

Request for Proposals (RFP) for the combined management, programming, and/or lease or sale of the Historic Orpheum Theatre, the Historic State Theatre, and the Pantages Theatre in the Hennepin Theatre District in Minneapolis, Minnesota

**JOINT RESPONSE BY
HENNEPIN THEATRE TRUST
HISTORIC THEATRE GROUP, LTD.
AND
CLEAR CHANNEL ENTERTAINMENT**



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Cover Page Information

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Thomas L. Hoch, President

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Table of Contents

Narrative Summary of the Nature and Structure of the Proposed Ownership, Management and Presenting Arrangement	Page 5
Identification of the Entities Involved in the Proposal of the Incumbent Team	Page 13
Term Sheet	Page 25
Operating Pro Forma	Page 27
Staffing Plan	Page 36
Box Office and Ticket Sales Plan Including Group, Subscription, and Membership Sales	Page 38
Facility Utilization and Marketing Plan	Page 41
Public Economic Benefits of the Theatres	Page 45
Transition Plan	Page 48
Executed Consent for Release of Response Data Form	Page 50
Exhibits to the Proposal	Page 52

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**Narrative Summary of the Nature and Structure of the
Proposed Ownership, Management, and Presenting
Arrangement**

**THE JOINT HENNEPIN THEATRE TRUST / HISTORIC THEATRE GROUP / CLEAR
CHANNEL ENTERTAINMENT PROPOSAL**

Hennepin Theatre Trust (the “Trust”), Historic Theatre Group, Ltd. (“HTG”), and Clear Channel Entertainment (“CCE”), herein collectively the “Incumbent Team” are, respectively, the incumbent nonprofit concert and Broadway presenter, the incumbent theatre manager, and the incumbent Broadway consultant for the Orpheum, State and Pantages Theatres (the “Theatres”).

The Team proposes to build on its combined record of success in the management, booking and marketing of the Theatres by proposing a long-term relationship between the Team and the City of Minneapolis. The Team envisions that 501(c)(3) Hennepin Theatre Trust will ultimately own the theatres once the theatre bonds are retired. In the interim, Historic Theatre Group, Ltd. will continue to manage the Theatres, and Clear Channel Entertainment will continue to serve as Broadway consultant to the Trust. Clear Channel and Historic Theatre Group will, in addition, serve as financial guarantors for the maintenance of the Theatres and the payment of all lease obligations. The Team’s Proposal is designed to address the City’s objectives in financing the restoration of the Theatres, while virtually eliminating any contingent financial liability on the part of the City.

The Proposal contemplates the following action steps:

◆**CONVERSION OF BONDS TO TAXABLE BONDS.** The Incumbent Team will work with the City to convert the current Theatre bonds from tax exempt to taxable in order (1) to allow the structuring of a long-term operating plan for the Theatres, and (2) to respond to the City’s concerns relative to the escalating annual debt service obligations

of the current bonds. Clear Channel and HTG will pay all costs of this bond conversion, as well as any related issues such as negative arbitrage.

◆ **MASTER LEASE.** Historic Theatre Group, owned jointly by HTG's current owners and CCE, will lease the three Theatres from the City ("the Master Lease"). The term of the Master Lease will coincide with that of the restructured theatre bonds, and the lease payments made by HTG to the City will be equal to the annual debt service of the bonds.

◆ **CLEAR CHANNEL GUARANTEES.** CCE will guarantee the lease payments under the Master Lease. In addition, CCE and HTG will provide assurances to the City that the theatres will be active and well-maintained, while protecting the City against the necessity of contributing any funds to the operation or maintenance of the Theatres during the term of the Master Lease (the entire term of the new bonds).

◆ **SUBLEASE.** Hennepin Theatre Trust (the "Trust") will enter into a long-term sublease of the Theatres with Historic Theatre Group ("the Sublease"). The term of the Sublease will also be equal to the term of the theatre bonds.

◆ **MANAGEMENT CONTRACT.** Hennepin Theatre Trust will contract with Historic Theatre Group for the day-to-day management of the Theatres, with HTG assuming responsibilities similar to those HTG has performed under its current Management Agreement with the MCDA, as well as fulfilling all the obligations of the Master Lease.

◆ **CONSULTING AGREEMENT.** Hennepin Theatre Trust will enter into a consulting agreement (the "Consulting Agreement") with Clear Channel, under which CCE will assist the Trust in booking the Broadway Seasons during the term of the Sublease.

◆ **ULTIMATE OWNERSHIP BY HENNEPIN THEATRE TRUST.** At the end of the Master Lease and the Sublease, when the bonds have been completely paid off (and assuming that Historic Theatre Group has met all the City's requirements under the Master Lease), the Team Members envision that 501(c)(3) nonprofit Hennepin Theatre Trust will assume fee ownership of the Theatres, thereby preserving them as a legacy for future generations of the citizens of Minneapolis.

ADDRESSING THE GOALS SET FORTH BY THE CITY'S THEATRE STUDY COMMITTEE

The joint Trust / HTG / CCE Proposal addresses the goals contained in the report of the City Theatre Study Committee in the following ways:

Theatre Study Committee Goal #1: The Positive Impact of the Theatres on Minneapolis Will be Supported and Maximized.

Under the Incumbent Team’s Proposal, all three Theatres will continue to be very aggressively booked with a diverse array of live entertainment, and this activity will continue to enliven the Hennepin Theatre District and drive traffic to the City’s hotels, restaurants, and retailers. Clear Channel will continue to support the Trust’s efforts to assure that Minneapolis has access to the finest in Broadway product, either via premieres prior to Broadway, or via the earliest tour dates when a show is booked for the road. Clear Channel has already delivered the premieres of Disney’s **THE LION KING**, **BEAUTY AND THE BEAST**, **AIDA**, and this winter’s **SWEET CHARITY** to Minneapolis, and because it produces or co-produces many Broadway shows, it will be able to deliver many more pre-Broadway runs. And in addition to Broadway product, Clear Channel Music anticipates bringing a minimum of twenty concerts to the Theatres each year.



Cast of AIDA

Secondly, the Trust will continue to invest its net income from the Broadway Season in the booking and production of diverse shows which although important, may not have the drawing power required to interest a for-profit presenter.

Finally, HTG will continue to professionally oversee the maintenance and capital improvements of the Theatres to make certain that the City's investment in these irreplaceable facilities is protected.

Note: The Team's aggressive booking of the Theatres with a diversity of entertainment also supports the goals of the Blue Ribbon committee which is currently defining the City's role in supporting the arts and culture. See "City of Minneapolis Plan for Arts and Culture (draft), Goal #4: Create an environment that maximizes economic development opportunities within Minneapolis".

Theatre Study Committee Goal #2: The Theatres Will be Preserved as a Long-term Legacy for Future Generations.

The Incumbent Team views its Proposal as a major step in the history of the Theatres, but neither HTG nor Clear Channel envision themselves as more than transitional caretakers of the Theatres while the theatre bonds are being paid off. Neither HTG nor CCE is interested in the ultimate ownership of the Theatres. Rather, the Team envisions working with Hennepin Theatre Trust over the term of the bonds to support the mission of this 501(c)(3) nonprofit as it prepares to own and operate the three Theatres, thus creating a legacy for the citizens of Minneapolis and the Upper Midwest, as was originally envisioned by the City when the State and Orpheum Theatres were acquired.

Theatre Study Committee Goal #3: The City Will Ensure Accountability in the Operation of the Theatres While Minimizing City Involvement in Day to Day Operations.

The Incumbent Team has worked with City officials on the operation and booking of the Theatres, and well understands both the City's objectives in restoring these facilities, and the amount of staff support which has been required to oversee their operation. The Team's objectives in its Proposal are (1) to provide the City with a plan which will indemnify the City against any future financial exposure, (2) to provide assurances that the City's economic development goals in financing the Theatres will be maintained over the course of the bond term, and (3) to greatly reduce the financial and operating oversight which up to this point has been required of City staff. Under the Team's Proposal, CCE, a corporation with substantial financial resources, will guarantee the payment of the Master Lease obligations for the entire term, HTG will provide the first-class management and maintenance of the Theatres for which it has become known, and the Trust will continue to generate the first-quality Broadway and concert attractions and education and outreach programming required to keep the Theatres, and the Hennepin Theatre District, active, alive and accessible.

Theatre Study Committee Goal #4: The City supports continued development of the Hennepin Theatre District.

No one has done more to facilitate the development of the Hennepin Theatre District than Hennepin Theatre Trust, under the direction of Trust President Tom Hoch. Because of his tireless leadership, the Pantages Theatre was preserved and restored as the jewel of the Hennepin Theatre District. And only because of Hoch's tenacious advocacy of a streetscape plan for Hennepin Avenue between Fifth and Tenth Streets has that area experienced a striking renaissance. Hoch currently serves as the Chair of the Downtown Minneapolis Neighborhood Association (DNMA), Chair of the Hennepin Avenue Advisory Board, a member of the Board of the Greater Minneapolis Convention and Visitors Association, Chairperson of Open Book, and Board Member of the League of Historic American Theatres.

Under the Team's plan, Hoch, as well as Fred Krohn and Lee Lynch, the current principals of Historic Theatre Group, will continue their active roles in the development of the Hennepin Theatre District and the revitalization of Minneapolis' downtown, building on the relationships they have developed over the past twenty years. In addition, Clear Channel, which has been involved in the restoration and management of theatres in many other markets, and with theatre development districts in both Baltimore and Boston, will bring its experience and resources to the table on behalf of the Hennepin Theatre District.

"The sidewalk improvements along the Hennepin Theatre District have transformed a previously unattractive Downtown thoroughfare into a lovely pedestrian walkway for all of us to enjoy."

◆Dee Cotton

*Downtown Minneapolis Neighborhood Association Board Member
and Downtown Resident*

Theatre Study Committee Goal #5: The City Supports and Encourages Private Sector Fundraising to Meet Existing Debt and the Capital Improvements the Theatres Will Need.

Because the Theatres are currently perceived as City properties, capital and program fundraising by Hennepin Theatre Trust has been difficult. Under the Team's Proposal, however, while HTG will guarantee payment of the obligations of the Master Lease, including maintenance and capital improvements, the Trust is envisioned as the ultimate owner of the Theatres, and will be charged with their preservation, enhancement, programming, and educational outreach. The Trust feels that its new long-term relationship to the Theatres, and to the Hennepin Theatre District, will facilitate fundraising and sponsorships from individuals, corporations, and foundations. The Theatres are irreplaceable public

assets, and as such, public and private funders must be encouraged to lend support to the Trust's mission.

