



NEWS RELEASE

OFFICE OF THE MAYOR
ALVIN BROWN
MAYOR

FOR IMMEDIATE RELEASE

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MAYOR BROWN, SHAD KHAN ANNOUNCE BIG WIN FOR JACKSONVILLE TAXPAYERS *New Facilities Management Contract Will Save City Nearly \$1 Million Annually*

JACKSONVILLE, Fla. Saturday, December 22, 2012 — Mayor Alvin Brown competitively bid the City's facilities management contract for the first time in 20 years because he wanted taxpayers to receive the best value on their investment. The competition resulted in two bids that contained significant savings for taxpayers.

This afternoon on the steps of City Hall, where he was joined by Jaguars owner Shad Khan, Mayor Brown announced the selection of SMG to serve as the City of Jacksonville's facilities manager. He unveiled contract terms that will save taxpayers nearly \$1 million annually, provide the City of Jacksonville (COJ) with an immediate \$1 million capital contribution, establish a \$500,000 fund to attract and promote events at COJ facilities, and establish clear benchmarks for SMG's performance of its facility management responsibilities.

"Our hard working taxpayers deserve savings and accountability," said Mayor Brown. "This agreement provides both. It will help us make Jacksonville one of the top sports and entertainment destinations in the nation and world. I am very proud to have worked with Shad Khan to make this achievement possible. Today is a great day not only for taxpayers and fans but also for the partnership between the City of Jacksonville and the Jacksonville Jaguars."

"Mayor Brown has achieved big savings for taxpayers," said Jaguars owner Shad Khan. "This is a win-win for the Jaguars, the City, and all of our City venues. I want to commend the Mayor for his leadership on this issue. The Jaguars and the administration have worked jointly to meet our goals on this matter. I look forward to working with the City to further develop our partnership in the years ahead."

"SMG looks forward to continuing its long standing and successful partnership with the City of Jacksonville, and executing on Mayor Brown's vision to establish the city as a premier tourism, entertainment, and professional sports destination," said SMG President and Chief Executive Officer Wes Westley. "Jacksonville's venues and entertainment facilities are among its most valuable assets, and SMG is committed to achieving their maximum economic potential through world-class operation and management services. Our substantial capital investment in Jacksonville is further testament to our belief in the city's bright future."



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While the parties still must negotiate a final management agreement, they have already agreed to the basic terms and conditions for that agreement. A copy of the Memorandum of Understanding as to those terms and conditions is attached to this news release. The key provisions are as follows:

- The agreement will be for a term of three (3) years starting October 1, 2012, with the City having the option to exercise up to two one year extensions depending on SMG's performance of its facility management responsibilities.
- SMG will provide the COJ with a capital contribution in the amount of \$1 million.
- SMG will establish an Event Development Fund in the amount of \$500,000 to help attract and promote new events at COJ facilities.
- SMG will reduce its annual management fee from \$934,252 to \$100,000 and reduce its annual incentive fee from \$246,081 to \$100,000 – meaning that taxpayers will save nearly \$1 million annually over the life of the agreement.
- The agreement will contain clear benchmarks to govern SMG's performance of its facilities management responsibilities – and serve as a basis for the COJ's decision on whether it will exercise its option to extend the contract.

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**MEMORANDUM OF UNDERSTANDING
BASIC TERMS AND CONDITIONS FOR MANAGEMENT AGREEMENT BETWEEN
THE CITY OF JACKSONVILLE AND SMG**

DECEMBER 20, 2012

This Memorandum of Understanding (“MOU”) is intended to document the understandings reached between the City of Jacksonville (the “City”) and SMG (“SMG”) concerning the basic terms of the continuation of SMG’s management and operation of the City’s venues and entertainment facilities.

Background

The City and SMG desire to continue to promote the City as a major tourism, entertainment and professional sports destination. In addition, the City and SMG desire to leverage their long-standing and successful relationship in the world-class operation and management of the City’s venues and entertainment facilities, assuring that the City achieves maximum economic value from these facilities and SMG’s services.

