such Incremental Net Revenue as adjusted; and (v) and AEG and City splitting the remaining \$83,334 in Incremental Net Revenue as adjusted on a 50%/50% basis.)

Upon termination or expiration of this Agreement for any reason, AEG shall (i) promptly discontinue the performance of all Services hereunder, and (ii) deliver or otherwise make available to the City all data, electronic files, documents, procedures, reports, estimates, summaries, and other such information and materials with respect to its performances of the



Services at the Arena as may have been accumulated by AEG in performing its obligations hereunder, whether completed or in process, (iii) deliver to City within thirty (30) days of the termination date, a final accounting setting forth the information set forth in Section 8.1 and; (iv) deliver or otherwise make available any funds held by AEG necessary to make payments of City's Share in accordance with this Section 4.1; and (iv) to the extent applicable, assign all agreements entered into by AEG in furtherance of its duties hereunder to the City, who, subject to the Director's approval, shall accept such assignments and be solely responsible for performing under such agreements following the date of such assignment. In addition, upon termination or expiration of this Agreement for any reason, City shall (i) deliver to AEG within sixty (60) days of the termination date, a final accounting setting forth all Event Gross Revenues, Event Expenses, Event Net Revenue and other revenues used in calculating AEG's Share of Incremental Net Revenue as set forth in Section 4.1.; (ii) deliver or otherwise make available any funds held by City necessary to make payments to AEG of AEG's Share of Incremental Net Revenue.

The remedies described in this Article XX shall be in addition to any other remedies the parties may be entitled to, either by virtue of the terms of this Agreement, at law or in equity, as a result of a breach or termination of this Agreement.

ARTICLE XXI DISPUTES

21.1 Mutual Discussions.

If any dispute or difference of any kind whatsoever shall arise between the parties in connection with, or arising out of, this Agreement, or the breach, termination or validity thereof (a "Dispute"), the parties shall attempt to settle such Dispute in the first instance by mutual discussions. All negotiations pursuant to this clause shall be confidential and shall be treated as compromise and settlement negotiations, and no oral or documentary representations made by the parties during such negotiations shall be admissible for any purpose in any subsequent proceedings. If any Dispute is not resolved within thirty (30) days of receipt by a party of notice of a Dispute (or within such longer period as to which the parties have agreed in writing), then, on the request of any party ("Mediation Request"), the Dispute shall be submitted to mediation in accordance with Section 21.2.

21.2 Mediation.

Any Dispute, not resolved pursuant to Section 21.1 shall be referred to mediation in accordance with the Commercial Mediation Rules ("Mediation Rules") of the American Arbitration Association ("AAA") before a mediator to be agreed upon by the parties. If no mediator has been agreed upon within 20 days of receipt by a party of a Mediation Request, then any party to this agreement may request that the AAA appoint a mediator in accordance with the Mediation Rules. All mediation pursuant to this clause shall be confidential and shall be treated as compromise and settlement negotiations, and no oral or documentary representations made by the parties during such mediation shall be admissible for any purpose in any subsequent proceedings. If the Dispute has not been resolved within thirty (30) days of the appointment of a

Mediator or within sixty (60) days of receipt by a party or parties of a Mediation Request (whichever occurs sooner) then, the parties may pursue other legal means to resolve the Dispute.

ARTICLE XXII NOTICES

22.1 Requirements for Notice.

All notices required by this Agreement, including any notice as to changes of address, shall be in writing and shall be delivered personally, by overnight mail or by registered or certified mail, return receipt requested to:

If to the City:

Seattle Center Director
Seattle Center Department
The City of Seattle
305 Harrison Street
Seattle, WA 98109
Telephone: (206) 684-7330
Facsimile: (206) 233-3950

If to AEG:

AEG Management WA, LLC
800 W. Olympic Blvd. Suite 305
Los Angeles, CA 90015
Attn: Bob Newman

with a copy to:

AEG
800 W. Olympic Blvd. Suite 305
Los Angeles, CA 90015
Attn: John E. Keenan, III

22.2 When Given.

Notice complying with the requirements of Section 21.1 shall be deemed given on the date delivered.

ARTICLE XXIII ASSIGNMENT AND BINDING EFFECT

23.1 Subcontracting, Sale and Assignment or Transfer.

Unless the Director approves otherwise, in advance, or except as otherwise expressly provided herein, AEG shall not subcontract, sell, assign or otherwise transfer any of its rights or responsibilities under this Agreement to another person or entity (except in connection with the sale of all or substantially all of the assets of AEG). AEG shall provide City with such documentation as may be reasonably necessary to permit City to determine whether to approve any such subcontract, sale, assignment or transfer. Any such subcontract sale, assignment or transfer shall be subject to all of the terms and conditions of this Agreement. In the event of any such sale, assignment or transfer, AEG shall, upon the request of the Seattle Center Director, cause to be delivered to the Seattle Center Director, simultaneously with such sale, assignment, or transfer, an instrument, in writing, executed by the grantee, assignee, or transferee, in which



the grantee, assignee or transferee shall have assumed and agreed to perform all of the terms and provisions of this Agreement on AEG's part which have not been fully performed previously. Failure to comply with the requirements of this Section shall be a material breach of this Agreement.

23.2 Binding Effect.

Subject to Section 23.1, this Agreement shall be binding upon and shall inure to the benefit of the Parties hereto and their respective successors, assigns and representatives.

**ARTICLE XXIV
REPRESENTATIONS AND WARRANTIES**

24.1 City's Representations.

The City represents and warrants to AEG as follows:

A. That it has been validly formed and duly exists as a municipal corporation under the laws of the State of Washington;

B. That it has the full right and authority to grant to AEG the rights conferred by this Agreement, and that it is not prevented from entering into this Agreement by any statute, regulation, or order of the State of Washington or other governmental authority, or by any license, debt instrument, lease, contract, or other agreement or instrument binding upon it or any of its property;

C. That it is duly authorized to enter into this Agreement and has taken all necessary action to obtain such authorization, and that no consent of or notice to any other individual, private entity or governmental authority is required in connection with the execution and delivery of this Agreement;

D. That this Agreement, when properly executed by both parties, shall constitute a valid and binding agreement, enforceable by AEG in accordance with its terms subject to bankruptcy, insolvency and similar laws affecting the enforceability of creditors' rights generally subject to bankruptcy, insolvency and similar laws affecting the enforceability of creditors' rights generally;

E. That to the best of its knowledge, there is no suit or proceeding pending or threatened with respect to the Arena that would adversely affect the Arena, or the operation thereof; and

F. That it will use commercially reasonable efforts at all times to ensure that the Arena subject to this Agreement in which services are to be provided are booked to the fullest extent possible.

24.2 AEG's Representations.

AEG represents and warrants to City as of the date hereof as follows:



A. That AEG is a Delaware limited liability company that is in all respects authorized to do business in the State of Washington and The City of Seattle.

B. That AEG has the full right and authority to enter into and execute this Agreement and that no consent of or notice to any other individual, private entity or governmental authority is required in connection with the execution and delivery of this Agreement;

C. That this Agreement, when properly executed by both parties, shall constitute a valid and binding agreement, enforceable by City in accordance with its terms, subject to bankruptcy, insolvency and similar laws affecting the enforceability of creditors' rights generally; and

D. That to the best of its knowledge, there is no suit or proceeding pending or threatened that would adversely affect the ability of AEG to perform its obligations under this Agreement.

24.3 Survival of Representations and Warranties.

The representations and warranties of each party set forth in this Article shall survive the expiration or termination of this Agreement.

**ARTICLE XXV
MISCELLANEOUS**

25.1 Relationship of Parties.

The parties intend that AEG shall be a licensee of City and an independent contractor thereto. Nothing herein shall be construed to create a partnership, joint venture or agency relationship between the parties and neither shall have the authority to obligate or bind the other in any respect.

25.2 Amendments.

No modification of this Agreement shall be effective unless in writing and signed by an authorized representative of each of the parties hereto.

25.3 Applicable Law.

This Agreement shall be construed and interpreted in accordance with the laws of the State of Washington. The venue of any action brought hereunder shall be in either the Superior Court for King County or the United States District Court for the Western District of Washington.

25.4 Remedies Cumulative.

Rights under this Agreement are cumulative and nonexclusive of any other remedy at law or in equity.



25.5 Captions.

The titles of sections are for convenience only and do not define or limit the contents.