Theatre Study Committee Goal #6: The Successful Proposer's Response Should Propose a Strategy for a Community Arts Education and Outreach Program.

Hennepin Theatre Trust currently has active and well-respected community education and outreach programs, and is committed to building strong cultural learning opportunities. Under this Proposal, the Trust will continue these programs and enhance its partnerships with the Interdistrict Downtown School, Minneapolis Public Schools, Project Success, the Skyway Senior Center, Minnesota AIDS Project, Minneapolis Public Housing Authority, LaFamilia Guidance Center, the Minneapolis Jewish Community Center and over sixty additional agencies. (A complete list of the nonprofits and public agencies served by the Trust is attached as Exhibit A to this Proposal).

In addition to the Trust's Theatre Tours, Ticket Access, Critical View young reviewer program, and Kids' Night on Broadway and Family Day programs, the Trust will continue and strengthen its Hennepin Theatre District "Street Team" program, which again this past summer employed young people to work in the District. This program was developed in conjunction with YO! 2000 and supported by the City's Summer Youth Employment and Training Program and American Express. And the Trust will continue its beneficial collaborations with businesses in and around the Theatre District that support the Trust's educational offerings, including its partnerships with restaurants which host pre- and post-show discussions and gatherings.

To evaluate its current educational programming and establish additional educational offerings and partnerships, Hennepin Theatre Trust plans to convene a group of advisors from the local arts and education sectors, and seek their input on how to best serve their communities. Xcel Energy Foundation has expressed interest in funding this initiative as well as working with the Trust to explore ways in which it might further expand the diversity of its audiences.

In addition to presenting both local and touring theatre works, Hennepin Theatre Trust will continue to produce them. In the past five years, the Trust has collaborated with local theatre organizations to produce new and established works with home-grown casts and creative teams. Recent examples of these initiatives are **HAIR** (with the Chanhassen Dinner Theater), **FULLY COMMITTED** (with The Jungle Theater), **BLACK NATIVITY** (with Penumbra Theater), and **THE FOREIGNER** (with Actor's Theatre). These locally produced pieces provide opportunities for talented newcomers to act in first-quality shows, and for students to learn about the technical aspects of theatre, including stage management, lighting design, and directing.

Marketing the Trust's many concerts and theatre productions is becoming more and more costly and competitive. Team Member Clear Channel, through its Clear Channel Radio affiliate, has pledged to assist the Trust in its educational

outreach and the promotion of its productions by providing the Trust with a minimum of \$250,000 per year in public service announcements. And Clear Channel has worked in other markets to support innovative educational programs, and can bring that experience to the Trust to initiate them in the Twin Cities.

“The relationship we have developed with Hennepin Theatre Trust in order to serve students of Minneapolis Public Schools is second to none! Through the medium of theatre, our partnership has reached thousands of young people and their families in important and life changing ways.”

*♦Adrienne Diercks, Executive Director
Project Success*

SUMMARY OF PROPOSAL BENEFITS

The joint Hennepin Theatre Trust / Historic Theatre Group / Clear Channel Entertainment Proposal, if selected by the City of Minneapolis:

- (1) will place the three Theatres on very solid financial footing;
- (2) will continue and increase the Theatres' positive financial impact on the downtown area's hotels, restaurants and retail facilities;
- (3) will indemnify the City against any contingent liability for the repayment of the bonds, for the day-to-day operation of the Theatres, or for capital improvements;
- (4) will greatly reduce the oversight required of the City to supervise the operation of the Theatres,
- (5) will ensure that an experienced management team, Historic Theatre Group, supported by Clear Channel's Theatre Management Group, is in place to continue its skilled operation and maintenance of the Theatres;
- (6) will, over the term of the bonds, develop and strengthen a non-profit entity, Hennepin Theatre Trust, to preserve the Theatres as a legacy for the citizens of Minneapolis, book a diverse variety of concerts, dance and theatrical events, and continue its success in developing the Hennepin Theatre District as a regional destination for live entertainment;
- (7) will, through the continued involvement of Clear Channel Entertainment in the booking of each Broadway Season, ensure that the Theatres continue to secure the hottest Broadway shows, either as premieres before they play Broadway, or at the start of their road tours; and

(8) will enable Hennepin Theatre Trust to successfully raise private, corporate, and foundation capital to fulfill its tax exempt activities of preserving the theatres, enhancing the Hennepin Theatre District, and providing superior educational and cultural opportunities for the citizens of Minneapolis and the Upper Midwest.

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**Identification of the Entities Involved in
the Proposal of the Incumbent Team**

IDENTIFICATION OF TEAM MEMBERS

The following entities are involved with this joint Proposal as Team Members:

First Team Member

Hennepin Theatre Trust

Hennepin Theatre Trust (the “Trust”) is a 501(c)(3) not-for-profit charitable community trust which currently presents the Broadway Season at the Theatres under a Master Use Agreement with the MCDA. The Trust also books and presents a wide variety of additional live entertainment programming, and plays an active role in the preservation of the Theatres and the development of the Hennepin Theatre District.

Under the Incumbent Team Proposal, Hennepin Theatre Trust will serve as the presenting entity for both the Broadway Season, and for a very diverse array of live performances which it will present in addition to the Broadway Season. The Trust will also be primarily responsible for all educational and community outreach programming for the Theatres.

Hennepin Theatre Trust will sublease the three Theatres from Historic Theatre Group under a long-term agreement, and once the bonds are completely repaid, the Team envisions that the Trust will assume fee ownership of the Theatres and preserve them as a legacy for future generations of Minneapolis citizens. Tom Hoch, current President of the Trust, will continue to serve in that capacity under the Team Proposal.

Hennepin Theatre Trust will contract with Team Member Historic Theatre Group, Ltd. to manage the three Theatres under a long-term management agreement, thereby

assuring that an experienced theatre manager will handle the day-to-day operations of the Theatres.

Hennepin Theatre Trust will also contract with Team Member Clear Channel Entertainment to serve as its Broadway booking consultant, thereby providing the Theatres with early access to the best Broadway productions available.

Second Team Member
Historic Theatre Group, Ltd.

Historic Theatre Group, Ltd. (“HTG”) is a Minnesota Corporation which currently manages the three Theatres under a Management Agreement with the MCDA. HTG has performed these responsibilities on behalf of the MCDA since 1991, and HTG principal Fred Krohn has been involved with their management since 1988.

Under the Incumbent Team Proposal, Historic Theatre Group will be jointly owned by the current HTG principals, Fred Krohn and Lee Lynch, and by Team Member Clear Channel Entertainment.

Hennepin Theatre Trust will contract with HTG to continue to serve as manager of the three theatres for the life of the bonds, thereby assuring that the theatres will be professionally managed for the future. Fred Krohn will continue to serve as President and CEO of Historic Theatre Group, and Lee Lynch will continue as a principal and Board member of HTG.

Third Team Member
Clear Channel Entertainment

SFX Entertainment, Inc., d/b/a Clear Channel Entertainment (“CCE”) is a leading producer and marketer of live entertainment events around the world. CCE currently owns, operates and/or exclusively books approximately 130 live entertainment venues, including nearly 100 in North America and more than 30 in Europe. In 2003, 69 million people attended approximately 32,000 events promoted and/or produced by the company, including live music events, Broadway, West End and touring theatrical shows, family entertainment shows, museum exhibitions, and specialized sports and motor sports events.

Clear Channel Entertainment’s Theatrical division had its origins more than twenty years ago, with the vision of CCE principals Miles Wilkin and Scott Zeiger to bring quality Broadway entertainment to the rest of America. In continuous operations since 1983, CCE’s wholly-owned subsidiary PACE Theatrical Group, Inc. (“PACE”) has developed Broadway Across America, presenting Broadway subscription series in more than fifty cities. In most of the major markets in which CCE is involved with a subscription series, they are established in partnership with local community arts organizations. CCE’s subsidiary PACE has served as the Broadway consultant and partner to the not-for-profit theatrical presenter in Minneapolis since 1997. In addition,

CCE's Theatrical division has established valued national presentation relationships with several of the most popular Broadway touring shows, including Disney's **THE LION KING**, **THE PHANTOM OF THE OPERA**, **AIDA**, **MAMMA MIA**, **HAIRSPRAY**, and Mel Brooks' **THE PRODUCERS**. In 2003, CCE and its partners had more than 300,000 season subscribers, and sold 6,201,972 tickets to 3,669 performances of touring Broadway productions in 52 cities.



Cast of HAIRSPRAY

In order to assure that there is always quality theatrical product to service its subscription series, CCE has become a major producer of shows for Broadway and the road. Its productions have garnered 41 Tony® Awards in the past 11 seasons, including the multiple-award-winning productions of Mel Brooks' **THE PRODUCERS** (winner of a record 12 Tony® Awards), **HAIRSPRAY**, **MOVIN' OUT**, **THE WHO'S TOMMY**, **CHICAGO**, and **FOSSE**. CCE has investments in more than sixty percent of the Broadway productions currently on tour, including **MOVIN' OUT** and **HAIRSPRAY**. The company is currently committed to invest approximately \$25 million in 27 future theatrical productions and tours. Among those are **SWEET CHARITY** (scheduled to open in Minneapolis prior to its Broadway engagement), **LA CAGE AUX FOLLES**, **ALL SHOOK UP**, **DIRTY ROTTEN SCOUNDRELS**, and Billy Crystal's new one-man show, **700 SUNDAYS**.

Theatre Management Group, Inc. ("TMG"), another wholly-owned subsidiary of CCE, is the real estate division of CCE's theatrical business. TMG specializes in the development and operation of multipurpose theatres ranging in size from 200 to 4,000 seats, and is committed to theatre renovation and preservation across North America; highlights include the France-Merrick Performing Arts Center in Baltimore, and its recently-completed, \$39 Million restoration of the historic landmark Boston Opera House. Through TMG, CCE currently manages, operates or consults in the operation of 17 theatres across North America (see Exhibit B to this Proposal for a complete listing of these theatres), and its European counterpart manages 24 theatres in Great Britain, Ireland and Europe.

