Term Sheet – AEG Facilities, Inc.
Target Center Operating Lease/Management Agreement

Parties
Minneapolis Community Development Agency ("City"); and
AEG Facilities, Inc. ("AEG")

Facility
Target Center, Minneapolis, Minnesota ("Center")

Obligations and Commitments
AEG will assume and perform the rights and obligations of the "operator" in the Arena Lease, Operating, Management, Use and Assurance Agreement, dated as of March 1995, as amended (the "Prior Agreement"), with such changes as are contemplated in this Term Sheet and will be documented in a new lease/management agreement (the "Lease Agreement") and other necessary agreements to be executed by the parties.

As a part of AEG's obligation to the City, AEG will provide the following:

Marketing and Sales

- Within 120 days of commencing operations, AEG will provide the City with a re-branding plan for the Center and, upon approval of such plan by the City's contract administrator, initiate and implement the re-branding of the Center on terms and conditions mutually agreeable to the parties. The plan shall include, but not be limited to:
  - Venue image
  - Attendee experience, including food and beverage services
  - Loyalty programs
  - National, regional and local awareness

- By November 1 of each year during the term of the agreement, AEG will prepare and review with the City a marketing plan detailing the marketing initiatives and marketing goals for the upcoming calendar year. The plan will focus on maximizing event activity and revenue production at the Center.

- Upon commencing operations, AEG will use commercially reasonable efforts to enhance existing sponsorship agreements, including naming and sponsor stakeholders, and develop new sponsorship opportunities at the Center on terms and conditions mutually agreeable to the parties.

- Upon commencing operations, AEG will include the Center in the AEG "Sponsor Connect" program (as detailed by AEG) focused on marketing to AEG corporate partners network-wide to further enhance sponsorship and/or event opportunities at the Center.

- Upon commencing operations, AEG will assist other City facilities, such as the Minneapolis Convention Center, for the cross promotion and marketing of such facilities to corporate sponsors, event promoters and with all other such revenue and economic producing activities. Further, AEG will actively participate with Meet Minneapolis in seeking events and promoting Minneapolis and the other City venues.

Event Activity

- By September 30, 2007, AEG will open a Regional Booking Office in Minneapolis. The office will have an estimated initial staff of at least 2 people and AEG will maintain said office in Minneapolis through April 30, 2013, unless the agreement is earlier terminated or unless otherwise agreed upon by the City and AEG.

- By November 1 of each year during the term of the agreement, AEG will provide the City with a list of all events that AEG Live has promoted that have played in comparable sized venues in the Twin Cities within the previous 12 months.

- Upon commencing operations, AEG will actively and aggressively promote the Center to all other industry promoters and producers of events of all types and shall extend all commercially reasonable opportunities and appropriate incentives for promoters and event producers, other than AEG Live, to book and utilize the Center.

- Upon commencing operations, AEG will place the Center on the existing booking systems and include the Center staff in regional booking conference calls in each case that are available to other AEG facilities. AEG will utilize all reasonable corporate resources to promote and secure events at the Center.

Operations

- Upon commencing operations, AEG will provide all facility management services (HR, IT, Risk Management, Accounting, as examples) required to operate the Center that are customary and expected to fulfill the reasonable requirements of a third party facility manager at the Center as mutually agreed by the parties. Any such expenses directly associated with the operation of the Center will be included in the annual operating costs of the facility, per industry standard practices.

- Starting on the date the City Council approves AEG as the manager for the Center, AEG will provide all customary transition services related to commencing management of the Center on May 2, 2007. Any such transition expenses directly associated with the Center's on-going operation will be included in the operating costs of the Center. AEG agrees to bear its own corporate personnel and travel expenses during the transition.

- Upon commencing operations, subject to the City securing all necessary approvals required for the assignment of such agreements, AEG will assume the obligations of those agreements that currently are in place at the Center as identified in Attachment A to this Term Sheet as well as those event agreements previously made known by MEG to AEG and the City. In the event City wishes AEG to assume any other existing agreements not otherwise identified on Attachment A, it shall present such agreements to AEG within a reasonable time after the date of this Term Sheet and, subject to i) approval of AEG (such approval not to be unreasonably withheld, conditioned, or delayed) and ii) the City securing all necessary approvals required for the assignment of such agreements, AEG shall assume such agreements.

- Within 120 days of commencing operations, AEG will provide to the City an analysis of the existing food service at the Center.

- AEG will work with the City to review all existing third party agreements and, within 120 days after commencing operations, will develop recommendations for both short term and long term consideration.

- AEG shall obtain written approval from the City's contract administrator prior to entering into new or making material changes to existing ticketing and concessions agreements. A material change is one that has an estimated annual impact of greater than $50,000.

- By November 1 of each year during the term of the agreement, AEG will provide the City with a cash flow and funding plan for the following calendar year. AEG will provide the plan for the remainder of 2007 within 30 days after commencement of management.

