

ARENA RENOVATION PROJECT TERM SHEET

The intent of this document is to provide an outline of terms for the structuring of a public/private agreement related to the design and renovation of the arena portion of Target Center (“Arena”) in downtown Minneapolis, Minnesota. The terms set forth herein have been developed to provide a framework for a transaction that protects the public’s interest and investment in the Arena while continuing to meet the needs of the Arena operator and the Minnesota Timberwolves and Minnesota Lynx as primary tenants of the Arena.

Parties

The parties to the transaction include the following:

- City of Minneapolis (the “**City**”)
- Minnesota Timberwolves Basketball Limited Partnership (the “**Team**”)
- AEG Management TWN, LLC (“**AEG**”)

Purpose

The parties agree that the principal objectives in undertaking the Arena renovations provided for in this term sheet are to maximize the Arena’s economic and fiscal opportunities to generate revenues for the City of Minneapolis, its operator, AEG, and the Arena’s primary, long-term tenants, the Timberwolves and Lynx, by providing program elements, amenities and design features that make the Arena competitive as a multi-use, family-oriented entertainment venue while meeting the needs of the Arena’s primary tenants and thereby extending the presence of the teams in the Arena and preserving the associated benefits to the City, the State of Minnesota, local jurisdictions and their citizens.

Arena Description

The Arena, which opened in 1990, is a multi-purpose entertainment and professional sports complex located in downtown Minneapolis and is currently operated by AEG through the Amended and Restated Arena Lease, Operating, Management, Use and Assurances Agreement (“**AEG Agreement**”) with the City dated May 2, 2007. In addition, the Team is party to a Basketball Playing Agreement (“**BPA**”) with the City dated March 1, 1995 and an Arena Use Agreement (“**Use Agreement**”) with AEG dated September 21, 2000, which among other things, obligates the Team(s) to play all of its home games at the Arena through 6/30/2025 and sets forth other terms of the Team(s) use of the Arena. A Declaration of Covenants and Easements dated March 1, 1995 (“**Declaration**”) allocates rights and responsibilities between the Arena and the adjacent Health Club parcels.

Arena Ownership

The Arena is owned by the City.

Arena Renovation Plan and Costs

The “preliminary” Arena renovation plan and costs dated January 31, 2013 (collectively, the “**Renovation Plan**”) are more fully described in Attachment A hereto. The Renovation Plan generally calls for the renovation of various premium spaces throughout the Arena, the renovation and upgrade of the concourse, stair wells, circulation and public spaces, and modifications to other equipment and mechanical systems of the Arena as well as a redesign of the entrance(s), ticket office, lobby and facade of the facility. The parties must

undertake various activities, including finalizing the design and construction plans, budget, schedule and financing plan, prior to making the decision to proceed. The final Renovation Plan will be constructed pursuant to a definitive renovation agreement among the parties (the **“Renovation Agreement”**) consistent with the provisions of this term sheet (the **“Project”**). The costs of the Project, which are generally defined in Attachment B (the **“Project Costs”**), will not exceed \$97.0 million, unless otherwise agreed to in writing by the parties (the **“Project Budget”**). The parties agree that the following costs are excluded from the Project Budget and do not constitute Project Costs for purposes of this term sheet: (a) applicable financing costs, (b) the amount of sales taxes to be refunded to the City as provided in the sales tax exemption identified below; (c) internal administration and in-house legal expenses incurred by any party; and (d) fees and expenses of outside legal counsel and other consultants independently engaged by any party for its sole representation, which fees and expenses will be paid by the party engaging such outside legal counsel or consultant.

Contingent Renovation of Administrative Office Space

The Team may vacate the administration office space portion of the Team’s Leased Premises, as defined in the BPA (the **“Administrative Office Space”**), prior to completion of the Renovation Plan. The parties acknowledge and agree that such Administrative Office Space would be suitable for development as additional club space, retail use or other mixed uses consistent with the overall Renovation Plan. The parties agree that if (a) the Team vacates the Administrative Office Space during the pendency of the Project, and (b) the parties have agreed upon the reuse plans and an allocation of the new revenues, the City and Team will equally contribute, assuming equal opportunities for benefit from the renovated space, an agreed upon amount not to exceed \$1.0 million individually, or \$2.0 million in the aggregate, to the Project, which funds will increase the Project Budget and be used exclusively for the agreed upon improvement costs for the redevelopment of the Administrative Office Space (**“Additional Project Contribution”**). Once the City and Team agree, in writing, to make the Additional Project Contribution, each party’s **“Percentage Share”** of the **“Project Funding”** (as such terms are defined below under the heading **“Funding Plan”**) will be adjusted, as required, to give effect to the agreed upon amount for the Additional Project Contribution. The parties intend that the design and construction of improvements to the vacated Administrative Office Space, if applicable, will be managed in the same manner as the other Arena renovations for the Project, as described in more detail below under the heading **“Design & Construction Management.”**

Funding Plan

The City will finance the Project Costs, currently contemplated at \$97.0 million, plus applicable financing costs, through the issuance of bonds (or other sources) (the **“Project Funding”**). The repayment of principal and interest for the Project Funding will assume a financing term equal to the extended terms of the BPA and AEG Agreement and responsibility for repayment will be allocated among the parties based on the following percentages (each, a **“Percentage Share”**):

- The City is responsible for **50.0 percent of the Project Funding** (approximately **\$48.5 million, on a present value basis, assuming \$97 million in Project Costs, plus 50 percent** of the costs related to the financing);
- The Team is responsible for **44.3 percent of the Project Funding** (approximately **\$43.0 million, on a present value basis, assuming \$97 million in Project Costs, plus 44.3 percent** of the costs related to the financing);
- AEG will pledge and convey the first \$450,000 in Specified Revenues (as defined under "Specified Revenues" below) for use, in part or aggregate, to fund **5.7 percent of the Project Funding** (approximately **\$5.5 million, on a present value basis, assuming \$97 million in Project Costs, plus 5.7 percent** of the costs related to the financing).