TMG manages primarily historic theatres, recognizing the importance of preserving their architecture, as well as their cultural and economical impact on their communities. In 2003, TMG spent over \$3.5 million on capital improvements for the theatres it operates, and is committed to maintaining them in a first class manner. TMG theatres exemplify the CCE philosophy of participating in and supporting the local community of which they are a vital part. Through their local nonprofit partners, they support not-for-profit organizations through ticket donations and reductions or donations of facility rental fees, and emphasize student and non-traditional audience outreach initiatives.

Through its twenty years' experience managing multiple venues, TMG has established and standardized a set of policies, practices and procedures which are implemented in all of its venues. In that context, each theatre is managed by its own staff of professionals who oversee the daily administration of the box office, group and corporate sales, accounting, programming, public relations and marketing, audience development and community outreach/education, technical production, front-of-house, concessions and building maintenance. The result is that every TMG theatre is able to call upon the national resources available through its CCE connections, while being able to respond individually to the unique requirements of each local market.

CCE's success in managing and booking multiple theatres within one City is exemplified in both Boston and Chicago. In Boston, CCE has since 1998 successfully booked The Colonial, The Wilbur and The Charles Theatres with Broadway musicals and plays, Performing Arts and other bookings. In 2003 the CCE theatres attracted 729,892 customers to more than 907 performances. In July of 2004, after more than eight years in development and a CCE investment of \$ 39 million, The Boston Opera House celebrated its grand re-opening. CCE worked closely with the office of the mayor and the Boston redevelopment process, preserving, restoring and renovating Boston's most spectacular theatre. CCE's Boston operations now closely mirror the Theatre environment in Minneapolis, with the 2600-seat, Opera House, The 1650-Seat Colonial Theatre and the 1100-seat Wilbur Theatre presenting remarkable parallels to Minneapolis' three theatres. CCE also manages and programs three theatres in Chicago- The Palace, The Oriental and The Shubert Theatres, as well as providing theatrical programming at the Auditorium Theatre. All are restored Historic Theatres much like the State and Orpheum Theatres in Minneapolis, providing significant opportunities for exchanges of programming and marketing concepts.

CCE, through its Theatrical group's three divisions' experience and expertise, is a tremendous asset to the Incumbent Team in its commitment to the meet the City's financial, programming, management, and community goals.

INCUMBENT TEAM MEMBER'S PAST EXPERIENCE WORKING TOGETHER

Fred Krohn, current President of Historic Theatre Group, and Tom Hoch, current President of Hennepin Theatre Trust, were both involved in saving the Orpheum, State and Pantages Theatres from the wrecking ball and lobbying for City support for their restoration. They have a deep long-term knowledge of, and respect for, the Theatres.

Principals from the Hennepin Theatre Trust and Historic Theatre Group have been involved with the presentation of live entertainment and management of the Theatres since 1988, and Clear Channel Entertainment has been involved in the presentation of the Broadway Season in Minneapolis since 1997. Because of their long experience working with one another, the Incumbent Team Members have developed an integrated and effective scenario for the management and booking of the Theatres. This approach has insured: (1) that the Theatres have operated in the black, (2) that the Restoration Fees generated from each ticket have been sufficient to pay down the bonds, (3) that the Theatre's Operating Account has remained in a positive position, and (4) that a diverse selection of live entertainment has been presented. The Team Members, through this Proposal, seek to build on their joint record of success and make a long-term commitment to the Theatres.

Under the stewardship of Hennepin Theatre Trust, HTG and CCE, the Theatres have been successful far beyond the expectation of any of the City officials who had the foresight to preserve them and fund their restoration. Gross revenues for the Theatres have grown from \$3.3 million in 1990 to \$16.1 million in 2003. Since 1990, the Theatres have grossed more than **\$230,000,000** and attracted an audience of **over 6 million patrons** to the Hennepin Theatre District. And during that time, Minneapolis has developed into one of the country's top five Broadway markets and hosted the pre-Broadway world premiere of Disney's **THE LION KING** and the national tour premieres of **AIDA**, **BEAUTY AND THE BEAST**, **DAME EDNA**, and **SMOKEY JOE'S CAFE**. With the Hennepin Theatre District as its anchor, Minneapolis has become the envy of cities across the nation for the vibrancy of its downtown and the world-class nature of its theatrical and concert scene.

TEAM MEMBERS' PRIOR EXPERIENCE IN SIMILIAR PROJECTS

The experience of Hennepin Theatre Trust and Historic Theatre Group has been focused solely on the Orpheum, State and Pantages Theatres and the creation of the Hennepin Theatre District. Both Team Members have an intimate knowledge of the Minneapolis marketplace and a proven record of success in theatre management and the presentation of live entertainment.

The experience of Clear Channel Entertainment in projects similar to the Minneapolis Theatres, both relative to theatre management, and to theatre booking, is extensive. As previously discussed, Clear Channel Entertainment is involved with Broadway series in more than 50 markets throughout the country. Among CCE's largest U.S. markets are:

- Chicago
- Boston
- Baltimore
- Philadelphia
- Seattle
- Cincinnati
- Atlanta
- Indianapolis
- Ft. Lauderdale
- Columbus
- San Antonio
- New Orleans
- Louisville
- Tempe
- Costa Mesa
- Orlando
- Pittsburgh
- Nashville
- Houston
- Milwaukee

CCE is also involved with Broadway in the following Canadian markets:

- Toronto
- Vancouver
- Winnipeg
- Calgary
- Edmonton
- Hamilton
- Ottawa
- Saskatoon



Boston Opera House

Clear Channel and its affiliates also own or operate theatrical stages in the U.S. and England, most notably Ford Center in New York, the Cadillac Palace and the Oriental Theatres in Chicago, and the Boston Opera House, a \$39 million restoration which opened just two months ago. CCE, through its subsidiary TMG, was the driving force behind the creation of the new France-Merrick Performing Arts Center (FMPAC) in Baltimore. The FMPAC opened in February 2004, following a \$68 million development project, which included restoration and renovation of three historic buildings and construction of two new buildings. TMG worked closely with the City of Baltimore's Baltimore Development Corporation, The Greater Baltimore committee, and the State of Maryland, through its Maryland Stadium Authority, to develop concepts and plans for the preservation of the old Hippodrome Theatre on Baltimore's underdeveloped West Side. The process from concept to theatre opening covered eleven years, but the result is a state-of-the-art Performing Arts Center, including three preserved and restored historic buildings, which is serving as the catalyst for a comprehensive revitalization of the area - The "West Side Renaissance". The project was funded with a combination of State bonds and grants, City and County grants, philanthropic fund-raising, Federal and State tax credits and an investment by CCE of more than \$ 9 Million. CCE works with the not-for-profit Hippodrome Foundation to present a Broadway Series at the FMPAC, as well as supporting arts and education programs connected with the series. CCE, through its TMG subsidiary, is also responsible for the ongoing management of the facility, assuming all financial liabilities associated with its operation. A complete listing of Clear Channel's Broadway markets and theatres, with dates of involvement, and its financial interest in each is included as Exhibit C to this Proposal.



France-Merrick Performing Arts Center, Baltimore

Because of the need to provide product to its many markets on the road, CCE is an active producer of Broadway and Family shows. Among the shows CCE has recently produced or co-produced are:

THE PRODUCERS
HAIRSPRAY
MOVIN' OUT
CHICAGO
FOSSE
JEKYLL & HYDE
CAROLINE OR CHANGE
FIDDLER ON THE ROOF
LITTLE SHOP OF HORRORS
SWEET SMELL OF SUCCESS
THE CRUCIBLE
SEUSSICAL
SWING
THE CIVIL WAR

and the Family Shows:

DORA THE EXPLORER
BLUE'S CLUES
DAVID COPPERFIELD
SCOOBY-DOO LIVE

A complete listing of the past and future Broadway properties Clear Channel has invested in is attached to this Proposal as Exhibit D to this Proposal.

Clear Channel is a major player in the Broadway market nationally, and an important part of the Incumbent Team’s strategy to make the Minneapolis-St. Paul Broadway market one of the most successful in the country.

PRINCIPAL SPOKESPERSON FOR EACH TEAM MEMBER

Team Member: **Hennepin Theatre Trust**
Team spokesperson: **Tom Hoch, President**

Tom Hoch is President and Chief Executive Officer of Hennepin Theatre Trust, a 501(c)(3) not-for-profit charitable organization. In addition to presenting a variety of musical and theatrical productions at the State, Orpheum and Pantages Theatres (including the M&I Bank Broadway in Minneapolis Season), the Trust is engaged in preserving performing arts facilities in the Hennepin Theatre District, improving the District, and coordinating activities and marketing opportunities for the area. Prior to his current position, Hoch worked for the Minneapolis Community Development Agency (MCDA) in a variety of capacities over six years beginning in 1984. During that time, and after serving as Assistant to the Deputy Executive Director, he coordinated the restoration of the State Theatre and oversaw the acquisition and initial operation of the Orpheum Theatre. With the creation of an independent housing agency in 1990, he became Deputy Executive Director for the Minneapolis Public Housing Authority. There he was instrumental in establishing the free-standing agency and addressing its numerous deficiencies. During his tenure he negotiated with HUD the terms of the \$100 million Hollman v. Cisneros Consent Decree. Hoch remained at the Housing Authority until mid-1996, when the agency was designated by the Department of Housing and Urban Development as a “high performer.” Hoch then joined Fred Krohn in a campaign to prevent demolition of the Pantages Theatre, and gathered the support of local property owners for the streetscape improvements that grace Hennepin Avenue today.

Prior to his long relationship with the City of Minneapolis, Hoch was an attorney in private practice and a school teacher for Minneapolis Public Schools. He is a graduate of Washburn High School in Minneapolis and a lifelong resident of the City. Currently, Hoch is chairperson of the Downtown Minneapolis Neighborhood Association, the Hennepin Avenue Advisory Board, and Open Book, the nationally renowned literary and book arts Center. He also serves on the Boards of the Greater Minneapolis Convention and Visitors Association and the League of Historic American Theatres, and as the independent director for OutFront Minnesota.

Also involved in negotiating contract terms on behalf of Hennepin Theatre Trust will be Pat Plunkett, Board Chair of Hennepin Theatre Trust and Managing Partner with the law firm of with Moore, Costello & Hart, whose main offices are in St. Paul. Mr. Plunkett’s areas of professional expertise include non-profit organizations. A listing of the entire Board of Trustees of Hennepin Theatre Trust is included as Exhibit E to this Proposal.

