March 17, 2003

Mr. Walter Overton, Executive Director, Metropolitan Sports Authority
Metropolitan Sports Authority Board of Directors
Suite 417
222 2nd Ave. North
Nashville, TN 37201

Report of Internal Audit Section

Dear Mr. Overton and Sports Authority Board Members:

We have recently completed a performance audit of the Gaylord Entertainment Center. According to the *Government Auditing Standards* issued by the Comptroller General of the United States, "a performance audit is an objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of a government organization, program, activity, or function in order to provide information to improve public accountability and facilitate decision making by parties with responsibility to oversee or initiate corrective action." A performance audit is different than a financial statement audit, which is limited to auditing financial statements and controls, without reviewing operations and performance. In performing this audit, we retained KPMG to work under our direction. Their final report dated February 2003, *Performance Audit of the Gaylord Entertainment Center*, accompanies this letter and is hereby submitted to you.

The Gaylord Entertainment Center (GEC) is owned by the Metropolitan Government of Nashville and Davidson County (Metro) through its component unit, the Metro Sports Authority (Authority). Metro issued bonds to finance construction of the GEC and the Authority oversees its operations. Although the Authority is a distinct legal entity, Metro would be held financially responsible if the Authority were to default on any of its debt. In the event of dissolution, Metro would receive title to all of the Authority's assets, including the GEC.

The GEC is currently managed under contract by Powers Management LLC (Powers). Powers is owned by the majority owners of the Nashville Hockey Club Limited Partnership (Predators). The Predators, a National Hockey League team, are the primary tenants of the GEC and occupy it under a long-term license and use agreement expiring in 2028.

Although the initial planning of the facility indicated that the GEC would operate at a financial breakeven point by its third year of operations, this has not occurred, and the operating subsidy continues to grow. The actual operating subsidies transferred from Metro's General Fund to the GEC for fiscal years ending June 30, 1999 through June 30, 2002 were as follows.

Year Ended	Operating Subsidy
June 30, 1999	$1,947,214
June 30, 2000	3,451,809
June 30, 2001	4,165,420
June 30, 2002	5,043,563

The budgeted operating subsidy for fiscal year ending June 30, 2003 is $5,339,900. Additional background information is contained in the KPMG report.

Objectives, Scope, and Methodology

This audit was performed by KPMG's Convention, Sports and Entertainment Practice (KPMG) under our direction. The audit included jointly designed tests and procedures and utilized KPMG's specialized industry experience and knowledge.

The scope of the work included analyses of various areas and issues, including financial management, facility utilization and marketing. The operations of the GEC were also benchmarked against comparable peer facilities.

The primary objectives of this performance audit were as follows.

- Review all areas of operations of the GEC to: (1) Determine Powers' compliance with the Operating and Management Agreement, and (2) Assess the level of financial performance, especially regarding revenue maximization and expense control.

- Analyze the License and Use Agreement with the Nashville Hockey Club Limited Partnership (agreement) to: (1) Determine the level of compliance by the Predators, (2) Assess the effect of the terms of the agreement on the financial operating results of the GEC, and (3) Compare the terms of the agreement to selected comparable peer teams.

- Perform comparative analyses of the operations and financial results of the GEC to identified comparable peer public assembly facilities.

The methodology employed throughout this audit was one of objectively reviewing various forms of documentation, including written policies and procedures, financial information and various other forms of data, reports and information maintained by the Sports Authority, Powers, and central Metro departments. Management, administrative and operational personnel from Powers and the Sports Authority, as well as personnel from other Metro departments and other stakeholders, were interviewed, and various aspects of GEC operations were directly observed. Data obtained from the various sources were analyzed, and various aspects of performance, cost and practices were compared to those of peer facilities and industry norms.

We performed the audit procedures in accordance with generally accepted government auditing standards.

Findings and Recommendations

The operations of the GEC are complex and are significantly impacted by existing contractual agreements. The KPMG report addresses complex issues and includes detailed information on analysis performed as well as detailed findings and recommendations. The KPMG report should be reviewed in its entirety to gain an understanding of the audit process and the findings and recommendations.

Following is an overview of some of the more significant findings and recommendations included in their report.

- In the short-term, there appear to be limited opportunities for Powers to significantly increase revenues and /or minimize expenses and materially impact the operating deficit. Specifically, the GEC's rental rate structure is consistent with comparable facilities and the overall number of performances and total attendance compare favorably to profiled peer facilities. Considering reasonable differences in the use of contract services, the GEC's management organization, staffing levels and salary and benefit expenses appear to be consistent with other similar facilities. Overall, the GEC appears to be well run.

- The assignment of all management and operational rights of a facility like the GEC to a professional management company and subsidizing any resulting operating deficit is not uncommon. However, Metro's case is unique in that the facility management company and the primary sports tenant share common ownership while Metro is responsible for any operating deficit. For other public arenas managed by an outside facility operator where there is common ownership between the team and the facility operator, the facility operator assumes the risk of any operating losses and benefits from any financial gain.

- A comparison of lease terms between tenant teams and selected peer facilities indicated that the Predators have relatively favorable terms, particularly with regard to revenues from premium seating and the sale of facility naming rights. An analysis of the effect of lease terms on the operating results of the GEC indicates that if the Predators' lease terms were similar to those of the major professional sports tenants at peer facilities, the operating results of the GEC for fiscal year 2001 could have been improved by $1 million to $5.8 million. In the only case where the lease revenue would not be increased under a peer's tenant team lease agreement, the management company and the team have common ownership, as with Powers and the Predators, but the management company is responsible for funding any operating deficit.

- KPMG recommended that that Sports Authority take a more active role in strategic planning and oversight of the GEC and that both the Sports Authority and Metro's Finance Department should improve communication and coordination around monitoring financial results of the GEC's operations and around Powers' and the Predators' compliance with agreements in place.

KPMG's overall conclusion was that the Predators and Powers appear to be operating in compliance with the material terms of their respective agreements, and Metro's General Fund operating subsidy to the GEC is in large part the result of the existing contractual agreements with Powers and the Predators. Without renegotiation of existing agreements, significant decreases in the General Fund operating subsidy to the GEC are unlikely. Additional findings and recommendations can be found in the KPMG report accompanying this report.

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Management's response to the audit recommendations is attached to this report.

We greatly appreciate the cooperation and help provided by all Sports Authority and Powers staff.

This report is intended for the information of the management of the Metropolitan Government of Nashville and Davidson County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Internal Audit Section

Kim McDoniel
Internal Audit Manager

Copy: Mayor Bill Purcell
Karl F. Dean, Director of Law
David L. Manning, Director of Finance
Eugene Nolan, Associate Director of Finance
Metropolitan Council Audit Committee
Richard V. Norment, Director of County Audit
KPMG, Independent Public Accountant

March 17, 2003

Ms Kim McDoniel
Metro Department of Finance
Internal Audit Division
222 Third Avenue North, Suite 401
Nashville, TN. 37201

Dear Ms. McDoniel:

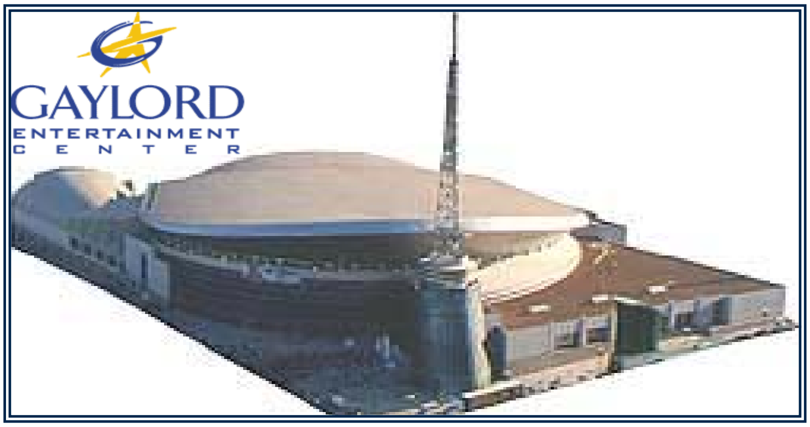
This letter is acknowledgement that we have received the Performance Audit report of the Gaylord Entertainment Center. While I generally agree with the findings of the report, the specific recommendations will be discussed in more detail with the members of the Sports Authority Board as soon as practical.

As Executive Director of the Sports Authority, I can assure you that our staff will keep your office apprised of the status of the Board's deliberations and actions related to the findings and recommendations contained in the report.

Regards,

Walter Overton

KPMG



Performance Audit of the Gaylord Entertainment Center

Final Report
February 2003

Performance Audit of the Gaylord Entertainment Center

Performance Audit of the Gaylord Entertainment Center

KPMG

February 2003

Ms. Kim McDoniel
Audit Manager
Metropolitan Government of Nashville and Davidson County
222 3rd Avenue North, Suite 401
Nashville, Tennessee 37201

Dear Ms. McDoniel:

Per our agreement dated April 12, 2002, we have completed our performance audit of the Gaylord Entertainment Center (GEC) located in Nashville, Tennessee. The report presented herein includes the summary of findings and principal conclusions from our work related to this facility.

The accompanying analysis was prepared for use by the Metropolitan Government of Nashville and Davidson County (Metro) for its consideration of plans to improve the overall efficiency of operations of the GEC. Notwithstanding these limitations, it is understood that this document is subject to public information laws and, as such, can be made available to the public. Neither this report, nor any portion thereof, may be used for any other purpose without the prior written consent of KPMG LLP.

The findings contained in the report reflect analysis of primary and secondary sources of information. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis regarding the project are based on trends and assumptions and, therefore there will usually be differences between the estimated results and actual results because events and circumstances frequently do not occur as expected and those differences may be material. We have no obligation, unless subsequently engaged, to update this report or revise this analysis as presented due to events or conditions occurring after the date of this report.

During the study process and prior to issuance of the final performance audit report, KPMG LLP conducted several interim analyses and updates for Metro related to GEC operations. These separate analyses were based on data and financial information that were preliminary in nature, some of which have subsequently been revised. Consequently, some of the data and financial amounts used in those previous analyses may differ from those shown in this report. However, the changes in these amounts were not material in nature.

We enjoyed working on this engagement and our relationship with Metro and look forward to the opportunity to provide you with continued service.

Sincerely,

KPMG LLP

KPMG

Performance Audit of the Gaylord Entertainment Center

KPMG

Introduction

The Metropolitan Government of Nashville and Davidson County (Metro) currently owns several public assembly facilities including the Nashville Municipal Auditorium (NMA), Greer Stadium, the Nashville Convention Center (Convention Center) and the Tennessee State Fairgrounds. In addition, Metro, through its component unit, the Metro Sports Authority, also owns the Gaylord Entertainment Center (GEC) and the Nashville Coliseum. Metro issued bonds to finance the construction of the GEC and the Metro Sports Authority oversees its operations. Although the Metro Sports Authority is a distinct legal entity, Metro would be held financially responsible if the Metro Sports Authority were to default on any of its debt obligations. In the event of dissolution, Metro would receive title to all of the Metro Sports Authority's assets.

This analysis focuses specifically on the operations of the GEC which is currently managed by Powers Management LLC (Powers) through a contract with the Metro Sports Authority. Powers is owned by the majority owners of the Nashville Hockey Club Limited Partnership (Predators).

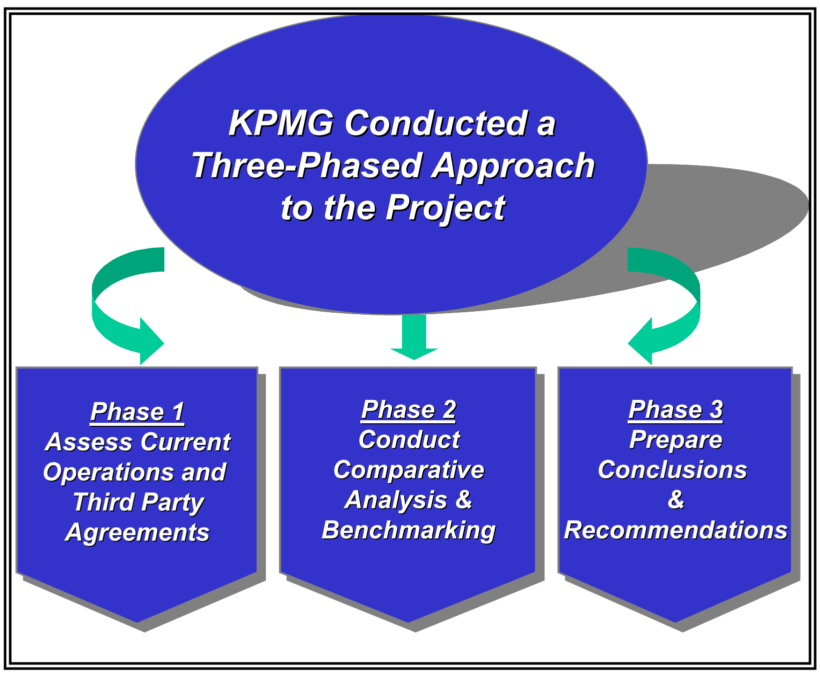
Construction of the Nashville Arena began in 1994. In 1997, the NHL awarded an expansion team to Nashville and in October of 1998 the Nashville Predators played its inaugural game at the 20,000-seat Nashville Arena. The Nashville Arena was renamed the Gaylord Entertainment Center in 1999 when naming rights for the facility were sold to Gaylord Entertainment, Inc. The 20-year naming rights agreement generates approximately $4 million per year in revenue all of which goes to the Predators.

Although the facility has been privately managed since its inception, two private management companies have been involved with the operations of the facility. From May 1994 through April 1999, the Metro Development and Housing Agency (MDHA) subcontracted the operations of the Nashville Arena to Leisure Management International (LMI). Approximately two years prior to the expiration of the contract with LMI and as part of the Metro Sports Authority's lease agreement with the Predators, the MDHA exercised its termination right with LMI in order to allow Powers, a separate entity from the team but with common ownership, to operate the facility beginning in May of 1999. This agreement became effective upon the expiration of the original LMI agreement. In essence, this operating and management agreement planned for the outsourcing of facility management subsequent to the expiration of the original LMI agreement. It is our understanding that Powers entered into a one-year agreement with LMI to essentially lease its staff to operate the GEC. During that period, Spectacor Management Group (SMG) acquired LMI and effective July 1, 2000, Powers cancelled its agreement with LMI and hired the staff as its own employees to operate the facility. The operating and management agreement with Powers expires on June 30, 2028, unless terminated earlier in accordance with the provisions of the agreement. This term mirrors the term of the license and use agreement between the Metro Sports Authority and the Predators for use of the GEC.

Like many governmentally owned and operated facilities, the issues associated with market opportunities, competition regionally and nationally, changing economics of various touring products, age of facilities and tenant needs/requirements dictate an ever evolving set of operating conditions and approaches. When these market concerns are coupled with financial obligations for operations, capital debt and on-going need for improvements and repairs to facilities, many organizations and business models are stressed.

The Internal Audit Section of the Finance Department of Metro retained KPMG LLP to conduct a performance audit which assesses a variety of operational issues associated with the GEC including cross/joint marketing efforts with other Metro-owned facilities, rate structures, internal controls, maximization of revenues, cost containment measures, major contractual agreements, utilization, budgeting process, financial operating results, capital improvement planning, and management approach. Key operational areas for the GEC are benchmarked against comparable venues in order to provide context for the recommendations.

KPMG's work plan for the project consisted of the following approach.



The first phase of the study effort focused on reviewing the current operations of the GEC and analyzing the various aspects such as organizational structure and staffing levels, mission statement, booking policy, marketing efforts (individual and jointly with other facilities and organizations), facility rental rates, utilization, financial performance, major third party contractual agreements and capital improvement plans. The operations review served as the basis for the benchmarking procedures and ultimately the recommendations.

The second phase included an analysis of comparative and/or competitive public assembly facilities to the GEC. In this work step, various operating and organizational factors as well as key third party contract terms for comparable and/or competitive facilities were benchmarked against the existing components at the GEC. The benchmarking process provided context in key areas for improved and enhanced financial performance and competitive position.

Based on the analysis of current operations, the comparative analysis as well as current and future industry trends, recommendations are presented regarding key areas of operation. Most important to this phase of the work was understanding Metro's objectives for the GEC with regard to greater levels of usage, financial performance and overall efficiency.

The operations of the GEC are complex. There are several existing contractual agreements and relationships between sports tenants, management companies as well as other third parties that impact the overall operations of the GEC. Consequently, although the research tasks and analysis occurred in the order previously described, the report has been organized in the following format in order to make it easier for the reader:

- Analysis of the Operating and Management Agreement with Powers Management LLC;
- Analysis of the License and Use Agreement with the Nashville Hockey Club Limited Partnership; and
- Operations Assessment of the Gaylord Entertainment Center.

KPMG

Executive Summary

This executive summary outlines key findings and conclusions that are extracted from the report. For detailed information on the analysis, findings and recommendations related to this project, it is important to read the entire report.

Operating and Management Agreement with Powers

There are several different operating structures for arena facilities including municipal management, authority management and private management. Historically, the contract for privately managed facilities was between the management company and the municipality as owner of the facility. While this relationship is still the case in some facilities, management structures at newer facilities are still evolving. For instance, some teams that privately finance their arena may contract directly with a private management company to operate the facility.

Another trend in the facility management business of newer arenas with major sports tenants is for teams to assume the role of both team operator and facility operator. In some instances, the team owner is the facility owner. In other cases, the team owner forms some type of operating entity similar to Powers and contracts with the facility owner to manage the facility as one entity. Although the terms of each contract can vary, many agreements are structured whereby the newly formed facility management company pays a guaranteed annual rent to the facility owner (i.e. a municipality) and assumes the potential risk of operating the facility at a loss. In addition to event day rent, the payment to the facility owner may also include some portion of ancillary revenue streams such as parking, concessions and advertising. If the facility operates at a profit then the team (through its operating company) prospers and if the facility operates at a deficit then the team is responsible for any shortfall and the municipality's financial exposure is limited. It is important to recognize that under this structure the facility owner loses some control over the day-to-day operations of the facility.

In the existing management and operations situation in Nashville, there is common ownership between the Predators and Powers. The Metro Sports Authority has contracted with Powers as the management company for the GEC. In addition, the Metro Sports Authority and ultimately Metro is responsible for any operating deficit at the GEC.

The table on the following page summarizes the actual and budgeted operating subsidy at the GEC for fiscal years ending June 30, 1999, through June 30, 2003, as shown in the Metro general-ledger. As indicated in the table below, the subsidy has increased from approximately $1.9 million in FY 1999 to approximately $5.0 million in FY 2002.

Actual and Budgeted Operating Subsidy at the GEC
For Fiscal Years Ending June 30, 1999 through June 30, 2003

	Fiscal Year Ending				
	June-99 Actual	June-00 Actual	June-01 Actual	June-02 Actual	June-03 Budget
Operating Subsidy	$1,947,214	$3,451,809	$4,165,420	$5,043,563	$5,339,900

Source: Metro Nashville Department of Finance.

Metro assigning all management and operational rights to Powers through the Metro Sports Authority and subsidizing the deficit is not uncommon. In many private management agreements the municipality is responsible for funding any deficit that may occur at the facility, the premise being that the management company can operate the facility more efficiently on the owner's behalf. However, Metro's case is unique in that the facility management company and the primary sports tenant share common ownership while Metro is responsible for funding any operating deficit. In other arenas where there is common ownership between the team and the facility operator, the facility operator typically assumes the risk of operating losses and benefits from any financial upside.

Although the existing structure at the GEC has the potential to create conflicting interests between what is most beneficial for the facility owner (Metro Sports Authority) and what is most beneficial for the facility's primary tenant (the Predators) which also owns the management company, no major conflicts between these entities were observed in our analysis.

Powers' Base Management Fee and Performance Fee

Powers is currently being compensated for its management and operation of the GEC by a monthly base management fee, plus a performance fee.

The calculation of the performance fee is based upon the achievement of certain financial and operating results. Currently 70% of the total potential performance fee is based on the financial operating performance of the GEC. Powers is entitled to receive 50% of the amount of the annual increase in operating income over the previous year's operating income. If the GEC operates at a loss, Powers is then entitled to receive 50% of the annual decrease in the operating loss from the previous year. The agreement states that in no event shall the performance fee paid from this 70% portion exceed $175,000 for the year ending June 30, 2000.

The remaining 30% of the total potential performance fee is based upon the number of community and convention events hosted at the GEC.

The agreement states that in no event shall the performance fee paid from this 30% portion exceed $75,000 for the year ending June 30, 2000.

The annual maximum potential performance fee shall automatically be increased by a percentage equal to the lesser of 5% or the percentage increase in the CPI during the preceding year unless agreed upon mutually by both parties. The following summarizes the base management and performance fees paid to Powers for fiscal years 2000 and 2001.

Base Management and Performance Fees Paid to Powers for Fiscal Years 2000 and 2001

Fees Paid to Powers	FY 2000	FY 2001
Base Management Fee	$201,000	$208,380
Seventy Percent (70%) Performance Fee	0	0
Thirty Percent (30%) Performance Fee	75,000	77,775
Total Fees Paid to Powers	**$276,000**	**$286,155**

Note: Fifty percent (50%) of the $75,000 performance fee earned by Powers for FY 2000 ($37,500) was paid to LMI.
Source: Powers Management.

After June 30, 2001, the performance fee is to be reevaluated as to its effectiveness. Although the base management fee paid to Powers is an operating expense of the facility, the performance fee is paid directly by Metro and is not recorded as a part of facility operations.

The Metro Sports Authority should explore restructuring the performance fee in order to positively impact the financial operations of the facility, thus reducing the overall cost to Metro.

It is important to recognize that the agreement states if both parties cannot reach an agreement as to adjusting the method for computing the performance fee, then the existing method of computing the performance fee shall be used for all future operating periods.

Analysis of License and Use Agreement with the Predators

A comparison of the lease terms between tenant teams and selected facilities was conducted. This analysis indicates that the Predators have relatively favorable terms with regard to revenues generated from premium seating and the sale of naming rights, both of which impact the GEC's operating results.

This report includes an analysis that provides an order of magnitude estimate as to the impact that the lease terms with the tenant teams at selected facilities would have on the GEC's revenue if all other factors such as attendance, ticket price, concession per capita figures, naming rights revenue, advertising revenue, premium seating revenue and parking revenue were the same at each facility. On an order of magnitude basis, this hypothetical analysis indicates that with the exception of the Office Depot Center (formerly known as the National Car Rental Center), if the Predators' lease terms were similar to those major professional sports tenants at the profiled facilities, the operating results of the GEC would be improved. It should be noted that the Office Depot Center's team and operating company share common ownership, and the operating company is responsible for funding any operating deficits. Other than the Office Depot Center, additional revenue amounts that could have been realized by the GEC in this hypothetical analysis ranged from approximately $1 million to $5.8 million. This analysis indicates the GEC's revenue before depreciation and debt service could have hypothetically been improved by at least $1 million thereby potentially reducing Metro's operating subsidy for the GEC for FY 2001 from $4.17 million to $3.17 million, using the most conservative estimate.

Comparable Facility Analysis

Comparing event activity and financial performance at comparable facilities can offer a good frame of reference from which to benchmark operations of the GEC. Generally, these facilities were chosen based on one or more of the following criteria:

- Located in markets similar in size to Nashville;
- Offer similar seating capacity;
- Host similar tenant base;
- Offer a similar ownership and management structure; and/or
- Availability of information (i.e. privately owned and operated facilities are not required to disclose any information relative to their business operations).

Based on the above, the following peer arenas were selected for comparison:

- Arrowhead Pond – Anaheim, CA
- Office Depot Center (formerly known as the National Car Rental Center) – Sunrise, FL
- Charlotte Coliseum – Charlotte, NC
- TD Waterhouse Centre – Orlando, FL
- St. Pete Times Forum (formerly known as the Ice Palace) – Tampa, FL
- HSBC Arena – Buffalo, NY

We considered including the comparable facilities outlined in both the License and Use Agreement executed between the Predators and the Metro Sports Authority and the Operating and Management Agreement executed between Powers and the Metro Sports Authority which include the following:

- Arrowhead Pond in Anaheim
- United Center in Chicago
- Gund Arena in Cleveland
- Kiel Center (now known as the Savvis Center) in St. Louis
- Fleet Center in Boston
- Rose Garden in Portland
- Marine Midland Arena (now known as the HSBC Arena) in Buffalo
- CoreStates Center (now known as the First Union Center) in Philadelphia

At the time that the above agreements were executed, these facilities represented newer facilities that hosted NHL and/or NBA teams. While some of these arenas are comparable to the GEC, there are issues associated with using some of these facilities as a benchmark or baseline for comparison.

Because the general characteristics of a market can be important factors in estimating the potential success of a facility, one factor to consider is market size. Market characteristics can influence the likelihood of a facility attracting major concert and entertainment acts as well as potential attendance associated with a major sports tenant. With respect to the comparable facilities outlined in the management contracts, Chicago, Philadelphia and Boston represent the third, fourth and ninth largest MSA populations in the U.S., respectively. These markets are so much larger than Nashville that it would be difficult to draw meaningful comparisons.

Other factors to consider when selecting comparable facilities are characteristics such as seating capacity and premium seating product as well as the ownership and operating structure. The facilities in the three markets discussed previously, the United Center, the First Union Center and the Fleet Center all host at least two major sports tenants, offer more premium seating product and have a significantly different ownership structure from that at the GEC.

While the Gund Arena, Savvis Center and the Rose Garden represent comparable facilities that host one primary sports tenant in similar sized markets to Nashville, all are privately owned and operated arenas. The team and the facility owner/operator share common ownership at the Rose Garden and at Gund Arena. In addition, the Savvis Center is owned by the Kiel Center Partners which is a syndicate of companies and individuals. Because these facilities are privately owned and operated, they are not required to disclose any information relative to their business operations. Although the HSBC Arena and the St. Pete Times Forum are publicly owned facilities, their financial information was unavailable for inclusion in this peer comparison. The Arrowhead Pond is considered an appropriate peer to the GEC.

In reviewing the financial information provided by peer facilities, it is important to understand that there are a variety of methods in which a facility can record its revenue and expenses. For instance, the financials can include gross revenues and expenses generated from both tenant and non-tenant sources. Other facilities may choose to net out various payments to promoters and tenant teams and only reflect net revenue to the facility. Another variation is to illustrate the gross revenues and expenses from non-tenant activity (i.e. concerts) and the net financial data generated by the tenant team. In addition, individual lease terms between a facility and the sports tenant can have a significant impact on a facility's financial operations. These differences in methodology and lease terms can result in large disparities in operating revenue and expenses. Consequently, a more meaningful comparison may be made by focusing on the net operating results for each facility which is shown in the table that follows. For comparative purposes, adjustments have been made to some financial reports in an attempt to present the financial information in as consistent a manner as possible. Based on the information provided, depreciation expense and debt service have been excluded from the financial data.

The table on the following page compares various market, facility and operational data at the GEC with those at select peer facilities.

2001 Select Market, Facility, and Operational Data for the GEC and Profiled Facilities

Facility / Location	Gaylord Entertainment Center / Nashville, TN	Arrowhead Pond / Anaheim, CA	Office Depot Center / Sunrise, FL	Charlotte Coliseum / Charlotte, NC	TD Waterhouse Centre / Orlando, FL	St. Pete Times Forum / Tampa, FL	HSBC Arena / Buffalo, NY	Average of Profiled Facilities
Market Characteristics								
2001 MSA Population	**1,249,900**	2,879,000	2,277,100	1,524,600	1,676,100	2,420,500	1,168,700	1,991,000
2001 DMA Population	**2,265,000**	16,260,400	4,007,400	2,447,100	2,977,000	3,744,000	1,610,000	5,174,317
2001 Median Household EBI	**$44,319**	$55,262	$32,330	$40,800	$38,800	$34,400	$34,700	$39,382
Facility Characteristics								
Capacity	**20,000**	19,400	20,000	23,799	17,320	21,500	18,595	20,102
Owner	**Metro Nashville Sports Authority**	City of Anaheim	Broward County	City of Charlotte	City of Orlando	Tampa Sports Authority	County/City/State	
Operator	**Powers Management LLC**	Ogden Facility Management Corp.	Arena Operating Company/SMG	Auditorium-Coliseum-Convention Center Authority	City of Orlando	Palace Sports & Entertainment	Crossroads Arena LLC	
Major League Sports Tenant(s)	**Nashville Predators (NHL)**	Anaheim Mighty Ducks (NHL)	Florida Panthers (NHL)	Charlotte Hornets (NBA)	Orlando Magic (NBA)	Tampa Bay Lightning (NHL)	Buffalo Sabres (NHL)	
Utilization Characteristics								
Number of Performances	**230**	148	111	160	189	99	125	139
Total Attendance	**1,394,306**	1,397,174	1,151,183	1,422,826	1,292,243	1,264,595	1,301,404	1,304,904
Staffing Characteristics								
Full Time Employees	**65**	44	48	56	52	N/A	N/A	50
Financial Characteristics								
Revenues Over Expenses Before Debt Service & Depreciation	**($2,417,000)**	($1,977,000)	($669,000)	$1,360,000	$263,000	N/A	N/A	($256,000)

Notes: MSA or Metropolitan Statistical Area indicates a geographic area with a significant population base, along with any adjacent communities that have a high degree of economic and social integration with that base.

DMA or Designated Market Area represents the formal term for a TV or broadcast market, commonly referred to as the media market.

Median Household EBI or Effective Buying Income is defined as money income, less personal tax and non-tax payments. Often referred to as "disposable" or "after tax" income.

Capacity represents the fixed permanent and portable seating capacity for each facility.

Revenues over expenses before debt service and depreciation for the GEC include $124,186 of interest income, and excludes $894,344 of revenue recognized by the GEC but allocated to Metro for debt service, and $426,000 of seat use charges also allocated to Metro for debt service.

Financial amounts are rounded to the nearest thousand.

Arena Operating Company contracts the management of the Office Depot Center to SMG.