25.6 Severability.

If any term or provision of this Agreement is determined by a court of competent jurisdiction to be invalid or unenforceable, the remainder of this Agreement shall not be affected thereby, and each term and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

25.7 Waiver.

No covenant, term or condition or the breach thereof shall be deemed waived, except by written document from the party against whom the waiver is claimed, and any waiver of the breach of any covenant, term or condition shall not be deemed to be a waiver of any preceding or succeeding breach of the same or any other covenant, term or condition. City's acceptance of any performance by AEG that is inconsistent with the terms and conditions of this Agreement shall not constitute a waiver by City of the breach or default of any covenant, term or condition unless otherwise expressly agreed to by City, in writing,

25.8 No Conflict of Interest.

AEG confirms that it does not have a business interest or a close family relationship with any City officer or employee who was involved in AEG's selection for this Agreement or the negotiation, drafting, signing, administration, or evaluating of AEG's performance thereunder. As used in this subsection, the term "AEG" includes any employee of AEG who was, is, or will be involved in the negotiation, drafting, signing, administration, or performance of this Agreement. As used in this section, the term "close family relationship" refers to the following: spouse or domestic partner; any dependent parent, parent-in-law, child, son-in-law, or daughter-in-law; or any parent, parent-in-law, sibling, uncle, aunt, cousin, niece or nephew residing in the household of a City officer or employee described above.

25.9 Limited Effect of Approval by Seattle Center Director.

Action of the Seattle Center Director pursuant to or in implementation of this Agreement does not constitute any official action by any other City department or official that may be required by law, City Charter, ordinance, rule or regulation before AEG may rightfully commence, suspend, enlarge or terminate any particular undertaking. No permission, consent, or approval of the City contained herein or given pursuant to this Agreement is, or shall be construed as, a representation or assurance that the matter consented to or approved complies with applicable laws, regulations, ordinances or Codes, nor shall any such consent or approval be construed to authorize any failure to comply with any of the foregoing.



25.10 Entire Agreement.

This Agreement, together with its Exhibits A through F, constitutes the entire agreement between the parties with respect to the Services that AEG is to provide hereunder. No verbal agreement or conversation between any officer, agent, associate or employee of City and any officer, agent, employee or associate of AEG prior to the execution of this Agreement shall affect or modify any of the terms or obligations contained in this Agreement.

25.11 Negotiated Agreement.

The parties acknowledge and agree that this is a negotiated agreement, that they have had the opportunity to have this Agreement reviewed by their respective legal counsel, and that the terms and conditions of this Agreement are not to be construed against either party on the basis of such party's draftsmanship thereof

25.12 Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, and all of which

25.13 Exhibits.

The following are exhibits to this Agreement:

- Exhibit A: Financials Used to Calculate Baseline Net Revenue
- Exhibit B: Booking & Marketing Services
- Exhibit C: Sales Services
- Exhibit D: Technical & Operational Services
- Exhibit E: Form Budget
- Exhibit F: Insurance Requirements

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by having their authorized representative(s) affix their signatures in the spaces below:

AEG MANAGEMENT WA, LLC

By _____
Name:
Title:

THE CITY OF SEATTLE

By _____
Robert Nellams, Director
Seattle Center Department



ACKNOWLEDGMENT

STATE OF California)
) ss
COUNTY OF Los Angeles)

On this 31 day of January 2009, before me personally appeared Rubal C. Delgado, to me known to be the (COO) of AEG, the corporation that executed the foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned and, under oath, state that he was authorized to execute said instrument.

GIVEN UNDER MY HAND AND SEAL the day and year first above written.

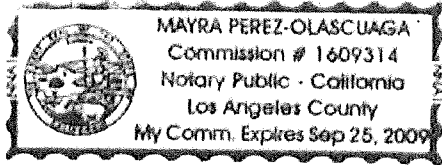
[Signature]
Signature

Mayra Perez-Olascuaga
(Print or Type Name)

NOTARY PUBLIC in and for the State of California

Residing at Los Angeles, CA

My appointment expires: September 25, 2009



STATE OF WASHINGTON)
) ss
COUNTY OF KING)

On this 31st day of January, 2009, before me personally appeared Robert Fellams, to me known to be the Director of the Seattle Center Department of The City of Seattle, the municipal corporation that executed the within and foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned and, under oath, stated that he was authorized by ordinance to execute said instrument.

GIVEN UNDER MY HAND AND SEAL the day and year first above written.

Denise G. Wells
Signature

Denise G. Wells
(Print or Type Name)