For purposes of determining the present value rate, prevailing market rates for a taxable City general obligation financing with a final maturity in 2032 will be used.

Team Contribution

The Team will make payments to the City, commencing on a date to be determined based on the terms and timing of the Project Funding, and continuing through 2032, which payments in the aggregate will equal 44.3 percent of the Project Funding as a renovation payment.

The definitive financing agreement for the Project Funding (the "**Financing Agreement**") between the City, the Team and the Team's general partner (the "**General Partner**") will, among other things, provide for semiannual payments by the Team, which payments will be in amounts proportionate to the Team's Percentage Share of the City's debt service payments then being paid as set forth in a schedule attached to the Financing Agreement (each a "**Team Payment**"). Each Team Payment shall be due 15 days in advance of the scheduled date for the City's debt service payment ("**Team Due Date**"). Any Team Payment not received by the City on or before the Team Due Date will constitute a default of the Team's payment obligations under the Financing Agreement (a "**Payment Default**"). If a Payment Default occurs, then the City has the right to immediately make a draw from the Letter of Credit or Reserve Fund (as such terms are defined below) in an amount equal to the Team Payment then in default.

To secure the Team's payment obligations under the Financing Agreement, the Team (or its General Partner) will, prior to and as a condition of the City issuing the Project Funding, arrange for one of the following forms of security, as selected by the Team (or its General Partner), with effect from and after the date of issuance:

(i) Provide a Standby Letter of Credit, surety bond or other form of financial guarantee (the "**Letter of Credit**"), in a form, and from a financial institution, acceptable to the City, whose acceptance shall not be unreasonably withheld, in an amount equal to the maximum sum of the Team Payments in any annual period (the "**LC Requirement**"). The City will only accept a Letter of Credit that, among other things, provides for immediate availability of funds in the event of a Payment Default and has a mechanism for replenishment. The Letter of Credit shall remain in place until the earlier of (i) the expiration of the term of the Project Funding; (ii) the prepayment of the unpaid principal balance of the Team's Percentage Share; or (iii) the City's decision to eliminate such security requirement. If the Letter of Credit is drawn upon, it must be replenished to the LC Requirement within 30 days after the draw. Failure to maintain the Letter of Credit or replenish the Letter of Credit if drawn upon will constitute an event of default under the Financing Agreement and will trigger acceleration of the Team's payment obligations under the Financing Agreement.

OR

(ii) Deposit into an escrow account directed by the City (the "**Reserve Fund**") cash in an amount equal to the maximum sum of the Team Payments in any annual period (the "**Reserve Requirement**"). The Reserve Fund shall remain in place until the earlier of (i) the expiration of the term of the Project Funding; (ii) the prepayment of the unpaid principal balance of the Team's Percentage Share; or (iii) the City's decision to eliminate such security requirement. If the Reserve Fund is drawn upon, it must be replenished to the Reserve Requirement within 30 days after the draw. Failure to maintain the Reserve Fund or replenish the Reserve Fund if drawn upon will be an event of default under the Financing Agreement and will trigger acceleration of the Team's payment obligations under the Financing Agreement.

The security requirement provided for in the Financing Agreement will be subject to regular review by the City (at least once every three years) and, following any such review, the City, in its sole discretion, may elect to reduce or eliminate the security requirement for the remaining term of the Project Funding. The Financing Agreement will also provide that prepayment of the unpaid principal balance of the Team's Percentage Share and corresponding financing costs (sufficient to make City whole) may be made, in whole or in part, at any time, without penalty, upon written notice to the City five (5) days in advance of any Team Due Date. If (i) the City elects to reduce or eliminate the security requirement or (ii) the Team prepays the unpaid principal balance of its Percentage Share and corresponding financing costs, the City shall immediately arrange for the release or return of all or a portion of the security, as appropriate.

Further, until the Team's obligations under the Financing Agreement are satisfied, the Team will seek the City's consent to a Transfer, as defined in Section 8.01 of the BPA, of (i) a controlling ownership interest in the Team or General Partner or (ii) the General Partner's ownership interest in the Team,

which consent shall not be unreasonably withheld, conditioned or delayed, subject to the transferee or transferees ability to provide security, in form and substance reasonably acceptable to the City's Finance Officer, for that portion of the Team's payment obligations remaining under the Financing Agreement at the time of such Transfer. A Transfer that has not been approved by the City may trigger acceleration of the Team's renovation payment obligations under the Financing Agreement. The parties recognize that for such a Transfer to occur the Team must also obtain NBA approval, which approval, in part, will be subject to the intended transferee having demonstrated its financial capacity to serve as an NBA franchise owner. Notwithstanding the foregoing, the provisions of Article VIII of the BPA remain in full force and effect.

The City's obligation to issue the Project Funding will be conditioned upon a determination by the City's Finance Officer that the Team and its General Partner possess the financial capacity to adequately perform and secure the Team's payment obligations under the Financing Agreement. Further, the Financing Agreement will require compliance by the Team and its General Partner with on-going annual financial reporting requirements and covenants intended to protect the City for the term of the Project Funding. To the extent permitted by law, financial information of the Team and/or the General Partner made available for review by the City shall be treated confidentially and shall be treated as nonpublic data as defined in the Minnesota Government Data Practices Act, Minnesota Statutes, Section 13.01 et seq. (the "**Data Practices Act**"). The Team acknowledges that only certain categories of financial information about a business seeking financial assistance or benefit constitute nonpublic data under the Data Practices Act.