Per the Arena Management Agreement between the City of Anaheim and Ogden Facility Management Corp. of Anaheim, the City of Anaheim was responsible for subsidizing any loss from operations for the first eight years of the agreement. This subsidy was capped at a maximum of $1,500,000 per year. This agreement is currently in its ninth year.

The Charlotte Hornets no longer play at the Charlotte Coliseum. The team relocated to New Orleans beginning in the 2002-2003 season.

At the time of this report, published sources indicate that the Buffalo Sabres franchise and HSBC Arena are being operated by the National Hockey League and that it is the intention of the National Hockey League to sell the Sabres and the exclusive rights to use and operate the HSBC Arena. However, this analysis reflects management and operations under Crossroads Arena LLC.

N/A= Not available

Sources: *2001 Sales and Marketing Management Survey of Buying Power*; Individual facility management; *AudArena Stadium 2002 International Guide*.

Overall, the number of performances and total attendance at the GEC compares favorably to the profiled facilities. The GEC hosted 230 events which included 152 other events such as meetings and seminars. Many of these other events consisted of meetings which had little or no impact on the facility's financial operations including meetings recorded by facility management that included internal staff meetings, staff and vendor training sessions and Metro Sports Authority meetings. Excluding these events, which drew approximately 6,600 in total attendance, the facility hosted 111 events which still compares favorably to several of the profiled facilities. In terms of total attendance, the GEC ranked third among the profiled facilities and was comparable to the average.

For the year ended June 30, 2001, GEC had the largest operating deficit when compared to select peer facilities. Two of the five peer facilities also experienced an operating deficit. Arena Operating Company, the management company Broward County hired at the Office Depot Center, is a related entity to the NHL team playing in the facility and is responsible for any operating deficit. However, it outsourced the day-to-day management of the arena to SMG, an unrelated entity to the team, while maintaining responsibility for the operating deficit. In Anaheim, although there is no common ownership between the NHL tenant team and the company managing the Arrowhead Pond, the management company was responsible for funding any deficit after the first eight years of operations.

Summary of Findings and Conclusions Related to GEC Operations

The following summarizes key findings and conclusions contained in this report.

- The governance structure of a public asset is an important factor in facility operations and should play a significant role in oversight, establishing and administering policy and maintaining accountability for the facility in order to be effective. Currently, it appears that the Metro Sports Authority's role is more reactive than proactive in terms of overall oversight of operations at the GEC.

- In order for the Metro Sports Authority to be an effective governing body as originally anticipated, it needs to take a more proactive role in strategic planning for the facility which includes actively providing assistance in formulating operational and capital budgets as well as assisting in preparing a master plan that prioritizes both short and long-term capital projects for the GEC based on need and a cost/benefit analysis. In general, the Metro Sports Authority needs to assume more accountability as it relates to operations of the GEC.

- There does not appear to be strong communication between Powers, the Metro Sports Authority and the Metro Finance Department. For example, some of the reports and documentation currently required in the operating and management agreement, such as the "Season Settlement Statement", are not being supplied by Powers or the Predators because they have not been requested by the Metro Sports Authority. Consequently, the role and reporting frequency between Powers, the Metro Sports Authority and the Metro Finance Department needs to be increased in order to keep all parties apprised of facility-related matters in a timely fashion, particularly those related to financial performance.

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- Based on the GEC's June 30, 2001 and June 30, 2002 audited financial statements the Predators Annual Ticket Receipts Fee (rent) settlement was not paid within the required 45 days after fiscal year end. The $164,284 settlement for FY 2001 was paid September 28, 2001 and the $160,977 settlement for FY 2002 was paid October 8, 2002. Additionally, we noted that advertising payments due to Metro were not being paid as they are received, as required in the license and use agreement. The $561,924 advertising due was paid in two parts, July 19, 2002 ($275,000) and October 18, 2002 ($286,924).

- Although original projections indicated a potential for the GEC to breakeven, Metro's operating subsidy has increased from approximately $1.9 million in FY 1999 to approximately $5.0 million in FY 2002 and is expected to increase again in FY 2003.

- Unaudited revenues at the GEC for FY 2002 were significantly less than the prior year and less than the amount originally budgeted. According to facility management, this difference is primarily due to the loss of the Kats Arena Football League team, the impact of the events of September 11, 2001, on concert and touring show activity and a decline in Predators' attendance. The FY 2003 budget also reflects the impact of these events.

- Rent received from concerts at the GEC is generally capped in order to be competitive with other facilities and to attract events to the market. Consequently, the facility would have to host a significant number of concerts in order to make a substantial impact on the current financial deficit of the GEC which is unlikely given current market conditions and trends in the industry.

- The operating and management agreement between the Metro Sports Authority and Powers outlines several operating and procedural guidelines for the management company to follow at the GEC. Select procedures were reviewed and analyzed to determine if Powers was following the terms of the operating and management agreement. With respect to procurement, our analysis indicated that Powers was operating in accordance with guidelines outlined in the operating and management agreement. In addition, it appears that Powers has the appropriate procedures in place related to monitoring contracts with third party vendors to ensure that the appropriate services have been provided and that the invoices are accurate prior to payment.

- Based on an analysis of information provided by facility management, it appears that practices outside of normal game hours by the Predators at the GEC occurred on days that did not conflict with other facility events. The incremental cost of operations to the GEC associated with the use of the facility for Predators non-game hour practice sessions is likely nominal, particularly since the Predators pay for many of these practice-related expenses. While over time there may be some additional wear and tear associated with the use of facility assets, this incremental cost is likely minimal and difficult to estimate.

- The allocation of expenses associated with the shared staffing is determined based on the level and type of activities performed by each shared employee. As part of the annual budgeting process outlined in the operating and management agreement, the Manager at the GEC should furnish the Metro Sports Authority with a proposed allocation of the shared employee expenses between Powers and the Predators together with a reasonably detailed summary explaining the basis of such allocation. Although the method of allocation as well as the number and type of shared staff positions appears reasonable, this process of determining the allocation is not being documented, distributed and reviewed by the Metro Sports Authority in a timely manner. Consequently, this allocation of staff should be periodically reviewed and monitored by the Metro Sports Authority.

- Although the number of employees at the GEC is higher than at selected peer facilities, the salaries and benefits expense appears to be consistent with other similar facilities. However, Powers and the Metro Sports Authority may want to explore the merits of reducing the number of full-time employees by outsourcing certain functions currently done in-house to determine if financial efficiencies can be achieved while still operating the facility in a first-class manner.

- The GEC controls a minimum number of parking spaces. In addition, revenue generated from parking at the facility during Predators' events goes to the team as part of its lease agreement. Consequently, unlike many of the peer facilities, the GEC generates very limited revenue from parking which negatively impacts its operating deficit.

- During the study effort, it was discovered that in 2001 Powers spent approximately $56,000 more on capital expenditures for the GEC than was approved by Metro. According to facility management, this excess expenditure was charged to the operating budget of the GEC which exceeded its budgeted operating loss for the year. In the future, capital expenditures for the GEC should be closely monitored to determine that only those amounts approved by Metro are expended.

- Currently Powers and other Metro facilities utilize different concessionaires and other vendors for services at their respective facilities. Metro should explore the possibility of bundling all of its concessionaire and other vendor contracts where appropriate in an effort to take advantage of purchasing power and economies of scale. Because contracts are currently in place at the facilities, this represents a long-term strategy for all of Metro's facilities.

Overall, the GEC is a well-run facility. This assessment is based on review and analysis of various operational areas including event activity, rental rate structure, and existing contractual agreements in place as well as other factors such as trends in the sports and entertainment industry, the competitive market in which the GEC operates and the market characteristics of Nashville. In the short-term, there appears to be relatively limited opportunities for management to significantly increase revenues and/or minimize expenses that would fundamentally impact the operating deficit.

Although certain items of non-compliance are noted above, it was determined through the study process that the Predators and Powers generally appear to be operating in compliance with the material terms of their respective agreements. Metro's operating subsidy of the GEC is in large part the result of the existing lease agreement with the Predators, which tends to be more favorable to the Predators than peer lease agreements with tenant teams.

Metro's contractual arrangement with a related entity of the team (Powers) to operate and manage the GEC is not unlike the arrangements at other NHL facilities. However, Metro's case is unique in that the facility management company and the primary sports tenant share common ownership while Metro is responsible for funding any operating deficit. In other arenas where there is common ownership between the team and the facility operator, the facility operator typically assumes the risk of operating losses and benefits from any financial upside. In this approach, the municipality's financial exposure is limited.

The Metro Sports Authority and Powers should continue to actively investigate ways to improve the financial performance of the facility for the long-term such as potentially pursuing naming rights of the smaller theater configuration, exploring opportunities to maximize rental of available space in the GEC for commercial/office use, maximizing usage of the GEC in association with events held at the Convention Center and other facilities in the market, reducing staffing costs and/or outsourcing certain operations if the same quality can be achieved in a more cost efficient manner.

Performance Audit of the Gaylord Entertainment Center

Analysis of Operating and Management Agreement with Powers Management LLC

Many municipalities around the country utilize the services of a third party to manage and operate their public assembly facilities. These third party management options address a variety of needs and issues confronted by governmental entities and, in many cases, result in a more effective and efficient means of facility operations.

From May of 1994 to April of 1999, Metro, through the Metropolitan Development and Housing Agency, subcontracted the day-to-day management of the Nashville Arena to Leisure Management International (LMI) an independent facilities management organization. On June 25, 1997 Metro, through its Metro Sports Authority entity, entered into an agreement assigning the exclusive right to manage and operate the Nashville Arena (which by then had sold its naming rights and was called the Gaylord Entertainment Center or GEC) to Powers Management LLC (Powers). Similar to the LMI agreement, this agreement calls for Metro Sports Authority to subsidize the operations of the GEC under Powers' management. Powers shares common ownership with the Nashville Predators.

The operating and management agreement executed between Powers and the Metro Sports Authority defines the obligations of both parties related to the operating parameters of the facility. The terms agreed to by Metro Sports Authority as the facility owner and Powers as the facility operator in this agreement are an important aspect of the analysis and are summarized on the pages that follow.

Summary of Operating and Management Agreement by and between the Metro Sports Authority of the Metropolitan Government of Nashville and Davidson County and Powers Management LLC

Although the operating and management agreement should be read in its entirety in order to obtain a complete understanding of its provisions, the following summarizes the major terms of this agreement:

Term: Subject to the other provisions hereof, the initial term of this Agreement (the "Term") shall commence on the date that the LMI Agreement expires (May 1999) or terminates (the "Commencement Date") and shall expire on the Expiration Date, unless terminated earlier in accordance with the provisions of this Agreement. For the purposes of this Agreement, the expiration date shall mean June 30, 2028, the date the term of the NHL use Agreement is scheduled to expire under Section 2.1 thereof.

Early Termination: If the NHL Use Agreement is terminated (i) due to a Metro Sports Authority Default (as defined therein), or (ii) pursuant to certain attendance requirements as outlined in Section 2.3(a) or Section 2.3(b) of the NHL Use Agreement, then the Manager (Powers) shall have the right to cancel this Agreement by giving written notice to the Metro Sports Authority within ninety (90) days after the happening of either event, in which case neither party hereto shall have any further obligation hereunder, except as otherwise provided in Section 3.3 (continuation of performance) hereof and except for obligations which expressly survive the cancellation or expiration of this Agreement. Likewise, if the NHL Use Agreement is terminated (i) due to a Team Default (as defined therein), or (ii) pursuant to certain attendance provisions as outlined in Section 2.3(a) or Section 2.3(b) of the NHL Use Agreement, then the Metro Sports Authority shall have the right to cancel this Agreement by giving written notice to Manager within ninety (90) days after the happening of either event, in which case neither party hereto shall have any further obligation hereunder, except as otherwise provided in Section 3.3 hereof and except for obligations which expressly survive the cancellation or expiration of this Agreement.

Termination for Lack of Funding: In the event that the Metro Sports Authority elects to terminate funding for the operation and maintenance of the Arena, the Metro Sports Authority shall have the right to terminate this Agreement upon written notice to Manager, such termination to be effective on the ninetieth (90^{th}) day after written notice of such election to terminate Metro Sports Authority. In such event, the Metro Sports Authority shall pay to Manager all fees and other sums due to Manager hereunder through and including the date of termination and there shall be no further penalty against or liability of the Metro Sports Authority for such termination.

Management Fee: To compensate Manager for operating and managing the Arena, the Metro Sports Authority shall pay the Manager a monthly fee (the "Management Fee"), in advance, on or before the first (1^{st}) day of each month during the Term. From the Commencement Date until June 30, 2000, the Management Fee shall be an amount equal to the product obtained by multiplying Sixteen Thousand Seven Hundred Fifty and No/100 Dollars ($16,750) by a fraction, the numerator of which is the Consumer Price Index for April, 2000 and the denominator of which the Consumer Price Index for April, 1997. On July 1, 2000, and on the first day of each Operating Year thereafter, the Management Fee shall be increased by a percentage equal to the lesser of (i) five percent (5%) or (ii) the percentage increase in the Consumer Price Index during the immediately preceding twelve (12) months, if any.

Performance Fee: In addition to the base compensation outlined above, through Amendment 3 to the Agreement, Powers is entitled to receive certain additional compensation payments based on achieving certain pre-determined performance criteria as follows.

The Metro Sports Authority shall pay the Manager an annual performance fee (the "Performance Fee") to be calculated with seventy percent (70%) of the potential Performance Fee to be based on the financial operating performance of the Arena and thirty percent (30%) of the potential Performance Fee to be based on the number of Community Events and Convention Events held at the Arena.

- For that portion of the Performance Fee based on the financial operating performance of the Arena, Manager shall receive fifty percent (50%) of the amount by which the Operating Income for the current Operating Year exceeds the Operating Income from the prior Operating Year; or, in the case of an Operating Loss, Manager shall receive fifty percent (50%) of the amount by which the Operating Loss for the current Operating Year is less than the Operating Loss from the prior Operating Year. In no event shall this portion of the Performance Fee exceed $175,000 for the Operating Year ending June 30, 2000.

- For that portion of the Performance Fee based on the number of Community Events and Convention Events held at the Arena, Manager shall receive:
  - $0 if the aggregate number of Community Events and Convention Events held at the Arena during the Operating Year is less than 17
  - $25,000 if the aggregate number of Community Events and Convention Events held at the Arena during the Operating Year is between 17 and 21
  - $50,000 if the aggregate number of Community Events and Convention Events held at the Arena during the Operating Year is between 22 and 25
  - $75,000 if the aggregate number of Community Events and Convention Events held at the Arena during the Operating Year exceeds 25.

Manager acknowledges and agrees that Community Events sponsored by the Nashville Predators shall not be included in determining the aggregate number of Community events and Convention Events held at the Arena during the Operating Year. Manager, at the end of the Operating Year, shall provide confirmation to the Metro Sports Authority of all Community Events and Convention Events held at the Arena during that Operating Year. In no event shall this portion of the Performance Fee exceed $75,000 for the Operating Year ending June 30, 2000.

The method of computing the Performance Fee set forth above will apply to the Operating Years ending June 30, 2000 and June 30, 2001. Thereafter, the Performance Fee will be reevaluated as to its effectiveness. If mutually agreed upon by the parties, adjustments will be made to the method of computing the Performance Fee for the subsequent Operating Years; provided, however, that in the event the parties cannot reach an agreement as to such adjustments, then the existing method of computing the Performance Fee shall be utilized for all subsequent Operating Years.

The parties agree that the Maximum Potential Performance Fee for the Operating Year ending June 30, 2000 shall be $250,000 and that the Maximum Potential Performance Fee for each succeeding Operating Year shall automatically be increased by a percentage equal to the lesser of five percent (5%), or the percentage increase in the Consumer Price Index for the previous twelve (12) months, unless otherwise mutually agreed upon by the parties.

Payment of Operating Expenses: Except as otherwise expressly provided herein, the Metro Sports Authority shall be solely responsible for providing funds to Manager necessary to pay the costs and expenses reasonably incurred by Manager to perform its responsibilities and obligations hereunder (collectively, "Operating Expenses"), including all payments made or liabilities incurred to obtain Operating Revenues, all installments of the Management Fee, wages, salaries and employee benefits, maintenance and repair costs, utility charges and deposits, reasonable audit fees, legal fees and other professional fees, fees payable to concessionaires or other subcontractors, the cost of refuse removal, cleaning, pest control and janitorial services, sales taxes, use taxes and other taxes or impositions applicable to the operation of the Arena, the cost of building supplies, tools, equipment, premiums for insurance which manager is required to maintain under the terms of this Agreement, expenses incurred for advertising, marketing and public relations, travel, lodging and related out-of-pocket expenses and Arena related entertainment expenses incurred by Manager solely for the purpose of increasing Operating Revenues, the cost of necessary office supplies, freight and delivery charges, equipment rents, the cost of utilizing credit and debit facilities, and all damages, losses or expenses suffered or paid by Manager as the result of any and all claims, demands, suits, causes of action, proceedings, judgments and liabilities, including reasonable attorneys fees incurred in litigation or otherwise (including claims related to the Intellectual Property), assessed, incurred or sustained by or against any of them including under or pursuant to contracts executed by Manager in accordance with the authority granted to it hereunder.

Employees: Employees hired by Manager shall be employees of Manager and not of the Metro Sports Authority, although the reasonable employment costs of such employees (including wages, salary, benefits and the costs of complying with Applicable Law) shall be part of the Operating Expenses. Manager shall have complete and absolute discretion and authority with respect to the number, functions, qualifications, compensation and other terms and conditions relating to its employees, subject only to the provisions of Section 5.11(b) (governing the hiring of the facility General Manager) and Article XV of the agreement, which prohibits discriminatory employment practices.

Manager shall select the individual who will serve as General Manager and shall notify the Metro Sports Authority of such selection. The Metro Sports Authority shall have ten (10) days following receipt of such notice to notify Manager of the Metro Sports Authority's approval or disapproval of the Manager's choice, such approval not to be unreasonably withheld. If the Metro Sports Authority is dissatisfied with the General Manager at any time, it may notify the Manager of such fact, which notice shall explain in reasonable detail the sources of such dissatisfaction. The Manager shall have a period of sixty (60) days following the delivery of any such notice to rectify the problem. In the event that the reasons for the Metro Sports Authority's dissatisfaction with the General Manager have not been resolved in a manner acceptable to the Metro Sports Authority in its sole and absolute discretion, then Manager shall replace the General Manager, and any replacement General Manager shall be approved by the Metro Sports Authority in accordance with the provisions of this Section.

The parties understand and contemplate that certain employees (the "shared Employees") shall perform functions in connection with both the operation and management of the Arena and the operation and management of the NHL Team. The Metro Sports Authority and Manager agree that the cost of wages, salaries, benefits, compensation and expenses associated with each of the Shared Employees (the "Shared Employee Expenses") shall be allocated fairly and equitably between Manager and the NHL Team. As part of the annual budgeting process outlined in this agreement, the Manager shall furnish the Metro Sports Authority with a proposed allocation of the Shared Employee Expenses between Manager and the NHL Team, together with a reasonably detailed summary explaining the basis of such allocation. If the Metro Sports Authority rejects such allocation, the Manager shall appoint a qualified independent individual reasonably acceptable to the Metro Sports Authority to determine a fair and equitable allocation of the Shared Employee Expenses between Manager and the NHL Team, with the costs associated therewith being borne equally by the Authority and Manager (with Manager's share thereof not being subject to reimbursement as an Operating Expense). The portion of the shared employee Expenses allocated to Manager hereunder shall be deemed Operating Expenses, and the portion of the Shared Employee Expenses allocated to the NHL Team shall be excluded from Operating Expenses and the Metro Sports Authority shall have no obligation in connection therewith.

Procedures for Purchase of Supplies and Services: Subject to the other provisions of this Agreement, Manager shall have full authority to purchase all equipment, materials, supplies and inventories reasonably required by the approved budget in order to perform its obligations hereunder; provided Manager shall use commercially reasonable efforts to make all such purchases at the best available prices (giving due consideration to the quantities required, the quality desired, delivery requirements and sources of supply). Notwithstanding anything to the contrary contained herein, Manager shall obtain the Metro Sports Authority's express authorization before entering into any contract, agreement or purchase order which would or could (i) give rise to $100,000 or more of Operating Expenses during the term thereof, or (ii) cause more than $100,000 to be paid to any one (1) Entity or its Affiliate in any Operating Year.

In connection with a proposed purchase of equipment, materials, supplies, services or inventories costing in excess of $10,000 for any single item or more than $50,000 in the aggregate in any one purchase order, Manager shall utilize a competitive bidding process similar to that used by the Metropolitan Government for similar goods or services. Notwithstanding such procedures, Manager shall not be obligated to accept the lowest bid but shall be entitled to take into account, in the award of any such contract, the quality of the service or product and award the contract accordingly.

With respect to Emergency Expenditures, Manager shall have the right to make the same, up to $50,000 per item, without prior approval from the Metro Sports Authority. If any Emergency Expenditure is reasonably expected to exceed $50,000, Manager shall submit the same to the Metro Sports Authority for the Metro Sports Authority's prior written approval. The Metro Sports Authority agrees to respond to any request of manager for an Emergency Expenditure within 24 hours from the receipt of the request therefore, or within such lesser time as is appropriate under the circumstances.

Recordkeeping: As soon as practicable at the close of each Operating Year, Manager shall furnish the Metro Sports Authority with a statement of the Operating Revenues, Operating Expenses and Operating Income for such Operating Year, which statement shall be (i) prepared by a nationally recognized and reputable independent certified public accounting firm reasonably acceptable to the Metro Sports Authority, (ii) prepared in accordance with generally accepted accounting principles, consistently applied, and (iii) accompanied by an auditor's certification that the information in such statement is true, correct and complete. Such statements shall include aggregate and specific line-item Operating Revenues and Operating Expenses. Manager shall provide written notice to the Metro Sports Authority of Manager's selection of such firm and the Metro Sports Authority shall have fifteen (15) days following receipt of such notice to approve or disapprove the same, which approval shall not be unreasonably withheld. In addition, Manager shall require the auditor to provide a statement with respect to the calculation of Team Related Revenues for such Operating Year, accompanied by a certificate from the auditor that the calculation of Team Related Revenues is fairly presented in accordance with the terms and provisions of this Agreement and the Concession Agreement between Sportservice Corporation and LMI (later assumed by Powers). Manager shall secure from the auditor its customary agreement to provide, upon reasonable request, copies of its audit work papers to the Metro Sports Authority.

Not later than the December 1st prior to commencement of each Operating Year, Manager shall submit for the Metro Sports Authority's review and approval, in form reasonably satisfactory to the Metro Sports Authority, a detailed line-item budget for all projected Operating Revenues, Operating Expenses and all proposed expenditures in excess of $100,000 for building additions, alterations or improvements and for purchases of additional or replacement furniture, machinery or equipment, the depreciable life of which, according to generally accepted accounting principles, is in excess of one (1) year and expenditures in excess of $100,000 for maintenance or repairs which extend the useful life of the asset being maintained or repaired for a period in excess of one (1) year for such Operating Year. Unless the Metro Sports Authority directs otherwise, all budgets prepared by the Manager shall comply with generally accepted accounting principles as promulgated by the Government Accounting Standards Board and the normal and customary accounting practices of the Metropolitan Government. The Metro Sports Authority shall review all proposed budgets and amendments thereto and communicate to Manager any comments or revisions thereto. Manager shall cooperate with the Metro Sports Authority to make revisions to the proposed budget and provide back-up information to the Metro Sports Authority as is requested by the Metro Sports Authority to obtain the final approval of the Metro Sports Authority's budget. In addition, Manager shall assist with the presentation of the Metro Sports Authority's budget to the Metropolitan County Council of The Metropolitan Government of Nashville and Davidson County.

The Metro Sports Authority shall have the unqualified right to obtain from the Manager, at any time upon reasonable request, such information and to inspect and audit Books and Records of Manager as may be necessary.

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Improvements: Subject to the following sentence hereof, Manager shall have no authority to make any material alterations, additions, changes or improvements to the Arena without the prior written approval of the Metro Sports Authority. For purposes of this provision, "material" shall mean any single alteration, addition, change or improvement costing in excess of $25,000.00, or any series of additions, alterations, changes or improvements costing in excess of $25,000.00 which under ordinary and customary business practices would be viewed as being a single project. If an alteration, addition, change or improvement is specifically identified on any final budget for the Arena which has been approved by the Metro Sports Authority, then the same shall be deemed to have been approved by the Metro Sports Authority; provided that prior to commencing such alteration, addition, change or improvement, the Manager shall obtain the Metro Sports Authority's written approval of the plans and specifications therefore, which approval shall not be unreasonably withheld.

Community Events Policy: In consultation with Manager, the Metro Sports Authority will establish a policy for Community Events to be held at the Arena. Recognizing the priority rights of the NHL Team and certain existing users of the Arena, Manager agrees to (i) use commercially reasonable efforts to make the Arena available for Community Events and (ii) comply with the Metro Sports Authority's Community Events policy. At the Metro Sports Authority's sole discretion, such Community Events may be charged no fee or a reduced fee to use the Arena.

Consultation Regarding Prices: Manager shall consult with the Metro Sports Authority at least twice per Operating Year regarding the rates and charges for Events and parking.

Analysis of Relationships Between the Tenant Team Owner, the Facility Operator and the Facility Owner

In order to provide a point of context, the major terms of the agreement between the Metro Sports Authority and Powers are compared to operating agreements at other arenas. In comparing operating and management agreements among facilities, there are several key relationships that impact the terms of the agreement and the overall financial responsibility of any operating shortfall at the facility that include the following:

- Tenant team owner and the facility operator
- Tenant team owner and facility owner
- Facility operator and facility owner

There are several different operating structures for arena facilities including municipal management, authority management and private management. Historically, the contract for privately managed facilities was between the management company and the municipality as owner of the facility. While this relationship is still the case in some facilities such as the GEC and the Nassau Veterans Memorial Coliseum where the New York Islanders play, management structures at newer facilities are still evolving. For instance, some teams that privately finance their arena contract directly with a private management company, such as SMG, to operate the facility. This is the case with the Nationwide Arena where the Columbus Blue Jackets play.

However one trend in facility management at newer arenas with major sports tenants is for teams to assume the role of both team operator and facility operator. In some instances, the team owner is also the facility owner. In other cases, the team owner forms some type of operating entity, similar to Powers, and contracts with the facility owner to manage the facility as one entity. Although the terms of each contract vary, agreements can be structured whereby the newly formed facility management company pays a guaranteed annual rent to the facility owner (i.e. a municipality) and assumes the potential risk of operating the facility at a loss. In addition to event day rent, the payment to the facility owner may also include some portion of ancillary revenue streams such as parking, concessions and advertising. If the facility operates at a profit then the team (through its operating company) prospers and if the facility operates at a deficit then the team is typically responsible for any shortfall. Although the municipality as facility owner loses control of the day-to-day aspects of facility operations, other than what is clearly defined in the operating agreement, the municipality's financial exposure is limited in this approach. Facilities/teams with this type of management structure include the following:

- Philips Arena/Turner Arena Operations, Inc. in Atlanta, GA
- HSBC Arena/Crossroads Arena LLC in Buffalo, NY
- RBC Center (formerly known as the Raleigh ESA)/Gale Force Sports & Entertainment in Raleigh, NC
- Office Depot Center (formerly known as the National Car Rental Center)/Arena Operating Company in Sunrise (Miami), FL
- Xcel Energy Center/Minnesota Hockey Venture Group LP in St. Paul, MN
- Compaq Center/San Jose Arena Management Corp. in San Jose, CA

In some cases, such as the RBC Center in Raleigh, an authority may be involved as an oversight body and/or specifically for financing purposes.

The table that follows provides an overview of relationships between NHL team owners and facility operators. For purposes of this table, a relationship can be defined as a formalized arrangement where some level of common ownership exists between the parties.

Overview of Relationships Between the NHL Team Owner(s) and the Facility Operator

NHL Team	Facility Name	Facility Operator	Is There Any Form of Common Ownership Between NHL Team & Facility Operator?
Anaheim	Arrowhead Pond	Ogden Facility Mgmt. Co.	no
Atlanta	Philips Arena	Turner Arena Operations, Inc.	yes
Boston	Fleet Center	Team	yes
Buffalo	HSBC Arena	Crossroads Arena LLC*	yes
Calgary	Pengrowth Saddledome	Team	yes
Carolina	RBC Center	Gale Force Sports & Entertainment	yes
Chicago	United Center	United Center Joint Venture	yes
Colorado	Pepsi Center	Kroenke Sports Enterprises	yes
Columbus	Nationwide Arena	SMG	no
Dallas	American Airlines Center	Center Operating Company	yes
Detroit	Joe Louis Sports Arena	Olympia Entertainment	yes
Edmonton	Skyreach Centre	Northlands Park	no
Florida	Office Depot Center	Arena Operating Company/SMG**	yes
Los Angeles	Staples Center	LA Arena Co. LLC	yes
Minnesota	Xcel Energy Center	MN Hockey Venture Group	yes
Montreal	Molson Centre	Team	yes
Nashville	Gaylord Entertainment Center	Powers Management	yes
New Jersey	Continental Airlines Arena	NJ Sports & Exposition Authority	no
New York Islanders	Nassau Veterans Memorial	SMG	no
New York Rangers	Madison Square Garden	MSG LP	yes
Ottawa	Corel Centre	Team	yes
Philadelphia	First Union Center	Global Spectrum	yes
Phoenix	America West Arena	Sports & Entertainment Services	no***
Pittsburgh	Mellon Arena	SMG	no
San Jose	Compaq Center San Jose	San Jose Arena Management LP	yes
St. Louis	Savvis Center	Paige Sports Enterprises	yes
Tampa Bay	St. Pete Times Forum	Palace Sports & Entertainment	yes
Toronto	Air Canada Centre	Team	yes
Vancouver	General Motors Place	Team	yes
Washington	MCI Center	Washington Sports & Entertainment	yes

Notes: Sorted alphabetically by NHL team.
*At the time of this report, published sources indicate that the Buffalo Sabres franchise and HSBC Arena are being operated by the National Hockey League and that it is the intention of the National Hockey League to sell the Sabres and the exclusive rights to use and operate the HSBC Arena. However, this analysis reflects management and operations under Crossroads Arena LLC.
** The management contract for the Office Depot is between Broward County and Arena Operating Company which is owned by the team. Arena Operating Company subsequently retained SMG to manage the facility on its behalf. For purposes of this analysis, this relationship is considered to have common ownership.
***The America West Arena is operated by Sports and Entertainment Services which is a related entity to the NBA Phoenix Suns.
Blue shading indicates some form of relationship between the NHL team owner(s) and the facility operator.
The National Car Rental Center recently changed its name to the Office Depot Center.
The Ice Palace recently changed its name to the St. Pete Times Forum.
The Raleigh Entertainment and Sports Arena recently changed its name to the RBC Center.