The City and SMG therefore intend to enter into a management agreement, providing for the extension of SMG’s management engagement, and providing the City with the following savings and economic benefits:

- The City will receive from SMG a capital contribution in the amount of \$1,000,000;
- SMG will invest \$100,000 to upgrade the food service operations at the Jacksonville Memorial Arena and Prime Osborn Convention Center;
- SMG will establish an Event Development Fund in the amount of \$500,000 to be used in attracting and promoting new events for the City’s facilities;
- The annual SMG Base Management Fee is reduced from \$934,252 (payable under the current management agreement) to a maximum of \$100,000; and
- The annual SMG Incentive Fee is reduced from \$246,081 (payable under the current management agreement) to \$100,000, subject to achievement of certain performance benchmarks.

1. Basic Services and Responsibilities

Under its authority as owner of the following facilities (the “Facilities”), the City of Jacksonville intends to engage SMG to provide management services (the “Management Services”) for such Facilities:

- i. EverBank Field
- ii. Florida Times-Union Center for the Performing Arts
- iii. Prime F. Osborne III Convention Center

- iv. Jacksonville Veterans Memorial Arena
- v. Ritz Theater and Museum
- vi. Baseball Grounds of Jacksonville
- vii. Jacksonville Equestrian Center (pending further consultations)

All net operating revenues resulting from SMG's operation and management of the Facilities will accrue to the benefit of the City.

2. Term and Termination

- 2.1. The Management Agreement term would commence on January 1, 2013, and will continue for a period of three (3) years and two months, terminating on February 29, 2016, with an option of a one (1) year renewal in year four (4) with sixty days (60) written notice of the City's election to renew, and an additional one (1) year renewal in year five (5) with sixty (60) days written notice to be exercised at the City's discretion and informed by the City's assessment of the benchmark criteria set forth in Section 8. {Note: any term expiration should be extended to the end of February to avoid any disruption of services during the Jaguars season and playoffs.}
- 2.2. The Management Agreement may be terminated for any reason with written sixty (60) days' notice to the other party.
- 2.3. SMG will receive direction in the management and marketing of the Facilities during the length of the agreement from the Mayor of the City of Jacksonville's designee, hereinafter the "Contract Administrator."
- 2.4. SMG agrees to make regular (monthly and quarterly) reports on the Facilities, operations, maintenance, marketing opportunities, financial reports, audited statements, and other information to the Contract Administrator, in a form satisfactory to the Contract Administrator.

3. SMG Capital Contribution

- 3.1. Within ten (10) days subsequent to final approval and execution of the Management Agreement, SMG will provide to the City a one-time cash contribution in the amount of \$1 million (\$1,000,000) (the "Capital Contribution") structured as follows:
 - a. SMG will rebate to the City a portion of its management fees (as payable under its current management contract) for the months of October, November and December, 2012, which fees will total \$196,000; and
 - b. SMG will deliver a payment for the remaining balance of the Capital Contribution (i.e. \$804,000) within ten (10) days thereafter.
- 3.2. The City of Jacksonville shall have the full discretion over the use of the funds for any purpose deemed appropriate.

4. Event Development Fund

- 4.1. SMG will contribute five-hundred thousand dollars (\$500,000) to establish an Event Development Fund (the "Fund") for the purpose of attracting, promoting, marketing and developing event activity at the Facilities.
- 4.2. Distributions from the Fund will be governed by policies established jointly by SMG and the City, which are generally described as follows:

- a. The City and/or SMG will make recommendations to use the Fund with respect to potential events which are designed to generate event profit for the Facilities.
- b. The Fund may be used, e.g., to self-promote an event, jointly promote an event with another party, provide marketing or other financial support to induce another party to promote an event, or provide seed capital to develop an event.

5. Base Management Fee

5.1. SMG will be entitled to receive a base management fee in the amount of \$100,000 annually (“Base Management Fee”), payable from the City in equal monthly payments. This Base Management Fee represents a reduction from the management fee of \$934,252 payable under the current management agreement.

5.2. The Base Management Fee shall be subject to annual adjustment in accordance with CPI.

6. Incentive Fee

6.1. SMG shall be entitled to receive an Incentive Fee (the “Incentive Fee”) of \$100,000 annually, subject to annual CPI adjustment and achievement of certain Performance Criteria as set forth below:

Performance Criteria	Maximum Percentage (of Base Management Fee)
1. Customer Satisfaction (all Jacksonville Facilities)	20%
2. Cooperative Marketing with Prime Tenant Teams/Managers	20%
3. Achievement of Annual JSEB Goals	20%
4. Overall Financial Results	20%
5. Facilities Maintenance and Repairs	20%

6.2 Should the Performance Criteria not be met, then the Incentive Fee will be proportionately reduced based upon the percentages set forth for each performance category.