AEG Contribution

AEG will pledge and convey the rights to the first \$450,000 in Specified Revenues under the Use Agreement and related revenue sharing agreements with the Team, commencing on a date to be determined based on the terms and timing of the Project Funding, and continuing through 2032, which payments will be used by the City, in part or in the aggregate, to fund 5.7 percent of the Project Funding. The Renovation Agreement will include a provision requiring the sharing of revenues between the Team and AEG in a manner to ensure AEG's ability to meet its pledge obligations to the City. The Specified Revenues pledged and conveyed to the City, as set forth above, will not constitute an "Arena Revenue" that gets taken into account in the calculation of Operating Support, Maximum [City] Reimbursement Amount and Revenue Sharing Fees under the AEG Agreement nor will it be included in "earnings" for purposes of computing earnings before interest, taxes, depreciation and amortization ("EBITDA") under the AEG Agreement. Any Specified Revenues in excess of \$450,000 annually would constitute Arena Revenues that flow into the City/AEG Operating Support and Revenue Sharing formulas and included in the "earnings" for purposes of computing EBITDA per the AEG Agreement.

Specified Revenues

“Specified Revenues” shall mean revenues through AEG’s revenue sharing agreements with the Team, that are incremental (directly or indirectly) to the existing revenues generated from each category as set forth below:

Incremental Naming Rights - Any new Naming Rights agreement(s) entered by or on behalf of the Team throughout the extended terms of the BPA and AEG Agreement (see “Extension of the BPA and AEG Terms” below) shall continue, at a minimum, the revenue sharing agreement by the Team and AEG based on the same formula set forth in the Letter Agreement between the Team and AEG dated January 28, 2011. Any additional revenues received by AEG above the revenues received by AEG as a part of the January 28, 2011 Letter Agreement, based on the aforementioned revenue sharing formula, shall be included in the calculation of Specified Revenues.

Outdoor Digital Signage Rights - The Team and AEG, with City approval, will agree on a split of revenue, and related expenses, generated by/from any Outdoor Digital Signage at the Target Center throughout the extended terms of the BPA and AEG Agreement. Any revenues received by AEG, based on the aforementioned revenue sharing formula, shall be included in the calculation of Specified Revenues.

Expanded Skyway/Box Office Lobby Sponsorship - The Team and AEG, with City approval, will agree on a split of revenue, and related expenses, generated by/from Expanded Skyway/Box Office Lobby Sponsorship opportunities at the Target Center. Any revenues received by AEG, based on the aforementioned revenue sharing formula, shall be included in the calculation of Specified Revenues.

The Team and AEG will use best efforts to maximize revenue and the sale of the Specified Revenues.

State/City Sales Tax Exemption

The State and City have provided a sales tax exemption on Arena construction related to the Project as set forth in 2012 Minnesota Statutes §297A.71, Subd. 44. As provided for under this sales tax exemption, the City has sole responsibility to apply for refunds of sales tax collected in the manner provided in 2012 Minnesota Statutes §297A.75.

Design & Construction Management

Design Group Responsibilities

The design and construction of the Project will be a collaborative effort in which each party has full access to all design and construction information for the Project, subject to satisfying any confidentiality requirements in Laws 2013, chapter 143, article 4, section 43. The City and the Team will establish an Arena design group consisting of six (6) members (the “**Design Group**”) not more than thirty (30) days after City Council approval of the term sheet for the Project. The City and the Team will each appoint three (3) individuals to serve as members of the Design Group. One of the members of the Design Group appointed by the City will be an AEG representative designated by AEG. Except as otherwise provided herein, any approval, recommendation or other decision of the Design Group provided for or otherwise contemplated herein shall mean that such action has received the affirmative vote of at least 4/6ths of the members of the Design Group.

The City will designate a project manager to coordinate the Project.

The Design Group, in regular consultation with the City, AEG and the Team, will manage the following aspects of the Project:

- Approve, by unanimous vote of the Design Group, for engagement by the City, an experienced Owner's Representative to assist the Design Group in the management of the Project
- Program development
- Budget development
- Schedule development
- Solicitation and selection of an architect and other consultants (“**Design Team**”)
- Approve, by unanimous vote of the Design Group, for engagement by the City, outside legal counsel and other professional advisors for the Project
- Direction of the Design Team in the preparation of design documents
- Site development, including parking and infrastructure
- Determination of the contracting structure and guaranteed maximum price (“**GMP**”) process, including participation in any value engineering decisions to achieve a GMP consistent with the overall Project Budget and generally consistent with the allocation among basketball, multi-use and common improvements identified in the Renovation Plan.
- Compliance with City-established goals for construction contracts or subcontracts to be awarded to women and minority owned businesses (Note: MDCR typically sets goals per MCO c. 423)
- Compliance with City-established construction workforce utilization goals (Note: MDCR’s usual goals are 6% women, 32% minority)
- Solicitation and selection of construction manager
- Application for requisite permits and approvals
- All other material aspects of the Project design and construction until a

binding and acceptable GMP agreement is signed

The definitive agreements entered into by the City with the selected design and construction professionals will include provisions giving Team-designated representatives access to all Project information and the ability to be present at and participate in all Project-related meetings and other briefings during all phases of design, development and construction of the Project, to the extent practicable.

Minimum Design Standards

The Design Group shall establish minimum design and program standards to be incorporated into the construction of the Project, which are based on the Renovation Plan described in Attachment A ("**Minimum Design Standards**"). The Design Group shall work together to minimize Project Costs while maintaining or exceeding the Minimum Design Standards. If the Design Group is unable to agree on any aspect of the Minimum Design Standards, the Design Group shall attempt to resolve any dispute through discussions between a senior representative of each party, which discussions shall occur as soon as conveniently possible, but in no event later than five (5) days after the request for such a meeting by the Design Group. If, within ten (10) days after such a meeting, the senior representatives determine that the dispute cannot be resolved on terms satisfactory to the parties or for any other reason the parties decide not to proceed with the Project, no party will have any obligation or liability to the other party, except that the City shall be promptly reimbursed by the Team for its proportionate share of the costs identified in Attachment C (the "**Reimbursable Costs**") that were incurred by the City from the date of the first meeting of the members appointed to serve on the Design Group is held (the "**Design Group Formation Date**") through the date the decision not to proceed is made. The proportionate share of Reimbursable Costs to be paid to the City by the Team will be determined by multiplying the total amount of the Reimbursable Costs by the same Percentage Share used for the Project Funding.