Team Member: **Historic Theatre Group, Ltd.**
Team Spokesperson: **Fred Krohn, President**

Fred Krohn is an attorney and producer of a wide variety of live shows in the Twin Cities. He has been a moving force behind the preservation and restoration of the State, Orpheum and Pantages Theatres and the creation of the Hennepin Theatre District. His history with the Theatres dates to 1978, when he persuaded musician Bob Dylan to purchase the Orpheum Theatre and restore it to a Broadway and concert venue. Krohn reopened the Orpheum with the National Touring Company of **A CHORUS LINE**, launching a rebirth of Broadway in the Twin Cities, and operated the Orpheum for a time on behalf of the City. Along with partners Jim Binger, Doug Head and Lee Lynch, he spearheaded an effort to preserve and restore the State Theatre rather than demolishing it. After the State Theatre's initial success under Krohn's management team, Krohn proposed that the City completely restore the Orpheum Theatre as a home for "mega-musicals" like **MISS SAIGON, PHANTOM OF THE OPERA**, and **THE LION KING**, which could not be accommodated at the State. Finally, Krohn, along with Tom Hoch, lead a five-year effort to save and restore the Panatages Theatre and to create and upgrade the Hennepin Theatre District. Under Krohn's leadership, the Theatres have played host to the world premieres of **VICTOR VICTORIA** with Julie Andrews, Disney's **THE LION KING**, and the U.S. road premieres of **JOSEPH AND THE AMAZING TECHNICOLOR DREAMCOAT** starring Donny Osmond, **BEAUTY AND THE BEAST, AIDA**, and **DAME EDNA**. He also co-produced the Broadway production of **MUCH ADO ABOUT EVERYTHING** starring Jackie Mason. Krohn serves on the Board of the Minneapolis Downtown Council and is a member of the League of American Theatres and Producers. Krohn is a graduate of Carleton College (where he booked concerts for both Carleton and St. Olaf), and the University of Minnesota Law School.

Also involved in negotiating contract terms on behalf of Historic Theatre Group, Ltd. will be Lee Lynch, principal of Carmichael Lynch Advertising and an active investor in properties on and near Hennepin Avenue.

Team Member: **Clear Channel Entertainment**
Team Spokesperson: **David M. Anderson, President, Theatre Management**

After graduating from Georgetown University with a degree in International relations, David Anderson went on to become the General Manager of the Warner Theatre in Washington, DC, the Majestic Theatre in San Antonio, TX, and the Chicago Theatre in Chicago, IL. In 1988, Mr. Anderson relocated to Houston, TX to become president of a new company, Theatre Management Group, Inc (TMG), with principals Allen Becker, chairman and founder of Pace Entertainment, and Barry Lewis, a prominent Houston real estate investor. As President of TMG, he oversaw the restoration and renovation of the Majestic and Empire Theatres in San Antonio, TX, the Warner Theatre in Washington, DC, and the Saenger Theatre in New Orleans, LA. In October 2000, TMG was acquired by SFX Entertainment, which has subsequently been acquired by Clear

Channel Worldwide. Mr. Anderson now oversees the operations of 17 theatrical venues owned or under management and/or consulting agreements with Clear Channel Entertainment. In addition, he is the Clear Channel executive-in-charge of the current redevelopment of the Boston Opera House and the Baltimore Hippodrome Performing Arts Center.

Also involved in negotiating contract terms on behalf of Clear Channel Entertainment will be Miles Wilkin, Chief Operating Officer of Clear Channel Entertainment, and Scott Zeiger, Chief Executive Officer of Clear Channel's Theatrical Group. Attached as Exhibit F to this Proposal are the biographies of Messrs. Wilkin and Zeiger.

PROPOSED BUSINESS STRUCTURE OF THE RESPONDENTS

The Incumbent Team proposes to operate as three distinct entities, Hennepin Theatre Trust as a 501(c)(3) Minnesota not-for-profit corporation under the direction of its Board of Trustees, HTG as a Minnesota Corporation, and CCE as a Delaware corporation. HTG (of which CCE will become a co-owner) will execute a Master Lease of the Theatres with the City. CCE will serve as a guarantor for the lease payments required by the Master Lease which are contemplated in this Proposal, and in addition will serve as the Broadway booking consultant to the Trust. The Trust will sublease the Theatres from HTG, will serve as the presenter of the Broadway Season, and will book a wide variety of other live entertainment product into the Theatres. The Team envisions that Hennepin Theatre Trust will assume fee ownership of the Theatres once the bonds have been completely paid off, in order to ensure that the Theatres are preserved as a legacy for future generations of the citizens of Minneapolis. It is contemplated by the Incumbent Team Members that all of the above documents will be in place and available for inspection by the City prior to the execution of the Master Lease between the City and HTG.

FINANCIAL STATEMENTS FOR EACH TEAM MEMBER

The financial statements for Hennepin Theatre Trust for the fiscal years 2002 and 2003 have been attached to this Proposal as Exhibit G.

The financial statements for Historic Theatre Group, Ltd. for the fiscal years 2002 and 2003 have, per Page 10 of the R.F.P., been submitted confidentially to the CPED Director under separate cover marked "Confidential Private Data" and delivered to:

Lee Sheehy, Director
Community Planning and Economic Development
105 5th Avenue South
Minneapolis, MN 55401-2534

The financial statements for Clear Channel Entertainment for the fiscal years 2002 and 2003 have, per Page 10 of the R.F.P., been submitted confidentially to the CPED Director under separate cover marked "Confidential Private Data" and delivered to:

Lee Sheehy, Director
Community Planning and Economic Development
105 5th Avenue South
Minneapolis, MN 55401-2534

Request for Proposals (RFP) for the combined management, programming, and/or lease or sale of the Historic Orpheum Theatre, the Historic State Theatre, and the Pantages Theatre in the Hennepin Theatre District in Minneapolis, Minnesota

**JOINT RESPONSE BY
HENNEPIN THEATRE TRUST
HISTORIC THEATRE GROUP, LTD.
AND
CLEAR CHANNEL ENTERTAINMENT**

Term Sheet

The Incumbent Team proposes the following contract terms and conditions for its contract with the City:

(1) The current tax-exempt theatre bonds for the Orpheum and Pantages Theatres will be converted to taxable bonds with a term of thirty years. Clear Channel and HTG will assume all costs of this bond conversion, as well as any related costs of the transaction, including negative arbitrage.

(2) Historic Theatre Group, Ltd., now jointly owned by HTG's current owners, Fred Krohn and Lee Lynch, and by CCE, will enter into a lease (the "Master Lease") with the City. This lease will be the only agreement related to the Theatres which the City will have to monitor. The proposed terms of the Master Lease are as follows:

(a) The term of the Master Lease will be equal to the term of the new taxable bonds.

(b) The lease payments for the Master Lease will be equal to the annual debt service on the new taxable bonds.

(c) The City and HTG will negotiate terms for the Master Lease which provide assurances to the City that the Theatres will be well-maintained in a manner equal to other first class theatres, and will be aggressively booked for the term of the Master Lease. The criteria will be easily ascertained, and will require minimal oversight by City staff.

(d) All City contracts relative to the Theatres, including the TicketMaster Agreement, will be transferred to HTG, and all moneys generated by the Theatres will become the sole property of HTG and will not be considered City revenues subject to audit as a part of the City of Minneapolis audit.

(e) Clear Channel Entertainment will join with Historic Theatre Group, Ltd. in guaranteeing the financial terms of the Master Lease, either by an annual letter of credit or via another form of security as negotiated by the parties.

(f) HTG will, after entering into the Master Lease, enter into a Sublease of the Theatres with Hennepin Theatre Trust. However the Master Lease between HTG and the City will remain in place for the entire term of the new taxable bonds. This Master Lease will be the City's firewall, protecting it from any potential of financial exposure even if Hennepin Theatre Trust should default on the Sublease.

(g) The Team Members envision that Hennepin Theatre Trust will assume fee ownership of the Theatres once the Master Lease obligations have been fulfilled and the bonds fully paid off. Both HTG and CCE will be available to continue to work with the Trust should that continued involvement best serve the Theatres.

(h) In the event that Hennepin Theatre Trust does not remain as the sublessee for the entire term of the Sublease, then HTG and the City will work to find a mutually-acceptable nonprofit to fulfill the Trust's responsibilities under the Sublease. In no case, however, will fee ownership of the Theatres pass to any entity (including Historic Theatre Group and Clear Channel) other than a 501(c)(3) not for profit entity.

The Incumbent Team's proposed contract terms and conditions are designed to make City oversight of its investment in the Theatres clean and simple, and to take the City out of the financial oversight of the Theatres. Rather, the City's responsibilities will consist of collecting the payments due under the Master Lease from Historic Theatre Group, inspecting the Theatres to ascertain that they are being maintained to a first class theatre standard, and verifying that the Lessee is meeting the Master Lease's requirements for event activity. The City will thereby preserve its objectives in developing the Theatres, but shed any financial liability for their operation or maintenance.

Request for Proposals (RFP) for the combined management, programming, and/or lease or sale of the Historic Orpheum Theatre, the Historic State Theatre, and the Pantages Theatre in the Hennepin Theatre District in Minneapolis, Minnesota

**JOINT RESPONSE BY
HENNEPIN THEATRE TRUST
HISTORIC THEATRE GROUP, LTD.
AND
CLEAR CHANNEL ENTERTAINMENT**

Operating Pro Forma

Please see Pages 27 through 34 of this Proposal for the Respondents' Operating Pro Forma, including the assumptions underlying the income and expense projections.