Sources: *2002 AudArena Stadium Guide*; information provided by team and facility operator representatives; KPMG research.

Key Findings

- Approximately 77% (23 of 30) of the NHL facilities, including the GEC, are managed by the NHL tenant team or some related entity to the team. Only seven of the 30 NHL teams (23%) play in a facility managed by a facility operator that has no relationship to the NHL team owner(s). The relationships outlined in the table are consistent with a trend among all levels of professional sports where team owners are increasingly assuming the role of facility operator either through a contractual relationship or by direct ownership the facility.

  The following table lists the NHL facilities, the year built, the facility owner and whether there is any form of common ownership between the NHL team owner and the facility owner.

Overview of Relationship Between the NHL Team Owner(s) and the Facility Owner(s)

NHL Team	Facility Name	Year Built	Facility Owner(s)	Is There Any Form of Common Ownership Between NHL Team & Facility Owner?
Dallas	American Airlines Center	2001	The Arena Group	yes
Columbus	Nationwide Arena	2000	Nationwide Insurance (90%) & Dispatch Printing (10%)	no
Minnesota	Xcel Energy Center	2000	City of St. Paul	no
Atlanta	Philips Arena	1999	City of Atlanta, Fulton County & Turner Sports	yes
Carolina	RBC Center	1999	Centennial Authority	no
Colorado	Pepsi Center	1999	Kroenke Sports Enterprises	yes
Los Angeles	Staples Center	1999	Staples Center Partners	yes
Toronto	Air Canada Centre	1999	Maple Leafs Sports & Entertainment	yes
Florida	Office Depot Center	1998	Broward County	no
Nashville	**Gaylord Entertainment Center**	**1997**	**Metro Sports Authority**	**no**
Washington	MCI Center	1997	Washington Sports & Entertainment LP	yes
Buffalo	HSBC Arena	1996	Municipal partnership*	no
Montreal	Molson Centre	1996	Team Owner	yes
Ottawa	Corel Centre	1996	Palladium Corp.	yes
Philadelphia	First Union Center	1996	Comcast Spectacor	yes
Tampa Bay	St. Pete Times Forum	1996	Tampa Sports Authority	no
Boston	Fleet Center	1995	New Boston Garden Corp.	yes
Vancouver	General Motors Place	1995	Orca Bay Sports & Entertainment	yes
Chicago	United Center	1994	United Center Joint Venture	yes
St. Louis	Savvis Center	1994	Team Owner	yes
Anaheim	Arrowhead Pond	1993	City of Anaheim	no
San Jose	Compaq Center San Jose	1993	City of San Jose	no
Phoenix	America West Arena	1992	City of Phoenix; operated by Phoenix Arena Development LP, an affiliated company of the Phoenix Suns	no
New York Rangers	Madison Square Garden	1991**	Cablevision	yes
Calgary	Pengrowth Saddledome	1983	Calgary Exhibition & Stampede Board (City of Calgary)	no
New Jersey	Continental Airlines Arena	1981	State of New Jersey Sports & Exposition Authority	no
Detroit	Joe Louis Sports Arena	1979	City of Detroit	no
Edmonton	Skyreach Centre	1974	City of Edmonton	no
New York Islanders	Nassau Veterans Memorial	1972	Nassau County	no
Pittsburgh	Mellon Arena	1961	City of Pittsburgh & Allegheny County	no

Notes: Sorted in descending order by year built.
*HSBC Arena is owned by a municipal partnership comprised of the City of Buffalo, County of Erie, New York State Urban Development Corporation, Buffalo Urban Renewal Agency, and Erie County Industrial Development Agency.
At the time of this report, published sources indicate that the Buffalo Sabres franchise and HSBC Arena are being operated by the National Hockey League and that it is the intention of the National Hockey League to sell the Sabres and the exclusive rights to use and operate the HSBC Arena. However, this analysis reflects management and operations under Crossroads Arena LLC.
**Madison Square Garden underwent a $200 million renovation in 1991.
Shading indicates a relationship between the NHL team owner(s) and the facility owner.
The National Car Rental Center recently changed its name to the Office Depot Center.
The Ice Palace recently changed its name to the St. Pete Times Forum.
The Raleigh Entertainment and Sports Arena recently changed its name to the RBC Center.

Sources: *2002 AudArena Stadium Guide*; information provided by team, facility operator and facility owner representatives; *Inside the Ownership of Pro Sports, 2001;* KPMG research.

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Key Findings

- As shown in the previous table, most NHL teams play in relatively new facilities. Only six of the 30 NHL teams play in arenas that were constructed prior to 1990. Half of the NHL teams (15 of 30) play in a facility where there is an existing relationship between the facility owner and the team owner while the other half of the NHL teams, including the Predators, are located in facilities where no common ownership exists between the NHL team and the facility owner.

  The table that follows illustrates the facility operator and facility owner for each of the 30 NHL arenas.

Summary of Facility Operator and Facility Owner for NHL Arenas

NHL Team	Facility Name	Year Built	Facility Operator	Facility Owner(s)	Is the Facility Either Solely or Jointly Owned by a Municipality?
Dallas	American Airlines Center	2001	Center Operating Company	The Arena Group	no
Columbus	Nationwide Arena	2000	SMG	Nationwide Insurance (90%) & Dispatch Printing (10%)	no
Minnesota	**Xcel Energy Center**	**2000**	**MN Hockey Venture Group**	**City of St. Paul**	**yes**
Atlanta	**Philips Arena**	**1999**	**Turner Arena Operations, Inc.**	**City of Atlanta, Fulton County & Turner Sports**	**yes**
Carolina	**RBC Center**	**1999**	**Gale Force Sports & Entertainment**	**Centennial Authority**	**yes**
Colorado	Pepsi Center	1999	Kroenke Sports Enterprises	Kroenke Sports Enterprises	no
Los Angeles	Staples Center	1999	LA Arena Co. LLC	Staples Center Partners	no
Toronto	Air Canada Centre	1999	Team	Maple Leafs Sports & Entertainment	no
Florida	**Office Depot Center**	**1998**	**Arena Operating Company/SMG***	**Broward County**	**yes**
Nashville	**Gaylord Entertainment Center**	**1997**	**Powers Management**	**Metro Sports Authority**	**yes**
Washington	MCI Center	1997	Washington Sports & Entertainment LP	Washington Sports & Entertainment LP	no
Buffalo	**HSBC Arena**	**1996**	**Crossroads Arena LLC**	**Municipal partnership****	**yes**
Montreal	Molson Centre	1996	Team	Team Owner	no
Ottawa	Corel Centre	1996	Team	Palladium Corp.	no
Philadelphia	First Union Center	1996	Global Spectrum	Comcast Spectacor	no
Tampa Bay	**St. Pete Times Forum**	**1996**	**Palace Sports & Entertainment**	**Tampa Sports Authority**	**yes**
Boston	Fleet Center	1995	Team	New Boston Garden Corp.	no
Vancouver	General Motors Place	1995	Team	Orca Bay Sports & Entertainment	no
Chicago	United Center	1994	United Center Joint Venture	United Center Joint Venture	no
St. Louis	Savvis Center	1994	Paige Sports Enterprises	Team Owner	no
Anaheim	**Arrowhead Pond**	**1993**	**Ogden Facility Mgmt. Co.**	**City of Anaheim**	**yes**
San Jose	**Compaq Center San Jose**	**1993**	**San Jose Arena Management LP**	**City of San Jose**	**yes**
Phoenix	**America West Arena**	**1992**	**Sports & Entertainment Services**	**City of Phoenix; operated by Phoenix Arena Development LP, an affiliated company of the Phoenix Suns**	**yes**
New York Rangers	Madison Square Garden	1991***	MSG LP	Cablevision	no
Calgary	**Pengrowth Saddledome**	**1983**	**Team**	**Calgary Exhibition & Stampede Board (City of Calgary)**	**yes**
New Jersey	**Continental Airlines Arena**	**1981**	**NJ Sports & Expositions Authority**	**State of New Jersey Sports & Exposition Authority**	**yes**
Detroit	**Joe Louis Sports Arena**	**1979**	**Olympia Entertainment**	**City of Detroit**	**yes**
Edmonton	**Skyreach Centre**	**1974**	**Northlands Park**	**City of Edmonton**	**yes**
New York Islanders	**Nassau Veterans Memorial**	**1972**	**SMG**	**Nassau County**	**yes**
Pittsburgh	**Mellon Arena**	**1961**	**SMG**	**City of Pittsburgh & Allegheny County**	**yes**

Notes: Sorted in descending order by year built.
Blue shading indicates a relationship between the facility operator and the facility owner.
*Arena Operating Company who shares common ownership with the NHL Florida Panthers, contracts the management and operations of the Office Depot Center to SMG.
**HSBC Arena is owned by a municipal partnership comprised of the City of Buffalo, County of Erie, New York State Urban Development Corporation, Buffalo Urban Renewal Agency, and Erie County Industrial Development Agency.
At the time of this report, published sources indicate that the Buffalo Sabres franchise and HSBC Arena are being operated by the National Hockey League and that it is the intention of the National Hockey League to sell the Sabres and the exclusive rights to use and operate the HSBC Arena. However, this analysis reflects management and operations under Crossroads Arena LLC.
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Sources: *2002 AudArena Stadium Guide*; information provided by team, facility operator and facility owner representatives; *Inside the Ownership of Pro Sports, 2001;* KPMG research.

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Key Findings

- As the previous table illustrates, more than half (16 of 30) of the facilities that host NHL teams are owned by municipalities. Eleven of these 16 facilities, including the GEC, are operated by the team or some related entity to the team. Three are managed by traditional private management companies, one is operated by an authority, and one is operated by a not-for-profit community service organization. Metro's contractual arrangement with a related entity of the team (Powers) to operate and manage the GEC is not unlike the arrangements at other NHL facilities. However, Metro's financial responsibility for operating shortfalls at the facility is unique.

  Because no common ownership exists between Powers and Metro, the arrangement between these two entities is more similar to a traditional relationship between a private management company and a facility owner. However, the common ownership structure between Powers and the Predators makes the overall relationship comparable to management structures where some related entity of the NHL team operates the facility. Consequently, both types of arrangements have been profiled in this analysis in order to provide context to Metro's existing operating and management agreement.

  As a point of reference and based on available information, the table that follows compares the terms of the operating and management agreement between Powers and the Metro Sports Authority to management agreements at other facilities. These profiled facilities were selected based on several factors:

  - Age of facility;
  - Market size;
  - Seating capacity at the facility;
  - Newer team to the NHL;
  - Municipally owned facility; and/or
  - Privately operated facility.

  Three of the profiled facilities, including the Pyramid in Memphis, are operated and managed by private management companies. Although the Pyramid does not host an NHL team, its agreement is outlined because it represents a typical relationship between a private management company and a municipality as facility owner and because of its geographic proximity to Nashville. The remaining four agreements reflect facilities where the NHL team and the facility owner have some form of common ownership.

Summary of Key Data from Select Operating and Management Agreements

Team	Nashville Predators	Carolina Hurricanes	Florida Panthers	Minnesota Wild
Arena	Gaylord Entertainment Center	RBC Center	Office Depot Center	Xcel Energy Center
Year Built	1997	1999	1998	1998
Owner	Metro Government of Nashville	Centennial Authority	Broward County	City of St. Paul
Management Company	Powers Management LLP	Gale Force Sports & Entertainment	Arena Operating Company	Minnesota Hockey Venture Group LP
Relationship of Management Company to Team/Owner	Powers shares common ownership with the team.	Gale Force Sports & Entertainment shares common ownership with the team.	Arena Operating Company shares common ownership with the team and has outsourced the management of the facility to SMG.	Minnesota Hockey Venture Group LP shares common ownership with the team.
Nature of Management Agreement	Powers is contracted to manage and operate facility on behalf of Metro Nashville Sports Authority.	Gale Force, as facility operator, has contracted for the exclusive rights to all revenue in the arena subject to a facility use agreement with NC State University.	Arena Operating Company (AOC) has the exclusive right to operate the facility and has hired SMG to do so.	Minnesota Hockey Venture Group has contracted for the exclusive rights to operate the facility.
Fees Paid	Powers is paid $16,750 per month (increased annually by the lesser of 5% or the last 12 months percentage increase in the CPI) plus has the ability to earn an incentive fee based on a reduction of the Facility's operating deficit or an increase in the Facility's operating income plus an incentive tied to the number of community events hosted at the Facility.	Gale Force pays the Centennial Authority $3 million annually. Gale Force shall deduct annual game day costs from the annual rent payment however in no event shall rent be reduced to less than $2.75 million per year. After the 4th year of operations Gale Force must pay an additional amount by which the sum of A) 6% of gross arena revenue during such lease year up to $55 million plus B) 3% of gross arena revenue during such lease year in excess of $55 million (items A & B) exceeds the annual rent.	SMG is paid a base management flat fee that ranges between $200,000 and $215,000 per year and an incentive fee that ranges from $25,000 to $50,000 to operate the facility. All facility revenue including rent from the team, naming rights, and certain advertising revenue and excluding certain team revenue such as tickets, some sponsorship, some concessions, some broadcast revenue is collected by the facility and used to first pay a certain portion of debt service to the County, and secondly to pay all expenses of the facility. Next, the team is reimbursed for any debt service it may have actually paid, then management fees are paid, and certain capital improvement funds are restored. The remaining funds are paid to the team up to $14 million with any excess being split 80% to the team and 20% to the County.	Minnesota Hockey Venture Group contributed $35 million to the facility construction costs and guaranteed any project cost overruns. In addition it pays the City $385,000 per year for the rights to sell outside marquee advertising.
Financial Operations of the Facility	Metro Nashville is responsible for any arena operating deficit and would realize any surplus it achieved.	Gale Force is responsible for any arena operating deficit and would realize any surplus.	All facility revenue (except for certain team revenue such as tickets, some sponsorship, some concessions, some broadcast revenue) is collected by the facility and used to first pay a certain portion of debt service to the County, then secondly to pay all expenses of the facility. The Arena Operating Company is responsible for any arena operating deficit.	Minnesota Hockey Venture Group is responsible for any arena operating deficit and realizes any surplus.

Note: The Raleigh Entertainment and Sports Arena recently changed its name to the RBC Center.
The National Car Rental Center recently changed its name to the Office Depot Center.

Sources: Information provided by facility management; individual facility lease and management agreements; *Team Marketing Report, Inside the Ownership of Pro Sports 2001;* KPMG research.

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Summary of Key Data from Select Operating and Management Agreements (continued)

Team	Nashville Predators	Buffalo Sabres	Mighty Ducks of Anaheim	New York Islanders	Memphis Grizzlies
Arena	Gaylord Entertainment Center	HSBC Arena	Arrowhead Pond at Anaheim	Nassau Veterans Memorial Coliseum	The Pyramid
Year Built	1997	1996	1993	1972	1991
Owner	Metro Government of Nashville	Municipally Owned (see note below)	City of Anaheim	Nassau County	Public Building Authority of Shelby County & City of Memphis
Management Company	Powers Management LLP	Crossroads Arena LLC	Ogden Facility Management Company	SMG	SMG
Relationship of Management Company to Team/Owner	Powers shares common ownership with the team.	Crossroads Arena LLC is owned by Niagara Frontier Holdings; the same entity that owns the Buffalo Sabres.	none	none	none
Nature of Management Agreement	Powers is contracted to manage and operate facility on behalf of Metro Nashville Sports Authority.	Crossroads has been contracted to manage the facility.	Ogden shall have the exclusive right and license to operate and maintain the facility.	SMG is contracted to exclusively manage and operate the facility.	SMG is contracted to exclusively manage and operate the facility.
Fees Paid	Powers is paid $16,750 per month (increased annually by the lesser of 5% or the last 12 months percentage increase in the CPI) plus has the ability to earn an incentive fee based on a reduction of the Facility's operating deficit or an increase in the Facility's operating income plus an incentive tied to community service.	Crossroads shall deposit into an operating account all entitled funds including rent from tenants, naming rights, certain advertising fees, user fees, ticketing surcharges, certain luxury suite and club seat fees, and disburse from receipts all operating expenses of the facility, interest on construction loans and ground rental payments, debt service reserves, payments to the renewal and replacement account, operating reserve payments, and other payments associated with the construction of the facility. A percentage of any excess is paid first to the municipal ownership and secondly to Crossroads.	Ogden is entitled to receive monthly reimbursement for documented actual costs and expenses incurred in connection with the operation of the arena in the aggregate sum of $2 million annually, plus 10% of the amount equal to the excess of gross revenue over amounts payable to Manager by Ogden Entertainment under the arena concession agreement and 7% of the excess of concession revenue over the amount of concession revenues paid to the team. In no event shall Ogden be paid more than $3.7 million annually.	SMG pays to the County each year, $115,000 (adjusted annually by the CPI), plus 25% of gross concession commissions in excess of $700,000 adjusted annually by the CPI) plus 7.53% of all gross parking revenue. SMG retains the right to operate the facility.	SMG is paid 10% of the first $2.5 million in operating revenue; nothing between $2.5 and $3.5 million; 7.5% of operating revenue from $3.5 to $4.5 million and 5% of operating revenue over $4.5 million.
Financial Operations of the Facility	Metro Nashville is responsible for any arena operating deficit and would realize any surplus it achieved.	Crossroads must maintain a $1.2 million operating account. Should the balance after all annual receipts and disbursements be less than $1.2 million, Crossroads must augment the balance. Crossroads may borrow the necessary funds to maintain the operating balance.	At the conclusion of the 8th year of the agreement, Ogden is responsible for any operating deficit at the facility and realizes any surplus.	County is responsible for any arena operating deficit.	Facility owner agrees to fund operations only in accordance with an approved budget. Any surplus is retained by facility owner. Any expenses incurred but not reflected in the approved budget are absorbed by facility management.

Notes: HSBC Arena is owned by a municipal partnership comprised of the City of Buffalo, County of Erie, New York State Urban Development Corporation, Buffalo Urban Renewal Agency, and Erie County Industrial Development Agency.
At the time of this report, published sources indicate that the Buffalo Sabres franchise and HSBC Arena are being operated by the National Hockey League and that it is the intention of the National Hockey League to sell the Sabres and the exclusive rights to use and operate the HSBC Arena. However, this analysis reflects management and operations under Crossroads Arena LLC.

Sources: Information provided by facility management; individual facility lease and management agreements; *Team Marketing Report, Inside the Ownership of Pro Sports 2001;* KPMG research.

Generally, where some form of common ownership exists between the facility operator and the NHL team, the facility operator pays the municipality a fee to operate the arena. In many cases, the facility operator is also responsible for the financial operations (surplus or deficit) of the facility. Examples include:

- **RBC Center (formerly known as the Raleigh ESA) –** The facility is owned by the Centennial Authority and operated by Gale Force Sports & Entertainment which shares common ownership with the NHL Carolina Hurricanes. The NCAA men's basketball team at North Carolina State University (NCSU) is also a tenant at the facility. Gale Force Sports & Entertainment pays the Centennial Authority $3 million per year to operate the facility less game day costs not to exceed $250,000, thus the rental payment will not be less than $2.75 million in any year. For the first four years of operations, Gale Force Sports & Entertainment retains all of the revenues realized by the facility, with the exception of those outlined in the facility use agreement with NCSU, and is responsible for any operating deficit. After the fourth year of operations Gale Force Sports & Entertainment must pay additional rent equal to the difference of the sum of 6% of gross arena revenues during such lease year up to $55,000,000 *plus* 3% of gross arena revenues during such lease year in excess of $55,000,000 is in excess of the annual rent.

- **Office Depot Center (formerly known as the National Car Rental Center) –** The facility is owned by Broward County and operated by the Arena Operating Company which shares common ownership with the NHL Florida Panthers. Arena Operating Company subsequently outsourced the operations and management of the Office Depot Center to SMG. Facility revenue sources are shared by the facility and the team. The facility's share of the revenue first goes to the County to repay a portion of the debt service and second to pay the facility operating expenses. The Arena Operating Company is responsible for any operating deficit that occurs at the facility.

- **Xcel Energy Center –** The facility is owned by the City of St. Paul and operated by the Minnesota Hockey Venture Group LP which shares common ownership with the NHL Minnesota Wild. The Minnesota Hockey Venture Group LP contributed $35 million towards the construction costs of the facility and guaranteed any cost overruns. In addition the facility operator pays the City $385,000 per year for the rights to sell advertising on the outside marquee. The Minnesota Hockey Venture Group LP is responsible for any operating deficit.

- **HSBC Arena –** This facility is municipally owned by a partnership comprised of the City of Buffalo, the County of Erie, New York State Urban Development Corporation, Buffalo Urban Renewal Agency, and Erie County Industrial Development Agency. Until recently, the facility was operated by Crossroads Arena LLC which shared common ownership with the NHL Buffalo Sabres. Crossroads collected all the revenue associated with the activity in the arena and paid all operating expenses of the facility. If the facility operated at a deficit, Crossroads was responsible for its funding. If the facility operated at a profit, Crossroads retained the remaining profit after fulfilling numerous other funding criteria such as maintaining an operating reserve account, paying construction related costs and rebating as much as 35% to 48% of the net profit to the facility owners. At the time of this report, published sources indicate the Buffalo Sabres franchise and HSBC Arena are being operated by the National Hockey League and that it is the intention of the National Hockey League to sell the Sabres and the exclusive rights to use and operate the HSBC Arena. However, the analysis in this report reflects management and operations of the HSBC Arena under Crossroads Arena LLC.

At each of the profiled arenas where some related entity of the team acts as the facility operator on behalf of the municipality, the facility operator assumes the financial risk of any operating shortfall and realizes any financial upside. In the existing Powers/Metro Sports Authority agreement, Metro, through the Metro Sports Authority, is responsible for any funding operating subsidy which is unique.

The Powers/Metro Sports Authority arrangement is more similar to traditional private management agreements between facility operators and facility owners where no common ownership exists. In these arrangements, there are two primary approaches to fee structure. One is where the private management company is paid a management fee and the municipality is responsible for any operating deficit. The second is where the private management company pays the facility owner to operate the facility. In either scenario, the basis is that the private management company can operate the facility more efficiently and effectively than the municipality while still meeting the mission statement of the facility and the needs of any tenants. Assuming that the private management company is able to better maximize revenues and minimize expenses at the facility, the premise is that any loss that might be incurred would be greater if the management company were not in place. In most instances, the private management company's compensation (base management fee and/or incentive fee) is typically related to some measure of performance.

- **Arrowhead Pond at the Anaheim** – Arrowhead Pond is owned by the City of Anaheim and operated by Ogden Facility Management. Ogden receives monthly payment for its costs and expenses associated with operating the facility in the aggregate sum of $2 million annually, plus 10% of the amount equal to the excess of gross revenue over amounts paid to Ogden Entertainment under the arena concession agreement and 7% of the concession revenue over the amount paid to the team. The maximum annual amount that Ogden can earn is $3.7 million. During the first eight years of the agreement, the City was responsible for funding a portion of any operating deficit. At the conclusion of the 8th year, Ogden is responsible for any operating deficit and realizes any operating surplus. The Agreement is in its tenth year.

- **Nassau Veterans Memorial Coliseum** – This facility is owned by Nassau County and operated by SMG. In this agreement, SMG pays the County a base management fee, 25% of the gross concessions revenue over $700,000, and 7.53% of all gross parking revenue. The County is responsible for any operating deficit.

- **Pyramid** – The Pyramid is owned by the Public Building Authority of Shelby County and the City of Memphis and operated by SMG. As mentioned there is no NHL tenant at the Pyramid. The NBA Grizzlies recently relocated to Memphis and are playing their home games in the Pyramid until a new facility is built. The overall management fee is based on a percentage of operating revenue. SMG is paid according to the tiered fee structure:

    - 10% of the first $2.5 million of operating revenue
    - 0% between $2.5 million and $3.5 million of operating revenue
    - 7.5% of operating revenue from $3.5 million to $4.5 million
    - 5.0% of operating revenue over $4.5 million

  For the Pyramid, the facility owner funds the operations in accordance with an approved budget. If facility management demonstrates through the budgeting process that the facility is anticipated to experience an operating shortfall then the municipality will fund the operating deficit up to the budgeted amount. Any expenses incurred over and above the budgeted amount are absorbed by facility management. In addition, any operating surplus is retained by the facility owner.

Key Findings

- As discussed previously, the Metro Sports Authority pays Powers a base management fee plus a performance fee which is based on improvements in financial operations as well as the hosting of a certain number of community events. The table below summarizes the base management and performance fees paid to Powers for fiscal years 2000 and 2001.

Base Management and Performance Fees Paid to Powers for Fiscal Years 2000 and 2001

Fees Paid to Powers	FY 2000	FY 2001
Base Management Fee	$201,000	$208,380
Seventy Percent (70%) Performance Fee	0	0
Thirty Percent (30%) Performance Fee	75,000	77,775
Total Fees Paid to Powers	**$276,000**	**$286,155**

Note: Fifty percent (50%) of the $75,000 performance fee earned by Powers for FY 2000 ($37,500) was paid to LMI.
Source: Powers Management.

While this fee structure of paying a private management company a base management fee and an incentive fee based on performance is not uncommon in the public assembly facility industry of the profiled facilities, only SMG's management agreement with the Arena Operating Company at the Office Depot Center reflect this exact arrangement. However, the overall compensation structure at some of the other profiled facilities in the analysis (i.e. Arrowhead Pond, Nassau Veterans Memorial Coliseum, and the Pyramid) reflect an approach inherently based on performance by calculating the overall management fee from a percentage of revenues.

- Overall the base management fee paid to Powers appears reasonable when compared to other agreements.

- Most agreements with third party management companies include both a base management fee and an incentive fee that is structured to incorporate both quantitative and qualitative factors. The performance or incentive fee is typically capped as the annual base management fee amount. The split between the quantitative and qualitative factors varies by contract but splits of 80% quantitative and 20% qualitative; 75% quantitative and 25% qualitative; or 70% quantitative and 30% qualitative are most common. The quantitative factors are almost always directly linked to improved financial performance.

- In many cases, the performance fee is based on either improving the operating revenues or decreasing the operating expenses as compared to a baseline financial target. Typically, the larger the percentage increase in operating revenues and/or decrease in operating expenses, the greater the percentage share for the management company. As discussed previously, currently 70% of the performance fee that Powers can earn can be obtained by improving the financial operations over the previous year's performance. However since the contract's inception, Powers has not met these objectives.

- Many management agreements allow for a portion of the incentive fee to be based on qualitative issues such as customer service, maintenance of the facility, involvement in the community, facility maintenance or contract compliance. These factors are considered important by the facility owner in order to keep patrons satisfied, appropriately maintain the asset and play an active role in the community all of which should result in a better run facility overall.

- The current percentage split of 70% of the performance fee being based on improvements to the financial performance and 30% being based on qualitative factors appears reasonable. What is unique in the existing agreement is that the 30% of the performance fee is based strictly on the number of community and convention events that Powers hosts at the facility. Although hosting community events can be an important component of event activity from a public relations and community benefit standpoint, it is important to understand that these types of events do not typically generate a profit for a facility. These types of events can, however, be an important part of the event mix and assist the community in attracting events that generate economic impact. Because the GEC operates at a deficit, paying an incentive bonus to Powers strictly on the number of community and convention events appears to be counter-productive in terms of the financial impact to Metro.

The Metro Sports Authority should explore restructuring the performance fee in order to positively impact the financial operations of the facility, thus reducing the overall cost to Metro. The following outlines some areas that the Metro Sports Authority may want to consider proposing to Powers:

- Restructure the agreement to place more weight on improvements to financial performance (i.e. 80% for financial performance and 20% for qualitative).
- Redefine the method currently utilized to calculate the financial performance portion of the incentive fee.
  - As an example, one option may be for the Metro Sports Authority and Powers to mutually agree upon a baseline of operating results for the facility based on historical operations of the GEC under Powers' management and based on the operating results of other similar facilities as agreed to by both parties. This baseline can then be used to structure an approach where Powers can realize a financial incentive by improving operating results from the agreed upon benchmark. This approach would allow Powers to receive an incentive by improving either the revenues or the expenses to result in a more favorable bottom line for Metro.
  - Redefine the method used to calculate the qualitative performance portion of the incentive fee in a more cost effective manner. There are ways to compensate facility management that are not financially oriented but are directly aligned with the financial impact on the facility owners. A customer service rating is one example. Another example may be to structure the incentive for non-hockey event activity and the income generated from non-hockey events.

It is important to recognize that the agreement states if both parties cannot reach an agreement as to adjusting the method for computing the performance fee, then the existing method of computing the performance fee shall be used for all future operating periods.

- In summary, Metro, through the Metro Sports Authority, assigning all management and operational rights of the GEC to Powers and subsidizing the deficit is not uncommon. In many private management agreements the municipality is responsible for funding any deficit that may occur at the facility. In addition, the private management company typically receives some form of compensation for its efficiency. The unique feature in the GEC's case is that the facility management company and the primary sports tenant share common ownership and the facility owner assumes the responsibility of any operating deficit. Although the existing structure at the GEC has the potential to create conflicting interests between what is most beneficial for the facility owner (Metro Sports Authority) and what is most beneficial for the facility's primary tenant (the Predators) which also owns the management company, no major conflicts between these entities were observed in our analysis.

Performance Audit of the Gaylord Entertainment Center

Analysis of Lease Agreement with the Nashville Predators

A facility that hosts a major professional sports tenant such as an NHL team is often dependent upon the success of that tenant as it relates to the facility's overall financial performance. The lease terms between the tenant team and the facility owner dictate how the success of the team impacts the facility from a financial standpoint. It is also important to recognize that when a municipality is trying to attract a team either through expansion or relocation, the tenant team may be able to negotiate more favorable lease terms compared to other professional sports lease agreements.