The City and the Team acknowledge that during the development of the final renovation plans for the Project certain decisions will be necessary regarding specific components of the renovations and in the course of such process the Project Budget will be equitably adjusted, as necessary, in a manner consistent with the Minimum Design Standards to achieve the Project objectives. The parties agree to cooperate in such process with a view toward finalizing the Project design, budget and schedule as soon as reasonably practicable.

The City, in accordance with Section 5.9 of the AEG Agreement, will consult with AEG regarding the Project and coordinate the construction work schedule with AEG so as not to unreasonably interfere with prior, scheduled events at the Arena.

Architect

The Design Group will develop an RFP for the solicitation of a Project architect(s) consistent with City procurement requirements. After reviewing the submissions to the RFP and conducting interviews of the firms, if determined to be appropriate, and negotiation of the terms of a potential contract, the Design Group will make a recommendation(s) to the City Council as to the Project architect. The City Council will make the final selection of the Project architect from such recommendation(s) and enter into a professional services agreement with the selected firm to provide architectural services for the Project ("**Architectural Services Agreement**").

The Team shall be expressly designated as a third party beneficiary of all obligations and responsibilities undertaken by the architect in the Architectural Services Agreement, entitled to fully enforce the terms thereof, subject to an agreement by the Team to defend, indemnify and hold harmless the City from any claims, damages or costs, including attorney's fees, solely arising out of the exercise by the Team of said third party beneficiary rights.

The Team will have the right to approve the Architectural Services Agreement, such approval shall not be unreasonably withheld and is to be limited to confirming that such agreement conforms in all material respects to the terms herein.

Construction Manager

The Design Group will develop an RFP consistent with City procurement requirements for the solicitation of a Project construction manager at risk ("**CMaR**"). After reviewing the submissions to the RFP and conducting interviews of the firms, if determined to be appropriate, and negotiation of the terms of a potential contract, the Design Group will make a recommendation(s) to the City Council as to the Project CMaR. The City Council will make the final selection of the Project CMaR from such recommendation(s) and authorize the City to enter into a construction manager agreement with the selected firm to provide pre-construction services during the design phase and, subject to agreement on the GMP, construction services for the Project once the decision to proceed with construction has been made. The parties agree that the same solicitation, selection and approval process will be utilized for any scope of work excluded from such construction manager agreement and being contracted for under a separate agreement.

Decision to Proceed

The final design, budget, and schedule for the Project (collectively, referred to herein as the "**Arena Construction Plans**"), which shall be consistent with the Minimum Design Standards, require a recommendation from the Design Group and will be promptly submitted to the City and the Team for approval, which approval either party may grant or deny in its sole discretion. If the parties do

not approve the Arena Construction Plans or the bids or GMP exceed the Project Budget or a plan of financing for the Project cannot be obtained on terms satisfactory to the City and the Team or the parties for any other reason decide not to proceed with construction, the City shall be promptly reimbursed by the Team for its Percentage Share of expenditures towards Reimbursable Costs identified in Attachment C that were incurred by the City from the Design Group Formation Date through the date the decision not to proceed is made.

The "Go Ahead" decision for the Project will be made upon negotiation of a GMP agreement with the CMaR consistent with the approved Arena Construction Plans, subject to the City's approval of an acceptable plan of financing with payment terms satisfactory to the Team.

Construction

Provided the City and Team have signed a "Go Ahead" letter setting forth their approval of the Arena Construction Plans, and subject to execution and delivery of the amendments contemplated below and approval of the bond or other financing contemplated in the finance plan, the City will sign a GMP agreement with the selected firm (the "**Construction Contract**"). Upon execution of the Construction Contract, the construction phase shall commence.

The Construction Contract shall contain provisions for significant penalties in the event the contractor deviates from the Arena Construction Plans or does not achieve timely completion in accordance with the Project schedule. Further, the Construction Contract shall contain provisions requiring adherence to the City's Project goals for work to be awarded to women and minority owned businesses in a percentage at least equal to the minimum used for other City development projects and achievement of workforce utilization goals at least equal to current City goals. In addition, the Team shall be expressly designated as a third party beneficiary of all obligations and responsibilities undertaken by the CMaR in the Construction Contract, entitled to fully enforce the terms thereof, subject to an agreement by the Team to defend, indemnify and hold harmless the City from any claims, damages or costs, including attorney's fees, solely arising out of the exercise by the Team of said third party beneficiary rights.

The Team will have the right to approve the Construction Contract, such approval shall not be unreasonably withheld and is to be limited to confirming that such agreement conforms in all material respects to the Arena Construction Plans.

The City's project manager and the Owner's Representative for the Project, in regular consultation with the Design Group, will manage the construction of the Project. Subject to unavoidable delays, the City:

- Will construct the Project in a manner consistent with the approved Arena

Construction Plans,

- Will procure furniture, fixtures and equipment (FF&E) for the Project consistent with the approved Arena Construction Plans.

During the construction phase, any change to the Minimum Design Standards must be approved by a unanimous vote of the Design Group. Any other changes that would result in a cost increase or decrease to the Arena Construction Plans in excess of \$50,000, including value engineering decisions, will be presented to the Design Group for review and comment, but the City shall have the right to make the final decision, as the City is responsible for cost overruns, provided, however, that in no event will the City be obligated to incur costs in excess of the approved GMP nor will any deviation from the Minimum Design Standards be permitted without the unanimous approval of the Design Group.

The parties agree that, during the construction phase of the Project, any disputes between the parties relating to the Renovation Agreement will be resolved in an expeditious manner, which may include the use of expedited dispute resolution procedures set forth in the Renovation Agreement, and will not be grounds to stop construction.