NOTARY PUBLIC in and for the State of Washington,

Residing at Sammamish, wa

My appointment expires: 1-30-2010

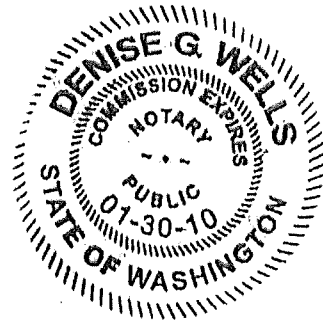


EXHIBIT A-PAGE TWO

2007 KEYARENA
Revenue and Expense By Line of Business

| Program Name | Date | Event | Attends | Perform | Budgeted Revenue Categories | | | | | | | Budgeted Expense Categories | | | | | | | | | | | | |
|--|----------|--|---------|---------|-----------------------------|----------------|------------------|----------------|-----------------|----------------|---------------|-----------------------------|----------------|----------------|--------------|---------------|---------------|--------------|---------------|--------------|--------------|----------|----------------|----------------|
| | | | | | Rent | Catering | Prog & Novelties | Relmb Labor | Reimb Equip/Fur | Other Revenue | Total Revenue | Admis | Stage | Sound | ESRs | Labor | Tech Support | Other Labor | Peer Security | Nonlabor | TotalExpense | TotalNet | | |
| T-Bird Playoff Game | 3/27/07 | 0713301K Tbirds PO vs. Tri-Cities | 1,605 | 1 | 8,363 | 3,254 | - | 132 | 100 | - | - | 11,849 | 4,829 | 1,477 | 943 | 411 | 3,659 | 203 | 1,023 | 377 | - | - | 12,923 | (1,074) |
| T-Bird Playoff Game | 3/28/07 | 0713302K Tbirds PO vs. Tri-Cities | 1,669 | 1 | 8,363 | 3,356 | - | 132 | 100 | - | - | 11,950 | 5,066 | 1,027 | 623 | 411 | 3,540 | 122 | 771 | 377 | - | - | 11,937 | 14 |
| T-Bird Playoff Game | 3/31/07 | 0713303K Tbirds PO vs. Tri-Cities | 1,866 | 1 | - | 4,078 | - | 132 | 100 | - | - | 4,310 | 4,125 | 2,142 | 824 | 411 | 6,425 | 203 | 1,153 | 377 | - | - | 15,661 | (11,351) |
| T-Bird Playoff Game | 4/10/07 | 0713304K Tbirds PO vs. Vancouver | 2,103 | 1 | 13,000 | 3,725 | - | 132 | 100 | - | - | 16,957 | 4,799 | 1,404 | 577 | 411 | 3,268 | 41 | 929 | 377 | - | - | 11,807 | 5,150 |
| T-Bird Playoff Game | 4/11/07 | 0713305K Tbirds PO vs. Vancouver | 2,057 | 1 | 13,000 | 3,845 | - | 132 | 100 | - | - | 17,077 | 4,637 | 1,310 | 623 | 411 | 4,043 | 81 | 1,033 | 369 | - | - | 12,507 | 4,570 |
| T-Bird Playoff Game | 4/14/07 | 0713306K Tbirds PO vs. Vancouver | - | 0 | - | - | - | - | - | - | - | - | - | - | 293 | - | - | - | - | - | - | - | 293 | (293) |
| T-Bird Playoff Game Total | | | | | 42,726 | 18,258 | | 660 | 500 | | | 62,143 | 23,456 | 7,360 | 3,883 | 2,057 | 20,934 | 651 | 4,910 | 1,877 | | | 65,127 | (2,984) |
| T-Bird Practice | 9/28/07 | 0713401K Tbirds Practice | - | 0 | - | - | - | 153 | - | - | - | 153 | 93 | - | - | - | - | - | - | - | - | - | 93 | 60 |
| T-Bird Practice Total | | | | | | | | 153 | | | | 153 | 93 | | | | | | | | | | 93 | 60 |
| Professional Wrestling | 2/12/07 | 0717201K WWE Presents SmackDown | 6,722 | 1 | 22,222 | 9,382 | 10,053 | 53,337 | - | 6,661 | - | 101,656 | 5,691 | 44,849 | 475 | 2,024 | 8,160 | 504 | 656 | - | - | - | 62,358 | 50,951 |
| Professional Wrestling Total | | | | | 22,222 | 9,382 | 10,053 | 53,337 | | 6,661 | | 101,656 | 5,691 | 44,849 | 475 | 2,024 | 8,160 | 504 | 656 | | | | 62,358 | 50,951 |
| Amateur Basketball | 1/13/07 | 0718501K King Classic | 1,643 | 1 | 10,000 | 2,037 | - | 9,440 | - | 1,508 | - | 22,985 | 6,764 | 882 | 1,428 | 831 | 5,339 | 812 | 800 | - | - | - | 16,855 | 6,129 |
| Amateur Basketball | 3/6/07 | 0718502K WIAA 3A Basketbl Tournament | 5,115 | 3 | 50,916 | 4,222 | - | 27,557 | - | 6,184 | - | 88,679 | 23,545 | 540 | 3,534 | 2,568 | 10,759 | 796 | 3,585 | - | - | - | 45,338 | 43,541 |
| Amateur Basketball | 5/31/07 | 0718503K Ball4Real Streetball World Tour | 2,742 | 1 | 10,000 | 3,316 | 187 | 15,513 | - | 1,656 | - | 30,672 | 8,427 | 5,027 | 1,399 | 1,500 | 4,400 | 973 | 3,651 | - | - | - | 25,378 | 6,050 |
| Amateur Basketball | 12/20/07 | 0718504K AT&T Cougar Hardwod Classic | 10,471 | 1 | 10,106 | 15,034 | 713 | 9,348 | - | 8,088 | - | 43,288 | 7,136 | 381 | 955 | 699 | 4,879 | 1,442 | 80 | - | - | - | 15,573 | 39,064 |
| Amateur Basketball | 12/29/07 | 0718505K Comcast Battle in Seattle | 13,148 | 1 | 10,100 | - | 1,629 | 9,673 | - | 9,598 | - | 30,900 | 7,435 | 515 | 433 | 391 | 7,174 | 1,658 | 328 | - | - | - | 17,934 | 36,740 |
| Amateur Basketball Total | | | | | 91,022 | 24,608 | 2,530 | 71,531 | | 27,033 | | 216,723 | 53,307 | 7,346 | 7,748 | 5,989 | 32,551 | 5,681 | 8,455 | | | | 121,078 | 131,525 |
| Search Required | 2/27/07 | 0721001K Snow Patrol | 5,920 | 1 | 23,254 | 6,726 | 3,924 | 17,067 | - | 6,075 | - | 57,046 | 5,645 | 12,830 | 472 | 1,222 | 3,355 | 273 | 308 | - | - | - | 24,104 | 43,148 |
| Search Required Total | | | | | 23,254 | 6,726 | 3,924 | 17,067 | | 6,075 | | 57,046 | 5,645 | 12,830 | 472 | 1,222 | 3,355 | 273 | 308 | | | | 24,104 | 43,148 |
| Country/Western | 9/15/07 | 0721101K Keith Urban | 10,979 | 1 | 33,065 | 14,128 | 8,969 | 41,069 | - | 11,023 | - | 108,254 | 7,610 | 34,647 | 420 | 1,161 | 8,460 | 81 | 586 | - | - | - | 52,965 | 74,602 |
| Country/Western Total | | | | | 33,065 | 14,128 | 8,969 | 41,069 | | 11,023 | | 108,254 | 7,610 | 34,647 | 420 | 1,161 | 8,460 | 81 | 586 | | | | 52,965 | 74,602 |
| Other Concerts - Non-Search | 3/22/07 | 0721301K Eric Clapton | 13,550 | 1 | 34,835 | 15,494 | 11,512 | 26,624 | - | 12,435 | - | 100,900 | 8,500 | 20,697 | 513 | 897 | 5,752 | 342 | 322 | - | - | - | 37,023 | 92,360 |
| Other Concerts - Non-Search | 3/12/07 | 0721302K Rod Stewart | 8,774 | 1 | 25,767 | 9,767 | 5,603 | 36,917 | - | 7,530 | - | 85,584 | 7,391 | 37,534 | 384 | 1,363 | 5,967 | 389 | 281 | - | - | - | 53,310 | 49,386 |
| Other Concerts - Non-Search | 10/10/07 | 0721303K André Rieu | 5,225 | 1 | 38,422 | 1,998 | 1,024 | 25,628 | - | 10,000 | - | 77,073 | 6,754 | 19,801 | 722 | 1,169 | 1,690 | 253 | 457 | - | - | 17 | 51,078 | 51,576 |
| Other Concerts - Non-Search | 2/22/07 | 0721304K Bob Seger | 10,310 | 1 | 24,126 | 17,539 | 11,461 | 26,145 | - | 10,186 | - | 89,458 | 7,794 | 19,093 | 405 | 269 | 6,878 | 81 | 2,009 | - | - | - | 36,529 | 71,185 |
| Other Concerts - Non-Search | 6/5/07 | 0721305K The Police | 27,946 | 2 | 43,020 | 39,528 | 31,152 | 65,370 | - | 28,770 | - | 207,939 | 18,711 | 48,520 | 880 | 4,272 | 14,843 | 366 | 315 | 244 | - | - | 88,175 | 183,939 |
| Other Concerts - Non-Search | 8/18/07 | 0721311K Josh Groban | 10,496 | 1 | 53,133 | 6,191 | 5,005 | 32,671 | - | 10,489 | - | 107,489 | 7,470 | 25,463 | 201 | 1,143 | 7,487 | 189 | 491 | - | - | - | 42,444 | 82,862 |
| Other Concerts - Non-Search | 9/9/07 | 0721313K Muse | 5,080 | 1 | 6,049 | 3,910 | 5,413 | 23,776 | - | 5,536 | - | 44,684 | 5,152 | 19,582 | 537 | 1,152 | 4,247 | 167 | 319 | - | - | - | 31,156 | 21,900 |
| Other Concerts - Non-Search | 10/8/07 | 0721315K The Cure | - | 0 | - | - | - | - | - | - | - | - | - | - | - | - | 478 | - | - | - | - | - | 478 | (478) |
| Other Concerts - Non-Search | 10/29/07 | 0721316K Hannah Montana / Miley Cyrus | 13,141 | 1 | 38,878 | 12,485 | 16,722 | 50,389 | - | 12,827 | - | 131,301 | 8,406 | 41,455 | 531 | 495 | 8,666 | 388 | 2,098 | - | - | - | 62,039 | 100,561 |
| Other Concerts - Non-Search | 9/6/07 | 0721318K Beyoncé | - | 0 | - | - | - | - | - | - | - | - | - | - | - | - | 126 | - | - | - | - | - | 126 | (126) |
| Other Concerts - Non-Search | 12/1/07 | 0721319K Trans-Siberian Orchestra | 18,180 | 2 | 57,092 | 7,233 | 4,555 | 43,755 | - | 18,131 | - | 130,767 | 13,851 | 29,226 | 952 | 540 | 7,488 | 187 | 1,541 | - | - | - | 53,785 | 105,993 |
| Other Concerts - Non-Search | 12/3/07 | 0721320K Van Halen | 12,496 | 1 | 58,577 | 21,218 | 21,829 | 38,534 | - | 12,258 | - | 152,515 | 11,196 | 21,809 | 580 | 1,199 | 7,224 | 163 | 390 | - | - | - | 42,561 | 131,832 |
| Other Concerts - Non-Search | 10/16/07 | 0721321K Ozzy Osbourne | 10,103 | 1 | 46,954 | 17,090 | 11,886 | 55,862 | - | 6,647 | - | 138,440 | 13,672 | 46,682 | 484 | 1,383 | 8,443 | - | 1,437 | - | - | (214) | 71,887 | 83,549 |
| Other Concerts - Non-Search | 11/8/07 | 0721322K Billy Joel | 11,027 | 1 | (25,563) | 8,667 | 4,622 | 37,364 | - | 9,087 | - | 34,176 | 7,229 | 28,910 | 484 | 631 | 5,442 | 163 | 817 | - | - | - | 43,675 | 8,089 |
| Other Concerts - Non-Search Total | | | | | 401,280 | 161,120 | 130,884 | 463,035 | | 143,997 | | 1,300,326 | 116,126 | 358,776 | 6,673 | 14,533 | 87,823 | 2,708 | 10,584 | 244 | (197) | | 597,289 | 982,628 |
| Comedy Shows | 2/23/07 | 0721401K Jamie Foxx | 6,988 | 1 | 32,027 | 5,377 | 1,078 | 22,260 | - | 6,385 | - | 67,127 | 5,977 | 15,638 | 586 | 1,080 | 5,273 | 81 | 145 | - | - | - | 28,781 | 52,095 |
| Comedy Shows | 11/29/07 | 0721403K Dane Cook | 15,639 | 1 | 36,306 | 14,458 | 4,509 | 25,915 | - | 15,196 | - | 96,384 | 9,206 | 16,950 | 446 | 980 | 6,133 | 163 | 218 | - | - | - | 34,096 | 89,965 |
| Comedy Shows Total | | | | | 68,333 | 19,835 | 5,587 | 48,175 | | 21,581 | | 163,511 | 15,183 | 32,589 | 1,032 | 2,060 | 11,406 | 244 | 364 | | | | 62,877 | 142,060 |
| Ice Shows | 1/14/07 | 0722301K Smucker's Stars on Ice | 5,257 | 1 | 17,972 | 4,024 | 1,459 | 17,420 | - | 3,669 | - | 44,544 | 6,974 | 10,683 | 439 | 956 | 7,353 | 367 | 992 | - | - | 1 | 27,765 | 23,458 |
| Ice Shows | 11/13/07 | 0722302K Disney on Ice/Princess Wishes | 32,956 | 8 | 46,393 | 16,439 | 1,459 | 74,454 | - | 30,456 | - | 167,743 | 43,342 | 32,775 | 1,576 | 4,157 | 31,157 | 215 | 3,675 | - | - | - | 116,896 | 50,847 |
| Ice Shows Total | | | | | 64,365 | 20,463 | 1,459 | 91,874 | | 34,125 | | 212,287 | 50,316 | 43,458 | 2,015 | 5,113 | 38,510 | 582 | 4,667 | | | 1 | 144,661 | 74,305 |
| Musical, Dance, Theatrical Performances | 12/16/07 | 0722403K Dancing With The Stars Tour | 4,408 | 1 | 33,685 | 3,624 | 2,263 | 46,737 | - | 4,348 | - | 90,647 | 10,782 | 38,694 | 1,011 | 2,569 | 7,306 | - | 1,669 | - | - | - | 62,031 | 40,830 |
| Musical, Dance, Theatrical Performances | | | | | 33,685 | 3,624 | 2,263 | 46,737 | | 4,348 | | 90,647 | 10,782 | 38,694 | 1,011 | 2,569 | 7,306 | | 1,669 | | | | 62,031 | 40,830 |
| Dances/Parties/Auctions/Fundraisers | 12/11/07 | 0724180K Aramark Holiday Party Mb2 | - | 1 | - | - | - | 193 | - | - | - | 193 | (0) | - | - | - | - | - | - | - | - | - | (0) | 193 |
| Dances/Parties/Auctions/Fundraisers | 12/11/07 | 0724180K Aramark Holiday Party Mb2 | - | 1 | - | - | - | 193 | - | - | - | 193 | 93 | - | - | - | - | - | - | - | - | - | 93 | (93) |
| Dances/Parties/Auctions/Fundraisers | | | | | | | | 193 | | | | 193 | | | | | | | | | | | | |