- On a quarterly basis, AEG shall submit to the City i) an operational summary for the past quarter and ii) a cash flow forecast for the present quarter in a form to be agreed. If, during any quarter of operations at the Center, "Quarterly Arena Operating Expenses" are projected to exceed "Quarterly Arena Revenues," AEG may submit a request for an advance from the City in the amount by which the quarterly operating expenses are expected to exceed revenues, after adjustments for past quarter performance (“Operating Support”); provided, however, that the cumulative City Operating Support to AEG in any year shall not exceed the Maximum City Reimbursement Amount (as defined below) for that year.

Capital Planning and Expenditures

- Within 120 days after commencing operations, AEG will provide the City with an initial capital asset assessment of the Center and a short- and long-term capital replacement/improvement plan. The plan will focus on maximizing revenues and enhancing the guest experience and life safety issues and will provide a detailed evaluation of capital projects that would be beneficial to the Center. This plan will also include a Return on Investment (ROI) analysis for any capital improvements that may also be revenue producing.

- AEG will provide the City with quarterly updates to the capital asset assessment and capital replacement/improvement plan.

- AEG will commit to providing a one-time upfront capital investment of $2 million dollars to fund improvements/enhancements at the Center as reasonably determined by AEG and approved by the City’s contract administrator, such approval not to be unreasonably withheld, conditioned or delayed. AEG agrees to expend the capital investment within 2 years after commencement of operations, unless otherwise agreed by the parties.

- Upon commencing operations, AEG will explore revenue producing concepts for the Center. To the extent that said improvements/enhancements are subject to the control or approval of the Timberwolves, AEG will make good faith commercially-reasonable efforts to work with the City and the Timberwolves to develop the concept(s) in a manner that provides economic benefit to the Timberwolves and the City.

- As part of the Center’s annual budgeting process, AEG will provide the City a plan for upcoming capital improvement needs, associated costs, and ROI analysis.

Compensation/Financial and Operating Benchmarks

- The Maximum City Reimbursement Amounts and the Revenue Sharing Allocations are set forth in Attachment B hereto. For purposes of this agreement, “Maximum City Reimbursement Amount” shall mean those yearly amounts as set forth in Attachment B; provided, however, that AEG and the City Finance Officer agree to establish a Year 1 amount prior to

May 2, 2007 in recognition of the fact that the first year of AEG operations is not a full year.

Term

- AEG and the City agree to an initial term (the "Term) beginning on May 2, 2007 and terminating June 30, 2025, subject to termination rights by City in the eighth and thirteenth Year (as defined herein) of the Term if certain financial and performance measures as set forth below haven't been met by AEG. For purposes of the Lease Agreement, each year ("Year") shall commence on January 1st and end on the following December 31st; provided however, the first Year shall commence on May 2, 2007 and conclude on December 31, 2007 and the nineteenth Year shall commence on January 1, 2025 and conclude on June 30, 2025.

- Any capital investment ("collectively, "Capital Investment") made by AEG, as set forth herein, will be amortized over a straight-line basis over the Term of this agreement for purposes of determining the remaining value of the Capital Investment. The annual amortization will be paid as an operating expense.

- If the agreement is terminated prior to the expiration of the Term either i) by the City without cause or pursuant to its Year 8 or 13 options described below or ii) by AEG for cause or pursuant to its Year 8 or 13 options described below, the City will reimburse AEG for the unamortized portion of the Capital Investment.

- AEG agrees that the City shall have the option to terminate this agreement at the end of the eighth Year ("Year Eight City Option") and thirteenth Year ("Year Thirteen City Option") by giving AEG written notice of intent to terminate not later than June 30 of the eighth or thirteenth Year if any of the following financial or performance benchmarks are not met by AEG:

    - For the Year Eight City Option, if the aggregate sum of the Maximum City Reimbursement Amounts for Year Five, Year Six and Year Seven exceed the aggregate sum of the Center's EBITDA (before deduction of any revenue sharing fees to AEG) for those same years. For the Year Thirteen City Option, if the aggregate sum of the Maximum City Reimbursement Amounts for Year Ten, Year Eleven and Year Twelve exceed the aggregate sum of the Center's EBITDA (before deduction of any revenue sharing fees to AEG) for those same years.

    - For the Year Eight City Option, if AEG fails to book for the Center during Year Five, Year Six and Year Seven, at least 60% of the total amount of shows (including without limitation, concerts, family shows, ice events and other related events) that are promoted by AEG's affiliate, AEG Live, LLC, in the Twin Cities market during that three-year period of time. For the Year Thirteen City Option, if AEG fails to book for the Center during Year Ten, Year Eleven and Year Twelve, at least 60% of the total amount of shows (including without limitation, concerts, family shows, ice events and other related events) that are promoted by AEG's affiliate, AEG Live, LLC, in the Twin Cities market during that three-year period of time.