Costs Overruns/Savings

The City will not approve changes to the Project that cause cost overruns associated with the Project, except to the extent the party requesting the change is responsible for the additional cost and for the mitigation of the negative impact, if any, on the other previously agreed to elements of the Arena Construction Plans. In accordance with the "Cost Savings" provisions set forth below, to the extent cost savings applicable to a requested design change are available, such cost savings may be applied to the additional cost for such change.

Cost Savings

If the actual construction costs of the Project are less than the GMP, the cost savings shall be used (1) first, to fund a list, if any, of agreed upon alternatives for additional amenities and design features and (2) second, once the agreed-upon items in (1) have been fully funded, to fund other program elements, amenities and design features as follows:

- (a) To the extent such cost savings relate to improvements primarily benefiting the Team, as designated in the Minimum Design Standards ("**Basketball Improvements**"), such amount shall be used exclusively to fund program elements, amenities and design features that are consistent with other comparable NBA arenas as requested by the Team;
- (b) To the extent such cost savings relate to improvements primarily

benefiting the Arena as a multi-use venue, as designated in the Minimum Design Standards (“**Multi-use Improvements**”), such amount shall be used exclusively to fund program elements, amenities and design features that are consistent with industry standard for other comparable multi-use venues as requested by the City; and

- (c) To the extent such cost savings relate to improvements benefiting the Arena as a whole, as designated in the Minimum Design Standards (“**Common Improvements**”), such amount shall be divided equally and applied to any unfunded program elements, amenities and design features for Basketball Improvements and Multi-use Improvements, as the case may be,

provided, however, that all cost savings must be spent towards renovations for the Arena.

Extension of the BPA and AEG Terms

As a condition precedent to issuance of the bonds (or other source of funding) for the Project, the Team agrees to amend the current BPA to extend the current term of the agreement for an additional seven (7) years to the later of 6/30/2032 and the end of the extant professional basketball season, based on the existing terms except as modified as a part of the Renovation Agreement (“**Extended Team Term**”). The parties acknowledge that the Team is a constituent member of the NBA, and, as such, is subject to the NBA rules and regulations which are applicable to all NBA-franchised teams (“**NBA Rules**”). Under NBA Rules, the BPA amendment must include the following: “This agreement is subject to the Constitution and By-laws and all rules, regulations and agreements of the NBA as they presently exist or as they may, from time to time, be entered into, amended or adopted”; provided, however, that such NBA Rules will not impose additional costs on the City or AEG, grant additional termination rights to the Team, interfere with contractual arrangements or other uses, or be contrary to law. The Team is responsible for seeking the requisite approvals from the NBA with respect to the amended BPA. Further, the Lynx will continue to play at the Arena throughout the extended term of the BPA; this may be either upon the same terms and conditions provided for in the current use agreement between the Team and AEG (the “**Lynx Use Agreement**”) or such other modified terms and conditions as may be agreed upon from time to time. If, at any time during the extended term of the BPA, the Team and AEG are unable to reach mutual agreement on such modified terms and conditions, then all of the terms and conditions, in the form most recently agreed to, will continue to apply until mutual agreement is reached on all modifications then being requested. As a condition precedent to the issuance of the bonds for the Project, the Team and AEG agree to amend the Lynx Use Agreement to extend the term thereof for a period coterminous with the amended BPA and provide a copy of the amended agreement to the City.

As a condition precedent to issuance of the bonds (or other source of funding) for the Project, AEG will amend the current AEG Agreement to extend the current term of the agreement for an additional seven (7) years to the later of 6/30/2032 and the end of the extant professional basketball season, based on the existing terms except as modified as a part of the Renovation Agreement ("Extended AEG Term").

In connection with AEG's agreement to extend the term of the AEG Agreement, the City and AEG will agree to the following additional amendments to the AEG Agreement:

- (a) The annual Maximum [City] Reimbursement Amount (Schedule 4.1.2 of the current AEG Agreement) shall be set at the 2012 level of \$1,500,000 for the duration of the Extended AEG Term.
- (b) The City shall accelerate the payment of the unamortized balance of AEG's Capital Investment under section 5.7 of the current AEG Agreement by removing it from "Arena Expenses" and paying it from an independent source. Such payment will occur in 2014 and 2015, based upon a reimbursement schedule mutually agreed upon (as between the City and AEG) as to date and amount.
- (c) AEG will modify its termination option in section 18.1(e)(i) and (ii) of the current AEG Agreement, such that AEG may terminate the AEG Agreement only if (i) for calendar years 2022, 2023 and 2024, the aggregate sum of the Arena's earnings before interest, taxes, depreciation and amortization ("EBITDA") (before deduction of any Revenues Sharing Fees to AEG) is a negative amount the absolute value of which is equal to or greater than the aggregate sum of the Maximum [City] Reimbursement Amounts (i.e., \$4,500,000) plus \$500,000, and (ii) for calendar years 2022, 2023 and 2024, the annual Arena's EBITDA (before deduction of any Revenues Sharing Fees to AEG) is a negative amount the absolute value of which for at least two of those years is equal to or greater than the Maximum [City] Reimbursement Amount (i.e., \$1,500,000) plus \$100,000 for each of those same years. Section 18.2.3 shall be revised accordingly.
- (d) City will modify its termination option in section 18.12(a)(i) and (b)(i), such that City may terminate the AEG Agreement only if (i) for calendar years 2022, 2023 and 2024, the aggregate sum of the Arena's EBITDA (before deduction of any Revenues Sharing Fees to AEG) is a negative amount the absolute value of which is equal to or greater than the aggregate sum of the Maximum [City] Reimbursement Amounts (i.e., \$4,500,000) plus \$500,000, and (ii) for calendar years 2022, 2023 and 2024, the annual Arena's EBITDA (before deduction of any Revenues Sharing Fees to AEG) is a negative amount the absolute value of which for at least two of those years is equal to or greater than the Maximum [City] Reimbursement Amount (i.e., \$1,500,000)

plus \$100,000 for each of those same years. Section 18.13.1 shall be revised accordingly. Section 18.12(a)(ii) and (b)(ii) shall remain unchanged.