OPERATING PRO FORMA

Orpheum, State and Pantages Theatres

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
THEATRE OPERATING REVENUE					
RENTAL REVENUE	\$1,412,350	\$1,454,450	\$1,508,850	\$1,537,950	\$1,593,200
CONCESSIONS REVENUE	\$496,123	\$550,777	\$562,084	\$574,018	\$598,107
BOX OFFICE REVENUE	\$963,388	\$955,975	\$984,189	\$1,011,877	\$1,054,217
RESTORATION FEE REVENUE	\$1,367,007	\$1,409,575	\$1,437,061	\$1,480,429	\$1,543,911
TOTAL COMBINED REVENUE	<u>\$4,238,868</u>	<u>\$4,370,777</u>	<u>\$4,492,184</u>	<u>\$4,604,274</u>	<u>\$4,789,435</u>
THEATRE OPERATING EXPENSES					
BUILDING MAINTENANCE & REPAIRS	\$100,000	\$103,000	\$106,090	\$109,273	\$112,551
CAPITAL IMPROVEMENT ALLOWANCE	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
UTILITIES EXPENSES	\$500,000	\$515,000	\$530,450	\$546,364	\$562,754
HOUSE EXPENSES	\$375,000	\$386,250	\$397,838	\$409,773	\$422,066
INSURANCE EXPENSES	\$100,000	\$103,000	\$106,090	\$109,273	\$112,551
ADMINISTRATION EXPENSES	\$630,000	\$648,900	\$668,367	\$688,418	\$709,071
EQUIPMENT PURCHASES	\$13,000	\$13,390	\$13,792	\$14,205	\$14,632
EQUIPMENT RENTAL & REPAIRS	\$6,000	\$6,180	\$6,365	\$6,556	\$6,753
PROFESSIONAL SERVICES	\$20,000	\$20,600	\$21,218	\$21,855	\$22,510
LICENSES & FEES	\$5,000	\$5,150	\$5,305	\$5,464	\$5,628
OTHER EXPENSES	\$10,000	\$10,300	\$10,609	\$10,927	\$11,255
LEASE PAYMENT	<u>\$1,600,000</u>	<u>\$1,600,000</u>	<u>\$1,600,000</u>	<u>\$1,600,000</u>	<u>\$1,600,000</u>
TOTAL OPERATING EXPENSES	<u>\$3,559,000</u>	<u>\$3,611,770</u>	<u>\$3,666,123</u>	<u>\$3,722,107</u>	<u>\$3,779,770</u>
NET OPERATING INCOME	<u>\$679,868</u>	<u>\$759,007</u>	<u>\$826,061</u>	<u>\$882,167</u>	<u>\$1,009,665</u>

OPERATING PRO FORMA

Orpheum, State and Pantages Theatres

	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
THEATRE OPERATING REVENUE					
RENTAL REVENUE	\$1,640,996	\$1,640,996	\$1,640,996	\$1,640,996	\$1,640,996
CONCESSIONS REVENUE	\$616,050	\$616,050	\$616,050	\$616,050	\$616,050
BOX OFFICE REVENUE	\$1,085,844	\$1,085,844	\$1,085,844	\$1,085,844	\$1,085,844
RESTORATION FEE REVENUE	\$1,590,228	\$1,590,228	\$1,590,228	\$1,590,228	\$1,590,228
TOTAL COMBINED REVENUE	<u>\$4,933,118</u>	<u>\$4,933,118</u>	<u>\$4,933,118</u>	<u>\$4,933,118</u>	<u>\$4,933,118</u>
THEATRE OPERATING EXPENSES					
BUILDING MAINTENANCE & REPAIR	\$115,927	\$115,927	\$115,927	\$115,927	\$115,927
CAPITAL IMPROVEMENT ALLOWANCE	\$210,000	\$210,000	\$210,000	\$210,000	\$210,000
UTILITIES EXPENSES	\$579,637	\$579,637	\$579,637	\$579,637	\$579,637
HOUSE EXPENSES	\$434,728	\$434,728	\$434,728	\$434,728	\$434,728
INSURANCE EXPENSES	\$115,927	\$115,927	\$115,927	\$115,927	\$115,927
ADMINISTRATIVE EXPENSES	\$730,343	\$730,343	\$730,343	\$730,343	\$730,343
EQUIPMENT PURCHASES	\$15,071	\$15,071	\$15,071	\$15,071	\$15,071
EQUIPMENT RENTAL & REPAIRS	\$6,956	\$6,956	\$6,956	\$6,956	\$6,956
PROFESSIONAL SERVICES	\$23,185	\$23,185	\$23,185	\$23,185	\$23,185
LICENSES & FEES	\$5,796	\$5,796	\$5,796	\$5,796	\$5,796
OTHER EXPENSES	\$11,593	\$11,593	\$11,593	\$11,593	\$11,593
LEASE PAYMENT	<u>\$1,600,000</u>	<u>\$1,600,000</u>	<u>\$1,600,000</u>	<u>\$1,600,000</u>	<u>\$1,600,000</u>
TOTAL OPERATING EXPENSES	<u>\$3,849,163</u>	<u>\$3,849,163</u>	<u>\$3,849,163</u>	<u>\$3,849,163</u>	<u>\$3,849,163</u>
NET OPERATING INCOME	<u>\$1,083,955</u>	<u>\$1,083,955</u>	<u>\$1,083,955</u>	<u>\$1,083,955</u>	<u>\$1,083,955</u>

OPERATING PRO FORMA

Orpheum, State and Pantages Theatres

	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15
THEATRE OPERATING REVENUE					
RENTAL REVENUE	\$1,690,226	\$1,690,226	\$1,690,226	\$1,690,226	\$1,690,226
CONCESSIONS REVENUE	\$634,532	\$634,532	\$634,532	\$634,532	\$634,532
BOX OFFICE REVENUE	\$1,118,419	\$1,118,419	\$1,118,419	\$1,118,419	\$1,118,419
RESTORATION FEE REVENUE	\$1,637,935	\$1,637,935	\$1,637,935	\$1,637,935	\$1,637,935
TOTAL COMBINED REVENUE	<u>\$5,081,112</u>	<u>\$5,081,112</u>	<u>\$5,081,112</u>	<u>\$5,081,112</u>	<u>\$5,081,112</u>
THEATRE OPERATING EXPENSES					
BUILDING MAINTENANCE & REPAIR	\$119,405	\$119,405	\$119,405	\$119,405	\$119,405
CAPITAL IMPROVEMENT ALLOWANCE	\$220,000	\$220,000	\$220,000	\$220,000	\$220,000
UTILITIES EXPENSES	\$597,026	\$597,026	\$597,026	\$597,026	\$597,026
HOUSE EXPENSES	\$447,770	\$447,770	\$447,770	\$447,770	\$447,770
INSURANCE EXPENSES	\$119,405	\$119,405	\$119,405	\$119,405	\$119,405
ADMINISTRATION EXPENSES	\$752,253	\$752,253	\$752,253	\$752,253	\$752,253
EQUIPMENT PURCHASES	\$15,523	\$15,523	\$15,523	\$15,523	\$15,523
EQUIPMENT RENTAL & REPAIRS	\$7,164	\$7,164	\$7,164	\$7,164	\$7,164
PROFESSIONAL SERVICES	\$23,881	\$23,881	\$23,881	\$23,881	\$23,881
LICENSES & FEES	\$5,970	\$5,970	\$5,970	\$5,970	\$5,970
OTHER EXPENSES	\$11,941	\$11,941	\$11,941	\$11,941	\$11,941
LEASE PAYMENT	<u>\$1,600,000</u>	<u>\$1,600,000</u>	<u>\$1,600,000</u>	<u>\$1,600,000</u>	<u>\$1,600,000</u>
TOTAL OPERATING EXPENSES	<u>\$3,920,338</u>	<u>\$3,920,338</u>	<u>\$3,920,338</u>	<u>\$3,920,338</u>	<u>\$3,920,338</u>
NET OPERATING INCOME	<u>\$1,160,774</u>	<u>\$1,160,774</u>	<u>\$1,160,774</u>	<u>\$1,160,774</u>	<u>\$1,160,774</u>

OPERATING PRO FORMA

Orpheum, State and Pantages Theatres

	YEAR 16	YEAR 17	YEAR 18	YEAR 19	YEAR 20
THEATRE OPERATING REVENUE					
RENTAL REVENUE	\$1,740,933	\$1,740,933	\$1,740,933	\$1,740,933	\$1,740,933
CONCESSIONS REVENUE	\$653,568	\$653,568	\$653,568	\$653,568	\$653,568
BOX OFFICE REVENUE	\$1,151,972	\$1,151,972	\$1,151,972	\$1,151,972	\$1,151,972
RESTORATION FEE REVENUE	\$1,687,073	\$1,687,073	\$1,687,073	\$1,687,073	\$1,687,073
TOTAL COMBINED REVENUE	<u>\$5,233,545</u>	<u>\$5,233,545</u>	<u>\$5,233,545</u>	<u>\$5,233,545</u>	<u>\$5,233,545</u>
THEATRE OPERATING EXPENSES					
BUILDING MAINTENANCE & REPAIR	\$122,987	\$122,987	\$122,987	\$122,987	\$122,987
CAPITAL IMPROVEMENT ALLOWANCE	\$230,000	\$230,000	\$230,000	\$230,000	\$230,000
UTILITIES EXPENSES	\$614,937	\$614,937	\$614,937	\$614,937	\$614,937
HOUSE EXPENSES	\$461,203	\$461,203	\$461,203	\$461,203	\$461,203
INSURANCE EXPENSES	\$122,987	\$122,987	\$122,987	\$122,987	\$122,987
ADMINISTRATION EXPENSES	\$774,821	\$774,821	\$774,821	\$774,821	\$774,821
EQUIPMENT PURCHASES	\$15,988	\$15,988	\$15,988	\$15,988	\$15,988
EQUIPMENT RENTAL & REPAIRS	\$7,379	\$7,379	\$7,379	\$7,379	\$7,379
PROFESSIONAL SERVICES	\$24,597	\$24,597	\$24,597	\$24,597	\$24,597
LICENSES & FEES	\$6,149	\$6,149	\$6,149	\$6,149	\$6,149
OTHER EXPENSES	\$12,299	\$12,299	\$12,299	\$12,299	\$12,299
LEASE PAYMENT	<u>\$1,600,000</u>	<u>\$1,600,000</u>	<u>\$1,600,000</u>	<u>\$1,600,000</u>	<u>\$1,600,000</u>
TOTAL OPERATING EXPENSES	<u>\$3,993,348</u>	<u>\$3,993,348</u>	<u>\$3,993,348</u>	<u>\$3,993,348</u>	<u>\$3,993,348</u>
NET OPERATING INCOME	<u>\$1,240,197</u>	<u>\$1,240,197</u>	<u>\$1,240,197</u>	<u>\$1,240,197</u>	<u>\$1,240,197</u>