EXHIBIT B

BOOKING & MARKETING SERVICES

**ARTICLE I
BOOKING AND MARKETING SERVICES**

AEG agrees to provide the following Booking and Marketing Services during the Term of the Agreement:

A. Working cooperatively with City marketing and booking staff, AEG shall make commercially reasonable efforts to maximize the profit margins and numbers of Events held at Arena.

B. AEG and City shall work cooperatively to maximize Event programming for the Arena and in so doing, AEG agrees to work closely with its affiliate, AEG Live, LLC. In connection with these cooperative efforts, City agrees to timely provide AEG with information regarding prospective events at the Arena as well as the Arena event calendar.

C. AEG shall include the Arena in standard AEG collateral and marketing materials.

D. AEG shall provide City opportunity to participate in AEG marketing, website and advertising programs; provided all costs and expenses associated therewith, which costs and expenses must be pre-approved by City, shall be treated as AEG Operational Costs.

E. Upon request by City, AEG shall include City in Arena-related AEG booking teleconference and in-person meetings.

F. AEG shall provide City opportunity to be included on AEG event booking calendar provided all costs and expenses associated therewith, which costs and expenses must be pre-approved by City, shall be treated as AEG Operational Costs.

G. AEG and City agree to promptly notify each other of event booking opportunities, date availability and Arena rental cost structures, provided all costs and expenses associated therewith, which costs and expenses must be pre-approved by City, shall be treated as AEG Operational Costs.

H. Subject to City approval, AEG will make available to City the benefits of its global third-party vendor agreements, including without limitation, its ticketing service agreement.

I. AEG shall develop and maintain ongoing nationwide relationships with leading event promoters, talent managers and agencies to help make Arena the preferred location for events in the Seattle region.

J. Subject to, and to the extent permitted by, NHL and NBA bylaws, rules and regulations, AEG shall work cooperatively with the City in connection with City's efforts to



secure a National Basketball Association (NBA) or National Hockey League (NHL) franchise to play its home games at the Arena.

K. If there is an event which utilizes multiple facilities within Seattle Center, the parties shall mutually agree upon the allocation of revenues generated by such Event and expenses incurred by such Event among the various facilities within Seattle Center used for such event.



EXHIBIT C

SALES SERVICES

ARTICLE 1 SALES

1.1 Advertising and Sponsorship Sales.

AEG agrees to provide the following Sales Services during the Term of the Agreement:

Working cooperatively with City marketing staff, and subject to the advertising and sponsorship rights granted to the Storm, T-Birds and University as described in the respective contracts between those entities and the City, AEG shall exclusively sell Sponsorship Rights with respect to the Arena, which rights shall include bowl and concourse signage rights, scoreboard and ring signage rights, Arena Naming Rights for portions of the Arena, and other sponsorship opportunities as mutually agreed, except for the following:

- (1) Arena Naming Rights granted to the existing Arena Naming Rights holder (i.e. Key Corp).
- (2) The sale of sponsorship rights related to the Seattle Center generally as a whole, and not to the Arena specifically.
- (3) The sale of Sponsorship Rights to manufacturers or distributors of tobacco, firearms or other items which the Director in his or her sole reasonable discretion, determines is inconsistent with Seattle Center's family orientation and mission statement.

1.2 Marketing Staff.

AEG shall assign in-market sales and marketing teams as mutually agreed by the parties to generate income from the sale of Sponsorship Rights at the Arena.

1.3 Marketing Plan Implementation.

AEG shall identify Arena Naming Rights for portions of the Arena and Sponsorship Rights opportunities and develop and recommend to the Director a proposed marketing plan, including packages and creative opportunities designed to be attractive to sponsors. AEG shall recommend pricing schedules for rentals and sales.

1.4 Premium Seating Marketing and Sales.

AEG shall act as City's agent with respect to the licensing of Premium Seating for Events and Excluded Events. AEG is authorized to and shall undertake the promoting, marketing and sale of leases and licenses for the use and occupancy of previously unlicensed Suites and Suite Level Club Seats for Events and Excluded Events in the event any existing Suite or Suite Level



Club Seat licensing agreement expires or is terminated, the promoting and remarketing of the vacated Suite or Club Seat for Events and Excluded Events

AEG shall lease or license the use and occupancy of Suites and Suite Level Club Seats for Events and Excluded Events only (a) at such prices; (b) under such terms and conditions, and subject to such documentation as may be specified from time to time, and (c) in accordance with such guidelines as may be established by the Director in consultation with AEG.

The City grant of agency excludes those suites reserved for fulfillment of existing contractual obligations with building Tenants, the building naming sponsor and the Seattle Center Fund or their successor entities. The parties agree to discuss in good faith additional requests by the City to reserve additional suites for third parties.

1.6 Collaborative Efforts with Other KeyArena Tenants.

AEG commits to work in close collaboration with other resident tenants of the KeyArena in the execution of any exclusive advertising or sponsorship programs for the facility which will impact their events.

1.7 Additional Services Requested by City.

The City may request that AEG assist in marketing or selling the renaming of KeyArena or provide other additional services not specifically contemplated hereunder, the terms and conditions (including, without limitation, financial terms) for which shall be set forth in a separate signed written agreement. If agreement regarding such additional services can be reached, compensation for such services shall be negotiated separately.

**ARTICLE II
SERVICING**

2.1 Sponsorship Rights Servicing.

A. AEG shall invoice and collect payments from licensees in connection with the sale of Sponsorship Rights and Premium Seating for Events and Excluded Events.