- (e) During the construction period of the Arena Renovation Project, the City will reimburse AEG for any loss that AEG incurs related to that year's EBITDA after applying the Maximum [City] Reimbursement Amount that are mutually agreed upon between the City and AEG as directly attributable to construction during the renovation period ("**Business Interruption Loss**").
- (f) After the completion of the Arena Renovation Project, the City agrees that if there is a material increase on an annual basis and incurred on a sustained basis in an operating expense item (i.e. utilities) that is directly attributable to the renovation and not a result of increased activities at the Arena, that the City would consider modification to the Maximum [City] Reimbursement Amount to reflect such material and sustained change in that expense item.
- (g) AEG will extend the existing parent guaranty through 2032 or provide other suitable security for its funding obligations as a part of the Project Funding.

Capital Improvements Expenditures

The City will expend not less than \$50 Million to make capital improvements, as defined in the BPA, that are necessary to extend the Arena's useful life for its intended purposes throughout the extended lease term of the BPA (i.e., June 30, 2032)(the "**Capital Improvements Expenditure(s)**"). The parties intend that Capital Improvements Expenditures will be made during the extended BPA lease term as follows: \$6.25 Million will be available for expenditure during the five (5) year period beginning on the start date of Project construction; \$18.75 Million will be available for expenditure during the period commencing five (5) years from the start date of Project construction and ending on the 10th anniversary of the start date of construction; \$18.75 Million will be available for expenditure during the period between the 10th and 15th anniversaries of the start date of construction, and the remaining \$6.25 Million will be available for expenditure during the final years of the extended BPA lease term. Notwithstanding the foregoing, the parties acknowledge that the actual timing of expenditures may vary. If any funds are unspent during any five (5) year period, they will carry-over and be available for expenditure in any subsequent period.

The parties agree that the capital improvement requirements set forth in Section 10.01 of the current BPA and Section 5.1 of the AEG Agreement will be deleted and the balance of Articles X and V, respectively, shall be amended to conform with the Capital Improvements Expenditures provisions set forth herein.

Capital Improvements Expenditures Implementation Process

During the extended term of the BPA and AEG Agreements, the City will manage, in coordination with the Design Group, the short and long-term capital improvements program for the Arena in accordance with the following principles established by the parties:

- None of the Capital Improvements Expenditures shall be used for any routine maintenance and repairs to the Arena, the cost of which shall remain AEG's sole responsibility, as provided for in Section 4.9 of the AEG Agreement, throughout the extended term thereof.
- \$25 million of the Capital Improvements Expenditures will be used to fund the costs of capital improvements to major systems, building exterior, roof and other structural components of the Arena (collectively, "**Building Improvements**").
- \$25 million of the Capital Improvements Expenditures will be used to fund the costs of capital improvements of the type identified in Attachment D, including the cost of other capital improvements in the categories listed in Item 10 of Attachment D, which are from time to time recommended by the Design Group and cannot now be identified but are consistent with amenities generally available in public facilities at the time such recommendations are made (collectively, "**Multi-Use and Basketball Improvements**").
- In no event will the Capital Improvements Expenditures be used for Multi-Use and Basketball Improvements to the Team's Leased Premises.

Any proposed Capital Improvements Expenditures for Multi-Use and Basketball Improvements shall require a recommendation from the Design Group and will be submitted to AEG and the City for approval, which approval will not be unreasonably withheld, conditioned or delayed. It is reasonable for the City to consider material increases in maintenance costs, allocation of responsibility for maintenance, repair, or replacement costs and expected useful life, among other things, in determining whether to approve a recommended Capital Improvements Expenditures.

The City may undertake Capital Improvements Expenditures for Building Improvements that it determines in its sole discretion are necessary or desirable, provided that, without the prior written consent of the Team or AEG, the City will not make Building Improvements which (a) materially increase the operating expense of the Arena to the material detriment of the Team or AEG or (b) otherwise materially impair the Team's rights or materially increase the Team's obligations under the BPA or materially impair AEG's rights or materially increase AEG's obligations under the AEG Agreement, without offsetting benefit to the Team or AEG, respectively. Before undertaking a Capital Improvements Expenditure for Building Improvements, the City will consult with the Design Group concerning the proposed improvements and the need

for, purpose, cost, schedule and operating impacts thereof. Provided, however, the City may proceed with any Building Improvements without consultation if such improvements are of an emergency nature or cost in the aggregate less than Three Hundred Fifty Thousand Dollars (\$350,000).

The City will designate a Contract Administrator to oversee the process for approving and implementing Capital Improvements Expenditures.

The City will cause approved capital improvements work to be performed and such work will be completed in a good workmanlike and prompt manner. After Capital Improvements Expenditures of \$25 million have been made by the City for Multi-Use and Basketball Improvements, either the City or the Team may, but neither is obligated to, make at its own expense additional Multi-Use and Basketball Improvements, subject, in the case of the Team, to obtaining the prior written consent of the City and AEG.

Capital Needs Assessment

At least once every five (5) years following completion of the Project, the City's Contract Administrator, in consultation with the Design Group, will cause a qualified firm or firms to conduct a facility needs assessment for Arena capital repairs and improvements. The Design Group, with respect to Multi-Use and Basketball Improvements, and the City, with respect to Building Improvements, will consider the feasibility and desirability of the recommendations set forth in such assessment in making its recommendations or decisions for Capital Improvements Expenditures. The cost of any such facility needs assessment shall be deemed to be a Capital Improvements Expenditure.