As mentioned earlier in this report, the NHL awarded an expansion team to the ownership group in Nashville in 1997 and in October of 1998 the Nashville Predators played their inaugural game at the Nashville Arena. On June 25, 1997, Metro, through its wholly owned Metro Sports Authority entity, entered into a 30-year License and Use Agreement (Agreement) with the Nashville Hockey Club. The terms, conditions and compensation for use of the GEC by the Nashville Predators impact the overall financial operations of the GEC and are summarized on the pages that follow.

Summary of License and Use Agreement between Nashville Hockey Club, Limited Partnership and Metro Sports Authority

Although the license and use agreement should be read in its entirety in order to obtain a complete understanding of its provisions, the following summarizes the major terms of this agreement:

Term: The term of this Agreement (the "Term") shall commence on the Commence Date and shall end on the Expiration Date, unless sooner terminated as provided herein. For purposes of this Agreement commencement date shall mean July 1, 1998, and expiration date shall mean June 30, 2028, provided, however, if the final Home Game during the Season ending in the year 2028 is scheduled to occur later than June 30 of that year, then the Term shall be automatically extended to the date which is thirty (30) days after such final scheduled Home Game.

Early Termination Rights: The Authority hereby acknowledges and agrees that if, after the fifth (5th) full Season during which the Home Games are actually played at the Arena as required hereunder, the average number of tickets sold to the Home Games played at the Arena (excluding exhibition games and pre-season games) over the course of any two (2) consecutive full Seasons (determine cumulatively) is fewer than fourteen thousand (14,000) per game, then the Team shall have the right, at its option and upon written notice to the Authority delivered within sixty (60) days after the end of such second (2nd) consecutive season, to cancel this Agreement, such cancellation to be effective at the end of the next full Season (the 'Cure Season"); provided the Team shall not have the right to cancel the license and use Agreement pursuant to this provision if (i) the average ticket price to the Home Games during the two (2) consecutive Seasons in question materially exceeds the average ticket price for NHL games generally, (ii) a Team Default occurs or a Default Condition on the part of the Team existed under the team covenant provisions of the Agreement at any time during the Operating Years in which such two (2) consecutive Seasons fall or the Operating Year(s) in which the Cure Season falls, or (iii) there is an outstanding Team Default or a Default Condition on the part of the Team at the time it notifies the Metro Sports Authority that it is exercising such cancellation right. Notwithstanding anything to the contrary contained herein, if (i) the average number of tickets sold to the Home Games played at the Arena (excluding exhibition games and pre-season games) during the Cure Season shall equal or exceed fourteen thousand (14,000) per game, or (ii) the Metro Sports Authority shall purchase (at the Team's average ticket price) a sufficient number of tickets to increase the average number of tickets sold to Home Games played at the Arena (excluding exhibition games and pre-season games) during the Cure Season to fourteen thousand (14,000) per-game, then the Team's right to terminate hereunder shall be ineffective with respect to the Cure Season and the immediately preceding two (2) Seasons.

In the event the operating and management agreement is terminated (at a time when there is not an outstanding Material Breach (as defined therein) or Default Condition by the Manger thereunder) due to (i) a Material Breach by the Metro Sports Authority, or (ii) the Metro Sports Authority's termination of the operating and management agreement for lack of funding under Section 8.4 of the Agreement, then the Team shall have the right to terminate the license and use agreement without any repayment of the NHL Expansion Expenses by giving written notice to the Metro Sports Authority within ninety (90) days after the happening of either such event, in which case neither party hereto shall have any further obligations hereunder, except obligations which expressly survive the cancellation or expiration of this Agreement.

License and Use Fee: In consideration of the license and use rights granted to it under Agreement, the Team shall, commencing on October 1, 1998 and thereafter on the first (1^{st}) day of each month within the Term, pay to the Authority an amount equal to the then applicable Monthly Minimum Fee. For purposes of the license and use agreement the monthly minimum fee is equal to the greater of $62,500 per month or one-sixteenth of the annual tickets receipt fee for the immediately prior operating year per month. Within forty-five (45) days after the end of each Operating Year, the Team shall pay the Authority the amount, if any, by which the Annual Ticket Receipts Fee for such Operating Year exceeds the aggregate of all installments of the Monthly Minimum Fee actually paid during such Operating Year. For purposes of the license and use agreement, the annual tickets receipt fee is equal to 5% of the net NHL tickets receipts derived during such operating year. All installments of the Monthly Minimum Fee which are due hereunder shall be paid, in advance, on or before the first (1^{st}) day of the month.

Ticketing Surcharge: The Metro Sports Authority shall have the right from time to time, at its option, to impose a ticket surcharge fee applicable, subject to the provision in the next sentence hereof, to all tickets for Events (the "Ticket Surcharge Fee"). The Ticket Surcharge Fee shall not be a greater percentage of the ticket price for Team Events than for Non-Team Events; provided, however, that the Authority may allow the Arena to be used for a reasonable number of Events where the organizer, performer, sponsor or promoter requires that there be no Ticket Surcharge Fee, or that it be less than that applicable to Team Events and other Events (such as by way of example, but not limited to, NCAA or SEC or other college athletic conference tournaments, world championship and national championship sporting events, Grammy Award shows and other similar events, political conventions, and all private activities held in the Arena). The Ticket Surcharge Fee on tickets to Home Games shall not, without the prior written consent of the Team (which consent may be withheld in the Team's sold and absolute discretion), in any event exceed, during the first ten (10) Operating Years of the Term, the lesser of (i) $1.75 per seat, or (ii) five percent (5%) of the ticket price.

From and after the expiration of the tenth (10^{th}) full Operating Year, the Ticket Surcharge Fee on tickets to Home Games may be adjusted from time to time, at the option of the Authority, so long as the adjusted Ticket Surcharge Fee on tickets to Home Games does not exceed the lesser of (i) the amount obtained by multiplying $1.75 by a fraction the numerator of which is the CPI for the month immediately preceding the adjustment and the denominator of which is the CPI for July, 1998, or (ii) five percent (5%).

Facility Use: The Team shall have the right to the exclusive use of such portions of the Arena as are necessary for the presentation of Home Games, including, to the extent now existing and without limiting the generality of the foregoing, (i) locker, dressing and shower space for the visiting team, game officials, performers and mascots, (ii) media lounges, workrooms and interview rooms, (iii) any VIP lounge or lounges, (iv) any hospitality suites or conference rooms located in the Arena, (v) the scorer's table and press area, (vi) all media production areas, (vii) the Hockey Playing Area, (viii) the Seating Area, (ix) the rehearsal hall, and (x) all restaurant and club areas.

Subject to the provisions of Article 7 of this Agreement, during the Term of this Agreement, the Team shall have the right to conduct up to three (3) Team Special Events during each Operating Year without the prior written consent of the Metro Sports Authority so long as (i) such Team Special Event does not interfere with any scheduled Non-Team Event, (ii) the Team complies with the Metro Sports Authority's policies regarding the scheduling of Events, and (iii) the Team pays the Metro Sports Authority any and all incremental cost resulting from the Team Special Event.

Ticket Sales and Expenses: The Team shall enter into a "Ticket Agency Agreement" with a Ticket Vendor for the sale or distribution of tickets to Team Events (collectively, "Team tickets"), the form and substance of which shall be subject to the prior approval of the Metro Sports Authority, which approval shall not be unreasonably withheld. The Ticket Agency Agreement shall provide, among other things acceptable to the Team and the Metro Sports Authority, the ticket sales procedures and box-office hours of operation. The Authority hereby acknowledges that, subject to the Ticket Agency Agreements, the Team shall have the sole and absolute right to market, promote and sell the Team Tickets. The Team shall be responsible for paying (i) one half (1/2) of the cost and expense of providing ticket sales services at the box office locations in the arena on the date of all Team Events, (ii) all of the cost and expense of printing Team Tickets, (iii) all of the cost and expense of promoting and selling season tickets, Complimentary tickets, and Team Tickets distributed outside of the Arena box office, (iv) all of the cost of marketing and promoting all Team Events, (v) all of the cost and expense arising under the Ticket Agency Agreements, and (vi) all of the cost of credit card and debit card fees and expense arising in connection with the sale of Team Tickets. The cost and expense of providing ticket sales services at the Arena box office locations on dates which no Team Event takes place shall be borne by the Authority.

Concessions: While the Sportservice Concessions Agreement remains in force and effect, the Team shall be entitled, to the extent paid, to the following revenues (the "Concession Share"): (a) fifteen percent (15%) of the Restaurant and Catering Sales derived in any Fiscal Year (or portion thereof) on Home Game days, (b) twenty-five percent (25%) of the Club Seating and Suite Sales derived in any Fiscal Year (or portion thereof) on Home Game days, and (c) forty percent (40%) of the concession Sales derived in any Fiscal Year (or portion thereof) on Home Game days. The Concession Share shall be paid to the Team by the Authority within ten (10) business days of its receipt of each installment of the Sales Fee due under the Sportservice Concession Agreement. It is agreed and understood that the Concession Share shall not be reduced by any Concession Agreement entered into after the expiration or termination of the Sportservice Concession Agreement, without the prior consent of the Team, which consent may be granted or withheld in its sole and absolute discretion.

Merchandising: While the Sportservice Concession Agreement remains in force and effect, the Team shall be entitled, to the extent paid, to that portion of the Merchandise Sales Fee paid in any Fiscal Year (or portion thereof) that is attributable to Home Game days (the "Merchandise Share"). The Merchandise Share is equal to 50% of the net profits from the sale of merchandise at Predator home games. Sportservice returns the remaining 50% portion.

Parking: Except during periods when the Parking Facilities need to be used for Non-Team Events, the Team's office personnel and employees (including players) shall have the non-exclusive right to use no more than six (6) spaces in the portion of the Parking Facilities accessed via Demonbreun Street, at all reasonable times, without charge. In addition, the Team shall be entitled to an amount (the "Parking Share") equal to the gross revenues generated by the operation of the Existing Parking Facilities during Game Hours, less only the taxes, assessments and other charges levied on such revenues by any governmental Entity (except for Targeted Taxes on such revenues).

Suites: Subject to the terms of this Agreement, the Team shall have complete control over the terms and conditions of the licensing of Suites to the public during the term of this Agreement.

Club Seats: The Team shall have complete control over the terms and conditions of the license of Club Seats to the public for Home Games and Team Special Events during the term of this Agreement.

However, the Team shall be entitled to ninety percent (90%) of the gross revenues derived from all annual or periodic fees, charges or premiums imposed on the users of the Club Seats during Home Games and Team Special Events (excluding all revenues derived from the sale of the Club Seat tickets calculated at their single game rate, the Ticket Surcharge Fee and taxes), and the Metro Sports Authority shall be entitled to the remaining ten percent (10%) of such revenues, which sum shall be remitted by the Team to the Authority within thirty (30) days of the receipt thereof by the Team.

Advertising: The Team shall have the right to receive (i) one hundred percent (100%) of all gross revenues derived from the sale of advertising rights to the ice, dasher boards, zamboni, scoreboard, video wall, internal closed circuit television and public address system advertising during the Games (the “NHL Advertising”), and (ii) fifty percent (50%) of all gross revenues derived from the sale of advertising rights, such as, without limitation, advertising marquees, fascias, concourses, internal televisions, suite advertising, restaurant advertising and all Non-Team Event advertising (the “non-NHL Advertising”). The Metro Sports Authority shall receive fifty percent (50%) of the non-NHL Advertising gross revenues, which sum shall be remitted by the Team to the Authority within thirty (30) days of the receipt thereof by the Team. It is anticipated that, in order to maximize revenues, the advertising rights to the Arena will be sold to sponsors in the form of a single package (an “Advertising Package”), provided that the Team and the Authority are able to mutually agree upon the allocation of the revenue there from between NHL Advertising and non-NHL Advertising prior to the solicitation of such Advertising Package, and provided, further, that the pricing and other terms of the Advertising Package shall be satisfactory to both the Team and the Authority.

The Team shall be responsible for (i) one hundred percent (100%) of expenses relating to the maintenance and upkeep of all fixtures, equipment, graphics and other materials necessary for the NHL Advertising, and (ii) fifty percent (50%) of expenses relating to the maintenance and upkeep of all fixtures, equipment, graphics and other materials necessary for the Non-NHL Advertising; provided, however, nothing contained in this Section shall require the Team to be responsible for operational and maintenance costs related to the ice, dashers and scoreboard.

Naming Rights: Subject to the provisions of this Article, the Team is hereby granted the exclusive power and authority to sell the right to name the Arena and (as provided in Section 6.1(f) of this Agreement) the Practice Facility (the “Naming Rights”) to a sponsor or sponsors. The terms and conditions on which the Naming Rights are sold (a “Naming Rights Agreement”) shall be determined solely by the Team from time to time during the Term hereof; provided, however, that (i) all Naming Rights Agreements shall expire no later than the expiration or termination of the Term hereof, and (ii) given the Authority’s substantial interest in the Arena and the public character thereof, the Team shall not permit any name to be given to the Arena or any portion thereof without the Authority’s prior approval, which approval shall not be withheld unless the proposed name (A) violates Applicable Law, or (B) would reasonably cause embarrassment to the Authority (such as names containing slang, barbarisms or profanity, that relate to any sexually oriented business or enterprise or that contain any overt political reference).

Services and Personnel Supplied by the Authority: The Authority, at its sole expense, shall cause the Manager to provide (i) during Game Hours, ushers and usherettes, ticket takers, box office personnel (except the Team shall pay a portion of the cost of the box office personnel as provided in Section 12.1), door guards and other security agents, maintenance and custodial staff (including staff to install and maintain the ice surface), emergency medical and first aid personnel, and any staff necessary to operate the scoreboard, public address system (except the public address announcer), telephone switchboard, organ (except for the organist), and any other internal communications, advertising or entertainment systems, all in a manner comparable to other facilities hosting National Hockey League games, and (ii) with respect to all other times (including Team Special Events), such maintenance, custodial, security, medical and general service personnel as are reasonably necessary to permit the Team the full use of the Arena for its purposes a set forth in this Agreement (the "Arena Personnel").

Services and Personnel Supplied by the Team: The Team, at its sole expense, shall provide the public address announcer, statisticians, broadcast and other media support personnel, game timer, organist, any hockey specific personnel such as linesmen and referees, and any other personnel desired by Team, whether during Game Hours or otherwise, not specifically required to be provided by the Authority pursuant to Section 19.1 hereof (the "Team Personnel").

Authority Alterations: The Authority shall have the right to make such alterations, additions and improvements (collectively, "Alterations") to the Arena as it deems necessary or desirable, except the Authority shall not make (i) any Alterations to the Seating Area costing in excess of the Threshold Amount (as defined below) unless it first obtains the prior written approval of the Team, which approval shall not be unreasonably withheld, conditioned or delayed, and (ii) any Alterations to the Hockey Playing Area, the Team Exclusive Areas or the Suites unless it first obtains the prior written approval of the Team, which approval may be granted or withheld in the Team's sole and absolute discretion. Maintenance, repairs, replacements and refurbishments that the Authority is required to make under this Agreement shall not be deemed Alterations. The term "Threshold Amount" shall mean the sum of Two Hundred Fifty Thousand and No/100 dollars ($250,000) during the first Operating Year.

Team Alterations: Except as provided elsewhere in the agreement, the Team shall not have any right to make Alterations to the Arena, except the Team may make (i) Alterations to Team Exclusive Areas so long as the same do not affect the structural portions thereof or the Facility systems located therein, and (ii) Alterations to Suites so long as (A) the same do not affect the structural portions thereof or the Facility Systems located therein, and (B) the Team first obtains the written approval of the Authority, which approval shall not be unreasonably withheld, conditioned or delayed.

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Authority Responsibilities: Subject to Section 10.2, the Authority shall, at its expense, perform all maintenance, repairs, replacements and refurbishments (collectively referred to herein as 'Maintenance") reasonably necessary to maintain the Facility Systems in good condition and repair, reasonable wear and tear excepted, and as reasonably necessary to maintain the balance of the Arena at a level equal to or better than that of Comparable Facilities. The Authority's obligations under this Section shall include, without limitation, the cleaning and routine upkeep of any property, structures, surfaces, facilities, fixtures, equipment or furnishings located on or in the Arena (excluding a portion of the suites as described in Section 10.2 hereof, the Team Exclusive Areas and property, fixtures, equipment and furnishing not belonging to the Authority), ordinary wear and tear excepted.

Team Responsibilities: The Team shall, at its expense, perform all maintenance reasonably necessary to maintain the Team Exclusive Areas (including, but not limited to, all improvements, betterments, installations, fixtures, trade fixtures, furnishings, equipment and other personal property) in good working order and repair and in a clean and safe and reasonably attractive condition, reasonable wear and tear excepted and shall perform all maintenance (other than cleaning) of the suites, and other than the maintenance of the seating which is affixed to and other permanent improvements within the theater-styled unenclosed tiered portion of the suites (which shall be performed by the Metro Sports Authority at its expense) as reasonably necessary to maintain the suites at a level equal to or better than that of comparable facilities.

Recordkeeping: Within five (5) business days following each Home Game, the Team shall furnish the Authority with a written statement (certified as true, correct and complete by an authorized officer of the Team) listing: (i) Net NHL Ticket receipts for such Home Game, (ii) the Ticket Surcharge Fee arising as a result of such Home Game, (iii) the amount of all taxes, charges or impositions levied on the tickets to such Home Game, including, but not limited to, sales taxes, (iv) the total number of tickets sold to such Home Game, and (v) the number of Complimentary Tickets to such Home Game. Within ninety (90) days following the end of each Season, the Team shall prepare a Season settlement statement (the "Season Settlement Statement") listing in the aggregate: (i) the Net NHL Ticket Receipts for such Season, (ii) the Suite and Club Seat base rent for such Season, (iii) the total Ticket surcharge Fee arising as a result of such Season, (iv) the total amount of all taxes, charges and impositions levied on the tickets to Home Games and Suite and Club Seat base rent during such Season, including, but not limited to, sales taxes, (v) the number of tickets sold to all Home Games during such Season, and (vi) the number of Complimentary Tickets for such Season. Each Season Settlement Statement shall be (i) prepared by a nationally recognized and reputable independent certified public accounting firm reasonably acceptable to the Authority, and (ii) accompanied by an auditor's certification that the information in such statement is true, correct and complete. In the event the average number of tickets sold to the Home Games played at the Arena (excluding exhibition games and pre-season games) during any Season is, after the fifth (5^{th}) Season, fewer than fourteen thousand (14,000) per game, the Season Settlement Statement shall state such fact in bold and capitalized letters and provide a reasonable reference to the terms of Section 2.3(b).

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Comparison of Select NHL Leases

In order to provide a point of reference, it is useful to compare the major terms of the license and use agreement between the Metro Sports Authority and the Predators with those of select other NHL teams. The profiled NHL team leases were selected based on several factors:

- Age of facility;
- Market size;
- Seating capacity at the facility;
- Newer team to the NHL;
- Municipally owned facility; and/or
- Privately operated facility.

Based on this criteria, leases with the following NHL teams are profiled:

- Carolina Hurricanes
- Florida Panthers
- Minnesota Wild
- Mighty Ducks of Anaheim
- Buffalo Sabres

The Carolina Hurricanes, Florida Panthers, and the Minnesota Wild all play in facilities that are approximately the same age or newer than the GEC. In addition, these three teams joined the NHL through expansion or relocated to new locations subsequent to 1992. The Buffalo Sabres play in a relatively newer facility and represent one of the two U.S. based NHL teams located in a market smaller than Nashville. The only smaller U.S. market is Raleigh where the Carolina Hurricanes play which is also profiled.

As discussed previously, there is common ownership between the NHL team and the facility owner at several of the newer facilities including the American Airlines Center in Dallas, the Philips Arena in Atlanta, the Pepsi Center in Denver, the Staples Center in Los Angeles and the MCI Center in Washington D.C. These facilities are privately owned and operated and as such are not required to disclose any information relative to their business operations. Although ownership of the Philips Arena is a public/private partnership, the City of Atlanta did not respond to numerous requests to provide a copy of the lease document. Both the Atlanta Thrashers and the Columbus Blue Jackets recently entered the NHL as expansion teams and are deemed comparable to the Predators. However for the reasons described above, information on these two teams was not available.

One of the most important components of facility revenue can be the rent or user fees derived from facility's primary professional sports tenant(s). Other major sources of revenue generated by the tenant team that may be shared with a facility include premium seating, advertising, concessions and naming rights. The table that follows compares key lease terms for the Predators with those of other select NHL teams.

Comparison of Key Lease Terms for Select NHL Teams

Team	Nashville Predators	Carolina Hurricanes	Florida Panthers	Minnesota Wild	Mighty Ducks of Anaheim	Buffalo Sabres
Arena	**Gaylord Entertainment Center**	RBC Center	Office Depot Center	Xcel Energy Center	Arrowhead Pond at Anaheim	HSBC Arena
Year Built	**1997**	1999	1998	1998	1993	1996
Operator	**Powers**	Gale Force Sports & Entertainment	Arena Operating Company & SMG	Minnesota Hockey Venture Group LP	Ogden Facility Management	Crossroads Arena LLC
Owner	**Metro Government of Nashville**	Centennial Authority	Broward County	City of St. Paul	City of Anaheim	Municipally Owned
Rent	**Metro receives from team $750,000 or 5% of ticket revenues, whichever is greater.**	Team pays Centennial Authority $3 million annually; Team shall have right to deduct annual game day costs from the rent (capped) provided that in no event shall annual rent be reduced to less than $2,750,000	Base rent paid by team is equal to $7,500 for each home game up to $307,500 annually, plus "incentive rent" which is equal to the difference between 5% of ticket receipts and the sum of base rent plus pass-through expenses (pass through expenses equal a portion of the facility utility expense and hockey event staffing. Pass through expenses are capped at the difference between 5% of ticket sales and the amount paid in base rent).	$3.5 million annually; Team retains all rights to arena revenue (including naming rights). Team must also pay all arena expenses. Any deficit of expenses over revenue is paid by the team. Any surplus of revenue over expenses is retained by the team.	Team pays 7.5% of gross gate receipts to Ogden.	$1.5 million per year increased each year by the greater of the increase in ticket revenue from year to year or 3%. In no event shall rent increase more than 5% over the previous year.
Premium Seating	**100% of luxury suite revenue goes to team; club seat premium charges split 90% to team and 10% to Metro**	85% of luxury suite revenue is retained by the team; 15% goes to secondary tenant NCSU basketball program	Revenue sharing arrangement between County and Team provides that the Arena Operator will distribute the first $14 million in operating income to the team (exclusive of ticketing, sponsorship, broadcasting revenue which remains property of the team) and any excess over $14 million will be split 80% to the team and 20% to the facility owner.	Team retains the exclusive right to all arena revenue and is responsible for all arena expenses.	Team retains 45% of the first $10 million of annual premium seating revenue; 50% of the next $10 million in premium seating revenue, plus 55% of the next 10 million of premium seating revenue; plus 50% of all other premium seating revenue.	100% of the ticket revenue goes to the team, premium charges go 100% to facility operator.
Advertising	**100% of NHL-related advertising revenues go to team, Metro and team split facility advertising 50% - 50%**	100% retained by the team	100% goes to the team and team agrees to provide one 30-second spot per game for a tourism commercial during its telecasts	Team retains the exclusive right to all arena revenue and is responsible for all arena expenses. However team pays to City $385,000 for rights to outside marquee advertising.	100% hockey advertising to go to the team, 50% of facility advertising to be split with Ogden	Revenue generated from arena advertising (scoreboards, video screens, message boards, interior signage, exterior signage, pavilion signage, PA system, ice surface, zamboni, dashers) goes to facility operator. Team gets commission for selling the advertising.

Notes: At the time of this report, published sources indicate that the Buffalo Sabres franchise and HSBC Arena are being operated by the National Hockey League and that it is the intention of the National Hockey League to sell the Sabres and the exclusive rights to use and operate the HSBC Arena. However, this analysis reflects management and operations under Crossroads Arena LLC.
The terms of the agreement between SMG and Nassau County for the management and operation of the Nassau County Coliseum is profiled in Section 3 of this report. However, the age of the facility and other factors related to its lease with the New York Islanders make it difficult to draw meaningful conclusions between the Islanders' lease and the Predators' lease. As a result, the New York Islanders' lease is not profiled in the above analysis.
The National Car Rental Center recently changed its name to the Office Depot Center.
The Raleigh Entertainment and Sports Arena recently changed its name to the RBC Center.

Sources: Individual Facility Leases; *Team Marketing Report, Inside the Ownership of Pro Sports 2001*; KPMG research.

Comparison of Key Lease Terms for Select NHL Teams (continued)

Team	Nashville Predators	Carolina Hurricanes	Florida Panthers	Minnesota Wild	Mighty Ducks of Anaheim	Buffalo Sabres
Arena	Gaylord Entertainment Center	RBC Center	Office Depot Center	Xcel Energy Center	Arrowhead Pond at Anaheim	HSBC Arena
Year Built	1997	1999	1998	1998	1993	1996
Operator	Powers	Gale Force Sports & Entertainment	Arena Operating Company & SMG	Minnesota Hockey Venture Group LP	Ogden Facility Management	Crossroads Arena LLC
Owner	Metro Government of Nashville	Centennial Authority	Broward County	City of St. Paul	City of Anaheim	Municipally Owned
Concessions	Team gets 40% of first $6 million in gameday gross concession revenues, Metro receives 5% of first $6 million in gameday gross concession revenues to be used for debt service; Team receives 25% of gameday food-service sales in suites and club seats and 15% of gameday food sales in restaurant, Metro receives nothing from suite, club seat, or restaurant sales.	Team retains 100% from NHL games; 70% of first $500,000 at NCSU events and 80% of any revenues above the $500,000.	Revenue sharing arrangement as per premium seating arrangement noted above.	Team retains the exclusive right to all arena revenue and is responsible for all arena expenses.	Team gets 22.5% of gross revenue from the sale of food & beverages plus 5% of gross revenue from the catering services of luxury boxes, plus 15% of catering services to club seats.	Team retains the right to 100% of concession revenues.
Naming Rights	Team retains 100% of the $80 million to be received over 20 years.	During the first 10 years of the Agreement, revenue is split with team team receiving approximately 42%; secondary tenant NCSU basketball program receiving approximately 42%; and Authority (owner) receiving approximately 16%. $80 million over 20 years (estimated).	Revenue sharing arrangement as per premium seating arrangement noted above. $25 million over 10 years.	Team retains the exclusive right to all arena revenue and is responsible for all arena expenses. 25-year deal for $75 million.	Team and the facility operator equally split the first $1 million generated from the sale of naming rights and the team receives 100% of the revenue from naming rights in excess of $1 million for the first 10 years of the agreement.	15% to team 85% to facility owner.

Note: Concessions revenue typically reflects net revenues after distribution to the third party provider or for costs of goods/service.
Sources: Individual Facility Leases; *Team Marketing Report, Inside the Ownership of Pro Sports 2001*; KPMG research.

Key Findings

- The Predators have always exceeded their minimum rent payment to the Metro Sports Authority. The rent paid by the Predators during fiscal years 1999 through 2001 has ranged from approximately $1.02 million to $1.17 million. This amount is less than the minimum rental paid by the Carolina Hurricanes ($3.0 million), the Minnesota Wild ($3.5 million) and the Buffalo Sabres ($1.5 million). In each of these cases, the facility is operated by an entity that shares common ownership with the team that is responsible for any operating deficit at the facility.
- Based on industry information regarding average ticket price and average attendance, and with a rental payment of 7.5% of gross gate receipts, it is likely that the Mighty Ducks of Anaheim pay more in rent than the Predators.
- When compared to profiled teams, the Predators have a favorable arrangement relative to the revenue generated from premium seating.
- The Predators retain 100% of NHL related advertising revenue which is consistent with all of the profiled teams except the Buffalo Sabres where all advertising revenue sold in the arena goes to the facility operator less a commission that the team gets for selling the advertising.

- The Predators sell the non-NHL advertising at the GEC and retain 50% of this revenue stream. The team retaining 50% of the non-NHL related advertising is similar to the terms in the Mighty Ducks' lease. At the RBC Center, the Office Depot Center and the Xcel Energy Center, the team retains all of the revenue generated from non-NHL advertising. However, the Minnesota Wild pays the City $385,000 annually for the rights to outside marquee advertising. At the HSBC Arena, revenue generated from arena advertising goes to the facility operator and the team gets a commission for selling the advertising.

- The NHL team typically retains the net concessions revenue generated from NHL games. In the cases where some related entity of the team also serves as the facility operator, the team may also share in non-NHL related concessions revenue.

- The Predators retain all of the revenue generated from the sale of naming rights at the GEC. At the time of this report, the Raleigh Entertainment and Sports Arena announced the signing of a naming agreement whereby its name changed to the RBC Center. Although not finalized, preliminary reports indicate that of the revenue available from the sale of naming rights, the team will receive approximately 42%, the secondary facility user, NCSU basketball will receive approximately 42% and the Authority (owner) will receive approximately 16%. The naming rights is preliminarily expected to generate $80 million over 20 years. At the Office Depot Center, all of the facility revenues, including naming rights, are essentially pooled together and distributed according to a formula where the first $14 million in operating income (after various facility related expenses have been paid) goes to the team and the remainder is split 80% to the team and 20% to the facility owner. At the Xcel Energy Center, the NHL team operates the facility and retains all arena revenue (including that derived from naming rights) and is responsible for all arena expenses including any shortfall. The Mighty Ducks and the facility operator (Ogden) equally share the first $1 million in naming rights revenue. The remaining amount goes to the team. The Sabres get a rebate for selling the naming rights to the facility from the facility operator. The amount generated from the sale of naming rights can be significant.