OPERATING PRO FORMA

Orpheum, State and Pantages Theatres

	YEAR 21	YEAR 22	YEAR 23	YEAR 24	YEAR 25
THEATRE OPERATING REVENUE					
RENTAL REVENUE	\$1,793,161	\$1,793,161	\$1,793,161	\$1,793,161	\$1,793,161
CONCESSIONS REVENUE	\$673,175	\$673,175	\$673,175	\$673,175	\$673,175
BOX OFFICE REVENUE	\$1,186,531	\$1,186,531	\$1,186,531	\$1,186,531	\$1,186,531
RESTORATION FEE REVENUE	\$1,737,685	\$1,737,685	\$1,737,685	\$1,737,685	\$1,737,685
TOTAL COMBINED REVENUE	<u>\$5,390,552</u>	<u>\$5,390,552</u>	<u>\$5,390,552</u>	<u>\$5,390,552</u>	<u>\$5,390,552</u>
THEATRE OPERATING EXPENSES					
BUILDING MAINTENANCE & REPAIR	\$126,677	\$126,677	\$126,677	\$126,677	\$126,677
CAPITAL IMPROVEMENT ALLOWANCE	\$240,000	\$240,000	\$240,000	\$240,000	\$240,000
UTILITIES EXPENSES	\$633,385	\$633,385	\$633,385	\$633,385	\$633,385
HOUSE EXPENSES	\$475,039	\$475,039	\$475,039	\$475,039	\$475,039
INSURANCE EXPENSES	\$126,677	\$126,677	\$126,677	\$126,677	\$126,677
ADMINISTRATION EXPENSES	\$798,065	\$798,065	\$798,065	\$798,065	\$798,065
EQUIPMENT PURCHASES	\$16,468	\$16,468	\$16,468	\$16,468	\$16,468
EQUIPMENT RENTAL & REPAIRS	\$7,601	\$7,601	\$7,601	\$7,601	\$7,601
PROFESSIONAL SERVICES	\$25,335	\$25,335	\$25,335	\$25,335	\$25,335
LICENSES & FEES	\$6,334	\$6,334	\$6,334	\$6,334	\$6,334
OTHER EXPENSES	\$12,668	\$12,668	\$12,668	\$12,668	\$12,668
LEASE PAYMENT	<u>\$1,600,000</u>	<u>\$1,600,000</u>	<u>\$1,600,000</u>	<u>\$1,600,000</u>	<u>\$1,600,000</u>
TOTAL OPERATING EXPENSES	<u>\$4,068,249</u>	<u>\$4,068,249</u>	<u>\$4,068,249</u>	<u>\$4,068,249</u>	<u>\$4,068,249</u>
NET OPERATING INCOME	<u>\$1,322,303</u>	<u>\$1,322,303</u>	<u>\$1,322,303</u>	<u>\$1,322,303</u>	<u>\$1,322,303</u>

OPERATING PRO FORMA

Orpheum, State and Pantages Theatres

	YEAR 26	YEAR 27	YEAR 28	YEAR 29	YEAR 30
THEATRE OPERATING REVENUE					
RENTAL REVENUE	\$1,846,955	\$1,846,955	\$1,846,955	\$1,846,955	\$1,846,955
CONCESSIONS REVENUE	\$693,370	\$693,370	\$693,370	\$693,370	\$693,370
BOX OFFICE REVENUE	\$1,222,127	\$1,222,127	\$1,222,127	\$1,222,127	\$1,222,127
RESTORATION FEE REVENUE	\$1,789,816	\$1,789,816	\$1,789,816	\$1,789,816	\$1,789,816
TOTAL COMBINED REVENUE	<u>\$5,552,268</u>	<u>\$5,552,268</u>	<u>\$5,552,268</u>	<u>\$5,552,268</u>	<u>\$5,552,268</u>
THEATRE OPERATING EXPENSES					
BUILDING MAINTENANCE & REPAIR	\$130,477	\$130,477	\$130,477	\$130,477	\$130,477
CAPITAL IMPROVEMENT ALLOWANCE	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
UTILITIES EXPENSES	\$652,387	\$652,387	\$652,387	\$652,387	\$652,387
HOUSE EXPENSES	\$489,290	\$489,290	\$489,290	\$489,290	\$489,290
INSURANCE EXPENSES	\$130,477	\$130,477	\$130,477	\$130,477	\$130,477
ADMINISTRATION EXPENSES	\$822,007	\$822,007	\$822,007	\$822,007	\$822,007
EQUIPMENT PURCHASES	\$16,962	\$16,962	\$16,962	\$16,962	\$16,962
EQUIPMENT RENTAL & REPAIRS	\$7,829	\$7,829	\$7,829	\$7,829	\$7,829
PROFESSIONAL SERVICES	\$26,095	\$26,095	\$26,095	\$26,095	\$26,095
LICENSES & FEES	\$6,524	\$6,524	\$6,524	\$6,524	\$6,524
OTHER EXPENSES	\$13,048	\$13,048	\$13,048	\$13,048	\$13,048
LEASE PAYMENT	<u>\$1,600,000</u>	<u>\$1,600,000</u>	<u>\$1,600,000</u>	<u>\$1,600,000</u>	<u>\$1,600,000</u>
TOTAL OPERATING EXPENSES	<u>\$4,145,096</u>	<u>\$4,145,096</u>	<u>\$4,145,096</u>	<u>\$4,145,096</u>	<u>\$4,145,096</u>
NET OPERATING INCOME	<u>\$1,407,172</u>	<u>\$1,407,172</u>	<u>\$1,407,172</u>	<u>\$1,407,172</u>	<u>\$1,407,172</u>

SUPPLEMENTAL EVENT AND ATTENDANCE INFORMATION

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
BROADWAY THEATRE SEASON	140	148	148	156	164
NON-SEASON BROADWAY	83	89	88	85	90
CONCERTS	108	110	120	119	125
OTHER	<u>29</u>	<u>28</u>	<u>30</u>	<u>32</u>	<u>29</u>
TOTAL NUMBER OF EVENTS	360	375	386	392	408
TOTAL ATTENDANCE	497,939	512,144	524,538	539,577	560,785

SUPPLEMENTAL EVENT AND ATTENDANCE INFORMATION

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
BROADWAY THEATRE SEASON	140	148	148	156	164
GOSPEL	6	7	7	6	7
SEASONAL	34	36	36	34	35
CONCERTS	102	103	113	113	118
PRIVATE / CORPORATE EVENTS	22	21	23	24	22
COMMUNITY/MISC	7	7	7	8	7
PERFORMING ARTS	<u>49</u>	<u>53</u>	<u>52</u>	<u>51</u>	<u>55</u>
TOTAL PERFORMANCES	360	375	386	392	408
TOTAL ATTENDANCE	497,939	512,144	524,538	539,577	560,785

The following assumptions underlying the income and expense projections have been used in creating the operating pro forma:

1. Theatre rental revenue, concessions revenue and box office revenue in YEAR 1 are calculated using historical averages based on the number of theatre performances and theatre attendance generated under the current management of Historic Theatre Group, Ltd. The revenue increases for YEAR 2 through YEAR 5 are a result of increased performances between the 3 theatres anticipated by Historic Theatre Group, Ltd.
2. Restoration Fee revenues are generated from a ticket surcharge on all events at the theatres. The budgeted restoration fee revenues used in the pro forma are greater than historical averages due to the restoration fee increase which went into effect 08/01/04.
3. The pro forma projects a 3% increase in total revenues every 5 years throughout the term of the bonds.
4. Theatre operating expenses are budgeted based on historical averages expended under the current management of Historic Theatre Group used to operate the theatres. The pro forma projects a 3% increase each year in these expenses in YEAR 1 through YEAR 5, then a 3% increase in total expenses every 5 years throughout the term of the bonds.
5. A capital improvement allowance ranging from \$200,000 to \$250,000 per year has been included in the pro forma to address the maintenance and capital improvement needs of the 3 theatres throughout the term of the bonds.
6. A lease payment of \$1.6 million per year is included in the pro forma. This lease payment represents the annual estimated debt service payment that will be made to the City on the taxable bonds.

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**JOINT RESPONSE BY
HENNEPIN THEATRE TRUST
HISTORIC THEATRE GROUP, LTD.
AND
CLEAR CHANNEL ENTERTAINMENT**

Staffing Plan

Because Team Member Historic Theatre Group, Ltd. will continue to assume responsibility for the onsite management of the Theatres on behalf of the Team, and will benefit from the added experience of CCE's Theatre Management Group, the staffing plan will be very similar to the current operation of the Theatres. An organizational chart is attached as Exhibit I to this Proposal, but the line management of the Theatres will be organized as follows:

President / Chief Executive Officer Fred Krohn will continue to serve as HTG's top executive, under an employment contract that assures his continued service for a minimum of five years. Krohn will oversee all aspects of Theatre operations, including box office operations, front-of-house staffing, concessions, merchandise, back-of-house union personnel, accounting, human resources, I.T., and booking. Krohn has served in this capacity for HTG since 1988, and has a well-deserved reputation for hands-on management.

Chief Financial Officer Jason Seifert holds both CPA and CMA certifications. He has served as Historic Theatre Group's CFO for nearly six years, preparing the Theatres' financial reports for the City, working with the Minnesota State Auditor's Office on the annual audit of the Theatres, and working with the MCDA on the City's financial oversight of the Theatres. He is familiar with all aspects of the theatres' operations, and in addition to financial accounting, he supervises the Theatres' I.T. and Human Resources functions. Under the Team's proposal, Seifert will continue as CFO, and will be the liaison with the City on HTG's financial obligations under the Master Lease.

Director of Sales Gail Nelson currently supervises the Theatres' Box Office and Group Sales functions, as well as serving on HTG's Senior Staff Group. Nelson has worked in sales for seventeen years, first at the Ordway Center, and for the past eight years, with HTG. Under Gail, the box office has handled a very high volume of ticket sales with an emphasis both on financial security and customer service. Under the Team's proposal, Gail Nelson will continue as HTG's Director of Sales.