Valet & Reserved Parking

The City, in consultation with AEG, will work with the Team to identify, accommodate and secure enhancements/additional opportunities for Valet & Reserved Parking beyond those currently being utilized at the Target Center, including the following:

- Parking spaces for up to 150 valet-parked vehicles in Ramp A;
- Space within Ramp A sufficient to operate a new valet drop off and pick up service to be located adjacent to the entrance to the new skyway access to the Arena;
- Parking spaces in Ramp A for any additional parking requested by the Team.
- It is understood that City parking services will work with the Team to accommodate parking needs, but that spaces for additional valet parking will not be as convenient as the current 90 valet spaces, parking services cannot provide designated spaces, any guaranteed number of spaces will be at market rates, including areas for valet services, and the arrangements will be documented through validation accounts.

**Annual Team Rent/Property
Tax Payments**

Laws 2013, chapter 143, article 4, section 42 authorizes property tax exemption of the Arena, effective upon local approval. Currently, the Arena is subject to personal property tax. Whether or not the parties proceed with the Project, the BPA will be amended to provide that, if the City Council approves the special legislation that exempts the Arena from property tax, then commencing in 2014 the Team agrees to pay the City rent in the fixed amount of \$1,350,000 per annum inflating at 2.0 percent each year for the remaining term of the amended BPA ("**Fixed Rent**"). Notwithstanding the foregoing, the City agrees that, for each of 2015 and 2016, it will set the annual rent payment at \$1,350,000 and waive collection of the 2.0 percent inflation amount in those two years. Commencing in 2017, Fixed Rent will be in the amount of \$1,432,631 inflating at 2.0 percent each year thereafter for the remaining term of the amended BPA.

The AEG Agreement shall also be amended to provide that Fixed Rent shall NOT be included in the definition of the "Arena Revenues" in the AEG Agreement.

If the City Council does not approve the special legislation that exempts the Arena from property tax, as a condition precedent to issuance of the bonds for the Project, the parties' agree to work together to make equitable adjustments to the Renovation Plan, as necessary, to fund the difference between the amount of Fixed Rent and estimated property tax increases that are expected to result upon completion of the Arena improvements contemplated in the Renovation Plan, or, alternatively, the parties may seek another funding source for such difference.

Damages for Breach

The Team agrees to increase the amount in Section 7.03 of the BPA for breach by the Team to \$50 million. This increase shall become effective as of the date the parties make the decision to proceed with the Project as contemplated in this term sheet and shall remain at \$50 Million throughout the remainder of the extended term of the BPA. As a condition precedent to issuance of the bonds for the Project, the BPA will be amended accordingly.

Team Sale

As used herein, the term "Sale" means the sale, transfer, conveyance or other disposition of (i) any controlling ownership interest in the Team by the current owner(s) thereof or (ii) the General Partner's ownership interest in the Team, whether consummated as a single transaction or a series of transactions, except that certain direct or indirect transfers of ownership interests in the Team as described below shall not be treated as a Sale for any purpose under the agreement.

In the event a Sale occurs during the period beginning on the execution date of the Renovation Agreement for the Project (the "**Agreement Date**"), the Team or the selling General Partner, as the case may be, will be obligated to pay the City an amount equal to a certain percentage of the gross sales price, as specified below, resulting from a Sale (the "**Team's Sale Percentage**") multiplied by the aggregate amount of the City's contemplated investment in

the project, which is currently assumed to be \$48.5 million (the “**City’s Project Investment**”). The obligation to pay the Team’s Sale Percentage shall apply to any Sale in which the gross sales price received by the Team or the selling General Partner, as the case may be, is at least \$450 million, which amount shall increase annually by 5 percent on the anniversary of the Agreement Date.

During the first 12-month period following the Agreement Date, the Team’s Sale Percentage will be equal to 20 percent of the City’s Project Investment. The Team’s Sale Percentage will be reduced by 5 percentage points upon each anniversary of the Agreement Date until the amount of the Team’s Sale Percentage is reduced to zero. By way of example, if the gross sales price is \$500 million and the Sale occurs within the 12-month period following the Agreement Date, the Team’s Sale Percentage would be equal to \$9.7 million (20 percent of \$48.5 million).

The Renovation Agreement will provide exceptions for (1) sales to members of the owner's family and entities and trusts beneficially owned by family members, (2) sales to employees of equity interests aggregating up to 10 percent, and (3) sales related to capital infusions not distributed to the owners. The agreement will also provide an exception for any direct or indirect transfer or other disposition of ownership interests in the Team following the death of the General Partner of the Team. The parties agree that any exempt transfer shall not be treated as a Sale for any purpose under the agreement.

The AEG Agreement shall also be amended to provide that any revenues associated with the Team Sale provision shall NOT be included in the definition of the “Arena Revenues” in the AEG Agreement.

Governing Law

The Renovation Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota.

Headings

The headings contained in the Renovation Agreement will be for convenience only, do not form a part of the terms of the agreement, and may not be used to aid in interpretation of the agreement.

Drafting of Agreement

The parties agree that the Renovation Agreement will be jointly drafted between them. Therefore, any interpretation of any ambiguity shall not be construed against one or the other.

Nonbinding

No party will have any obligations or liability relating to this term sheet document or to any verbal or written negotiations. The parties have the right to cease discussions and negotiations at any time and for any reason before execution of the Renovation Agreement contemplated herein.