- In summary, the Predators pay annual rent to the facility in the amount of the greater of 5% of ticket revenue or $750,000 per year which has averaged approximately $1.1 million for the past three fiscal years. However the team also retains 100% of the revenue generated from the sale of naming rights and suite sales, 90% of the revenue generated from the sale of club seats, 100% of the NHL advertising revenue and 50% of the non-NHL advertising revenue. In addition, the team receives 40% of the first $6 million in revenue generated from the sale of concessions at Predators games. As compared to lease terms between tenant teams and selected facilities, the Predators have relatively favorable lease terms with respect to revenue generated from naming rights and premium seating which both impact the GEC's operating results.

Performance Audit of the Gaylord Entertainment Center

Operations Assessment of the Gaylord Entertainment Center

This section of the report provides an analysis of current operations of the GEC as well as key findings and recommendations. The operations assessment summarizes the following:

- Description of facility
- General market characteristics
- Metro Sports Authority structure
- Staffing levels
- Mission statement and booking policy
- Facility rental rates
- Major third party contracts
- Marketing efforts
- Utilization
- Financial performance
- Capital improvement plan

As part of the evaluation, various operational characteristics for the GEC such as staffing levels, utilization and financial performance are compared to other facilities that operate in a similar market and/or have a similar function in order to provide perspective in key areas of operation. This benchmarking analysis along with other methods used to analyze the GEC's activity and performance allows for a thorough overview of facility operations which serves as the basis for the key findings and recommendations.

Description of Facility

Formerly known as the Nashville Arena, the GEC opened on December 18, 1996. The facility is owned by Metro through its wholly owned Metro Sports Authority entity and operated by Powers which is owned by the majority partners of the Predators. The new facility was developed to better accommodate other sports and entertainment events that previously utilized the NMA as well as to assist in the revitalization of Nashville's downtown area.

The facility, which contains over 1 million square feet, is comprised of a four-level arena with a seating capacity of approximately 20,000, 72 luxury suite boxes, a private club, central kitchen for catering, state of the art media and broadcasting facilities, 6,000 square feet of meeting space, team dressing and media rooms, and a sound stage quality rehearsal facility just to name a few amenities of the facility.

An illuminated 22' tower aides in the visibility of the facility. The interior first floor of the tower houses a small theater and the Visitor Information Center which is operated by the Nashville Convention and Visitors Bureau (Nashville CVB). The second floor of the tower has a restaurant/bar. All of the tenants of the tower are accessible from the interior of the facility.

In addition to the 6,000 square feet of meeting room space, the facility houses the administrative offices of the facility's primary tenant, the Nashville Predators, and approximately 11,000 square feet of space that is currently unused. It is the facility management's intention to lease some or all of the unused space. Currently this space is being utilized as a storage area.

The facility is connected to the Convention Center and the Renaissance Nashville Hotel by an underground, climate controlled, pedestrian walkway. The total combined exhibit space of all three entities is approximately 185,000 square feet which allows the facility to accommodate large conventions and act as an "overflow" facility for the Convention Center.

Since its opening, the facility has undergone a series of renovations, most notably in preparation for hosting the Nashville Predators. Renovations which began in June 2000 included the addition of end-zone clubs. Other improvements at the facility included adding a premium seating entrance from Sixth Avenue, repairing terrazzo tile, installing a second escalator on the main level as well as various carpeting and painting projects on all four levels of the arena.

The facility's main exhibit (arena) floor measures 43,000 square feet, with a ceiling height of 125 feet. Theatre style seating can accommodate 4,000, class-room styled seating can accommodate 2,500 and banquet styled seating can accommodate up to 3,000. The 20,000 seating in the round can be reduced to 18,500 for the Proscenium Stage and 10,000 with the use of a masking curtain.

In addition to the team dressing facilities, there are five star dressing rooms, and three team/chorus dressing rooms each equipped with shower facilities and located immediately backstage. A 1,500 square foot green room is equipped with a catering pantry and two separate shower facilities. There are four production offices located immediately backstage each with telephone and cable TV outlets. There is an 1,800 square foot backstage dining facility.

The GEC contains a full-service ticket office providing computerized ticketing, remote outlets and telephone order service for all events. A daily ticket office with 24 windows is located at the main entrance and an event ticket office with five windows is located at south entrance. Daily will-call ticket pick up, dedicated credit card windows and ATMs are available for patrons.

In addition to hosting the NHL Predators games, the GEC hosts a variety of other events such as conventions, trade shows, concerts, family shows, corporate meetings, as well as other sports and entertainment events.

Located just a few blocks away from Nashville's historic Second Avenue District, the GEC is less than a half a mile from Interstate 65, Interstate 24, Interstate 40 and one mile from seven major local interchanges.

The original construction cost of the facility was approximately $144 million which was paid by Metro through the proceeds received from the sale of General Obligation Bonds. Further facility improvements, the construction of a practice facility for the Nashville Predators, and an inducement fee paid by Metro to the Predators representing 25% of the Nashville Predators' NHL expansion fee were paid for with the proceeds of other bond sales. In total, six series of bonds were issued and portions of the proceeds of each issuance were used to fund the construction, improvement and completion of the facility.

These bonds are currently being repaid through various revenue streams realized at the facility. For Predators' home games, Metro receives 5% of the first $6 million generated in concession revenue and also receives a seat use fee equal to the lesser of 5% or $1.75 per ticket. In addition, 62% of the amount paid to Powers from the sale of non-NHL advertising by the Predators, as defined in the Agreement, is allocated to Metro debt service. For non-Predators events, Metro receives 15% of concession and catering revenue, 100% of any parking revenue generated by the facility, a seat use fee imposed at most ticketed events equal to the greater of 5% or $2.00 per ticket and a portion of the food and beverage revenue.

The following table illustrates the various revenue streams realized from activity at the GEC that are allocated to Metro for debt service.

	Percentage of revenue received from Sportservice	Percentage of revenue paid to Predators	Percentage of revenue paid to Metro for debt service
Predators Home Games:			
General concessions	45%	40%	5%
Suite/club seat concessions	25%	25%	0%
Catering concessions	15%	15%	0%
Merchandise	50%	50%	0%
Non-Predators Events:			
General concessions	45%	0%	15%
Suite/club seat concessions	25%	0%	15%
Catering concessions	15%	0%	15%
Merchandise	varies	0%	0%

	Percentage of revenue received by Predators	Percentage of revenue received by Powers	Revenue received by Metro for debt service
Predators Home Games:			
Seat Use Charge	0%	0%	5% or $1.75 per ticket
Premium Seating Charges	90%	0%	10%
Non-NHL Advertising	50%	19%	*31%
Parking**	100%	0%	0%
Non-Predators Events:			
Seat Use Charge	0%	0%	5% or $2.00
Parking**	0%	100%	100%

Notes: *Metro debt service received from non-NHL advertising is equal to 62% of the 50% portion received by Powers.

**The number of parking spaces controlled by the GEC is limited. Most parking spaces are provided to suite holders who have access to their spaces during both Predators and non-Predators events. Consequently, although the revenue generated from parking is received by Metro for debt service, this amount is relatively limited based on conversations with facility management.

Sportservice Corporation (Sportservice) is the exclusive concessionaire to the GEC. Further information concerning Sportservice is found in Section 5 of this report.

Sources: Powers Management, Metro Nashville.

General Market Characteristics

The general characteristics of a market are important factors to understand when evaluating the overall performance of an arena. Local market characteristics such as demographic and economic indicators are pertinent to demand at spectator-oriented activities. Event promoters typically consider these factors when selecting markets to host their events. When reviewing market characteristics, there are several key market factors to consider which include the following:

Population serves as a base from which events at the arena draw attendance and other forms of support. For purposes of this analysis the Nashville Metropolitan Statistical Area (MSA) which consists of an eight county region, is considered to be the primary market. A MSA is defined by the United State Office of Management and Budget in order to recognize an established market area with certain population characteristics. An area can qualify as an MSA if it contains a city with a population of at least 50,000 or if it contains an "urbanized" area of least 50,000 and the total metro area population is 100,000 or more. According to *Sales and Marketing Management*, the population of the Nashville MSA was 1,249,900 in 2001 which ranked 48th among the 323 U.S. MSAs.

Another way of defining a market is the designated market area (DMA) which is a formal term for a television or broadcast market. DMA definitions are supplied by Nielsen Media Research, which generates ratings for television broadcast programming. DMAs are selected by totaling the viewer hours of TV stations whose signal reach a particular county with total hours, then converted to a percentage share of all viewing hours. DMAs are named for the market of origin of the station(s) with the largest share of viewing hours and all counties whose largest viewer share is given to stations in that same market of origin are grouped together under that DMA. The DMA typically represents the geographic area that broadcast and print media can effectively cover. This is important relative to influencing the market exposure and behavior of the user base for many sports and entertainment events hosted in an arena. Based on information from *Sales and Marketing Management*, the population of the Nashville DMA was 2,265,000 in 2001 which ranked 31st in the U.S.

Another key component of market characteristics is median household effective buying income. Effective buying income (EBI) is defined as income less personal tax and non-tax payments – a number often referred to as "disposable" or "after-tax" income. Income offers a broad measure of spending potential for a specific population because it indicates the general ability of individuals or households to purchase a variety of goods and services including admissions to sports and entertainment events. The median household EBI of the Nashville MSA was $44,319 in 2001 which compared favorably to that for the State of Tennessee ($34,648) and the United States ($39,129).

As a point of reference, the table that follows compares these key market characteristics for Nashville with other cities that host NHL franchises.

KPMG

Summary of Key Market Characteristics for Markets that Host National Hockey League Teams

Team	MSA	DMA	Median Household EBI
Los Angeles	9,568,600	16,260,400	$41,627
New York Rangers	9,371,700	20,302,300	40,345
Chicago	8,337,300	9,342,200	51,204
Philadelphia	5,114,300	7,562,800	49,717
Washington	4,975,700	5,667,800	57,056
Toronto	4,881,400	n/a	n/a
Detroit	4,454,700	4,985,500	44,100
Atlanta	4,198,700	5,231,900	43,883
Boston	4,018,100	6,111,600	54,992
Dallas	3,582,300	5,800,200	47,284
Montreal	3,511,800	n/a	n/a
Phoenix	3,327,900	4,007,500	36,024
Minnesota	3,001,200	4,141,700	50,028
Anaheim	2,879,000	16,260,400	55,262
New York Islanders	2,764,800	20,302,300	60,941
St. Louis	2,612,100	3,025,600	43,689
Tampa Bay	2,420,500	3,744,000	34,355
Pittsburgh	2,356,100	2,899,200	38,725
Florida	2,277,100	4,007,400	32,330
Colorado	2,145,800	3,478,100	44,312
Vancouver	2,078,800	n/a	n/a
New Jersey	2,041,800	20,302,300	54,739
San Jose	1,696,500	6,749,300	72,124
Columbus	1,554,700	2,113,900	43,727
Nashville	**1,249,900**	**2,265,000**	**44,319**
Carolina	1,212,900	2,425,200	42,029
Buffalo	1,168,700	1,610,000	34,656
Ottawa	1,107,000	n/a	n/a
Calgary	971,500	n/a	n/a
Edmonton	956,800	n/a	n/a
Average	**3,327,923**	**7,441,525**	**$46,561**

Notes: MSA denotes Metropolitan Statistical Area.
DMA denotes Designated Market Area.
EBI denotes Effective Buying Income.
n/a indicates not available.
Sorted in descending order by MSA population.
New York Rangers and New York Islanders share the same DMA.
Los Angeles and Anaheim share the same DMA.

Sources: *2001 Sales and Marketing Management Survey of Buying Power;*
Statistics Canada, CANSIMII Table 05100014 and Catalogue No. 91-213XIB.

Key Findings

- Nashville's MSA is among the smallest in the NHL, ranking 25th out of the 30 NHL markets and 22nd out of the 24 U.S. NHL markets.
- Nashville's market size is more than 50% below the NHL's average MSA.
- Nashville's DMA is also among the smallest in the NHL.
- The median household EBI for Nashville is smaller than the NHL average, and ranks 11th out of the 24 U.S. NHL markets profiled above.

Metro Sports Authority Structure

By the provisions of Chapter 67, Title 7 of the Tennessee State Code, and the Metro Sports Authority Act of 1993, Metro created the Metropolitan Government of Nashville and Davidson County Metro Sports Authority (Metro Sports Authority). The Metro Sports Authority is a distinct legal entity that serves as a funding mechanism for various projects. However, Metro would be held financially responsible if the Metro Sports Authority were to default on any of its debt. In the event of dissolution, Metro would receive title to all of the Metro Sports Authority's assets.

The primary purpose of the Metro Sports Authority is in the planning, promoting, financing, constructing, acquiring, renovating, equipping, and enlarging buildings and operating sports complexes, stadiums, arenas, structures and facilities for public participation and enjoyment of professional and amateur sports, fitness, health, and recreational activities. The purpose of any and all such facilities shall be the conduct of sports events however use of the facility need not be limited to those events. Furthermore, it is the purpose of the Metro Sports Authority to conduct itself to do what is reasonable and necessary to attract professional sports franchises to the Metropolitan Nashville and Davidson County area.

The Metro Sports Authority, as initially chartered, was governed by a Board of Directors having nine directors, all of whom shall be duly qualified voters and taxpayers in Metropolitan Nashville and Davidson County. The Metro Sports Authority charter has since been amended to include thirteen Board members. The initial terms of the members were staggered by design. Each member now serves a six-year term.

The Metro Sports Authority Board of Directors currently consists of the following members:

Cathy Bender Term: 02/20/2002 – 02/20/2008	Kevin P. Lavender, Vice Chairman Term: 03/03/1998 – 02/17/2004
Arnet Bodenhamer Term: 03/03/1998 – 02/17/2004	Steve North Term: 03/05/2002 – 02/19/2008
Denny Bottorff Term: 01/16/2002 – 12/19/2005	Paul Ney Term: 01/04/2000 – 12/19/2005
Kitty Moon Emery, Chairman Term: 01/02/2002 – 02/19/2008	James Steve Turner Term: 03/05/2002 – 12/19/2005
Forrest Harris Term: 11/02/1999 – 10/19/2005	Ed Temple Term: 01/02/2002 – 12/19/2005
Donna Hilley Term: 03/03/1998 – 02/17/2004	Charles J. Williams Term: 02/15/2000 – 02/20/2006
Michael A. Hobbs Term: 03/21/2000 – 02/17/2004	

In addition, Metro employs a full-time Executive Director and an administrative assistant to oversee the Metro Sports Authority. As mentioned above with respect to the GEC, Metro Sports Authority's role is to serve as an advisory group in the operations of the GEC and to make recommendations to the Metro Council concerning its use and operation. The Metro Sports Authority Board meets monthly.

Historically, public assembly facilities such as arenas, convention centers and stadiums are one of the few public assets that operate in a semi-business atmosphere requiring contractual agreements, frequent short-term lease/use of facilities by customers, management of part-time and temporary staff resources for numerous events and partnership with third party vendors and permanent tenants of the facilities. These operating conditions are unique within the public services provided by government and as such some elected bodies choose to delegate the operational governance and oversight to a citizens group which can appoint members that provide industry knowledge and representation. In addition to the issues of industry knowledge and representation, an authority structure can offer stability, insulation from political influence as well as a means of facility oversight and accountability of the public's asset. These attributes are desired as well because of the same business reasons. Customers, vendors, facility management and staff all need a continuity of purpose and ability to function within a business environment that is not constantly changing with each election.

The governance structure impacts all aspects of facility management and operations. Objectives of governance typically include the following:

- Provide a stable governance structure for facility operations insulating them from political influence and involvement;
- Provide an independent entity that focuses on operating the facilities in a proper, efficient, economical and business-like manner;
- Ensure that the facilities are serving the public needs while being fiscally responsible; and
- Provide strategic business planning for the facilities which is measurable and periodically evaluated for performance.

Key Findings and Recommendations

- The governance structure of a public asset is an important factor in facility operations because it should play a significant role in oversight, establishing and administering policy and maintaining accountability for the facility in order to be effective. Currently, it appears that the Metro Sports Authority's role is more reactive than proactive in terms of overall oversight of operations at the GEC.

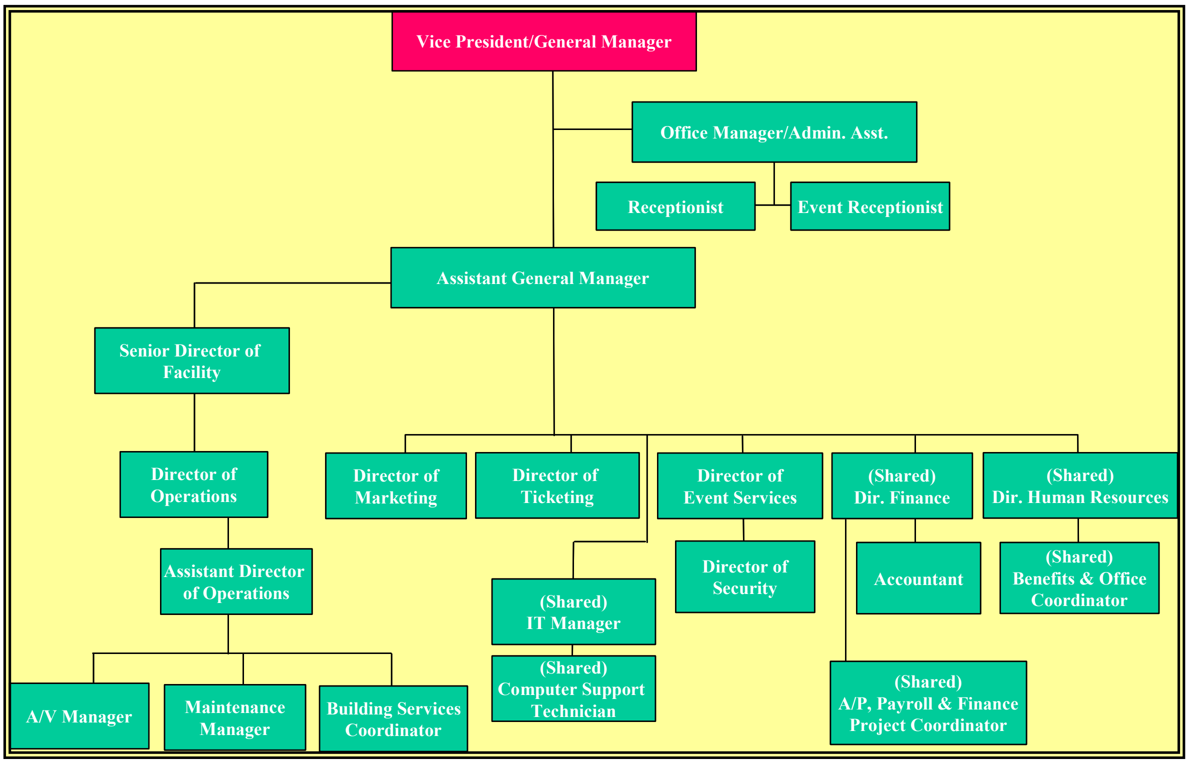
- Overall the responsibilities and objectives of the Metro Sports Authority as they relate to the GEC do not appear to be well-defined and/or clearly communicated. For instance, it does not appear that the Metro Sports Authority is administering and monitoring Powers' operating and management agreement and other third party agreements at the GEC as assertively and frequently as it should.

- While the table shown in the facility description section of this report illustrates the allocation of certain revenue received at the GEC, it is important to note that discussions with Metro Sports Authority and facility management indicate that there is no documented policy regarding this allocation.
- While the Metro Sports Authority receives monthly updates from the GEC on various operational issues such as event activity and financial performance, it does not appear that these reports are being reviewed in detail.
- In order for the Metro Sports Authority to be an effective governing body as originally anticipated, it needs to take a more proactive role in strategic planning for the facility which includes actively providing assistance in formulating operational and capital budgets and assisting in preparing a master plan that prioritizes both short and long-term facility projects for the GEC based on need and a cost/benefit analysis.
- If this more proactive approach is taken, it will be important for the Metro Sports Authority and its Board members to offer a broad mix of talent, skills and stakeholders in order to maximize the value of the Metro Sports Authority and its work for the Metro Council as well as to facilitate effective governance.
- Given Metro's ultimate financial responsibility for the GEC, the Metro Sports Authority and Metro Finance Department may want to explore the merits of formalizing a division of responsibility related to operations at the GEC. Assigning specific duties such as overseeing contracts, ensuring receipt and reviewing financial reports and event settlement sheets provided by Powers in a timely fashion, and monitoring other areas of operations such as cost containment and the procurement process by Powers should be addressed.
- In addition, there does not appear to be strong communication between Powers, the Metro Sports Authority and the Metro Finance Department. For example, many of the reports and documentation currently required in the operating and management agreement, such as the "Season Settlement Statement", are not being supplied by Powers because they have not been requested by the Metro Sports Authority. Consequently, the role and reporting frequency between Powers, the Metro Sports Authority and the Metro Finance Department needs to be increased in order to keep all parties apprised of facility-related matters in a timely fashion, particularly those related to financial performance.
- A formal system should be developed by which the Metro Sports Authority Board periodically engages in self evaluations to facilitate an appropriate level of teamwork, review and clarify Metro Sports Authority Board member roles and responsibilities, measure progress of current goals and objectives and help to shape the vision of future operations. Self assessment allows Metro Sports Authority Board members an equal opportunity to provide recommendations and ideas for improvement.

Staffing Levels

The organizational structure and staffing levels at the GEC were reviewed to determine if the facility is appropriately organized and staffed to accomplish its mission and meet the needs of its customers in the most effective and efficient manner. The chart below depicts the organizational chart for the GEC.

GEC Organizational Chart



Note: Shared positions reflect those jointly shared by the GEC and the Predators.
Source: Powers Management.

As shown in the organizational chart, the Vice President/General Manager is responsible for the overall operations at the GEC. This position has an Assistant General Manager who oversees all aspects of facility operations on a day-to-day basis. The Assistant General Manager has six direct reports including directors of marketing, ticketing, event services, finance, human resources and the senior director of facility who oversees the operations department. In total, the Vice President/General Manager position oversees 65 full-time employees and 80 part-time employees. The following seven full-time positions are shared with the Predators:

- Director of Finance
- Payroll Manager
- Financial Project Coordinator
- Director of Human Resources
- Benefits & Office Coordinator
- IT Manager
- Computer Support Technician

The table that follows shows the allocation of full-time and part-time employees by department. The number of employees reflects the actual number of people currently working at the GEC not the number of allocated positions which is also shown. The variance between these two categories is the number of vacant positions at the GEC. The directors in the individual departments are accounted for under the administration/marketing department.

Number of Employees by Department at the Gaylord Entertainment Center

	Number of Employees		Number of Positions		Full-time
Department	Full-time	Part-time	Full-time	Part-time	Vacancies
Administration/Marketing	15	0	15	0	0
Shared Positions	7	0	7	0	0
Box Office	7	20	7	20	0
Event Services & Security	14	36	15	36	1
Operations	22	24	23	25	1
Total	**65**	**80**	**67**	**81**	**2**

Note: All directors of departments are accounted for under administration/marketing.
Source: Powers Management

Currently, there are two vacant full-time positions at the GEC, one in the event services & security department and one in the operations department.

Key Findings and Recommendations

- The existing management of the GEC is provided by Powers, a private management company that shares common ownership with the Predators. The Vice President/General Manager of Powers reports directly to the Metro Sports Authority.
- The existing organizational structure conforms to industry practices and allows for segmentation of key operational functions.
- The span of control at the GEC appears adequate and staffing resources appear to be allocated appropriately.
- Each of the director positions appears to have an appropriate number of direct reports yet there does not appear to be too many layers of management.

- As outlined in the operating and management agreement, Powers is to furnish the Metro Sports Authority with a proposed allocation of the shared employee expense between Powers and the Predators along with a reasonably detailed summary explaining the basis for such allocation as part of the annual budgeting process. This procedure has not been completed as outlined in the agreement.
- According to Powers, the percentage split of these shared salaries is based on the activity level that position provides to each entity. The salaries for these positions are paid by the Predators and reimbursed monthly by Powers. The percentage of the allocation is determined by Powers and has not changed.
- The following table illustrates the position, percentage allocated to Powers and to the Predators and the number of full-time equivalent positions allocated to Powers from the shared employee arrangement with the Predators.

Summary of Shared Positions and Full-Time Equivalent of Shared Positions

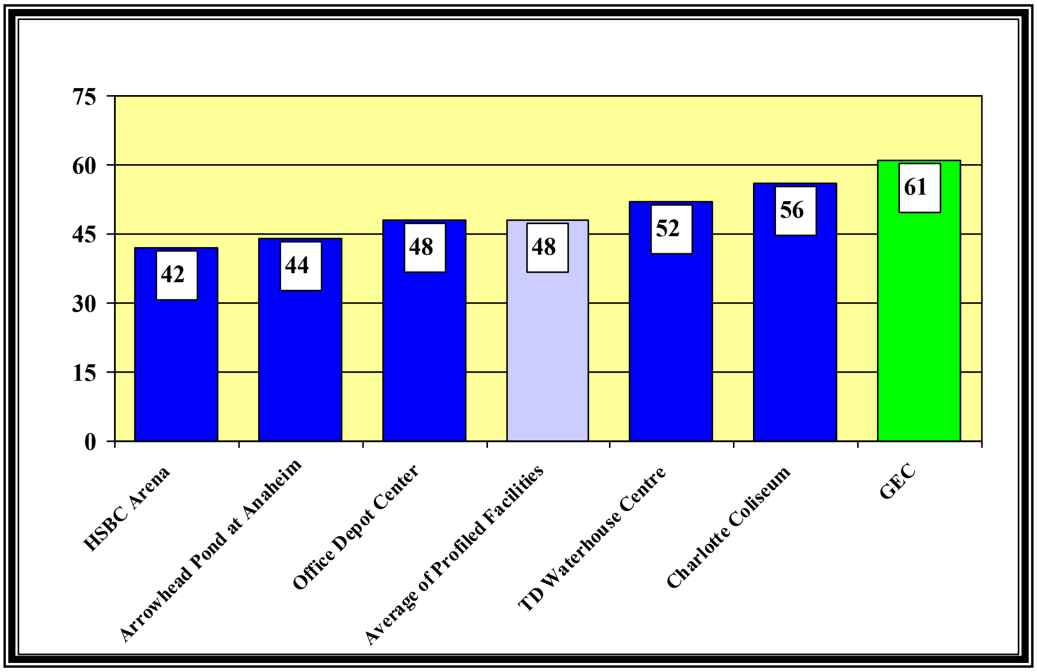
	Percent Allocated		Powers
Full-Time Shared Positions	**Predators**	**Powers**	**FTE**
Director of Finance	50%	50%	0.50
Payroll Manager	50%	50%	0.50
Financial Project Coordinator	50%	50%	0.50
Human Resources Director	50%	50%	0.50
Benefits Coordinator	50%	50%	0.50
IT Manager	75%	25%	0.25
Computer Support Tech	75%	25%	0.25
Total Full-Time Equivalent Shared Employees Allocated to Powers			**3.00**

Source: Powers Management.

- Adjusting for the shared employees, Powers employs 61 full-time equivalent employees and approximately 80 part-time employees, most of which are located in event services and security (36), operations (24), and the box office (20).
- Shared positions appear appropriate and should result in an overall costs savings to the facility.
- Although staffing requirements and subsequent salaries and wages represent a significant expense for an arena, an analysis of comparable facilities throughout the country indicates that the permanent full-time staffing plans can vary greatly.
- Variance in staffing levels is generally attributed to four major factors. The first relates to the management philosophy of maintaining event-related personnel as full-time or part-time staff. The second major factor relates to the management and physical relationship the facility might have to other public facilities. For example, the staffing requirement for a stand-alone arena is different than for an entire complex. The third major influence to the staffing plan and management is the union labor atmosphere, including current contract agreements and strength of the management's bargaining position in labor negotiations. Finally, the last determinant of staffing requirements is the extent of contract services versus providing services such as concessions, janitorial cleaning and security in-house.

• The table below shows the staffing levels at the GEC compared to several other facilities.

Full-Time Staffing Levels at the GEC and Select Profiled Facilities



Note: GEC staffing levels are rounded.
Source: Individual facilities.

• Full-time staffing levels shown in the graph exclude the two vacant positions at the GEC which when filled would increase the total full-time staff to 63.

• The full-time staffing levels at the GEC are higher than at all of the profiled facilities. Powers performs several services in-house such as security which would require more full-time employees than a facility that contracts out these services to a third party.

• The 61 full-time employees is higher than at the Charlotte Coliseum (56) and the TD Waterhouse Centre (52), both of which provide security in-house like the GEC. Staffing levels at the HSBC Arena (42), Arrowhead Pond (44) and Office Depot Center (48) are all lower than that of the GEC which reflect their management philosophy to outsource various services. For instance, the Arrowhead Pond in Anaheim outsources both concessions and security and thus requires less full-time employees. The Office Depot Center is privately operated by SMG. Both the Office Depot Center and the HSBC Arena outsource many services such as concessions, parking, janitorial and security.

• Although the number of employees at the GEC is higher than at selected peer facilities, the salaries and benefits expense appears to be consistent with other similar facilities. However, Powers and the Metro Sports Authority may want to explore the merits of reducing the number of full-time employees by outsourcing certain functions currently done in-house to determine if financial efficiencies can be achieved while still operating the facility in a first-class manner.

Mission Statement and Booking Policy

The mission statement is a critical element in any facility's operation because it dictates the booking policy, utilization and financial performance of that facility. As with any publicly owned facility, the goals and objectives may change with each political cycle. For instance, the number and diversity of events may be the primary objective of one political official and financial performance may be the priority of another. These changes in facility objectives can be counter-productive if not managed effectively. Clearly defining a mission statement that reflects community consensus and primary goals can allow a facility to set forth an operating and marketing strategy that is consistent and long-term in implementation.

For any facility to be successful it is important for the booking policy to appropriately support and implement the mission statement. Although the facility manager has final authority to administer policies related to the reserving or booking of the GEC, the following outlines the booking policy at the GEC.