B. AEG shall assign a service representative to service each client acquiring Arena Naming Rights or Sponsorship Rights, including Premium Seating clients for both Events and Excluded Events, addressing client concerns and coordinating client entertainment or value added events.

C. AEG shall provide for the benefit of all Premium Suite licensees and their invitees for Events and Excluded Events one or more experienced Suite Managers. AEG shall ensure that the Suite Manager performs the following functions:

(1) Provide information regarding all events at the Arena and general information about Seattle.



(2) Coordinate special arrangements for the parking of vehicles and requests for the use of any function room at the Arena.

(3) Receive requests for, and coordinate or otherwise arrange for the sale or rental, and/or delivery to any person in a Suite of any food, event program(s), or any item available for sale, rent or free use in the Arena.

(4) Receive complaints from any Suite or Suite Level Club Seat licensee or invitee thereof, respond appropriately to the same in a timely manner, keep a log regarding the date and nature of each such complaint and the date and nature of the response thereto, and deliver a written report to the Director, specifying the nature of the complaint, the Suite Manager's response thereto, and the status of the remedial action required of AEG or the City with respect thereto within (3) three calendar days after the receipt of any major complaint.

(5) Receive and forward, as appropriate, to the City responsible for responding to the same any request for the cleaning, repair maintenance of any Suite or item of furniture or equipment therein.

(6) Mail or otherwise deliver to the licensees of each Suite, in a timely manner, whatever tickets or other documentation is required for admission to the Suite and to provide advance notice of the availability for purchase as such additional tickets or admission documents as such licenses may be entitled and any change in Suite access or use, parking arrangements, and other matters likely to be of interest to a Suite lessee or licensee with respect to Suite use or events.

(7) Shall be on duty for work in connection with any Event or Excluded Events no later than two and one-half (2 ½) hours prior to the scheduled starting time for such Excluded Event or Event and remain on duty until the last person in any Suite has left the Arena after an Event or Excluded Event

(8) Arrange for access during Events or Excluded Events __to a Suite licensee or their invitees.

(9) Arrange for the replacement of any lost or misplaced Suite access card or key, and as deemed necessary or appropriate, the re-keying or re-carding of the Suite.

(10) Perform other services that would typically be provided by a concierge or suite manager in a major sports facility.

2.2 Refund of License Deposits and Prepaid License Fee.

In the event of the termination of any agreement for the use and occupancy of any Suite or Suite Level Club Seat, and the lessee or licensee demands a refund of the deposit or rent paid and the Director and AEG agree that such refund should be made, AEG shall pay such refund and may thereafter invoice the City for any amount, or portion thereof, which had been remitted to the City.



2.3 Premium Seating Maintenance Responsibilities.

AEG, as a component of the Sponsorship & Premium Seating Expenses, shall keep the Suites, Suite concourse and Suite Level Club Seats, including but not limited to the fixtures and systems and furnishings installed by the City in such areas, in a clean, neat and sanitary condition, in good repair, and in compliance with all applicable laws, ordinances, rules and regulations relating the cleanliness of the same. To properly carry out its responsibilities under this subsection, AEG, shall among other tasks, perform the following:

A. Clean, at least once every two (2) weeks, all glass in the doors, display cases, equipment and windows on the suite level (other than the windows on the exterior walls of Arena).

B. Keep all drainage pipes within the Premium Seating area free and open.

C. Collect, immediately after each use of the Premium Seating, all waste materials from the Premium Seating area and deliver such waste to one or more approved waste collection areas, ensuring that in the process of such collection and delivery, no common areas are dirtied or the use of such common area by the City or its licensees interfered with.

D. Collect, sort and separate into such categories as may be legally required, all solid waste products from the Premium Seating area and recycle all such products that are locally accepted for recycling. AEG shall place each separately sorted category of waste products in separate receptacles identified approved by the Seattle Center Director. The City shall pick up and dispose of the trash from locations designated by City at the City's expense.

E. Perform routine (day-to-day) maintenance and cleaning of all Suites and the Suite Concourse.

F. Perform all routine repair work (i.e., work that is normally performable by an experienced repair-person without the technical assistance of a licensed plumber, electrician, carpenter, appliance repairer, or similarly-skilled craftsperson) that is required in, on, with respect to, or within, each Suite and Suite Concourse and all doors therein and thereto in order to keep the same fully operational and in a first-class condition in accordance with Section 2.2, including but not limited to replacing sink valves, clearing clogged drains, replacing light bulbs, tightening screws, repairing gouges and other blemishes in furniture and walls, touch-up painting of walls and other painted surfaces, regrouting and resealing tile, lubricating hinges and replacing mechanical parts for folding upholstered seats, and replacing broken glass and mirrors. The cost of such routine repair work shall be included as a Sponsorship and Premium Seating Expense.

G. Provide immediate notice to the Arena Manager regarding the necessity for maintenance or repair work to be performed in any Premium Seating area or to any Suite furnishing or furniture installed by the City that, when undertaken, would either have an effect on any Arena system (electrical, mechanical or plumbing) or require the services of any skilled craftsperson.



H. Perform all work so as not to interfere in any material respect with the use and enjoyment of such Premium Seating areas by any Suite Licensee or an invitee thereof, with the production of an event, or with the performance of maintenance work by the City in those areas or elsewhere in the Arena.

I. The City shall be responsible for all repair in the Suites and Suite Concourse requiring the services of any skilled craft person rather than merely a competent repair person to keep such areas, including but not limited to the fixtures and systems (such as plumbing, heating, ventilating, air conditioning, electrical, sound and lighting) and furnishings and furniture installed by the City in such areas, in good working order and condition, except for the effects of normal wear and tear and damage by fire or other casualty, provided it is understood and agreed by the parties that AEG shall not be responsible for the repair of such wear and tear and damage by fire or other casualty (except as otherwise expressly provided herein). All such work shall be performed by City in a timely manner.

2.4 Maintenance Inspection of Suites.

On a quarterly basis, AEG shall meet with the Arena Manager and participate in an on-site evaluation of maintenance needs in the Suite Level Club Seats, Suites and Suite Concourse.



EXHIBIT D

TECHNICAL & OPERATIONS SERVICES

ARTICLE I

TECHNICAL & OPERATIONS SERVICES

1.1 Sponsorship Rights and Arena Naming Rights Operations Services.

AEG shall oversee installation and maintenance of signage, materials and other elements included as part of all Sponsorship Rights and Arena Naming Rights sold in connection with the Arena.

1.2 Event Operations Services.

AEG will manage the Arena video and LED ring signage functions at all Events and Excluded Events at the Arena. Responsibilities will include, but shall not be limited to the following portion of Technical & Operational Services (hereinafter, the "Event Operations Services"):

- A. Retaining, training and compensation of technical staff.
- B. Operation of the Arena video, scoreboard, and LED ring signage systems located in Room M04C (video/scoreboard operations room) & the Arena North Bucket (LED Ring Signage Operations) and related equipment including, the video board; Click FX, Venus, Replay EVS, and Chyron operations; cameras; plasma screens; and the 360 LED board.
- C. Coordination of video board, scoreboard and LED Ring graphics, and data for all event productions.
- D. Acquisition and maintenance of equipment parts and, subject to the Director's approval, new equipment, at City's expense.
- E. Routine maintenance of all video, scoreboard and ring signage system equipment, including where appropriate the acquisition of equipment maintenance contracts.
- F. Operation and maintenance of all video and sound equipment contained in the Club at the SE Corner of Level Two of the Arena, currently known as the FSN HD Lounge.

1.3 Capital and Long Range Planning.

Upon request by the City, AEG shall work with the Director to develop capital and long range plans for redevelopment of the KeyArena and the Premium Seating. If agreement regarding such additional services can be reached, compensation for such services shall be negotiated separately.



1.4 Termination of Event Operations Services.

City reserves the right to terminate all or portions of AEG's Event Operations Services as described in Section 1.2 above with one hundred twenty (120) days written notice by the Director. Upon the effective date of such termination, AEG shall not be required to perform these, or portions of these, Event Operations Services and shall no longer include expenses related to such event operations services as AEG Operational Costs, but all other financial terms of this Agreement shall remain unchanged.