Director of Client Services Lynne Bengtson currently serves as HTG's initial contact with potential renters of the three Theatres. She is in charge of the maintaining and updating the internet calendar for all three Theatres, available to promoters throughout the country via www.eventbooking.com. Lynne also settles shows with users, providing them with a detailed accounting of receipts and expenditures, and writing them a check on the night of the show for the total amount due them. Very few venues are able to provide such rapid settlements, and many promoters say it is one of the main reasons they keep coming back to the Theatres, rather than booking the Northrop or Fitzgerald Theatres, which may take up to ten days to provide a final settlement check. Under the Team's proposal, Lynne Bengtson will continue in her position as Director of Client Services.

Manager of House Services Jerry Knock has worked in HTG's House Services Department since the Orpheum reopened, working from usher, to head usher, to his current post of House Services Manager. Knock schedules ushers for every show at the Theatres, on some nights having to provide up to 50 trained and experienced workers on the same evening. He is also on the floor on a regular basis to make certain that the Theatres' guest experience exceeds expectations. On several occasions, most notably just prior to the world premiere of Disney's **THE LION KING**, the entire Theatre staff has gone through Disney organization's course on customer service, and they try to live those goals at every show.

Theatre Operations Coordinators Each theatre has a member of the IATSE stagehands union who oversees the activities of each show, interfaces with the show's Company Manager and technical crew, and prepares all labor bills. Under HTG's contract with the stagehands, HTG has the right to select and hire these positions. Having good people in these positions assures an orderly and low-stress load-in and load-out of a show, and fewer arguments about how the labor is being invoiced. HTG has three outstanding people serving as Operations Coordinators: David Marietta at the Orpheum, Mark Kroening at the State, and Steve Olson at the Pantages. All three will remain in their positions under the Team's proposal.

In addition to its current staff, HTG will, under this Proposal, have access to the national resources of CCE's wholly-owned subsidiary, Theatre Management Group, Inc. (TMG"). TMG currently manages, operates, or consults in the operation of 17 theatres in North America, and has developed a set of ticketing, accounting, and audience development policies which will benefit and support HTG's management of the Theatres.

As earlier stated, the Team feels that the transition from HTG's current management relationship with the MCDA, to the management scenario proposed in this document, would be smooth and virtually undetected by the public at large.

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**Box Office and Ticket Sales Plan Including
Group, Subscription and Membership Sales**

BOX OFFICE OPERATIONS

Team Member Historic Theatre Group, Ltd. currently staffs and operates the Theatres' box offices as a part of its responsibilities under the Management Agreement with the MCDA. HTG's box office operation handles all ticket sales for the Orpheum, State and Pantages Theatres, and in addition provides box office services for the Hennepin Stages (formerly Hey City Theatre), the Music Box Theatre, and the Woman's Club Theatre. These facilities have a combined total seating of nearly 7,000, and the box office handles an average of over 1,000 individual events each year.

In 2004, HTG's box office was recognized by INTIX, the main trade association for the ticketing industry, with the highest honor that a box office can achieve: **Box Office of the Year**. In a very competitive field which included Alice Tully Hall, Denver Center for the Performing Arts, and Avery Fisher Hall, HTG's box office was selected as best exemplifying the highest standards of customer service and internal accounting in the industry.

Under the Incumbent Team's Proposal, HTG will continue to function as Manager of the Theatres, HTG's award-winning ticketing operation, headed by Box Office Manager Jean Yoon, will continue to operate the Theatres' box offices, and HTG's ticketing division will benefit from the innovative ticketing technology developed by Clear Channel.

GROUP SALES OPERATIONS

Group Sales (the discounted sales of blocks of tickets to businesses and groups of 20 or more individuals) are a crucial component of the Theatres' overall ticket sales plan, providing ticket buyers who may not have purchased tickets as individuals. HTG's

Group Sales Department, headed by Gail Nelson, has a national reputation as one of the most successful in the business, averaging between \$2 million and \$3 million in group ticket sales each year. This division will also benefit from the national group sales expertise and corporate sales programs of Clear Channel Entertainment, including centralized group sales and service channels for national tours, group ticketing across multiple CCE divisions and markets, and CCE's in-bound group sales call center.

Successful group sales are the result of personal relationships developed over time, coupled with excellent customer service. Gail Nelson and her staff have worked in group sales for years, and have developed close ties to tour-and-travel groups, corporate group sales leaders, concierge associations, and golf and social clubs. They know what kinds of shows each group buyer is interested in, and have the customer service skills to add or subtract tickets for a group at the last minute.

Under the Incumbent Team's Proposal, HTG's Group Sales Department will remain in place and continue to add these important revenues to the Theatres' ticket sales operation.

SUBSCRIPTION SALES PLAN

Along with single ticket sales and group ticket sales, subscription sales are important to the success of the Theatres' ticketing plan. Subscription sales (the sale of a package of two or more shows to one individual or business) are in fact the foundation of the plan, bringing in the first moneys to each of the shows in the Season and making the Season presenter less dependent on the vagaries of single sales.

Team Member Hennepin Theatre Trust currently presents the Broadway Season at the Theatres. The Trust contracts with Team Member CCE to assist in designing a Season brochure and advertising plan, securing a Season sponsor, and processing Season ticket orders through its state-of-the art national call center. The Trust will also continue to benefit from CCE's innovative Season Ticket Holder programs, including Broadway Across America (BAA.com), which provides opportunities for Season subscribers to participate in online chats with Broadway and entertainment celebrities, and be notified of exclusive offers, discounts, and insider information. Because CCE performs these same functions in over 50 markets in the United States and Canada, its expertise and skills are invaluable to the success of the Minneapolis Season, and the efficiency of spreading season costs across many markets is also beneficial to theatre patrons and to the Trust's bottom line.

Under the Incumbent Team's Proposal, Hennepin Theatre Trust will continue to present the M&I Bank Broadway in Minneapolis Season, and the Trust will continue to contract with CCE for its Broadway Season subscription-related services.

MEMBERSHIP PROGRAM

In addition to subscription sales, Hennepin Theatre Trust offers a Membership Program which generates substantial ticket sales. Memberships are available at levels from \$150 to \$10,000 and benefits include the opportunity to purchase tickets to all events at the theatres prior to the general public, Playbill program recognition, exclusive offers from restaurants in the Hennepin Theatre District, and invitations to Opening Night cast parties. The Membership Program, which is overseen by the Membership Committee of the Trust Board, also provides an opportunity for theatre patrons to support presentations by the Trust and to facilitate its educational programming and outreach efforts. The Trust plans to continue and expand its Membership Program and its ticket sales to Members. The Trust's approach to growing Membership relies on having the best and most diverse selection of shows possible, a vibrant educational program for members to support, and continuing to provide superior service, as has been done by Trust staff members Laura Marinan and Katie Jahr. This selection and customer service approach has resulted in the retention of more than 90% of the Trust's members from one year to the next.

“As Hennepin Theatre Trust Members, we have the best of two worlds. We are supporting theatre in Minneapolis which all great cities need. Plus, attending Hennepin Theatre Trust productions and events is as easy and hassle-free as possible due to the superb coordination of the Trust Membership staff.”

◆Kathy and Dick Welander

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Facility Utilization and Marketing Plan

MAXIMIZING THE USE OF THE THEATRES

Hennepin Theatre Trust presents virtually all of the Broadway shows at the Theatres, and these shows generate a substantial percentage of the Theatres' Restoration Fees and operating income. Broadway on average accounts for 71% of the Restoration Fees collected by the Theatres, and 67% of the total tickets sold.

Hennepin Theatre Trust, supported by its Broadway consultant Clear Channel, has consistently secured Broadway Season shows for the Twin Cities which are far superior to those of other theatres. Competing facilities argue that they can book major shows without the involvement of a consultant like Clear Channel, but their track record in the past few years tells a different story. While Hennepin Theatre Trust has presented the first runs of **THE LION KING, MAMMA MIA, THE PRODUCERS, HAIRSPRAY, DAME EDNA, ELAINE STRITCH AT LIBERTY, RADIO CITY CHRISTMAS SPECTACULAR, RIVERDANCE, AIDA, BEAUTY AND THE BEAST**, and soon, **MOVIN' OUT** and **SWEET CHARITY**, the shows on the competing series are much less distinguished, with only an occasional current Broadway hit appearing on their Season.



Disney's THE LION KING Minneapolis Cast at World Premiere Performance

But important as Hennepin Theatre Trust's Broadway shows are to the vitality of the Theatres, it is the addition of the Trust's non-Broadway shows which have allowed the Theatres to operate in the black for the past five years.

The Trust's success in booking concerts and live entertainment events is based on two core principals:

- (1) The Trust presents a wide diversity of live entertainment attractions, and
- (2) The Trust aggressively books and presents shows in house, rather than waiting for outside users to rent the Theatres.

While Northrop Auditorium has been content to present a small dance season and leave its venue dark unless an outside promoter books a concert, and while the Ordway has been content to stay in its comfort zone of classical music, opera, and Broadway shows, Hennepin Theatre Trust, with the support of HTG and CCE, has sought out and booked some of the most diverse artists on tour today. For 2003, these non-Broadway acts brought the Theatres 37% of their total ticket sales, and 32% of the Restoration Fees generated. Clearly the Theatres are succeeding because of the depth and diversity of Hennepin Theatre Trust's bookings.

An examination of the Theatre schedule for the past year illustrates the wide diversity of offerings presented by the Trust under the leadership of the Trust's Director of Concerts, Steve Weiss:

World Music:	Bebel Gilberto 12 Girls Band Cesaria Evora
Gospel:	Excelsior Gospel Choir with Ann Nesby Three 'Mo Tenors
Alternative:	Bright Eyes The Magnetic Fields The Flatlanders Cat Power The String Cheese Incident
Spoken Word:	Def Poetry Jam Henry Rollins Yakov Smirnoff Thirty Days in Frogtown David Sedaris Ira Glass: This American Life
Jazz:	David Sanborn Anita Baker Jane Monheit Michael Bublé
Off Broadway:	The Marijuana-Logues Fully Committed Tick, Tick... BOOM
Country:	Vince Gill
Special Shows:	Bobby McFerrin with Savion Glover Elaine Stritch at Liberty Shoalin Monks- Wheel of Life The Exonerated
Dance:	Mikhail Baryshnikov Pilobolus Lord of the Dance Les Ballet Trockadero de Monte Carlo
Comedy:	Bill Maher Jeff Foxworthy Eddie Izzard Ellen Degeneres Eric Idle

Last Comic Standing

Adult Contemporary: Jackson Browne
Chris Isaak
Randy Newman

Family Shows: Bear in the Big Blue House
Dora the Explorer
David Copperfield
Spider-Man Live!