- Generally, home games for the Predators take first priority. Not less than 120 days prior to the beginning of each hockey season, Powers is to present to the team a list of not fewer than 65 available dates for home games at least half of which shall be a Friday, Saturday or Sunday (other than Sunday morning) or a holiday. These dates shall be reserved until such time as the NHL establishes the final regular season schedule. All dates on which a Predators' home game is not scheduled shall be deemed released and available for non-team events. Powers agrees to use good faith efforts to reserve other dates, after the season schedule has been published, if requested.
- Prior to August 1st of each season the Predators will notify the Metro Sports Authority of the dates established by the NHL for the NHL post season. Thereafter, the Predators will promptly furnish the Metro Sports Authority and Powers with any further scheduling information it receives from the NHL. Powers is to reserve any post season game dates reserved by the NHL until such time as the team is mathematically eliminated from post season contention or it is otherwise conclusively determined that a playoff game will not be played at the arena on such a date.
- For non-hockey events, a $5,000 deposit is due at the contract signing for ticketed events. Under certain circumstances, the deposit required for long-term clients is waived. Some first time clients may be required to pay the entire guarantee at the time of contract signing.
- Generally, family shows and country music concerts will not be performed less than 30 days prior to and 30 days subsequent to the most recent family show or country music performance. In past years, the Ronald McDonald Circus was a noted exception to this policy. The Circus was granted a window of 90 days prior to its performance and 30 days subsequent to its performance whereby other family circus shows were prohibited from being held.
- In the event a reserved date is requested by another party, the initial party requesting the date is allowed 48 hours to submit a non-refundable deposit and to execute a user contract.

Key Findings and Recommendations

- Currently there is no mission statement for the GEC. Consequently, a mission statement needs to be developed by the Metro Sports Authority that clearly outlines its goals of the facility and the expectations for management particularly as it relates to financial performance.
- Metro may want the consider developing specific goals and objectives in key areas such as mix of events, number of events and attendance, financial performance and/or economic impact.
- Unlike other public projects such as a library or a jail, the GEC does cover a significant portion of its operating costs. If operating financial self-sufficiency of the GEC is the primary goal of Metro, management might address this to some degree by decreasing the number of civic-related events that do not generate a financial profit or significant economic impact. However, this may negatively impact Metro's ability to meet other objectives for the facility.
- Defining the mission statement should provide more consistency and set appropriate expectations for the GEC. Facility management can better work to achieve the goals outlined in the mission statement once they are clearly determined and agreed upon by all parties. In addition, the public will better understand the function of the facility and be able to accurately assess its performance based on the criteria outlined in the mission statement.
- Excluding the potential of post-season play by the Predators, the facility's major tenant represents initially 65 "quality" dates that the facility is required to "hold" which could possibly deter other events from reserving and performing at the facility. The NHL mandates that the facility "hold" a certain number of dates for an extended period of time until scheduling is complete. This requirement is consistent with other facilities that host major professional sports tenants. Facility management indicated that this does not typically inhibit its ability to book a significant number events in the long-term. This issue of available dates is particularly relevant as it relates to any cooperative booking efforts with the Convention Center and the Nashville CVB which tend to hold dates and book events well into the future. Notwithstanding any scheduling imposed restrictions of the NHL or the Predators, the Predators have agreed to give up one Saturday night per month to allow other events to take place in the facility. In addition, the Predators have agreed to allow week-long event bookings years in advance to accommodate certain shows. In the event the GEC has the opportunity to book an event of particularly high importance, the Predators attempt to get the NHL to release dates previously held for playoffs and/or to revise dates and start times of regular season games to allow those bookings to occur.
- The ability of facility management to negotiate dates and booking policies and procedures outside of the published policies is consistent with industry practices and necessary in order to maximize bookings.
- Facility management, in conjunction with input from the Metro Sports Authority, should develop a formal event scheduling policy that clearly establishes booking priorities for the facility that are consistent with the mission statement once it is developed. Priorities could be established based on event type, facility usage, amount of revenue generated, and/or the amount of economic impact generated in the community.

Facility Rental Rates

While use of the GEC is reserved in accordance with the facility's booking policy, its rental rates are governed by the facility's rental rate policy. The GEC has a standard set of fees for different areas in the arena which vary by component as well as for the use of equipment, labor and services. There are special rates for community events. However, all actual contract terms are subject to negotiation. Similar to the booking policy, Powers has the sole discretion to deviate from the published rates. The booking rate structure is as follows:

Ticketed Events at the Arena:

- Flat dollar minimum guarantee

  versus the greater of

- % of ticket receipts (net of tax) based on set scale

A maximum rent to be paid is set including staffing. Rent does not include insurance, credit cards, phones, stagehands, catering, dressing room furniture, and other non-promoter expenses.

Community Rate:

- Flat dollar rate plus the costs of event staffing

Convention Rate:

- Flat dollar rate per day plus the costs of event staffing

With respect to conventions, the Nashville CVB has the authority to negotiate rental rates on behalf of the GEC.

Meeting Room Rate:

- Flat dollar rate per day for 3,000 square foot of space including setup. Water service and catering is extra.

Rehearsal Hall Rate:

- Flat dollar rate per day plus the costs of all staffing, phones and cleaning. No deposit is required for this space.

Key Findings

- The rental rates structure at the GEC is consistent with comparable facilities in similar sized markets.
- According to the operating and management agreement , Powers should consult with the Metro Sports Authority at least twice per operating year regarding the rates and charges for events and parking. This procedure has not been conducted.
- Powers has the ability to negotiate rental rates with event promoters/producers which can positively influence utilization and financial performance.
- Due to the nature of the live entertainment and concert industry as well as the market size in which the GEC operates, rental rates for ticketed events, which include concerts, are capped. This is typical at other arenas in similar markets. Consequently, the revenue generated by the second largest user of the facility (concerts) is limited by these terms.
- Given Nashville's market size, the number of facilities that event promoters/producers have to choose from, as well as the competition from State and regional facilities there does not appear to be an opportunity to increase rental rates which could subsequently result in increased revenue.

Summary of Major Third Party Contracts

The pages that follow provide a summary of the existing major third party contracts in place at the GEC. While this does not include all the contracts, it is a good representation of the contracts that have a significant impact on the operations of the GEC.

Catering and Concession Agreement

On October 2, 1996, LMI/HHI, Ltd., the predecessor management company to Powers entered into a Catering and Concessions Agreement with Sportservice Corporation (Sportservice) for purposes of providing catering, concessions and merchandising services to the Powers on behalf of Metro and the GEC. Powers assumed the Sportservice Agreement upon entering its operating and management agreement with Metro Sports Authority. The major terms of this Agreement are as follows:

Term: This contract was entered into on October 2, 1996 and expires 10 years subsequent on October 2, 2006. Sportservice retains the right to extend the contract, per certain provisions of the agreement, for two additional 10 year periods.

Contract Inclusion: Pursuant to this Agreement, Sportservice is to receive the exclusive right to provide catering and concession services throughout the entire facility (including club seats and luxury box suites) with the exception of the Tennessee Sports Hall of Fame, the Nashville CVB Visitor Information Center, the rehearsal hall, the television production studio and the backstage tour area. Further this Agreement assigns the exclusive right to Sportservice to sell professional sports merchandise throughout the facility and the non-exclusive right to sell other types of merchandise.

Fees: Subsequent to the installation of additional equipment and improvements, and since the first playing of an NHL game, Sportservice shall pay to Powers the following percentages as they relate to the sale of concessions:

- 45% of the first $6 million
- 48% of sales in excess of $6 million
- 15% of restaurant and catering sales
- 25% of club seating and luxury suite catering sales

In addition, Powers shall also receive a commission from the sale of merchandise in an amount equal to 50% of the net profits derived from the sale of merchandise within the arena.

Sportservice is entitled to receive, for reimbursement of reasonable verifiable, out-of-pocket, pre-opening expenses, an amount not to exceed $100,000. Sportservice in exchange for the rights granted within the contract is obligated to pay to LMI/Powers $250,000. This payment was made in five equal annual installments.

Sportservice is to receive $60,000 for the purchase of small wares to be used in connection with execution of the terms of the contract.

Sportservice is responsible for completing the construction as it relates to the build out of the merchandise areas.

The terms of the agreement indicate that Sportservice is to receive the service areas fully finished with the build out complete.

Catering and Concession Agreement- Amendment 1

On October 8, 1998, Sportservice entered into a Catering Agreement with Levy Premium Food Services, Inc. (Levy) for purposes of providing catering services throughout the facility. This Agreement serves as amendment 1 to the Catering and Concession Agreement dated October 2, 1996, between Powers and Sportservice.

Term: The term of the Agreement begins on October 8, 1998, and expires simultaneous to the expiration of the Catering and Concession Agreement executed between LMI (subsequently assumed by Powers) and Metro.

Early Termination by Levy: Levy retains the right to terminate this Agreement should the current majority owners cease to own a controlling interest in the Nashville Predators.

Contract Inclusions: This contract assigns Levy the exclusive right to provide catering services throughout the facility except to the Tennessee Sports Hall of Fame, the Nashville CVB Visitor Information Center, the rehearsal hall, the television production studio, the backstage tour area, and the Predators and Facility Management offices.

Fees: Levy agrees to pay Sportservice a fee in connection with sale of catering services during Predators or NHL home games as follows:

- 15% of restaurant and catering sales during all Predators home games
- 25% of catering suite sales derived during Predators home games

The amounts above, referred to as "Predators Pass Through Fees" are payable by Levy to Sportservice subject to certain "Side Letter Agreements" between the Predators and Levy.

In addition, Levy agrees to advance the Predators $378,590 for purposes of funding costs associated with the pre-opening expenses of the facility. This advance plus interest accrued at 8% per annum is to be repaid by Levy's withholding of amounts ordinarily due under the terms of this agreement until such time as the advances plus accrued interest are repaid in full.

In addition, Levy agrees to pay to Sportservice:

- 15% of restaurant and catering sales derived at any event excluding any Predators or NHL home game.
- 25% of catering suite sales derived at any event excluding any Predators or NHL home game.
- A certain percentage of catering sales derived from any event at which Levy provides catering services at a rate agreed upon in conjunction with Sportservice approval of such event.

Further as participation fees, Levy is required to pay to Sportservice the following $75,000 per year in twelve equal monthly installments and the following percentage of the Levy's gross receipts from catering services performed in connection with its relationship with Sportservice at the GEC:

GROSS RECEIPTS	PERCENTAGE SALES FEE
$0 – $1,499,999	0%
$1,500,000-$2,000,000	4%
$2,000,001-$2,500,000	6%
$2,500,001-$3,000,000	8%
Over $3,000,000	10%

Catering and Concession Agreement- Amendment 2

On September 1, 2000, Powers and Sportservice entered into a Second Amendment to the Catering and Concession Agreement. The material terms of the amendment are as follows:

- Sportservice agrees to spend $900,000 in the updating, installation of leasehold improvements, furnishing, fixturing and equipping of the Club Seat Bar. In the event all improvements to this Club Seat Bar area costs less than the entire $900,000 then any remaining differential shall be used by Sportservice to improve other service areas within the facility.

- Sportservice retains ownership of all improvements in the Club Seat Bar area. In exchange for this investment, Sportservice's rights under the contract were extended to October 13, 2013.

Arena Football License Agreement

In December of 1995, LMI, the predecessor management firm to Powers, entered into an Arena Football License Agreement with the Nashville Kats, LLC (Kats) of the Arena Football League for use of the GEC for purposes of staging home arena football games. This agreement outlines the terms and conditions of the facility's use. The initial term of the agreement commenced on date of completion of the arena and terminated at the end of the AFL season ending in September of 1999. The provision of the contract allowed the Kats two consecutive three-year extension options. The Kats exercised their option to extend their contract for a three-year period. Upon the conclusion of the second year of the contract extension, the Kats ceased operating at the GEC. The provisions of the lease agreement allow facility management to assess damages in the event the Kats default on the lease. Powers has reached a settlement agreement with the Kats in the amount of $125,000 representing approximately $87,000 of past due amounts owed to the facility and $38,000 in damages.

Other Lease Agreements

On May 1, 1997, the Metro Sports Authority entered into an agreement with the Nashville CVB for purposes of Metro leasing 2,400 square feet of space at the GEC on the ground level of the tower to be used as the Nashville CVB Visitor Information Center. The lease is for 30 years ending April 30, 2027. The Nashville CVB pays a rent of $10.00 per year due in January of each year and also pays a flat fee for HVAC services, daily cleaning service, normal electric and normal security. However, air conditioning and heating is provided by the Metro Sports Authority. The Nashville CVB is responsible for all costs associated with its telephone, telecopiers and computers. Cost of repair and replacement due to damage or injury done to the building and/or the premises is the responsibility of the Nashville CVB. The Nashville CVB and the Metro Sports Authority may agree to participate in joint marketing efforts to promote the facility and the premises. The Nashville CVB is permitted to use the official name of the facility in marketing Nashville upon written consent of the Metro Sports Authority.

On August 1, 1998, the Metro Sports Authority entered into an agreement with the Tennessee Sports Hall of Fame (TNSHOF) for the purposes of leasing approximately 7,500 square feet of office space to the TNSHOF to be used for exhibition, educational and meeting space for the Hall of Fame. The term of the lease is for 10 years beginning on August 1, 1998 and expiring on July 31, 2008. The lease may be extended by mutual agreement of Metro and the TNSHOF for two additional terms of 10 years each. However in no event shall the term of the lease exceed 30 years. The TNSHOF must pay an annual rental fee due and payable each January in an amount equal to $100. Further, Metro agreed to contribute up to $100,000 to the build out and improvement of the facility.

On July 1, 2000, the Metro Sports Authority entered into an agreement with Papa John's USA, Inc (PJUI) for the leasing of approximately 4,400 square feet of space in the tower of the GEC. PJUI shall use the space for purposes of operating a restaurant and bar that may include in-house service, delivery operations, pick-up service, and group sales. The term of the lease commenced on July 1, 2000, and expires on June 30, 2004. PJUI may extend, at its sole discretion, the term of the lease for two additional five-year periods until June 30, 2014. PJUI agrees to pay in equal monthly installments an annual amount not to exceed $55,000. However, per the terms of the agreement, PJUI has the option of retiring $195,877 of previous debt on the premises in exchange for a $220,000 rent credit. The rent credit and retirement of initial debt on the premises are non-refundable.

The annual rental payment increases 3% each year after the initial term of the lease. PJUI also agrees to pay, in the form of additional rent, beginning in the second term of the agreement, a percentage of the alcohol sales generated on the premises in accordance with the following schedule:

- Year 2 - 2.5% of gross alcohol sales
- Year 3 - 5.0% of gross alcohol sales
- Year 4 - 7.5% of gross alcohol sales

For year five and for the entire second term of the lease should there be one, the percentage of alcohol sales paid by PJUI to Metro remains at 7.5%.

Metro retains the right to approve, at its sole discretion, the assignment or subletting of any space governed by terms of the contract.

On September 1, 2000 PJUI entered into a sublease agreement with Big Wolf Productions, LLC (Wolf) for purposes of leasing a portion of the 4,000 square feet already leased under contract between Metro and PJUI dated July 1, 2000. The term of the sublease agreement began on September 1, 2000, and shall expire on June 30, 2004. Should PJUI exercise its right and extend its lease terms with Metro then Wolf shall have the same opportunity to sublease its space for two additional five-year terms. In no event shall Wolf's sublease extend beyond June 30, 2014.

Wolf agrees to pay in equal monthly installments an annual amount not to exceed $20,000. Wolf also agrees to pay, in the form of additional rent, beginning in the second term of the agreement, a percentage of the alcohol sales generated on the premises in accordance with the following schedule:

- Year 2 - 2.5% of gross alcohol sales
- Year 3 - 5.0% of gross alcohol sales
- Year 4 - 7.5% of gross alcohol sales

For year five and for the entire second term of the lease should there be one, the percentage of alcohol sales paid by Wolf to PJUI remains at 7.5%.

As of April 2002, PJUI no longer leases the space at the GEC. Given this departure, representatives of Wolf have agreed with the Metro Sports Authority to assume the lease originally executed by PJUI.

Cleaning

On May 1, 1998, LMI entered into a Cleaning Services Agreement with Pritchard Sports and Entertainment Group (PSEG) for purposes of providing cleaning services to the GEC. The original term of this agreement began May 1, 1998, and ended on June 30, 2001. The original term of this agreement has been extended to June 30, 2003.

In addition to a base monthly fee of $25,985, PSEG is to be compensated for its services on a sliding scale depending upon the number of events, and the attendance per event ranging from a low of $683 to a high of $4,932.

Armed Security

On June 28, 2002, Powers Management entered into an agreement for the provision of services with Executive Security Management, Inc., d/b/a/ The Apex group for purposes of providing off-duty law enforcement personnel for security at the GEC. The term of this contract began on June 28, 2002, and is scheduled to expire on June 28, 2004. For services rendered, Apex is to be compensated at a per person hour rate, (with a minimum of four hours per staff requested, in 15 minute increments thereafter, plus expenses) of $34.80 per hour for one supervisory staff personnel and $29.00 per hour for one officer.

Event Services

On July 1, 2000, Powers Management entered into an agreement for the exclusive right provision of crowd management services at the GEC with Contemporary Services Corporation (CSC). The term of the agreement commenced on July 1, 2000, and expires on June 30, 2003. Powers retains the right to extend the agreement for one year with all the terms and conditions remaining the same with the exception of the rates which must be mutually agreed upon by Powers and CSC. For services rendered, CSC is to be compensated at a per person hour rate, (with a minimum of four hours per staff requested, in 15 minute increments thereafter) depending upon the type of position ranging from the low associated with a first year usher with a rate of $11.00 per hour to a high of a third year coordinator of $19.10 per hour.

Ticketing

On May 31, 2001, Powers entered into an exclusive Licensed User Agreement with Ticketmaster LLC (Ticketmaster). The term of the agreement commenced on May 31, 2001, and shall continue through the 5th anniversary thereof. Thereafter the term shall automatically be renewed for successive three year periods unless either party notifies the other party not less than 90 days and not more than 180 days prior to the end of the initial term or the then current renewal term of its intention not to renew. In consideration for the license of the Ticketmaster system, Ticketmaster shall be entitled to receive a customer convenience charge on the sale of tickets for all events at the GEC. The customer convenience charge ranges over the term of the contract from $1.50 per ticket to $6.50 per ticket, depending upon the type of and location from where the ticket was purchased. Ticketmaster may also be entitled to charge for additional other various charges classified as inside charges, credit card charges, and handling charges. These charges, generally assessed against the purchaser of tickets, range from a low of zero per ticket, as in the case of inside charges for an event promoted in-house by Powers, to a high of $3.25 per ticket as in the case of handling charges for certain other concert events. Ticketmaster shall pay Powers a royalty for certain tickets sold.

Key Findings and Recommendations

- The services that the GEC has contracted out to third party providers are consistent with those at other arenas.
- The percentage of gross receipts to the facility from the concessionaire appears reasonable when compared to those at other arenas.
- Overall the rates charged for ticketing services appear to be consistent with other similar facilities.
- Based on the rental terms in the agreements with several of the tenants that sublease space in the GEC, specifically the Tennessee Sports Hall of Fame and the Nashville CVB Visitor Information Center, it appears that the Metro Sports Authority may not be maximizing the revenue that could be generated from this ancillary space. However, both of these entities have long-term leases with the Metro Sports Authority. Consequently, the Metro Sports Authority would likely have to pay costs in order to relocate these tenants in order to lease the space to an entity that may generate a greater financial benefit. This issue is discussed further in the financial performance portion of this section.
- Based upon a limited review of certain procedural controls, it appears that Powers is managing the delivery of services by third party vendors at the GEC appropriately.

Marketing Efforts

The marketing and booking function is one of the most important aspects of facility operations because it drives utilization and financial performance.

The GEC serves as the primary arena facility in Nashville although there is competition for concert activity from the Municipal Auditorium and the AmSouth Amphitheater particularly from April through October. Currently Powers' goal is to attract every event possible in order to maximize usage of the GEC. Consequently, facility management markets the GEC to a variety of users.

Currently, Powers co-promotes events on a relatively limited basis. Co-promotion is best defined where the facility and the event promoter share the risk in hosting an event. Currently many acts that currently perform at the GEC pay a flat rental rate for use of the facility. In co-promoting an event, the facility operator and promoter would customarily agree to terms that might include a lower rental rate for use of the facility, but provide the facility operator the potential upside of sharing in the profits generated from the event. The premise is that co-promotion encourages promoters to hold acts at the facility that may otherwise not play at the venue. One benefit to the facility owner in co-promoting is that it can potentially increase the number, type and profitability of events held at the facility. This risk is that the facility owner can lose money if the event does not generate enough revenue to pay for its expenses including talent and event-related costs. Although co-promotion can be a successful tool in attracting additional events, this strategy should be pursued on a cautious basis initially, particularly given the operating deficit of the facility.

As part of the study process, representatives of several entities that interact with the GEC from a marketing perspective were contacted. The following summarizes their input:

Nashville CVB: Representatives at the Nashville CVB indicated that the Nashville CVB actively markets the GEC. The Nashville CVB recognizes the uniqueness of the GEC to the Nashville marketplace and actively tries to market its advantages. Some of the strengths of the GEC as marketed by the Nashville CVB, include:

- Age – the facility is relatively new
- Overall condition and cleanliness - the facility is well-maintained
- Size
- Configuration including meeting space
- Downtown location proximate to hotels, restaurants and other entertainment options
- Proximity and connection to the Convention Center

These are factors that the Nashville CVB tries to capitalize on when attracting events to Nashville. Because of the newness and flexibility of the facility, the Nashville CVB views the GEC as an asset that allows it to bid on events that could not otherwise be hosted in the market.

Nashville Sports Council: Representatives of the Nashville Sports Council (Council) indicated that its primary role is to actively promote the City of Nashville and to attract various sporting events to the market. A secondary goal of the Council is to try to attract events at times when the hotel and convention business in Nashville is typically slow. One of the largest events that the organization plans and hosts is the Music City Football Bowl. The Council strives to treat each potential event as a unique event and as such has no pre-determined pricing structure or venue designation. Although the Council utilizes any and all of the facilities available in the market, the size and type of the event, the venue requirements as well as date availability dictate which facilities best meet the overall needs of specific groups. For the types of sporting events that the Council seeks to attract, the GEC and the Nashville Coliseum are typically utilized more than other public assembly facilities in Nashville. The Council indicated that it has a good relationship with all of the public assembly facilities in the market including the GEC.

The Convention Center and Downtown Nashville Convention Collection: The GEC interacts with the Convention Center and Downtown Nashville Convention Collection (DNCC) primarily for convention activity. The DNCC is a group of Nashville downtown area businesses whom all are impacted by convention business. It meets regularly to share leads and strategize about potential convention and meeting activity for the City of Nashville. In addition, there is cross-marketing and selling that exists between the Convention Center and the GEC because the facilities are connected. Representatives at the Convention Center indicated that they would like to cross-market or sell the space jointly more often at the GEC but the nature of convention business to book well in advance conflicts with the GEC's inability to schedule events too far in advance during the NHL season. However, as stated earlier, management at the GEC indicated that this is not typically a problem for large convention events booked well in advance that generate significant revenue and/or economic impact to the community.

Key Findings

- With respect to marketing and booking, it is the primary role of facility management to book events and market the GEC. The degree to which facility management is involved in the marketing and promotion of specific events is based on the financial arrangement between the two parties. For instance, if an event is a co-promotion between the facility and the event promoter then the facility will likely be more involved in the marketing and promotion efforts. Tenant sports teams such as the Predators typically market their own product as is the case at the GEC. Consequently, facility management has limited control over the team's attendance from a marketing perspective.

- The co-promoting of acts at a venue between facility owner/manager and promoter is a trend in the entertainment industry. Promoters currently have many options when scheduling tours. As a result, it is becoming increasingly competitive for arenas that do not co-promote to book acts. Consequently, co-promoting can give an advantage in attracting certain acts. Facility management should continue to co-promote acts at the GEC. The co-promotion of acts should initially be performed on a limited basis and each co-promoted event should be carefully monitored and reviewed by facility management and Metro.
- Currently the GEC has one full-time dedicated resource who primarily focuses on assisting promoters of family shows and concerts to market their events by placing advertising and completing secondary trades. The Vice President/General Manager and the Assistant General Manager share the responsibility of booking the facility.
- Other marketing efforts of the GEC primarily center around the advertising of the facility and its many amenities. The advertising is intended to promote all possible events but most notably concerts, family shows and sporting events. Advertising includes, but is not limited to, print, radio, television and outdoor advertising. Publicity and media for the many events conducted at the GEC is coordinated through the marketing department of the GEC. In addition, the marketing department routinely places advertising in industry oriented publications such as *Pollstar, Amusement Business, Facilities and Event Management* as well as several other tourism and meeting planner guides.
- In a less formal setting, staff members of the GEC regularly attend industry trade conferences and meetings including the Concert Industry Consortium (CIC), the International Association of Assembly Managers (IAAM) Convention and Trade Show and the Arena Marketing Conference.
- Although there is some cooperation between various convention related agencies in Nashville, there is not a cohesive alignment of marketing efforts among the public assembly facilities. Consequently, synergistic benefits of these various marketing agencies are not being maximized.
- Because the GEC and NMA each operate under a different management structure, there is no incentive to cross-sell or jointly market the facilities even though they are both assets of Metro. Events are referred to the NMA or other facilities by the GEC only when date conflicts exist.
- The GEC appears to be limited in its ability to take advantage of some of the marketing synergies created by the Convention Center and the DNCC due to the incorrect perception of the Convention Center and the DNCC that the GEC is unable to reserve dates as far in advance as is common in the convention and tradeshow industry. Facility management at the GEC indicated that it is typically not a problem to accommodate large conventions or events that book well in advance particularly if they generate significant financial benefits to the facility and/or the community.

- Although the Nashville CVB participates in marketing the GEC when appropriate, its primary objective is to sell Nashville as a destination.

- The Metro Sports Authority and Powers should review and refine the GEC's marketing strategy as appropriate based on budget considerations, changes in the Nashville market, the competitive market and the overall industry, economic conditions and any other pertinent issues.

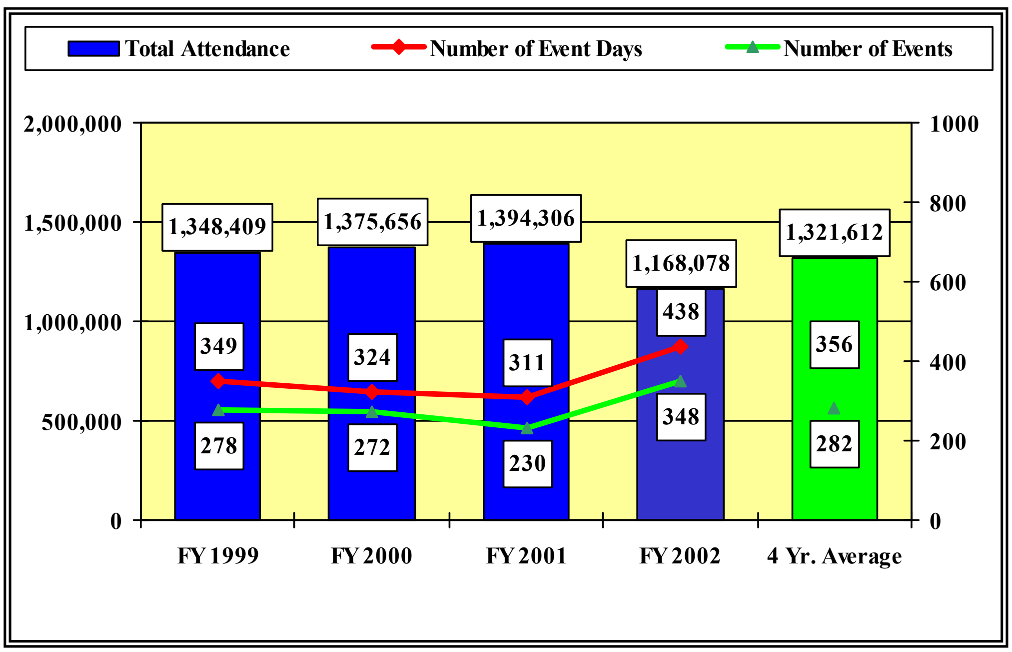
Utilization

In order to gain an understanding of the overall efficiency and effectiveness of the facility, it is beneficial to analyze its historical utilization. Utilization can be measured by diversity of programming, number of events, number of event days and total attendance.

<u>Historical Event Activity at the GEC</u>

As shown in the following graph, utilization at the GEC remained relatively constant during fiscal years 1999 through 2001. For FY 2002, although both the number of events and event days increased, total attendance decreased. A large part of the increase in events and event days is attributable to meetings/receptions as illustrated in more detail in the table on the following page.

GEC Utilization



Sources: Powers Management; KPMG LLP.

The table that follows shows a more detailed analysis of the number of events, event days and attendance by event type for the GEC.