**EXHIBIT E
PROPOSED AEG BUDGET FORMAT**

| | 2008 | 2009 | 2010 |
|---------------------------------------|-----------------|-------------------|-------------------|
| MARKETING/SPONSORSHIP REVENUES | | | |
| SIGNAGE | | | |
| In-Bowl | \$ 500 | \$ 600 | \$ 700 |
| Scoreboard | \$ 110 | \$ 220 | \$ 330 |
| LED Ring | \$ 120 | \$ 230 | \$ 340 |
| Concourse | \$ 130 | \$ 240 | \$ 350 |
| Other | \$ 140 | \$ 250 | \$ 360 |
| SUBTOTAL | \$ 1,000 | \$ 1,540 | \$ 2,080 |
| SPONSORSHIP | | | |
| Marketing Rights | \$ 100 | \$ 200 | \$ 300 |
| Naming Rights | \$ 110 | \$ 220 | \$ 330 |
| SUBTOTAL | \$ 210 | \$ 420 | \$ 630 |
| TOTAL | \$ 1,210 | \$ 1,960 | \$ 2,710 |
| MARKETING/SPONSORSHIP EXPENSES | | | |
| Marketing Staff | \$ (100) | \$ (200) | \$ (300) |
| Commissions | \$ (110) | \$ (220) | \$ (330) |
| Advertising | \$ (120) | \$ (230) | \$ (340) |
| Supplies | \$ (130) | \$ (240) | \$ (350) |
| Support Staff | \$ (140) | \$ (250) | \$ (360) |
| Taxes | \$ (150) | \$ (260) | \$ (370) |
| Other | \$ (160) | \$ (270) | \$ (380) |
| SUBTOTAL | \$ (910) | \$ (1,670) | \$ (2,430) |
| NET | \$ 300 | \$ 290 | \$ 280 |
| PREMIUM SEATING REVENUES | | | |
| Suite Leases | \$ 500 | \$ 600 | \$ 700 |
| Suite Rentals | \$ 600 | \$ 700 | \$ 800 |
| Clubs | \$ 700 | \$ 800 | \$ 900 |
| Other | \$ 800 | \$ 900 | \$ 1,000 |
| TOTAL | \$ 2,600 | \$ 3,000 | \$ 3,400 |
| PREMIUM SEATING EXPENSES | | | |
| Sales Staff | \$ (100) | \$ (200) | \$ (300) |
| Commissions | \$ (110) | \$ (220) | \$ (330) |
| Advertising | \$ (120) | \$ (230) | \$ (340) |
| Supplies | \$ (130) | \$ (240) | \$ (350) |
| Support Staff | \$ (140) | \$ (250) | \$ (360) |
| Taxes | \$ (150) | \$ (260) | \$ (370) |
| Other | \$ (160) | \$ (270) | \$ (380) |
| SUBTOTAL | \$ (910) | \$ (1,670) | \$ (2,430) |
| NET | \$ 1,690 | \$ 1,330 | \$ 970 |
| GAME DAY OPERATIONS EXPENSES | | | |
| Regular Personnel | | | |
| Game Day Personnel | \$ (100) | \$ (200) | \$ (300) |
| Consultants | \$ (100) | \$ (200) | \$ (300) |
| Equipment Purchases | \$ (100) | \$ (200) | \$ (300) |
| Equipment Maintenance | \$ (100) | \$ (200) | \$ (300) |
| Support Staff | \$ (100) | \$ (200) | \$ (300) |
| Taxes | \$ (100) | \$ (200) | \$ (300) |
| Other | \$ (100) | \$ (200) | \$ (300) |
| TOTAL | \$ (700) | \$ (1,400) | \$ (2,100) |
| TOTAL NET | \$ 1,290 | \$ 220 | \$ (850) |

DATA IS FOR
SAMPLE USE
ONLY



EXHIBIT F
Insurance Requirements

I. AEG's INSURANCE

AEG shall obtain and maintain continuously throughout the term of this Agreement insurance as specified below, at no expense to City. Satisfactory evidence of such insurance shall be filed with Seattle Center and City's Risk Management Division, as described below.

1. Coverages and Minimum Limits of Liability.

A. Commercial General Liability (CGL) insurance, including:

1. Premises/Operations
2. Products/Completed Operations
3. Personal/Advertising Injury.
4. Contractual
5. Independent Contractor's
6. Stop Gap/Employers Liability.
7. Fire/Tenant Legal

Such insurance must provide the following minimum limits of liability:

Combined Single Limit Bodily Injury and Property Damage (CSL) -
\$ 2,000,000.00 each occurrence
\$ 2,000,000.00 each offense Personal & Advertising Injury
\$ 5,000,000.00 General Aggregate
\$ 5,000,000.00 Products and Completed Operations Aggregate
\$ 1,000,000.00 Stop Gap/Employers Liability
\$ 500,000.00 Fire/Tenant Legal

B. If applicable, automobile Liability insurance, including coverage for owned, non-owned, leased and hired vehicles, with a minimum limit of liability of \$1,000,000.00 CSL each occurrence.

C. Worker's Compensation insurance in accordance with the provisions of Title 51 of the Revised Code of Washington. AEG shall also be responsible for ensuring that Workers' Compensation Insurance is in force where required under the provisions of Title 51 for any subcontractor who provides services under this Agreement.



2. Additional Insured and Primary Insurance Provisions.

Each CGL and Automobile insurance policy maintained under this Agreement shall include the City of Seattle as an additional insured for primary and non-contributory limits of liability.

3. No Limitation of Liability.

The limits of liability stated herein are minimum limits only and shall not be deemed to limit the liability of AEG or any of its insurers. Where the City is required to be an additional insured, it shall be so for the full available limits of insured and/or self-insured limits of liability, whether such limits are primary, excess, contingent or otherwise.

4. Cancellation.

Coverages provided to the City shall not be cancelled without at least thirty (30) days (except ten (10) days notice with respect to cancellation for non-payment of premium) prior written notice.

5. Rating.

All insurance described herein shall have a rating of A-VII or higher in the A.M. Best's Key Rating Guide, or placed as surplus lines in accordance with RCW 48.

6. Evidence of Insurance.

AEG shall cause to be electronically delivered to the City as an email attachment to riskmanagement@seattle.gov or by fax to (206) 470-1279:

A certificate of insurance evidencing coverages, minimum limits of liability and terms and conditions as specified herein issued to: "The City of Seattle, P.O. Box 94669, Seattle, WA 98124-4669."

7. Assumption of Risk

The placement and storage of personal property on and in any Seattle Center facilities used or occupied by AEG hereunder shall be the responsibility, and at the sole risk, of AEG, except to the extent any loss of such property is due to the negligence or willful misconduct of City.

8. Failure to Maintain Insurance.

AEG's failure to maintain the insurance required by this Agreement in full force and effect throughout the term of the Agreement shall constitute a default and material breach of this Agreement.



II. CITY INSURANCE

City maintains and shall maintain at all times until all obligations and liabilities arising under or related to this Agreement due and owing AEG have been discharged, comprehensive and sophisticated self-insurance programs with sufficient reserves relating thereto which are commensurate with the City's exposures and business operations with respect to the Arena as well as the city's overall operation of the Arena and Seattle Center and which are sufficient to discharge potential claims within the self-insured components of its risk-financing programs. The self-insured retention for general liability and excess of loss insurance exceeds the general liability limit of liability listed below. The self-insurance programs and reserves maintained by City shall provide first dollar coverage for not less than the following: commercial general liability and automobile insurance including blanket contractual liability, products and completed operations coverage, fire damage coverage, personal injury coverage (including but not limited to libel, slander, defamation of character, discrimination, and malicious prosecution) advertisers liability coverage and defense costs for the sole benefit of City against all claims for personal injury, death or property damage in or about the Arena during the term of the agreement in the amount of not less than \$7,000,000 combined single limit and bodily injury and property damage.



FISCAL NOTE FOR NON-CAPITAL PROJECTS

| Department: | Contact Person/Phone: | DOF Analyst/Phone: |
|--------------------|---|---------------------------|
| Seattle Center | Robert Nellams, 684-7330 Tom Israel, 684-7298 John Groh, 233-2150 | Amy Williams, 233-2651 |

Legislation Title:

AN ORDINANCE relating to the Seattle Center Department; authorizing execution of an agreement with AEG Management WA, LLC to provide certain marketing, sales, technical operations and other services related to KeyArena at Seattle Center.

• **Summary of the Legislation:**

This legislation authorizes a six year extension of a one year agreement between Seattle Center and AEG Management WA, LLC (AEG) for the provision of booking and marketing services, sales services, and technical and operational services for KeyArena. This legislation extends the term of the agreement through December 31, 2015. The first year of the agreement was executed under authority granted to Seattle Center by Ordinance 122782.

Background: *(Include brief description of the purpose and context of legislation and include record of previous legislation and funding history, if applicable):*

The purpose of this legislation is to put in place an extended agreement enabling Seattle Center to partner with AEG to operate and manage certain event-related activities in KeyArena. Previously these functions were provided in part through an agreement with the Sonics basketball team. However, the departure of that building tenant has created the need for Seattle Center to find an alternative way to continue delivering these services at KeyArena.