- City agrees that AEG shall have the option to terminate this agreement at the end of the eighth Year ("Year Eight AEG Option") and thirteenth Year ("Year Thirteen AEG Option") by giving the City written notice of intent to terminate not later than June 30 of the eighth or thirteenth Year, if the following financial benchmarks are not met by AEG:
  - For the Year Eight AEG Option, if the aggregate sum of the Maximum City Reimbursement Amounts for Year Five, Year Six and Year Seven exceed the aggregate sum of the Center's EBITDA (before deduction of any revenue sharing fees to AEG) for those same years. For the Year Thirteen AEG Option, if the aggregate sum of the Maximum City Reimbursement Amounts for Year Ten, Year Eleven and Year Twelve exceed the aggregate sum of the Center's EBITDA (before deduction of any revenue sharing fees to AEG) for those same years.

- The parties agree that AEG and the City will also have those certain termination rights set forth in the Prior Agreement; provided, however, that the termination at will right given to MEG in the 2006 Amendment will be deleted.

Other

- AEG agrees to the Non-Competition language set forth in Article IX of the Prior Agreement. Further, AEG will not purse any development of a "live entertainment venue" in direct competition with the Center in Minneapolis, St. Paul or any other jurisdiction within the Minneapolis/St. Paul metropolitan area without the prior approval of the City Council, in its sole discretion.

- AEG will make good faith commercially reasonable efforts to work with the City regarding the involvement of key management personnel assigned to the Center and the commitment of AEG corporate resources.

- AEG will make good faith commercially reasonable efforts to work with the City in evaluating ways that the City owned theaters and the Center can work together to maximize the facilities' utilization and revenues.

- Upon commencement of operations, AEG's parent company will provide a guaranty to City in substantially the form set forth in Exhibit E to the Prior Agreement or comparable security reasonably acceptable to the City's Finance Officer.

- The final agreement will include all applicable City contracting requirements such as living wage, affirmative action, domestic partner benefits, small and underutilized business program requirements. Capital improvements may trigger additional requirements such as payment/performance bonds, prevailing wage and apprenticeship program.

- The City and its contractors are subject to the Minnesota Government Data Practices Act, Minn. Stat. c. 13 (the "Act"). The Act establishes a presumption that government data is accessible to the public for inspection and copying unless there is a state or federal law that makes the data not public. Trade secret information as defined in the Act is classified as private or nonpublic data. Minn. Stat. 13.37. Subject to requirements in the Act, the City will not duplicate, distribute or disclose AEG's trade secret information to the general public.

- The parties intend that the terms and conditions of any agreement with respect to this proposed transaction will be included in a definitive agreement with such additional documents and other terms and conditions as are satisfactory to each of the parties (the "Transaction Documents"). The parties agree to negotiate the terms and provisions of the Transaction Documents consistent with the terms set forth in this Term Sheet. Except as expressly provided in this Term Sheet to the contrary, the parties will not have any obligations with respect to any of the transaction contemplated by any of the Transaction Documents unless and until each of the Transaction Documents is executed and delivered to the other by each such party. Each party will use reasonable efforts to negotiate the Transaction Documents for signature as soon as practical after execution of this Term Sheet.

Accepted and Agreed to this ___ day of April__, 2007:

MINNEAPOLIS COMMUNITY DEVELOPMENT AGENCY

By: ______________________________
Its: ______________________________

Accepted and Agreed to this ___ day of April__, 2007:

AEG FACILITIES, INC.

By: ___________________________
Its: ___________________________

Attachment A

[redacted]

Attachment A

[redacted]

Attachment B

Attachment B

Illustrative Example - Maximum City Reimbursement Amount

Year	Maximum City Reimbursement Amount	
2007	To be specified	AEG and the City Finance Officer agree to establish a 2007 Maximum Reimbursement Amount prior to May 2, 2007 in recognition of the fact that the first year of AEG operations is not a full year.
2008	($1,750,000)	
2009	($1,687,500)	
2010	($1,625,000)	
2011	($1,562,500)	
2012	($1,500,000)	

Notes:
1. Maximum City Reimbursement Amount increased annually after Year Six (2012) by the lesser of CPI or 2.0%
(e.g. Year 6 - $1,470,000 assuming inflation of 2.0%).

Revenue Sharing Allocations

Following attainment of Maximum City Reimbursement Amount, savings to benchmark will be shared as follows:

		AEG	City
Next $250,000	-	100%	0%
Next $500,000	-	25%	75%
Next $500,000	-	35%	65%
Next $500,000	-	50%	50%
Next $500,000	-	65%	35%
Thereafter	-	75%	25%

Notes:
1. Any financial benefits realized through negotiations conducted by the City with the Timberwolves prior to May 2, 2007 will accrue to the benefit of the City. Any financial improvements realized through negotiations conducted by AEG and the City after May 2, 2007 shall accrue to the benefit of the Center and be included in revenues considered for Revenue Sharing Allocations hereunder

2. Any financial consequences resulting from joint booking or management arrangements negotiated with St. Paul will be split in a manner to be negotiated between AEG and the City Finance Officer.