Historical Event Activity at the GEC

Event Type	FY 1999			
	Number of Events	Event Days	Total Attendance	Avg. Attendance per Event Day
Predators Games	41	41	651,263	15,884
Other Predators Events	5	5	10,000	2,000
Kats Games	8	8	102,062	12,758
Other Sporting Events	4	7	43,836	6,262
Religious	8	8	63,906	7,988
Concerts	17	17	195,951	11,527
Family Shows	6	17	151,871	8,934
Conventions/Trade Shows	12	22	51,460	2,339
Consumer Shows	1	1	2,500	2,500
Other Events	14	48	56,927	1,186
Meetings/Receptions	162	175	18,633	106
Total	**278**	**349**	**1,348,409**	

Event Type	FY 2000			
	Number of Events	Event Days	Total Attendance	Avg. Attendance per Event Day
Predators Games	43	43	706,050	16,420
Other Predators Events	3	3	5,000	1,667
Kats Games	9	9	101,358	11,262
Other Sporting Events	6	8	114,464	14,308
Religious	6	11	80,127	7,284
Concerts	16	17	178,324	10,490
Family Shows	7	15	123,698	8,247
Conventions/Trade Shows	9	12	38,995	3,250
Consumer Shows	1	2	200	100
Other Events	9	25	8,860	354
Meetings/Receptions	163	179	18,580	104
Total	**272**	**324**	**1,375,656**	

Event Type	FY 2001			
	Number of Events	Event Days	Total Attendance	Avg. Attendance per Event Day
Predators Games	43	43	670,828	15,601
Other Predators Events	4	4	4,300	1,075
Kats Games	9	9	111,320	12,369
Other Sporting Events	6	10	155,415	15,542
Religious	5	7	53,279	7,611
Concerts	16	17	180,647	10,626
Family Shows	4	11	116,767	10,615
Conventions/Trade Shows	5	19	88,200	4,642
Consumer Shows	5	8	540	68
Other Events	14	61	6,383	105
Meetings/Receptions	119	122	6,627	54
Total	**230**	**311**	**1,394,306**	

Event Type	FY 2002			
	Number of Events	Event Days	Total Attendance	Avg. Attendance per Event Day
Predators Games	44	44	632,380	14,372
Other Predators Events	13	13	2,480	191
Kats Games	3	3	37,412	12,471
Other Sporting Events	9	12	107,177	8,931
Religious	3	5	46,949	9,390
Concerts	10	10	91,498	9,150
Family Shows	5	13	135,496	10,423
Conventions/Trade Shows	5	12	60,300	5,025
Consumer Shows	3	3	9,100	3,033
Other Events	29	66	30,616	464
Meetings/Receptions	224	257	14,670	57
Total	**348**	**438**	**1,168,078**	

Event Type	Four Year Average (FY 1999 - FY 2002)			
	Number of Events	Event Days	Total Attendance	Avg. Attendance per Event Day
Predators Games	43	43	665,130	15,968
Other Predators Events	6	6	5,445	1,581
Kats Games	7	7	88,038	12,130
Other Sporting Events	6	9	105,223	12,037
Religious	6	8	61,065	7,628
Concerts	15	15	161,605	10,881
Family Shows	6	14	131,958	9,265
Conventions/Trade Shows	8	16	59,739	3,410
Consumer Shows	3	4	3,085	889
Other Events	17	50	25,697	548
Meetings/Receptions	167	183	14,628	88
Total	**282**	**356**	**1,321,612**	

Note: Avg. attendance per event day = total attendance/ event days.
Sources: Powers Management; KPMG LLP.

The following provides an analysis of the historical utilization at the GEC for the last four fiscal years.

- The Predators have averaged approximately 665,000 in total attendance over the past four fiscal years.

- Between FY 1999 and FY 2001, the Arena Football League's Nashville Kats drew more than 100,000 fans per year. The team no longer plays at the GEC which will negatively impact attendance at the facility unless the team is replaced by another sports tenant and/or additional events such as concerts.

- In fiscal years 2000, 2001 and 2002, total attendance at other sporting events experienced a significant increase over FY 1999. This increase is primarily due to hosting the NCAA men's basketball tournament in FY 2000 which attracted over 52,000 fans and the SEC men's basketball tournament in FY 2001 which drew over 111,000 people. For FY 2002, this increase is primarily attributable to hosting the SEC women's basketball tournament which drew over 54,000 people.

- The number of religious events has decreased in each of the last four fiscal years from eight in FY 1999 to three in FY 2002. However average attendance at religious events has increased since FY 2000 from 7,284 per event to 9,390 per event for FY 2002.

- Neither the number of concerts nor the total attendance fluctuated much during fiscal years 1999 through 2001. However, in FY 2002 the number of concerts decreased to 10 and the total concert attendance decreased to approximately 91,000 which was less than half of the previous three fiscal years average.

- Total attendance at family shows steadily decreased from approximately 152,000 in FY 1999 to approximately 117,000 in FY 2001. This decline in family shows is primarily attributable to the certain acts choosing not to play the Nashville market every year. For FY 2002, although the number of family shows remained relatively constant, the total attendance increased to approximately 135,000 which is likely due to the increase in attendance at certain events such as the Ronald McDonald Circus and the Disney On-Ice Classics.

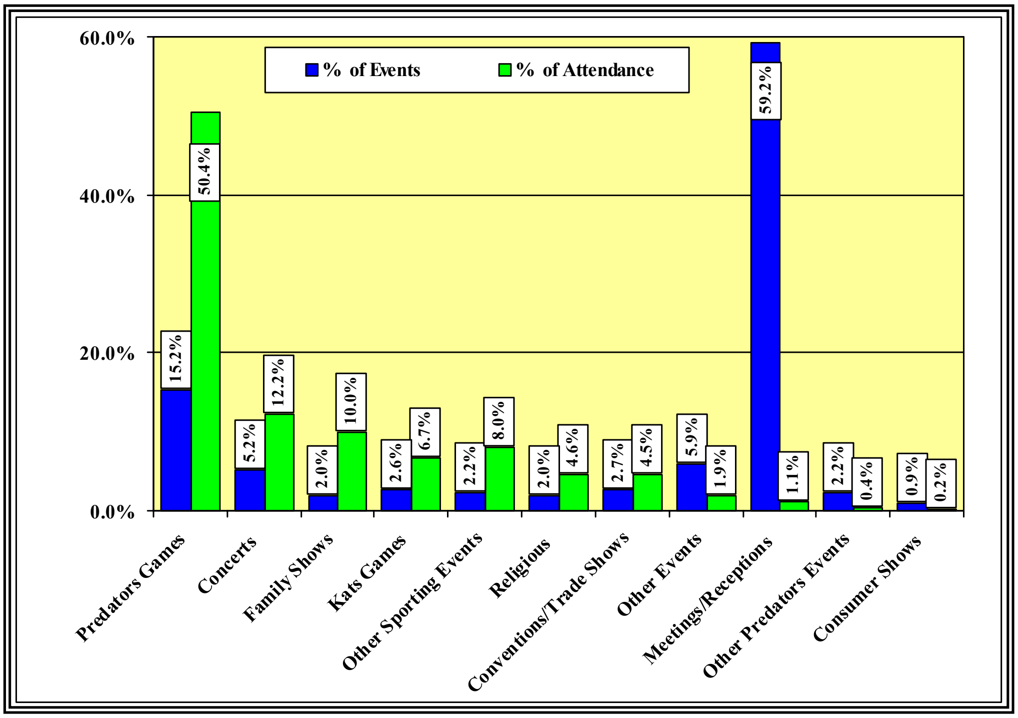
- The number of conventions/trade shows and related attendance have fluctuated during the four-year period depending on the type and scope of events held.

- Other events experienced the highest attendance (56,927) in FY 1999 which was positively impacted by hosting the Sweet Adelines.

- The facility hosted significantly more meetings/receptions in FY 2002 as compared to the previous three fiscal years. Total attendance at these events has fluctuated from approximately 18,600 in FY 1999 and FY 2000 to a low of 6,600 in FY 2001 to approximately 14,600 in FY 2002.

The table below illustrates the four-year average utilization data for the GEC by event type as a percentage of attendance and number of events.

Four-Year Average Percentage of the Number of Events and Attendance by Event Type



Note: Sorted in descending order by four -year average percentage of total attendance.
Source: Powers Management.

- Over the last four fiscal years, Predators games have averaged 15% of the total number of events and accounted for more than 50% of total attendance at the GEC.
- Although concerts have represented approximately 5% of total events, these events accounted for nearly 12% of total attendance on average over the last four fiscal years.
- On average, family shows have accounted for 10% of total attendance during the profiled period.
- Kats games and other sporting events have averaged nearly 15% of the GEC's total attendance during the last four fiscal years.
- During the profiled period, meetings/receptions have comprised the largest percentage of events (59%) but have only accounted for 1% of the total attendance at the GEC.

Nashville Predators' Attendance

One of the key factors that drives utilization at arenas is tenant sports teams. The advantage of having tenant sports teams is that they provide a guaranteed number of event days. Thus, these events support attendance, generate guaranteed revenues and enhance attractiveness of leasing suites. However, if the tenant sports team is not drawing a significant attendance it can be a disadvantage since these teams require a considerable number of quality dates that the facility could be hosting other events that attract more people, provide a greater diversity of events and/or possibly generate higher financial return for the facility.

The lease agreement executed between the Predators and the Metro Sports Authority calls for the Predators to annually pay the greater of $750,000 or 5% of ticket sales to Metro Sports Authority in rent. Consequently, rent revenue recognized by the GEC as a result of the Predators is directly related to the Predators' attendance in conjunction with the ticket prices charged to attend a Predators' game.

NHL Attendance Data by Team

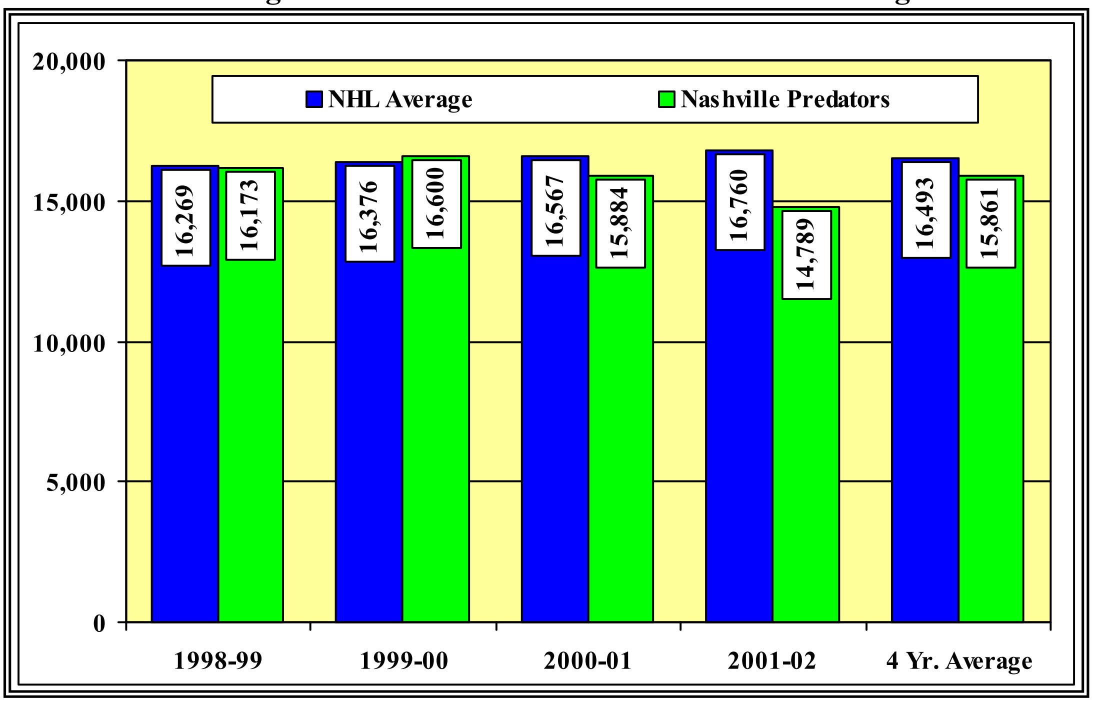
NHL Team	Arena Capacity	1998-1999 Season Average Attendance	1998-1999 Season % of Capacity	1998-1999 Season % +/- over Prior Season	1999-2000 Season Average Attendance	1999-2000 Season % of Capacity	1999-2000 Season % +/- over Prior Season	2000-2001 Season Average Attendance	2000-2001 Season % of Capacity	2000-2001 Season % +/- over Prior Season	2001-2002 Season Average Attendance	2001-2002 Season % of Capacity	2001-2002 Season % +/- over Prior Season
Detroit	19,983	19,983	100.00%	N/A	19,983	100.00%	0.00%	19,995	100.06%	0.06%	20,058	100.38%	0.32%
Montreal	21,273	20,741	97.50%	N/A	20,206	94.98%	-2.58%	20,105	94.51%	-0.50%	20,028	94.15%	-0.38%
Philadelphia	19,519	19,613	100.48%	N/A	19,614	100.49%	0.01%	19,576	100.29%	-0.19%	19,569	100.26%	-0.04%
Toronto	18,800	16,765	89.18%	N/A	19,158	101.90%	14.27%	19,255	102.42%	0.51%	19,279	102.55%	0.12%
St. Louis	18,500	18,094	97.81%	N/A	18,591	100.49%	2.75%	19,518	105.50%	4.99%	18,968	102.53%	-2.82%
Dallas	18,000	16,908	93.93%	N/A	17,001	94.45%	0.55%	17,001	94.45%	0.00%	18,532	102.96%	9.01%
Minnesota	18,600							18,328	98.54%	N/A	18,456	99.23%	0.70%
Columbus	18,524							17,457	94.24%	N/A	18,136	97.91%	3.89%
New York Rangers	18,200	18,200	100.00%	N/A	18,200	100.00%	0.00%	18,200	100.00%	0.00%	18,039	99.12%	-0.88%
Colorado	18,007	16,061	89.19%	N/A	18,010	100.02%	12.13%	18,007	100.00%	-0.02%	18,007	100.00%	0.00%
Vancouver	18,422	15,803	85.78%	N/A	14,642	79.48%	-7.35%	17,017	92.37%	16.22%	17,713	96.15%	4.09%
San Jose	17,483	17,148	98.08%	N/A	17,291	98.90%	0.83%	17,468	99.91%	1.02%	17,423	99.66%	-0.26%
Washington	19,740	17,281	87.54%	N/A	14,480	73.35%	-16.21%	15,534	78.69%	7.28%	17,341	87.85%	11.63%
Buffalo	18,690	17,982	96.21%	N/A	17,955	96.07%	-0.15%	17,840	95.45%	-0.64%	17,215	92.11%	-3.50%
Ottawa	18,500	17,219	93.08%	N/A	17,509	94.64%	1.68%	17,793	96.18%	1.62%	16,919	91.45%	-4.91%
Los Angeles	18,118	12,794	70.61%	N/A	16,519	91.17%	29.12%	16,057	88.62%	-2.80%	16,756	92.48%	4.35%
Edmonton	17,100	16,260	95.09%	N/A	15,802	92.41%	-2.82%	15,612	91.30%	-1.20%	16,593	97.04%	6.28%
Florida	19,250	18,500	96.10%	N/A	15,982	83.02%	-13.61%	14,679	76.25%	-8.15%	16,084	83.55%	9.57%
New Jersey	19,040	16,695	87.68%	N/A	15,206	79.86%	-8.92%	15,642	82.15%	2.87%	15,926	83.64%	1.82%
Tampa Bay	19,768	11,511	58.23%	N/A	13,600	68.80%	18.15%	14,907	75.41%	9.61%	15,722	79.53%	5.47%
Calgary	17,139	16,201	94.53%	N/A	15,322	89.40%	-5.43%	16,623	96.99%	8.49%	15,719	91.71%	-5.44%
Pittsburgh	16,958	14,816	87.37%	N/A	15,444	91.07%	4.24%	16,398	96.70%	6.18%	15,649	92.28%	-4.57%
Chicago	20,500	17,330	84.54%	N/A	16,274	79.39%	-6.09%	14,997	73.16%	-7.85%	15,569	75.95%	3.81%
Carolina	18,700	8,188	43.79%	N/A	12,401	66.32%	51.45%	13,346	71.37%	7.62%	15,509	82.94%	16.21%
Boston	17,565	16,310	92.86%	N/A	16,323	92.93%	0.08%	15,433	87.86%	-5.45%	15,404	87.70%	-0.19%
Nashville	**17,113**	**16,173**	**94.51%**	**N/A**	**16,600**	**97.00%**	**2.64%**	**15,884**	**92.82%**	**-4.31%**	**14,789**	**86.42%**	**-6.89%**
New York Islanders	16,297	11,333	69.54%	N/A	9,748	59.81%	-13.99%	11,332	69.53%	16.25%	14,549	89.27%	28.39%
Atlanta	18,545				17,206	92.78%	N/A	15,263	82.30%	-11.29%	13,668	73.70%	-10.45%
Phoenix	16,210	15,548	95.92%	N/A	14,991	92.48%	-3.58%	14,224	87.75%	-5.12%	13,165	81.22%	-7.45%
Anaheim	17,174	15,804	92.02%	N/A	14,461	84.20%	-8.50%	13,512	78.68%	-6.56%	12,002	69.88%	-11.18%
League Average	**18,391**	**16,269**	**88.58%**		**16,376**	**89.12%**	**0.66%**	**16,567**	**90.12%**	**1.17%**	**16,760**	**91.12%**	**1.16%**

Notes: Sorted in descending order by 2001-2002 season average attendance.
Percent capacity = average attendance/arena capacity.
Atlanta's first game was played in the 1999-2000 season.
Teams in Columbus and Minnesota played their first games in the 2000-2001 season.
Attendance figure shown for the Nashville Predators in the above table will vary from the data shown previously in this report due to using a different source for purposes of comparison. However, the difference in reported attendance is less than 2% each year.

Sources: *Street & Smiths Sports Business Journal* dated May 2, 1999, April 23, 2000, April 22, 2001, April 28, 2002; *Team Marketing Report, Inside the Ownership of Pro Sports 2001;* KPMG research.

The following graph compares the average per game attendance for the Predators with that of the NHL for the last four seasons.

Comparison of Predators' Average Per Game Attendance to the NHL Average Attendance Per Game for the Last Four Regular Seasons



Note: Attendance figure shown for the Nashville Predators in the above table will vary from the data shown previously in this report due to using a different source for purposes of comparison. However, the difference in reported attendance is less than 2% each year.

Sources: *Street & Smiths Sports Business Journal* dated May 2, 1999, April 23, 2000, April 22, 2001, April 28, 2002; KPMG Research.

The following summarizes key observations related to the previously presented data:

- The NHL average attendance per game has increased each of the last four seasons.
- The Predators' average attendance was consistent with the NHL average attendance for both the 1998-1999 and the 1999-2000 seasons.
- However, the Predators average attendance per game declined during both the 2000-2001 and the 2001-2002 seasons by approximately 4.3% and 6.9%, respectively, while the average attendance per game for the NHL increased by slightly more then 1% during those two seasons.
- For the 2001-2002 season the Predators ranked 26th out of the 30 NHL teams in average attendance per game.

- Nearly half of the NHL teams (14), including the Predators, experienced a decline in attendance for the 2001-2002 season ranging from less than 1% to approximately 11.5%.
- The Predators decrease of nearly 7% from their average attendance from 2000-2001 season was the League's fourth largest decrease in attendance for the 2001-2002 season.
- The Predators average attendance was approximately 13% lower than the NHL's average attendance per game for the 2001-2002 season.
- This past season, the Predators' average attendance per game equated to approximately 86% capacity of the GEC.
- If the Predators' attendance continues to decline at its current rate, the team will average less than 14,000 paid tickets per game for the 2002-2003 season, which would factor into the conditions surrounding the Predators' ability to exercise the early termination option contained in the lease agreement.

One of the largest revenue streams available to NHL teams is the revenue generated from ticket sales at home games. The table that follows compares the Predators' average ticket price to that of other NHL teams as well as to the league average. The table also illustrates the Fan Cost Index which is computed by factoring the cost of four tickets, two soft drinks, two small beers, four hot dogs, two game programs, parking and two adult size caps. This index portrays the average cost for a family of four to attend an NHL game.

KPMG

Select NHL Ticket and Game Attendance Cost Data

Team	Rank	Average Ticket Price	Fan Cost Index
Dallas	1	$75.91	$386.12
Toronto	2	$70.29	$349.18
New York Rangers	3	$65.82	$374.78
Colorado	4	$65.35	$351.90
Philadelphia	5	$62.31	$327.74
Los Angeles	6	$56.33	$321.32
New Jersey	7	$54.43	$317.72
Detroit	8	$53.64	$287.56
Pittsburgh	9	$53.42	$290.18
St. Louis	10	$52.51	$280.52
Boston	11	$52.36	$297.44
Anaheim	12	$50.66	$265.64
Minnesota	13	$50.24	$280.96
Atlanta	14	$49.91	$294.62
San Jose	15	$49.11	$282.44
Vancouver	16	$48.78	$248.65
Columbus	17	$48.65	$274.58
Florida	18	$47.73	$254.92
Chicago	19	$47.57	$276.28
Ottawa	20	$46.23	$228.18
Tampa Bay	21	$45.09	$247.86
Washington	22	$44.48	$261.92
Nashville	**23**	**$43.52**	**$237.08**
Buffalo	24	$42.13	$238.52
Phoenix	25	$39.72	$241.88
Montreal	26	$39.06	$203.65
Carolina	27	$38.70	$224.80
NY Islanders	28	$34.68	$215.72
Edmonton	29	$34.50	$189.23
Calgary	30	$32.79	$188.41
League Average		**$49.86**	**$274.66**

Notes: Sorted in descending order by average ticket price.
Canadian prices have been converted to US currency.
Source: *Team Marketing Report.*

- Based on the above information, the estimated cost for a family of four to attend a Predators home game is approximately $237. This amount ranks 24th when compared to other NHL teams and is approximately $38 below the NHL average of $275.
- For the 2001-2002 season, seven teams in the NHL have lower average ticket prices than the Predators. Of those teams, three are Canadian and four are U.S. based. Of the U.S. based NHL teams, the New York Islanders play in the second oldest facility in the League and the Phoenix Coyotes play in a 16,210 seat arena which contains approximately 2,000 obstructed view seats. With the exception of the Buffalo Sabres, the remaining U.S. based NHL teams with an average ticket price lower than Nashville also rank in the lower tier of average attendance per game. Thus, NHL teams with on average higher tickets than the Nashville Predators also have higher attendance.

- The Predators increased ticket prices for the 2002-2003 season. In the event that the Predators do not qualify for post-season play in the 2002-2003 season, the team will refund the price increase of the 2002-2003 season ticket.

Profile of the Concert Industry

Consolidation of the entertainment industry has impacted arenas and amphitheaters around the country, especially with respect to the concert market. Currently, the most predominate player in the live entertainment industry is Clear Channel Entertainment. It is the global leader in the out-of-home advertising industry with radio and television stations and outdoor displays in 63 countries around the world. It operates over 1,213 radio stations and 19 television stations in the United States and has an equity interest in over 240 radio stations internationally. Clear Channel Entertainment acquired SFX Entertainment, which is now a wholly owned subsidiary of Clear Channel Communications. Clear Channel Entertainment (formerly SFX) is one of the world's largest suppliers of live entertainment. Clear Channel Entertainment owns, partially or entirely, and/or operates under lease or exclusive booking arrangements the largest network of venues in the United States. In addition, Clear Channel Entertainment develops and manages touring Broadway shows in 60 North American markets. It operates an integrated franchise that promotes and produces a broad variety of live entertainment events locally, regionally and nationally via its large number of venues, its strong market presence and the long operating history of the businesses it has acquired. According to Clear Channel Entertainment estimates, approximately 66 million people attend over 26,000 Clear Channel Entertainment events annually. Over the past several years, it has acquired some of the industry's top concert producers.

This consolidation of venues and live entertainment significantly changed the composition of the industry. By assuming the roles of both promoter and venue manager, Clear Channel Entertainment can buy a show and book it into over 135 venues in its network.

Another large promoter in the industry is HOB Entertainment, Inc. which is a global entertainment company based in Los Angeles. HOB Entertainment, Inc. is comprised of three major entertainment businesses including: House of Blues Music/Restaurant Venues (located in Cambridge, (MA); New Orleans; Los Angeles; Chicago; Myrtle Beach, (SC); Orlando and Las Vegas); House of Blues Concerts, Inc., a promoter and producer of concerts which presently owns and operates 20 arena and amphitheatre venues throughout the country; and HOB Media Properties, which includes HOB Digital, www.hob.com, HOB Productions and HOB Music Company.

As a point of context, the following tables contain data compiled by *Amusement Business* summarizing the top 10 concert venues with capacity above 15,000 in the United States according to total gross revenues for the last three calendar years.

Top 10 Grossing Concert Venues in 2001

Facility Name	Location	# Shows	# Sellouts	% Sellouts	Total Attendance	Average Attendance	Venue Capacity	Total Capacity	% Capacity	Average Seating Capacity	Total Gross
Madison Square Garden	New York, NY	59	27	46%	868,122	14,714	20,697	1,037,889	84%	71%	$73,238,932
First Union Center	Philadelphia, PA	58	26	45%	700,723	12,081	21,000	885,307	79%	58%	$31,731,475
Fleet Center	Boston, MA	33	20	61%	461,013	13,970	19,600	484,338	95%	71%	$30,222,867
Staples Center	Los Angeles, CA	23	19	83%	321,393	13,974	20,000	324,912	99%	70%	$25,294,153
Continental Airlines Arena	E. Rutherford, NJ	63	13	21%	642,010	10,191	21,000	978,171	66%	49%	$24,630,961
Palace of Auburn Hills	Auburn hills, MI	59	17	29%	732,237	12,411	20,654	952,857	77%	60%	$24,414,661
Philips Arena	Atlanta, GA	75	11	15%	677,762	9,037	20,919	1,010,153	67%	43%	$24,106,218
United Center	Chicago, IL	21	14	67%	307,299	14,633	25,000	322,666	95%	59%	$22,029,650
Pepsi Center	Denver, CO	38	8	21%	390,460	10,275	20,000	541,064	72%	51%	$19,104,523
Allstate Arena	Rosemont, IL	24	12	50%	312,712	13,030	19,200	344,600	91%	68%	$18,517,655
Average		45	17	44%	541,373	12,432	20,807	688,196	82%	60%	$29,329,110
Median		48	16	45%	551,512	12,720	20,676	713,186	81%	59%	$24,522,811

Source: Compiled from *Amusement Business* Box Scores, December 11, 2000- December 2, 2001.

Top 10 Grossing Concert Venues in 2000

Facility Name	Location	# Shows	# Sellouts	% Sellouts	Total Attendance	Average Attendance	Venue Capacity	Total Capacity	% Capacity	Average Seating Capacity	Total Gross
Madison Square Gardens	New York, NY	59	38	64%	903,626	15,316	20,697	982,966	92%	74%	$65,264,867
Staples Center	Los Angeles, CA	15	13	87%	216,733	14,449	20,000	219,433	99%	72%	$29,239,448
MGM Grand Garden	Las Vegas, NV	17	10	59%	174,636	10,273	17,100	189,357	92%	60%	$28,725,437
Palace of Auburn Hills	Auburn Hills, MI	71	20	28%	777,848	10,956	20,654	1,067,560	73%	53%	$27,191,200
Ice Palace	Tampa, FL	73	20	27%	703,493	9,637	20,000	887,942	79%	48%	$24,715,712
Continental Airlines Arena	E.Rutherford, NJ	73	16	22%	722,105	9,892	21,000	1,030,113	70%	47%	$22,356,443
Fleet Center	Boston, MA	57	21	37%	645,024	11,316	19,600	959,400	67%	58%	$22,251,439
Arrowhead Pond	Anaheim, CA	38	28	74%	458,160	12,057	19,400	488,086	94%	62%	$21,650,990
Molson Centre	Montreal, Que	76	15	20%	571,234	7,516	21,500	645,940	88%	35%	$21,568,963
Target Center	Minneapolis, MN	63	15	24%	655,000	10,397	20,165	895,850	73%	52%	$20,519,953
Average		54	20	44%	582,786	11,181	20,012	736,665	83%	56%	$28,348,445
Median		61	18	33%	650,012	10,676	20,083	891,896	84%	55%	$23,536,078

Source: Compiled from *Amusement Business* Box Scores, December 13, 1999- December 4, 2000.

Top 10 Grossing Concert Venues in 1999

Facility Name	Location	# Shows	# Sellouts	% Sellouts	Total Attendance	Average Attendance	Venue Capacity	Total Capacity	% Capacity	Average Seating Capacity	Total Gross
Continental Airlines Arena	E. Rutherford, NJ	93	31	33%	1,179,689	12,685	21,000	1,507,853	78%	60%	$43,031,037
Thomas & Mack Center	Las Vegas, NV	51	11	22%	490,058	9,609	18,500	734,052	67%	52%	$35,445,578
First Union Center	Philadelphia, PA	78	23	29%	946,096	12,129	21,000	1,191,678	79%	58%	$34,267,043
MGM Grand Garden	Las Vegas, NV	27	9	33%	254,860	9,439	17,100	306,594	83%	55%	$30,353,853
Fleet Center	Boston, MA	52	24	46%	726,907	13,979	19,600	881,938	82%	71%	$29,415,376
Madison Square Gardens	New York, NY	37	26	70%	622,544	16,826	20,697	639,095	97%	81%	$27,212,637
Palace of Auburn Hills	Auburn Hills, MI	67	29	43%	839,673	12,532	20,654	1,081,680	78%	61%	$26,460,174
Arrowhead Pond	Anaheim, CA	39	28	72%	497,087	12,746	19,400	532,477	93%	66%	$22,622,156
Ice Palace	Tampa, FL	75	21	28%	686,988	9,160	20,000	844,962	81%	46%	$17,531,270
Target Center	Minneapolis, MN	34	22	65%	435,958	12,822	20,165	486,082	90%	64%	$17,477,482
Average		55	22	44%	667,986	12,193	19,812	820,641	83%	61%	$28,381,661
Median		52	24	38%	654,766	12,609	20,083	789,507	82%	61%	$28,314,007

Source: Compiled from *Amusement Business* Box Scores, December 14, 1998 – December 6, 1999.

The top ten concert facilities for the past three years averaged 55 shows in 1999, 54 shows in 2000 and 45 shows in 2001. On average, 44% of the shows held in these venues have been sellouts over the last three years. In addition, these top 10 grossing concert venues have averaged between $28 million and $29 million in gross ticket revenues over the last three years. The average seating capacity, which is calculated by dividing the seating capacity by the average attendance, has ranged between 82% and 83% at the venues, on average.

When analyzing concert activity at a facility, it is useful to understand both the number and the type of concerts that a facility is booking. The table below illustrates the GEC's concert activity over the past four fiscal years.