The Premises Use and Occupancy Agreement (PUOA) between the City of Seattle and the Professional Basketball Club, LLC (PBC) was terminated effective October 31, 2008 (Ordinance 122736, repealing Ordinance 122492). Additional legislation related to the termination of the PUOA authorized the Seattle Center Director to take actions in order to minimize disruption to on-going KeyArena operations and to provide continuous services to KeyArena licensees and patrons (Ordinance 122782). These actions were authorized through December 31, 2009, and included entering into consultant, concession, purchasing and service contracts with terms of up to one year.

Under the authority granted by Ordinance 122782, and following a bid solicitation process, the Seattle Center Director chose AEG as the service provider and entered into a one-year contract (November 1, 2008—October 31, 2009) with an option to renew the agreement for an extended term through December 31, 2015 subject to City Council approval. AEG Management, WA LLC is wholly owned by AEG, one of the leading sports and entertainment presenters in the world. AEG owns or manages sports and entertainment facilities, including the STAPLES



Center in Los Angeles, the Rose Garden in Portland, and the WaMu Theatre in Seattle. AEG also owns several sports franchises, including major league hockey, soccer and lacrosse teams. The company operates or consults with more than sixty venues worldwide, in addition to providing sponsorship, sales and consulting services. AEG LIVE, a concert promotion and touring subsidiary, is devoted to all aspects of entertainment, including national entertainment promotions and touring, music festivals, and special events. AEG Management, WA LLC is the business unit operating in Washington State.

The four main service areas Seattle Center needed to address when the Sonics moved included:

- **Premium Seating Management Services**
Under the terms of the original PUOA (Ordinance 117049), the Sonics ownership group, and, by extension, PBC, was responsible for marketing, managing, and servicing Suite leases and rentals in KeyArena. Revenues from these functions were shared between the PBC and Seattle Center. With the termination of the PUOA, responsibility for these tasks fell to Seattle Center. Premium Seating management includes sales, rentals, routine upkeep, day-of-event servicing, and all other aspects of managing the suites and other premium seating products in KeyArena.
- **Sponsorship and Advertising Sales Services**
Also under the terms of the PUOA, except for rights granted to individual tenants for the sale of advertising and sponsorship at their own events, the PBC was responsible for the sale and servicing of all advertising and sponsorship in KeyArena. The PBC received all of the revenues from these functions. Advertising and sponsorship includes signage sold in the KeyArena bowl, the concourses, scoreboard and digital signage ring. It also includes naming rights for portions of KeyArena, but does not include title sponsorship of the building which was awarded to KeyCorp.
- **Technical and Operational Services**
The PUOA also gave responsibility to the Sonics for certain technical and operational activities in the building. With the termination of the PUOA, responsibility for these tasks fell to Seattle Center. These activities included operation of the scoreboard during sporting events, event related audio/visual production services and coordination of LED signage displays in the facility. These specialized skills are not currently available in the Seattle Center workforce.
- **Increased Date Availability for Booking Events**
The departure of the Sonics and the Thunderbirds resulted in the loss of approximately 80 events annually in KeyArena. A crucial challenge for Seattle Center is to fill these open dates with compelling events that produce a positive financial return to the building. Replacing as many of these events as possible will both promote the visibility of KeyArena in the marketplace, and maintain the profitability of the facility. The partnership agreement with AEG will assist the department in drawing more events to the facility.



AEG will take the lead in selling and servicing premium seating products as well as advertising and sponsorship. Expenses incurred in generating those revenues will be reimbursed out of the monies generated by these lines of business. The net revenue from these streams will be combined with the net revenue from events and be put into a pool. Once that pool reaches a certain threshold (\$1.8M for 2009), revenues in excess of that threshold will be split 60 percent to Seattle Center and 40 percent to AEG.

Beginning in 2010, AEG is guaranteeing certain minimum revenue levels. In 2010, that amount is \$750,000. If Seattle Center's share of net revenues falls below the guaranteed amount, AEG will remit an amount equal to the shortfall. This guaranteed minimum is increased to \$1,000,000 in 2011 and remains at that level through the life of the agreement.

Seattle Center has the right to terminate the agreement if KeyArena is closed for renovations; or if KeyArena becomes the home for an NHL or NBA sports team; or if KeyArena does not achieve the baseline net revenue established in the agreement.

- Please check one of the following:

This legislation does not have any financial implications. (Stop here and delete the remainder of this document prior to saving and printing.)

This legislation has financial implications. (Please complete all relevant sections that follow.)

Appropriations: This table should reflect appropriations that are a direct result of this legislation. In the event that the project/programs associated with this ordinance had, or will have, appropriations in other legislation, please provide details in the Notes section below.

| Fund Name and Number | Department | Budget Control Level* | 2009 Appropriation | 2010 Anticipated Appropriation |
|----------------------|------------|-----------------------|--------------------|--------------------------------|
| | | | | |
| TOTAL | | | | |

*See budget book to obtain the appropriate Budget Control Level for your department.

Notes:

This legislation does not authorize appropriations. Necessary appropriations were included in Seattle Center's 2009 Adopted and 2010 Endorsed Budgets.

Anticipated Revenue/Reimbursement: Resulting From This Legislation: This table should reflect revenues/reimbursements that are a direct result of this legislation. In the event that the issues/projects associated with this ordinance/resolution have revenues or reimbursements that were, or will be, received because of previous or future legislation or budget actions, please provide details in the Notes section below the table.



| Fund Name and Number | Department | Revenue Source | 2009 Revenue | 2010 Revenue |
|----------------------|----------------|------------------------|-----------------|-----------------|
| 11420 | Seattle Center | Suite Leases & Rentals | <i>see note</i> | <i>see note</i> |
| 11420 | Seattle Center | Event Revenues | <i>see note</i> | <i>see note</i> |
| 11420 | Seattle Center | Sponsorship Revenues | <i>see note</i> | <i>see note</i> |
| TOTAL | | | | |

Notes: Seattle Center's 2009/2010 budget assumes a base number of events, with revenues and expenses estimated based on historical averages and expected booking levels. To earn these revenues, KeyArena must be able to offer an industry standard level of services including those previously provided through the Sonics organization. While budgeted events are not delineated as being specifically attributable to the AEG agreement, the department did assume some of the budgeted events would be brought in with the support of a partner service provider. The 2009/2010 budget assumes net revenues from events of approximately \$2.6 million for 2009 and \$3.2 million for 2010. These calculations include only revenues and expenses which are directly related to events, they do not represent the full cost of operating KeyArena as a facility. While this agreement is expected to have a financial impact on KeyArena, that impact was already assumed in the 2009-2010 budget.

Total Regular Positions Created, Modified, Or Abrogated Through This Legislation, Including FTE Impact: *This table should only reflect the actual number of positions affected by this legislation. In the event that positions have been, or will be, created as a result of other legislation, please provide details in the Notes section below the table.*

| Position Title and Department | Position # for Existing Positions | Fund Name & # | PT/FT | 2009 Positions | 2009 FTE | 2010 Positions* | 2010 FTE* |
|-------------------------------|-----------------------------------|---------------|-------|----------------|----------|-----------------|-----------|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| TOTAL | | | | | | | |

* 2010 positions and FTE are total 2010 position changes resulting from this legislation, not incremental changes. Therefore, under 2010, please be sure to include any continuing positions from 2009.

Notes: This legislation does not create or abrogate positions.

- **Do positions sunset in the future?** (If yes, identify sunset date): N/A

Spending/Cash Flow: *This table should be completed only in those cases where part or all of the funds authorized by this legislation will be spent in a different year than when they were appropriated (e.g., as in the case of certain grants and capital projects). Details surrounding spending that will occur in future years should be provided in the Notes section below the table.*

| Fund Name & # | Department | Budget Control Level* | 2009 Expenditures | 2010 Anticipated Expenditures |
|---------------|------------|-----------------------|-------------------|-------------------------------|
| | | | | |



| | | | | |
|--------------|--|--|--|--|
| | | | | |
| TOTAL | | | | |

* See budget book to obtain the appropriate Budget Control Level for your department.

Notes:

- **What is the financial cost of not implementing the legislation?** (Estimate the costs to the City of not implementing the legislation, including estimated costs to maintain or expand an existing facility or the cost avoidance due to replacement of an existing facility, potential conflicts with regulatory requirements, or other potential costs if the legislation is not implemented.)