Attached as Exhibit H to this Response is a listing of all the shows booked into the Theatres for the years 2000 through 2004.

MARKETING THE THEATRES EFFECTIVELY

Hennepin Theatre Trust's marketing staff, led by Lisa Krohn and Laura Murphy, has marketed the Trust's wide diversity of shows for the past six years. Unlike many arts organizations, the Trust understands the need to connect with a targeted audience for each show, and make its shows stand out from the clutter of the marketing efforts of competing shows. It also understands that aggressive use of both paid and free media is what sells shows.

For Broadway Season productions, the Trust's marketing team is augmented by the Minneapolis marketing staff of its Broadway consultant, Clear Channel. This staff, led by Katie Jackman, currently markets Broadway Seasons in Milwaukee and Appleton, in addition to working in Minneapolis. And because Clear Channel works in more than 50 Broadway markets, their marketing staffs have developed strategies which have greatly enhanced ticket sales in the Twin Cities. Clear Channel also operates six radio stations and a large outdoor advertising company in the Twin Cities market, allowing the Trust to develop, and benefit from, a close working relationship with these important media outlets.

Clear Channel can also support and expand the Trust's concert offerings. As earlier discussed, Clear Channel Concerts has pledged to present a minimum of 20 concerts annually at the Theatres, and CCE handles the national tours of a number of major concert artists and can deliver them to the Theatres. Finally, CCE's marketing programs in national publications can raise the Theatres' profile to artists, managers, and sponsors.

The Team of Hennepin Theatre Trust, Historic Theatre Group, and Clear Channel has built the Minneapolis-St. Paul Broadway and concert market into one of the most successful in the country. The Team, through this Proposal, will build on its enviable record and its unique complement of skills, and in the process continue the revitalization of the Hennepin Theatre District and the entire downtown area.

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Public Economic Benefits of the Theatres

“They don’t call it show art, they call it show business.”

As City resources become more and more scarce, and as corporate and foundation support for the arts is greatly reduced, the arts organizations which survive and prosper are those which function like businesses. And the cities with vibrant downtowns and healthy retail centers are those which have recognized that theatres can be unparalleled engines for downtown development, creating jobs, an increased tax base through spin-off development, and huge tourism spending.

The members of the Incumbent Team have been major players in the renaissance of the theatres on Hennepin Avenue. Fred Krohn has been involved with the Theatres since 1978. He persuaded Bob Dylan to buy and renovate the Orpheum, persuaded Joe Papp to bring **A CHORUS LINE** to Minneapolis, and lobbied to save both the State and Orpheum Theatres. Lee Lynch brought Carmichael Lynch Advertising to Hennepin Avenue when no other business would locate there, and has been instrumental in the financing efforts for Block E. Tom Hoch worked at the MCDA to purchase and restore both the Orpheum and State Theatres, and later joined Fred Krohn in working tirelessly to save and restore the Pantages Theatre and create the Hennepin Theatre District. And Clear Channel has worked with its local partners to bring the finest, first-run Broadway product to the Theatres, including the world premiere of Disney’s **THE LION KING**, and will continue to use its radio and billboard assets to generate ticket sales for the Trust’s shows.

The result of the Incumbent Team’s work has been nothing less than the transformation of Hennepin Avenue from a dangerous and decrepit street to an essential element of Minneapolis’ quality of life- greatly enhancing Minneapolis’ ability to compete on the commercial playing field of the 21st century. The Hennepin Theatre District is rapidly becoming what those City officials who have supported it over the past 20 years envisioned- a regional destination for theatre and an economic engine for the downtown area.

“The positive impact of the Hennepin Avenue theatres on Downtown would be difficult to overstate. The willingness of Hennepin Theatre Trust, Historic Theatre Group, Ltd. and Clear Channel Entertainment to look for ways to involve restaurants, hotels and others has resulted in long term partnerships that strengthen all of us!”

*♦Jim Graves, President / CEO
Graves Hospitality
Owner, Le Meridien Minneapolis Hotel*

The economic impact of the District is substantial, and the Team is confident that the current level of activity can be greatly enhanced as the Team executes a long-term strategy for the Theatres. Gauges of the current economic impact of the Orpheum, State and Pantages Theatres are listed on the following page:

Attendance and Ticket Sales Totals

Total Attendance at Orpheum, State and Pantages Theatres: Inception through 2003	6,300,000 Patrons
Total Ticket Sale Revenues at Orpheum, State, and Pantages Theatres: Inception through 2003	\$230 million

Funds to Operate Theatres

Amount of funds generated by Historic Theatre Group to run Theatres (1999-2003)	\$11,341,900.00
Amount of contributions required of City to operate the Theatres (1999-2003)	\$16,000.00

Fees Generated to Repay Bonds

Amount of Theatre Restoration Fees generated by Historic Theatre Group to pay down bonds (1999-2003)	\$4.9 million
Percentage of above Restoration Fees generated by events presented by Hennepin Theatre Trust	84% of Total
Amount of City Funds required to Cover Shortfalls in bond payments	\$00.00

Total Weeks of Broadway

Total Weeks of Broadway generated by Hennepin Theatre Trust (1999-2004)	130 weeks
Total Weeks of Broadway generated by Presenters <u>other than</u> Hennepin Theatre Trust (1999-2004)	4 weeks

Total Jobs Created

Total full-time Theatre-related Jobs (2003)	35
Total part-time Theatre-related Jobs (2003)	477
Total Wages paid to all employees (2003)	\$2,783,416.00
Total Wages paid to full-time and extra list stagehands, wardrobe personnel, and hair and make-up Personnel (2003)	\$1,669,257.00

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Transition Plan

Since under the Incumbent Team's Proposal, the current Theatre Manager, Broadway and concert presenter, and Broadway Consultant would remain in place, no detailed transition plan for the assumption of booking and management duties is contemplated. The Team Members have negotiated preliminary agreements among the parties for (1) the Sublease between Historic Theatre Group and Hennepin Theatre Trust, (2) the Management Agreement between the Trust and HTG, and (3) the Consulting Agreement between the Trust and CCE. These documents are necessarily dependent on the final terms of the Master Lease between the City and Historic Theatre Group, and the lease payment guarantees of that Master Lease by CCE, but it is contemplated that these three internal documents should be able to be completed within 60 days of the signing of the Master Lease.

While the current Management Agreement and the current Master Use Agreement run until June 30, 2006, the Team Members, if selected, propose to terminate these agreements on June 30, 2005 in order to commence its new relationships on July 1, 2005, in line with the start of the 2005-2006 Broadway Season.

A possible timeline for the above transition might be:

- | | |
|--|---|
| November 19, 2004 -
November 30, 2004 | ◆Final selection by the City Council and Mayor |
| December 1, 2004 –
February 28, 2005 | ◆Negotiation of terms of Master Lease between the City and Historic Theatre Group
◆Negotiation of Master Lease Guarantees between the City and CCE
◆Preliminary scenario for the conversion of theatre bonds from tax exempt to taxable developed |
| March 1, 2005 –
May 31, 2005 | ◆Master Lease and CCE Guarantees executed
◆Bonds converted from tax exempt to taxable
◆Internal documents between Hennepin Theatre Trust, |

Historic Theatre Group and CCE Theatrical Group completed

June 1, 2005 –
July 1, 2005

- ◆ Final financial transactions with bond trustee completed
- ◆ Final financial guarantees by CCE in place
- ◆ Final scenario for the oversight of the bond payments discussed
- ◆ Final transition occurs as of July 1, 2005

The Team feels that the above transition timetable would both be beneficial to the operation of the Theatres, and relieve the City of contingent liability for Theatre costs at the earliest possible date.

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HISTORIC THEATRE GROUP, LTD.
AND
CLEAR CHANNEL ENTERTAINMENT**

**Executed “Consent for Release of Response
Data” Form**

An executed “Consent for Release of Response Data” form is attached hereto.

CONSENT FOR RELEASE OF RESPONSE DATA

October 14, 2004

City of Minneapolis
Department of Community Planning and
Economic Development
105 5th Avenue South
Minneapolis, MN 55401

Re.: Historic Orpheum, State and Pantages Theatres
Request for Proposals
Consent for Release of Response Data

Tom Hoch, as President of Hennepin Theatre Trust,
Fred Krohn, as President of Historic Theatre Group, Ltd., and
David Anderson, President, Theatre Management, Clear Channel Entertainment

together constituting the Incumbent Team Joint Response to the above Request for Proposals, hereby consent to the release of its joint development proposal in response to the Historic Orpheum, State and Pantages Theatres Request for Proposals, and waive any claims they may have under Minnesota Statutes Section 13.08 against the City of Minneapolis for making such information public.

Tom Hoch, President
Hennepin Theatre Trust

Fred Krohn, President
Historic Theatre Group, Ltd.

David Anderson, President, Theatre Management
Clear Channel Entertainment

Request for Proposals (RFP) for the combined management, programming, and/or lease or sale of the Historic Orpheum Theatre, the Historic State Theatre, and the Pantages Theatre in the Hennepin Theatre District in Minneapolis, Minnesota

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Exhibits to the Proposal

- Exhibit A Listing of the Nonprofits and Public Agencies served by Hennepin Theatre Trust
- Exhibit B Listing of Clear Channel Managed and Operated Theatres
- Exhibit C Listing of CCE Broadway Markets
- Exhibit D Listing of Broadway Productions Clear Channel Has Invested In
- Exhibit E Listing of Hennepin Theatre Trust Board of Trustees
- Exhibit F Biographies of Miles Wilkin and Scott Zeiger
- Exhibit G Financial Statements for Hennepin Theatre Trust for the Fiscal Years 2002 and 2003
- Exhibit H Listing of the Live Attractions booked into the theatres from 2000 through 2004
- Exhibit I Theatre Management Organizational Chart
- Exhibit J Litigation and Dispute Disclosure by Team Members and Affiliates
- Exhibit K Additional Information From Respondents supporting Proposal
- Exhibit L Contractor Participation Form Appendix One- Every Available and Reasonable Effort Criteria Questionnaire
- Exhibit M Contractor Participation Form Appendix Two- Women Minority and Small Business Utilization Plan