Attachment A:
Arena Renovation Project Plan and Cost
 January 31, 2013

	<i>Final Budget</i>
Back of House - Level 1 Marshaling, Production Offices, laundry and Security; Level 4 & 5 Storage	\$3,856,056
Back of House - Relocation of Show Operations; Stage; Back Stage,, Extending Grid and Changes to Marshaling	\$1,400,000
Building Operations - Level 2 New Offices; Level3 Operations	\$148,433
Food Service - Level 1 Tour/In-house Catering; Level 3 Food Court 7 Vending; Level 4 Event Food/Beverage; New Level 5 Concessions	\$1,250,000
Horizontal Circulation - Level 1 Box Office, Lobbies, Vestibules and Corridors; Level 2 Skyway Corridors; Level 3 Lower Concourse; Level 4 Suite Corridors; Level 5 Upper Concourse	\$11,221,794
Horizontal Circulation - New Skyway at Skyway Level	\$1,900,000
Premium Spaces - Level 1 Courtside & New Club, Kitchen' VIP Lobby and Toilet Rooms; Level 2 New Club/Banquet, Kitchen and Toilet Rooms; Level 4 Treasure Island Club & Club; Level 5 Premium Spaces - Sponsor Zone/Bar and 1,000 premium seats	\$11,709,596
Suites - 2 Party Suites, 4 large corner suites, 32 standard Suites	\$2,220,018
Team Facilities - Level 1 Twelves/Lynx Locker Rooms	\$933,038
Vertical Circulation/Stairs	\$1,084,682
Renovate/New Toilets - Level 3; Levels 4 & 5	\$3,726,863
Removal of existing stairs/Infill structure	\$2,526,025
Building Enclosure/6th Street Shell Improvements	\$11,000,000
Way-finding Signage	\$1,500,000
Energy Conservation/Sustainability Budget	\$1,000,000
Acoustical Improvements	\$250,000
Sound System Improvements	\$1,000,000
Upgrade all broadcast cabling	\$1,500,000
Upgrade to Cisco VOIP System	\$1,700,000
Production Facility HD Upgrade	\$3,250,000
Scoreboard	\$5,500,000
Ribbon Board	\$1,150,000
Consultants, AE Fees, Insurance	\$9,000,000
Site Acquisition - 7th street lane closure	\$500,000
FF&E	\$2,000,000
Project Contingency	\$6,706,000
Seating Bowl	\$4,000,000
Scoreboard/Control Room	\$2,250,000
Outdoor Signage	\$500,000
Media Mesh	\$2,000,000
Facility Project Costs	\$96,782,505

Attachment B

Project Costs

For purposes of this term sheet, “**Project Costs**” means all costs for the Project, including, but not limited to, the following:

- (a) All expenses incurred in connection with the acquisition of any interest in real property necessary for the Project;
- (b) The expense of preparation of the plans, specifications and designs for the Project and of all other fees for architectural, engineering, and testing/inspection services incurred and to be incurred in the planning, construction, and completion of the Project;
- (c) The costs and expenses of the Owner’s Representative for the Project;
- (d) The cost of acquisition and installation of all items of equipment, machinery, or furnishings included in the Project and not otherwise furnished under the Construction Contract;
- (e) Premiums on all insurance relating to the Project construction and related insurance broker fees, to the extent that such premiums and fees are not paid by a contractor;
- (f) The contract price of all labor, services, materials, supplies, equipment, and remodeling furnished under the Construction Contract;
- (g) All expenses incurred in seeking to enforce any remedy against a contractor, any subcontractor, or any surety in respect of any default under any construction contract for the Project;
- (h) Building permits and construction survey fees to the extent not included in the GMP under the Construction Contract;
- (i) The costs of constructing, upgrading, enlarging and/or relocating utilities necessary for the Project;
- (j) Fees of outside legal counsel and other professional advisors for the Project;
- (k) The cost of all other labor, services, materials, supplies, and equipment necessary to complete the acquisition, design, construction, and equipping of the Project;
- (l) Other costs and expenditures reasonably identified for payment or reimbursement in the final Project Budget.

Project Costs (as defined on page 2 of this term sheet) shall **not** include (a) applicable financing costs, including, but not limited to, bond reserves or capitalized interest; (b) the amount of sales taxes to be refunded to the City as provided in the sales tax exemption provided for in the special legislation; (c) internal administration and in-house legal expenses incurred by any party; and (d) fees and expenses of outside legal counsel and other consultants independently engaged by any party for its sole representation, which fees and expenses will be paid by the party engaging such outside legal counsel or consultant.

Attachment C

Reimbursable Design Costs Following Decision Not to Proceed

For purposes of this term sheet, “**Reimbursable Costs**” means the following costs incurred by the City from the Design Group Formation Date through the date the decision not to proceed is made:

1. Fees and expenses of the Design Team;
2. Fees for pre-construction services, including cost estimates;
3. Fees relating to testing/inspections and other evaluations necessary to support the Project design;
4. Fees of outside legal counsel and other consultants related to procuring design and construction management services, including the Owner’s Representative for the Project;
5. Fees for building permits and survey fees; and
6. Other direct costs related to Project design development.

Reimbursable Costs shall **not** include (a) internal administration and in-house legal expenses incurred by any party; and (b) fees and expenses of outside legal counsel and other consultants independently engaged by any party for its sole representation, which fees and expenses will be paid by the party engaging such outside legal counsel or consultant.

Attachment D

Permitted Capital Improvements

Multi-Use and Basketball Improvements:

\$25 million in Capital Improvements Expenditures shall be for items associated with the categories listed below:

1. Seating systems—fixed seats; retractable seating platforms; portable seating platforms and folding chairs—none of which shall be replaced more than once during the remaining useful life of the Arena
2. Scoreboard—to be replaced not more than once during the remaining useful life of the Arena
3. Fan space renovations/additions
4. Basketball floor
5. Video Board, Message Board and Advertising Panel/Signage Systems
6. Communications system, including Wi-Fi and cell service
7. Security system—cameras, access control and alarm monitoring system, including changes required by any governmental authority or the NBA, so long as NBA-required changes uniformly apply to all facilities occupied by NBA teams.
8. Sound system—mixing console and amplifier control systems; power amplifiers, speakers and rigging; hearing assistance system; intercom system
9. Broadcast Equipment and Television and Radio Systems, including cameras and cabling
10. Other technology and communications improvements not yet identified or currently available but, when recommended by the Design Group, are consistent with amenities then generally available in public multi-use facilities occupied by NBA teams.