6.3 In no event will the Incentive Fee exceed the Base Management Fee for the applicable year, and the Incentive Fee will comply with IRS Revenue Procedure 97-13. In year 1 of the Management Agreement, the Incentive Fee shall be capped at \$100,000, which represents a reduction from the incentive fee of \$246,081 as payable under the current management agreement.

7. Food, Beverage and Merchandise Services

7.1. Subject to the terms of the existing concession arrangements for EverBank Field and Baseball Grounds of Jacksonville, SMG shall have the exclusive right to provide food, beverage and merchandise sales and services (the “Concession Services”) at the Facilities for the term of the Management Agreement.

7.2. SMG shall be entitled to retain a management fee equal to 4.5% of all gross sales revenue and 2.5% of net operating income derived from the Concession Services.

7.3. Over the initial 3-year term of the Management Agreement, SMG guarantees the City a cumulative net profit of at least \$4,800,000 from the operation of the Concession Services.

7.4. If the Management Agreement is extended as prescribed in Section 2.1, then for each one-year renewal term, SMG guarantees the City a cumulative net profit of at least \$1,600,000 from the operation of Concession Services.

7.5. In the event the financial guarantees set forth in Sections 7.3 and 7.4 are not achieved, SMG will contribute any management fees or incentive fees it has earned to offset such shortfall.

7.6. SMG will provide, from its own account, a financial investment of one hundred thousand (\$100,000) dollars (the "Food Services Investment") to upgrade the food service operations at the Arena/Convention Center. The application of the Food Services Investment will be subject to mutual agreement between SMG and the City.

8. Renewal Criteria

8.1. The City may consider any criteria it deems appropriate regarding an extension, including the following items as a basis for the extension analysis as set forth in Section 2.1:

- i. Present an annual plan on how to reduce the operating deficit for the Facilities by increasing revenues;
- ii. Attract new events for each of the entertainment Facilities (i.e., the Stadium, the Arena, the Baseball Stadium, and the Performing Arts Center) that generate net operating income;
- iii. Secure a major college football game to be played at EverBank Field;
- iv. Subject to the terms of existing agreements, secure a naming-rights partner for the baseball grounds based upon economic and sponsorship parameters approved by the City;
- v. Increase the number of ticket sold for events at the Jacksonville Veterans Memorial Arena;
- vi. Increase the amount of annual sponsorship sold at the Facilities;
- vii. Present a partnership plan to upgrade the technology at all Facilities in a manner that generates revenue for the Facilities; and

9. Additional Provisions

9.1. SMG will charge no additional fees for the following services:

- i. Oversight of computerized ticketing;
- ii. Sale of sponsorship, advertising and/or naming rights; and
- iii. Sale of premium seating, including club seats and luxury box suites (either primary sales or renewals).

9.2. SMG and the City will include in the Management Agreement a recovery calculation for any successor management company to fund recapture of the Capital Contribution (amortized on a 10 year straight-line basis), the Event Development Fund (amortized on a 5 year straight-line basis), and the Food Services Investment (amortized on a 10 year straight-line basis).

9.3. All of the terms and conditions of this MOU and the Management Agreement will be subject to the requirements and obligations of existing team leases for the Facilities. Such terms and conditions will be adjusted to the extent rendered inapplicable or impracticable as a consequence of any team lease or other pre-existing agreements.

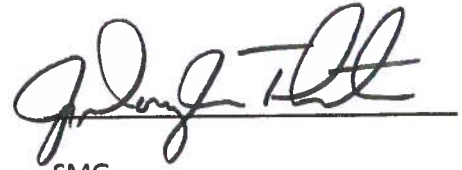
9.4. All provisions of the Management Agreement relating to EverBank Field shall be subject to the mutual agreement of the City, SMG and the Jacksonville Jaguars, Ltd. (or any successor owner of the NFL team).

9.5. The parties will proceed to negotiate in good faith to finalize a written Management Agreement, and this MOU reflects the intended business terms and conditions contained therein.



City of Jacksonville

Date: 12/22/2012



SMG

Date: 12/22/2012