Many of the services that had been provided by the Sonics cannot be performed by City staff as effectively as private entrepreneurs. Following a request for proposal, AEG was selected as the most competitive firm to assist the Center in providing these services and to help to achieve the financial goals established for KeyArena. If the legislation is not approved, Seattle Center would need to initiate another RFP process or request additional staff and authority to perform these functions.

- **Does this legislation affect any departments besides the originating department?** • If so, please list the affected department(s), the nature of the impact (financial, operational, etc.), and indicate which staff members in the other department(s) are aware of this Bill.

No.

- **What are the possible alternatives to the legislation that could achieve the same or similar objectives?** (Include any potential alternatives to the proposed legislation, such as reducing fee-supported activities, identifying outside funding sources for fee-supported activities, etc.)

The department could solicit other firms to provide Suite management, technical operational services, and promote revenue-generating advertising and sponsorship opportunities in the building. Alternatively, the department could seek funding to hire contractors and/or to acquire and train its own staff to perform these functions. The department could also rely solely on its existing Event Sales staff to book events in KeyArena, foregoing opportunities to partner with a worldwide event promoter in order to find high profile events. All of these options would significantly delay the City's efforts to transition the KeyArena to a post Sonics management structure and have not been considered as effective in reaching the financial goals for KeyArena.

- **Is the legislation subject to public hearing requirements:** (If yes, what public hearings have been held to date, and/or what plans are in place to hold a public hearing(s) in the future.)

No.

- **Other Issues** (including long-term implications of the legislation):



Michael Katz
CEN - AEG FISC
June 16, 2009
Version #1

Please list attachments to the fiscal note below:





City of Seattle

Gregory J. Nickels, Mayor

Office of the Mayor

July 21, 2009

Honorable Richard Conlin
President
Seattle City Council
City Hall, 2nd Floor

Dear Council President Conlin:

I am pleased to transmit the attached proposed Council Bill authorizing a six-year extension of an agreement with AEG Management WA, LLC for marketing, sales, and operational support services at KeyArena. This agreement establishes an important new partnership, which will support Seattle Center's efforts to retain KeyArena as the premier event venue in the Pacific Northwest.

With the departure of the NBA and WHL franchises following the 2007-2008 season, Seattle Center was challenged to develop a new management approach for KeyArena. In the past, the Sonics performed a variety of management tasks including marketing premium seating products (suites and clubs), attracting and servicing sponsorship agreement space, selling advertising in the building, and managing activities such as the arena scoreboard and audio/visual connections. Upon these responsibilities reverting back to Seattle Center when the Sonics moved, the Department analyzed its options and negotiated an agreement with one of the most experienced event management organizations in the world, AEG, which brings extensive facilities management experience and comprehensive knowledge of successful operating models for arena management. Seattle Center will benefit from having such an experienced partner help guide business decisions, attract touring shows, and maximize Key Arena's revenue streams.

KeyArena remains a vibrant multi-purpose facility in our city. The attached agreement authorized by this Bill will support the successful operation of this important community asset. Thank you for your consideration of this legislation. Should you have questions, please contact Tom Israel at 684-7298 or Jyo Singh at 684-7210.

Sincerely,

A handwritten signature in black ink, appearing to read "Greg Nickels", written over a horizontal line.

GREG NICKELS
Mayor of Seattle

cc: Honorable Members of the Seattle City Council

600 Fourth Avenue, 7th Floor, P.O. Box 94749, Seattle, WA 98124-4749

Tel: (206) 684-4000, TDD: (206) 615-0476 Fax: (206) 684-5360, Email: mayors.office@seattle.gov

An equal employment opportunity, affirmative action employer. Accommodations for people with disabilities provided upon request.



1 Passed by the City Council the ____ day of _____, 2009, and
2 signed by me in open session in authentication of its passage this
3 ____ day of _____, 2009.

4
5
6 _____
7 President _____ of the City Council

8 Approved by me this ____ day of _____, 2009.

9
10
11 _____
12 Gregory J. Nickels, Mayor

13 Filed by me this ____ day of _____, 2009.

14
15
16 _____
17 City Clerk

18
19 (Seal)

20 Attachment 1: AGREEMENT FOR BOOKING, MARKETING, SALES AND TECHNICAL
21 OPERATIONS SERVICES FOR KEYARENA AT SEATTLE CENTER BY AND BETWEEN
22 THE CITY OF SEATTLE AND AEG MANAGEMENT WA, LLC
23
24
25
26



123114

FILED
CITY OF SEATTLE
2010 JAN 12 PM 3:37
CITY CLERK

STATE OF WASHINGTON – KING COUNTY

--SS.

245936
CITY OF SEATTLE, CLERKS OFFICE

No. TITLE ONLY

Affidavit of Publication

The undersigned, on oath states that he is an authorized representative of The Daily Journal of Commerce, a daily newspaper, which newspaper is a legal newspaper of general circulation and it is now and has been for more than six months prior to the date of publication hereinafter referred to, published in the English language continuously as a daily newspaper in Seattle, King County, Washington, and it is now and during all of said time was printed in an office maintained at the aforesaid place of publication of this newspaper. The Daily Journal of Commerce was on the 12th day of June, 1941, approved as a legal newspaper by the Superior Court of King County.

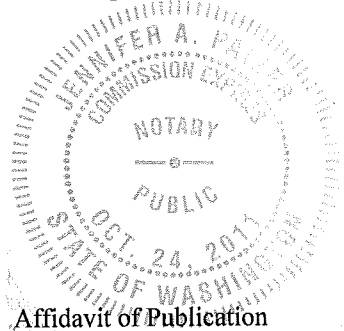
The notice in the exact form annexed, was published in regular issues of The Daily Journal of Commerce, which was regularly distributed to its subscribers during the below stated period. The annexed notice, a

CT:123117-19,21,23,24,26.

was published on

10/14/09

The amount of the fee charged for the foregoing publication is the sum of \$ 106.13, which amount has been paid in full.



Handwritten signature of Pamela Oglesby

Subscribed and sworn to before me on
10/14/09 *Handwritten signature of Notary*

Notary public for the State of Washington,
residing in Seattle

Affidavit of Publication

State of Washington, King County

City of Seattle

TITLE-ONLY PUBLICATION

The full text of the following ordinances, passed by the City Council on October 5, 2009, and published here by title only, will be mailed upon request, or can be accessed

at <http://clerk.ci.seattle.wa.us>. For further information, contact the Seattle City Clerk at 684-8344.

ORDINANCE NO. 123127

AN ORDINANCE appropriating money to pay certain audited claims and ordering the payment thereof.

ORDINANCE NO. 123126

AN ORDINANCE relating to the City Light Department, declaring as surplus and authorizing the Superintendent of the City Light Department to release three (3) easements for electrical service over properties located at 1318 Western Avenue, 12738 33rd Avenue NE, and 14027 Lake City Way NE in Seattle, Washington, and ratifying and confirming certain prior acts.

ORDINANCE NO. 123124

AN ORDINANCE relating to the Seattle Center Department; authorizing the execution of a facility use agreement with Seattle University, for use and occupancy of KeyArena and adjacent areas at the Seattle Center.

ORDINANCE NO. 123123

AN ORDINANCE relating to the Seattle Center Department; authorizing execution of an agreement with Theatre Puget Sound to manage and operate space in the Seattle Center House for use by non-profit arts organizations and individual artists.

ORDINANCE NO. 123121

AN ORDINANCE authorizing the Superintendent of the Department of Parks and Recreation to execute a lease amendment between the City of Seattle and Fu Quan, LLC, a Washington limited liability company, for property located at 800 Maynard Avenue South.

ORDINANCE NO. 123119

AN ORDINANCE relating to the City Light Department; authorizing execution of a 20-year agreement with the King County Wastewater Treatment Division for the purchase of renewable power and environmental attributes of power generated at the West Point Wastewater Treatment Facility and other related agreements that are necessary or convenient to establish and operate the generator interconnection.

ORDINANCE NO. 123117

AN ORDINANCE relating to the Seattle Center Department; authorizing execution of an agreement with AEG Management WA, LLC for AEG to provide certain marketing, sales, technical operations and other services related to KeyArena at Seattle Center.

ORDINANCE NO. 123118

AN ORDINANCE relating to the Seattle Streetcar, authorizing an agreement with the Central Puget Sound Regional Transit Authority for implementation of the First Hill Streetcar Connector Project.

Publication ordered by the City Clerk
Date of publication in the Seattle Daily
Journal of Commerce, October 14, 2009.

10/14(245936)