GEC Concert Data for FY 1999 through FY 2002

Select Information	FY 1999	FY 2000	FY 2001	FY 2002
Number of Concerts	17	16	16	10
Total Concert Attendance	195,951	178,324	180,647	91,498
Average Concert Attendance	11,527	11,145	11,290	9,150
Total GEC Attendance	1,348,409	1,375,656	1,394,306	1,168,078
Percentage of Concert Attendance - All Events	15%	13%	13%	8%
Revenue from Rental-Concerts	$811,129	$775,001	$702,246	$352,186
Number of Top 25 Touring Acts Performing at GEC	5	3	5	N/A

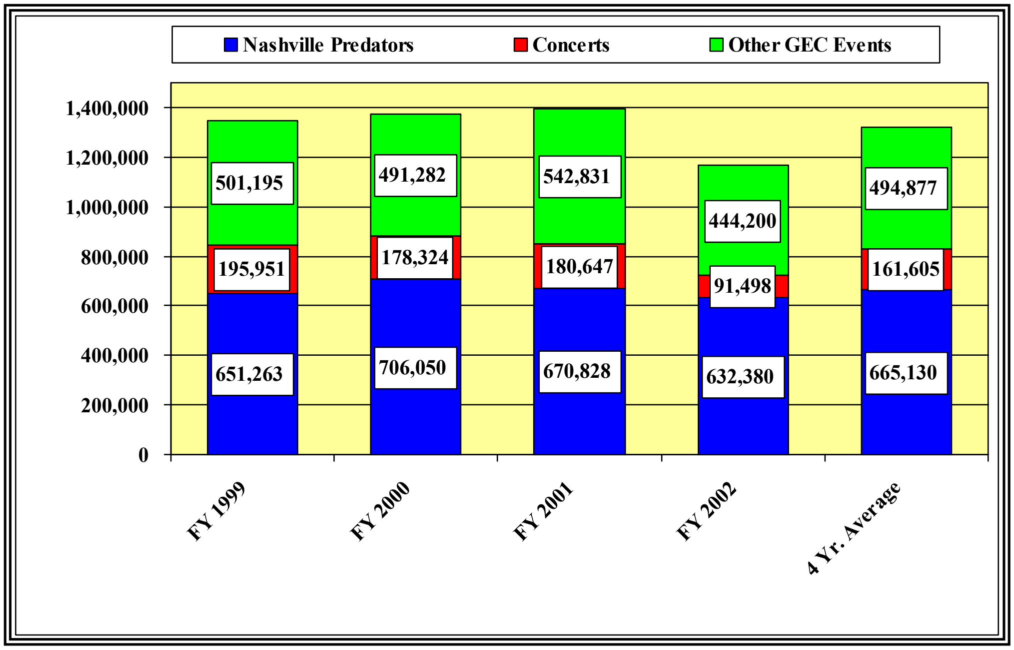
Notes: Other revenue received by the GEC associated with concerts such concessions, merchandise etc is not reflected above.
N/A= not available
Sources: Powers Management; *Amusement Business*.

The following summarizes key observations regarding this data.

- The number of concerts and average attendance at the GEC remained relatively constant during fiscal years 1999 through 2001. For FY 2002, the number of concerts decreased to ten and the average attendance was 9,150 which was approximately 20% lower than the previous three fiscal years.
- The average rental revenue generated from these concerts decreased from approximately $48,000 per event in FY 1999 and FY 2000 to $35,000 in FY 2002.
- The ratio of concert attendance to total attendance at the GEC remained relatively consistent during fiscal years 1999 through 2001 ranging from 13% to 15% per year. However for FY 2002, this ratio decreased to 8%.
- In both FY 1999 and FY 2001, nearly 30% of the GEC's concerts were comprised of the top grossing acts that year according to *Amusement Business*. This number was lower in FY 2000 when only three of the 16 concerts were included in the top grossing act ranking. At the time of this report, the top grossing act ranking was not available for FY 2002.

The following graph illustrates the overall impact that Predators' games and concert activity have on the overall attendance at the GEC. The combined total of attendance from Predators' games and concert activity has averaged approximately 63% of total attendance at the facility for the past four fiscal years.

Breakdown of Total Attendance at the GEC



Source: Powers Management.

The following summarizes key observations regarding this data.

- Attendance at Predators' games has been declining over the past two fiscal years from 706,050 in FY 2000 to 632,380 in FY 2002. This represents approximately a 10% decline in Predator's attendance over this period.

- Total attendance at concerts for FY 2002 was approximately one-half that of the previous three fiscal years.

Analysis of Utilization at Comparable Facilities

Analyzing similar facilities can offer a good frame of reference as to performance indicators such as the type of events, number of event days and attendance at those events. For purposes of this analysis, profiled arenas were chosen based on one or more of the following criteria:

- Located in markets similar in size to Nashville;
- Offer similar seating capacity;
- Host similar tenant base; and/or
- Offer a similar ownership and management structure; and/or
- Availability of information (i.e. privately owned and operated facilities are not required to disclose any information relative to their business operations).

Based on this criteria, the following facilities were chosen to profile:

- HSBC Arena in Buffalo, NY
- St. Pete Times Forum (formerly known as the Ice Palace) in Tampa, FL
- TD Waterhouse Centre in Orlando, FL
- Office Depot Center (formerly known as the National Car Rental Center) in Sunrise/Miami, FL
- Arrowhead Pond in Anaheim, CA
- Charlotte Coliseum in Charlotte, NC

Although there are other facilities that meet the above criteria, many comparable facilities are privately owned and operated and do not have any obligation to share information.

The following table profiles the seating capacity and select market characteristics for these arenas.

Key Market Characteristics of Profiled Facilities

Facility Location	Gaylord Entertainment Center Nashville, TN	HSBC Arena Buffalo, NY	St. Pete Times Forum Tampa, FL	TD Waterhouse Centre Orlando, FL	Office Depot Center Sunrise, FL	The Arrowhead Pond of Anaheim Anaheim, CA	Charlotte Coliseum Charlotte, NC	Average of Comparables
Owner	Metro Gov't of Nashville	County/City/State	Tampa Sports Authority	City of Orlando	Broward County	City of Anaheim	City of Charlotte	
Seating Capacity	20,000	18,595	21,500	17,320	20,000	19,400	23,799	**20,100**
Market Characteristics								
MSA Population	1,249,900	1,168,700	2,420,500	1,676,100	2,277,100	2,879,000	1,524,600	**1,991,000**
DMA Population	2,265,000	1,610,000	3,744,000	2,977,000	4,007,400	16,260,400	2,447,100	**5,174,300**
Median Hshd EBI	$44,300	$34,700	$34,400	$38,800	$32,300	$55,300	$40,800	**$39,400**

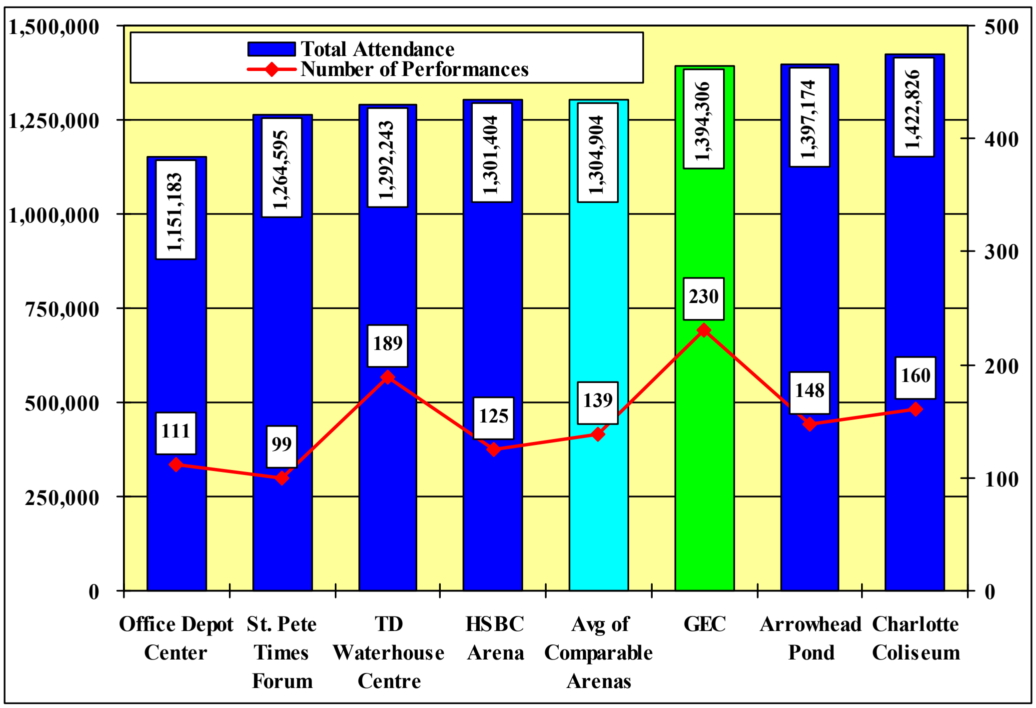
Notes: Population and median household EBI amounts rounded to the nearest hundred.
At the time of this report, published sources indicate that the Buffalo Sabres franchise and HSBC Arena are being operated by the National Hockey League and that it is the intention of the National Hockey League to sell the Sabres and the exclusive rights to use and operate the HSBC Arena. However, this analysis reflects management and operations under Crossroads Arena LLC.

Sources: *2001 Sales and Marketing Management Survey of Buying Power*; individual facilities; KPMG research.

Like the GEC, all of the profiled facilities have some form of municipal ownership. The average seating capacity of the profiled facilities is 20,100, the average market size, as measured by the MSA, is nearly 2.0 million and the average DMA is approximately 5.0 million. This average is somewhat skewed by the Anaheim media market which is approximately 16.2 million. The median household EBI for the profiled markets is $39,400 which is lower than that of Nashville ($44,300).

The following graph illustrates the number of performances and total attendance at these arenas.

Utilization at Profiled Facilities



Notes: Sorted in ascending order by total attendance.
In order to be consistent, utilization reflects 2001 information.
Source: Individual facility management.

Overall, the number of performances and total attendance at the GEC compares favorably to the profiled facilities. The table on the next page provides a more detailed breakdown of event activity at these facilities.

Summary of Utilization at Profiled Facilities

Facility Location	Gaylord Entertainment Center Nashville, TN	HSBC Arena Buffalo, NY	St. Pete Times Forum Tampa, FL	TD Waterhouse Centre Orlando, FL	Office Depot Center Sunrise, FL	The Arrowhead Pond of Anaheim Anaheim, CA	Charlotte Coliseum Charlotte, NC	Average of Comparables
Owner	**Metro Gov't of Nashville**	**County/City/State**	**Tampa Sports Authority**	**City of Orlando**	**Broward County**	**City of Anaheim**	**City of Charlotte**	
Utilization								
Performances								
Professional Sports	**56**	86	50	100	54	52	65	**68**
Other Sports	**6**	11	9	19	3	19	12	**12**
Concerts	**16**	13	29	16	22	20	19	**20**
All Other Events	**152**	15	11	54	32	57	64	**39**
Total Events	**230**	**125**	**99**	**189**	**111**	**148**	**160**	**139**
Total Attendance								
Professional Sports	**786,448**	979,382	694,490	806,110	577,696	605,191	674,257	**722,854**
Other Sports	**155,415**	52,951	121,442	98,252	23,174	216,520	194,144	**117,747**
Concerts	**180,647**	146,367	349,172	171,062	287,390	273,700	250,030	**246,287**
All Other Attendance	**271,796**	122,704	99,491	216,819	262,923	301,763	304,395	**218,016**
Total Attendance	**1,394,306**	**1,301,404**	**1,264,595**	**1,292,243**	**1,151,183**	**1,397,174**	**1,422,826**	**1,304,904**

Note: In order to be consistent, utilization reflects FY 2001 information.
Source: Individual facility management.

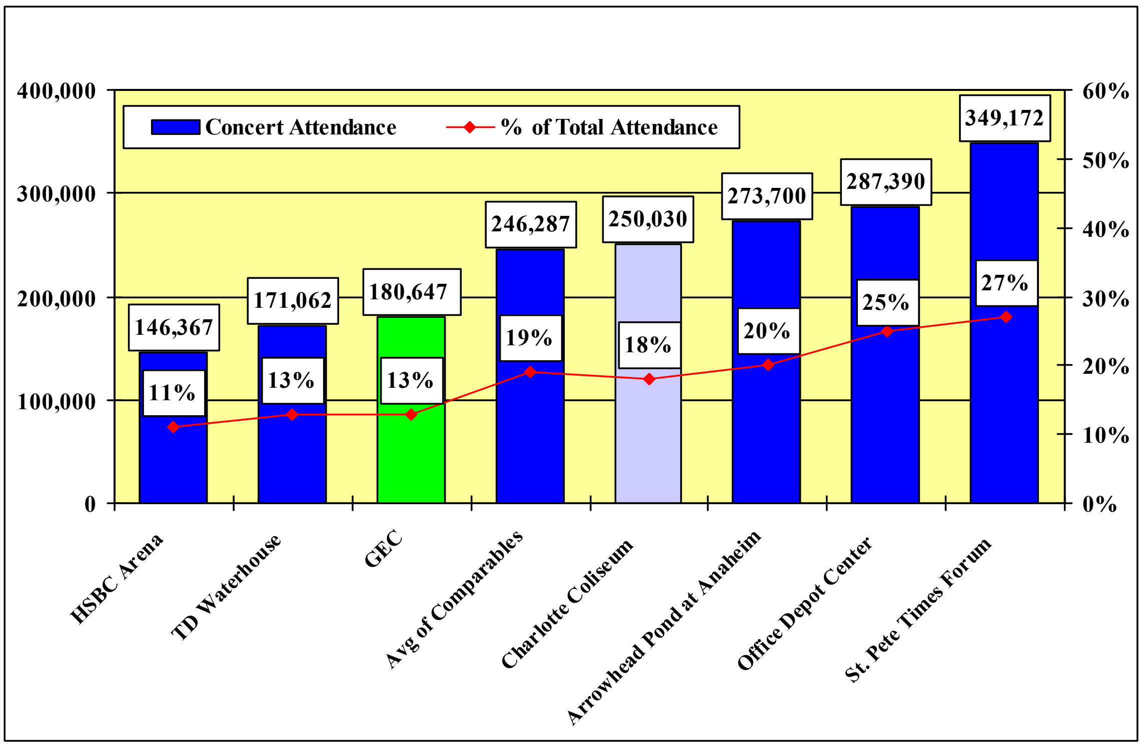
The profiled facilities averaged 139 performances and nearly 1.3 million people in total attendance over each of their past fiscal years. The GEC hosted 230 events which included 152 other events such as meetings and seminars. Many of these other events consisted of meetings which had little or no impact on the facility's financial operations. As noted in the facility description section of this report, the GEC contains approximately 6,000 square feet of dedicated meeting room space. Consequently, the ability to host meetings may be greater than that of the other profiled facilities. Many of the meetings recorded by facility management include internal staff meetings, staff and vendor training sessions and Metro Sports Authority meetings. Some meeting facility users pay the full per day room charge, some others pay a reduced rate and internal users, including Metro departments, pay no rent. The net result is that these events have little or no impact on the facility's financial operations. Excluding these events, which drew approximately 6,600 in total attendance, the facility hosted 111 events which still compares favorably to several of the profiled facilities. In terms of total attendance, the GEC ranked third among the profiled facilities.

Total attendance for professional sporting events at the GEC compares favorably to the other facilities. In addition, attendance at professional sporting events accounted for approximately 56% of the total attendance at the GEC which is comparable to the average of the profiled facilities. It is important to recognize that the 786,500 in attendance for professional sports at the GEC included approximately 100,000 patrons from the Nashville Kats who no longer play at the facility. Whether the GEC is able to secure another AFL team will influence future total attendance in this category.

KPMG

The number of concerts at the profiled facilities ranged from 13 to 29 while the total attendance generated by these events ranged from approximately 146,400 to 349,200. The GEC hosted 16 concerts which generated total attendance of 180,600, both of which were below the average of the profiled facilities. As a point of comparison, the table that follows illustrates the concert attendance as well as the percentage of total attendance that concert activity represents.

Concert Activity at Select Facilities



Note: Sorted in descending order by total attendance at concerts.
In order to be consistent, utilization reflects 2001 information.
Source: Individual facility management.

The lower than average concert activity at the GEC as compared to the profiled facilities is likely attributable to several factors such as market size, the competitive market (including the AmSouth Amphitheater) and date availability and does not appear to be a reflection of Powers' efforts. However, management should continue to explore ways to maximize event activity from concerts at the GEC which can potentially have a substantial impact to a facility's bottom line.

Financial Performance

Revenues, expenses and net income (loss) are indicators of financial performance. The GEC's excess of expenses over revenues has ranged from approximately $3.3 million in FY 1999 to $3.8 million in FY 2001 which represents an increase of approximately 15% over the three-year period. However, it is important to note that the GEC's 1999 loss included a one-time $957,225 expense adjusting for an under-billing by the GEC's local electrical utility provider.

For FY 2002, Powers originally budgeted a loss for the GEC of approximately $4.0 million which included payment to Metro for debt service associated with the construction and improvement of the facility. However, according to facility management, increases in the Nashville Thermal utility rate charged to GEC resulting in approximately $300,000 of actual utility expenses over budget, attendance shortfalls at Predators' games and a less than projected realization of revenue from concerts and other events has increased Powers' unaudited loss by approximately $800,000 to approximately $4.8 million for FY 2002. Overall, the operating loss at the GEC increased in fiscal years 2001 and 2002 and is forecasted to continue to increase in FY 2003.

The following table summarizes the historical, unaudited and budgeted revenue in excess of expenses and debt service for the GEC for the fiscal years ending June 30, 1999 through June 30, 2003.

GEC Summary of Historical, Unaudited and Budgeted Revenue in Excess of Expenses and Debt Service Paid to Metro for the Fiscal Years Ending June 30, 1999 through June 30, 2003

	Fiscal Year Ending					
	Jun-99	Jun-00	Jun-01	3-Yr. Average	Unaudited Jun-02	Budgeted Jun-03
Revenue	$5,430,376	$6,081,014	$5,197,805	$5,569,732	$4,046,441	$5,162,282
Expenses	6,918,756	8,475,984	8,165,440	$7,853,393	8,091,542	9,637,232
Subtotal	(1,488,380)	(2,394,970)	(2,967,635)	(2,283,662)	(4,045,101)	(4,474,950)
Other Revenue/(Expense)	(1,820,851)	(899,963)	(860,148)	(1,193,654)	(737,682)	(864,950)
Revenue in Excess of Expenses and Debt Service Paid to Metro	($3,309,231)	($3,294,933)	($3,827,783)	($3,477,316)	($4,782,783)	($5,339,900)

Notes: Other revenue/(expense) includes interest income and revenue recognized by the GEC but allocated to Metro for debt service. In FY 1999, this amount also includes a one-time under-billing by NES, the local electric utility provider to the GEC in the amount of $957,225.
Unaudited FY 2002 represents internally prepared financial data by facility management which has not been audited as of the date of this report. FY 2002 includes an expense item in the amount of $191,445 for payment of the 1999 under-billing deferral.
Sources: Powers Management LLC; Metro Nashville.

A Viability Study conducted in the initial planning for the facility indicated that the GEC would have an "initial projected operating loss of $150,510 in 1993 dollars" and "with moderate favorable changes in assumptions, operations could result in breakeven or positive cash flow." During construction of the facility, newspapers reported that "Officials have estimated the arena will lose about $250,000 a year for the first three years before it can break even." This has not occurred and consequently Metro continues to subsidize GEC's operations. This subsidy is expected to increase, at least in the short-term.

Although attendance remained relatively constant during FY 1999 through FY 2001, revenues fluctuated averaging approximately $5.6 million during the period. The increase in revenues during FY 2000 is primarily attributable to nearly twice the rent revenue received from events other than Predators' games and concerts. Unaudited FY 2002 revenues are significantly lower than in prior years which is partially due to attendance shortfalls at Predators' games and lower than projected concert activity.

Also, as reflected in the previous table, expenses for FY 1999 were $6.9 million which increased by approximately 23% to almost $8.5 million in FY 2000 before declining by 3.5% to approximately $8.2 million in FY 2001. Between FY 1999 and FY 2001 expenses have averaged approximately $7.9 million per year.

The unaudited financial statements prepared by facility management indicate over a $1 million reduction in FY 2002 gross revenue to $4.0 million and approximately $8.1 million in expenses which is slightly lower than in the previous fiscal year.

Revenue in excess of expenses and debt service paid to Metro has averaged approximately $3.5 million during fiscal years 1999 through 2001. This amount increased by approximately $1 million between FY 01 and FY 02.

As with most municipally owned assets, budgeting is an important part of the planning process. The table that follows summarizes the budgeted versus actual revenues, expenses and excess of revenue over expenses for the GEC for fiscal years 1999 through 2001 as well as for FY 2002 (unaudited).

Summary of Actual and Unaudited Versus Budgeted Revenue and Expenses for the GEC for Fiscal Years 1999 through 2002

	Fiscal Year 1999		
	Budgeted	**Actual**	**Variance**
Revenue	$5,322,250	$5,541,970	$219,720
Expenses	$6,435,251	$8,851,201	$2,415,950
Excess of Revenue over Expenses	**($1,113,001)**	**($3,309,231)**	**($2,196,230)**
	Fiscal Year 2000		
	Budgeted	**Actual**	**Variance**
Revenue	$5,033,741	$6,212,688	$1,178,947
Expenses	$7,512,803	$9,507,621	$1,994,818
Excess of Revenue over Expenses	**($2,479,062)**	**($3,294,933)**	**($815,871)**
	Fiscal Year 2001		
	Budgeted	**Actual**	**Variance**
Revenue	$5,318,331	$5,321,991	$3,660
Expenses	$8,476,409	$9,149,774	$673,365
Excess of Revenue over Expenses	**($3,158,078)**	**($3,827,783)**	**($669,705)**
	Fiscal Year 2002		
	Budgeted	**Unaudited**	**Variance**
Revenue	$4,665,326	$4,151,371	($513,955)
Expenses	$7,828,545	$8,934,155	$1,105,610
Excess of Revenue over Expenses	**($3,163,219)**	**($4,782,784)**	**($1,619,565)**

Notes: Actual revenue for fiscal years 1999 through 2001 includes interest income.
Actual expenses for fiscal years 1999 through 2001 include revenue realized by the GEC, but allocated to Metro for debt service.
The FY 1999 actual expense amount includes a one-time under-billing by NES, the local electric utility provider to the GEC in the amount of $957,225.
Projected 2002 includes financial data prepared by management but not audited as of the date of this report.
FY 2002 includes an expense item in the amount of $191,445 for payment of the 1999 under-billing deferral.
A positive revenue variance indicates actual or unaudited revenue exceeded budgeted revenue.
A negative revenue variance indicates actual or unaudited revenue was less than budgeted.
A positive expense variance indicates actual or unaudited expenses exceeded budgeted expenses.
A negative expense variance indicates the actual or unaudited excess of revenue over expenses exceeded the budgeted excess of revenue over expenses.

Source: Powers Management.

The following summarizes key observations related to the above information.

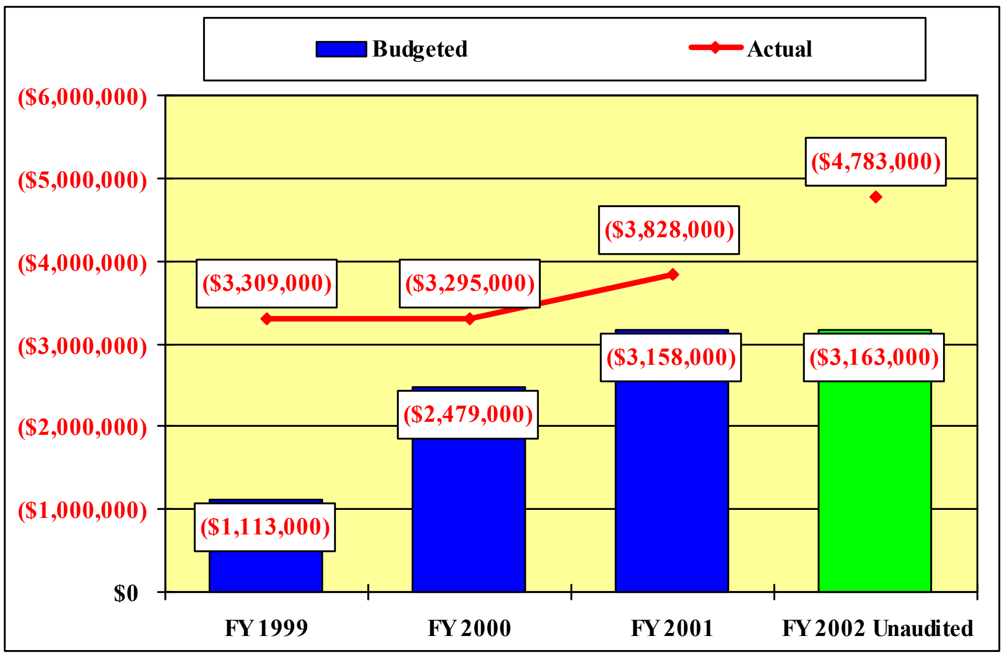
- The method used by management in classifying the budgeted amounts of certain revenue and expense items of the GEC is different than the classification used in the preparation of the annual audited financial statements of the GEC. As a result, comparing certain budgeted to actual detail revenue and expense amounts is difficult. By way of example, event expenses when budgeted by management is classified as a net offset to revenue. However, this expense item is classified as an operational expense of the facility for audited financial statement purposes.

- GEC management should explore using a consistent classification for both budgeting and for the presentation of audited financial statements which would allow for better monitoring of the GEC's financial performance throughout the year.

* Although it is difficult to accurately project future revenues and expenses at an arena for several reasons including success of the tenant team and the nature of the evolving concert industry, Powers should continually monitor its historical budgets against actual results to refine and more accurately estimate future revenues and particularly expenses.

The following graph illustrates a comparison of the actual/unaudited excess of revenue over expenses for the GEC for the fiscal years 1999 through 2002.

Comparison of Budgeted to Actual/Unaudited Excess of Revenue over Expenses at the GEC for Fiscal Years 1999 through 2002



Notes: Actual revenue for fiscal years 1999 through 2001 includes interest income. The FY 1999 actual amount includes a one-time under-billing by NES, the local electric utility provider to the GEC in the amount of $957,225.
Actual expenses for fiscal years 1999 through 2001 include revenue realized by the GEC, but allocated toward the payment of Metro debt service.
Unaudited 2002 includes financial data prepared by management but not audited as of the date of this report.
Amounts are rounded to the nearest thousand.
FY 2002 includes an expense item in the amount of $191,445 for payment of the 1999 under-billing deferral.

Source: Powers Management.

As the previous table illustrates, the actual excess of revenue over expenses has created losses greater than budgeted in each of the last three fiscal years.

It is important to note that certain items recorded as revenue at the GEC are also specifically earmarked to be paid to Metro to offset a portion of the payment of debt incurred in connection with the construction and improvement of the facility. This amount is classified in the financial statements of the GEC as "Metro Debt Service".

The table that follows illustrates a more detailed breakdown of revenue and expenses for the GEC for fiscal years 1999 through 2001 including interest income and Metro debt service. In 1999, the GEC received a notice from Nashville Electric, its utility provider, that it had been under-billed for electrical usage from the arena's inception to the date of the notice. The GEC and Nashville Electric worked out an arrangement whereby the $957,225 under-billing could be paid over the following five consecutive years. Consequently, during the year of the under-billing, a one-time expense for charges payable to Nashville Electric, classified below as a deferred payable to utility provider, was recorded in the amount of $957,225.

GEC Detail of Revenues, Expenses and Excess of Revenues Over Expenses After Metro Debt Service for Fiscal Years Ending June 30, 1999 through June 30, 2001

	Fiscal Year		
	June-99	June-00	June-01
REVENUES:			
Facility rent	$2,362,791	$2,925,931	$2,298,760
Food and beverage	1,253,847	1,335,185	1,070,907
Advertising, parking and other	908,517	822,845	951,448
Seat use fee	420,430	468,510	425,861
Merchandising	221,206	217,064	191,964
TicketMaster	145,130	207,331	166,840
Suite/club seat	118,455	104,148	92,025
Total revenues	5,430,376	6,081,014	5,197,805
EXPENSES:			
Salaries and benefits	2,369,369	2,550,180	2,586,771
General and administrative	2,692,526	3,492,414	3,668,974
Event expense, net	1,306,083	1,765,753	1,443,879
Facility improvements on behalf of Metro	-	217,003	-
Management fees	196,917	201,000	208,380
Advertising	145,073	59,850	63,356
Travel and entertainment	125,640	146,026	100,365
Professional services	80,207	36,953	93,715
Recruiting costs	2,941	6,805	-
Total expenses	6,918,756	8,475,984	8,165,440
INTEREST INCOME	111,594	131,674	124,186
EXCESS REVENUES OVER EXPENSES BEFORE METRO DEBT SERVICE	(1,376,786)	(2,263,296)	(2,843,449)
DEFERRED PAYABLE TO UTILITY PROVIDER	957,225	-	-
	(2,334,011)		
METRO DEBT SERVICE	975,220	1,031,637	984,334
EXCESS OF REVENUES OVER EXPENSES AFTER METRO DEBT SERVICE	**($3,309,231)**	**($3,294,933)**	**($3,827,783)**

Note: Metro Debt Service reflected above represents revenue recognized by the GEC but allocated to Metro for debt service.
Sources: Powers Management; Metro Nashville.

As shown in the previous table, facility rent and food and beverage income represent the two largest revenue streams at the GEC which is typical at most arena facilities. Combined revenue from these two sources accounted for 67% of the total facility revenue in FY 1999 which increased to 70% in FY 2000 and decreased to 65% in FY 2001.

Revenue from advertising, parking and other miscellaneous sources has ranged from a low of $823,000 in FY 2000 to a high of $951,000 in FY 2001, accounting for between 14% and 18% of total facility revenue over the last three fiscal years. Included in this line item is also revenue generated from meeting room rental and the sale of non-NHL advertising in the facility. The GEC only controls approximately 350 parking spaces most of which are provided to suite holders. As illustrated earlier in this report, any parking revenue received at the GEC is allocated to Metro debt service.

As shown in the utilization section of this report, the Predators represent the largest single user of the GEC. Based on the terms of the lease agreement executed between the team and the Metro Sports Authority, the GEC receives rent in an amount equal to $750,000 or 5% of gross ticket revenue per year, whichever is greater. The ticket revenue generated from the Predators games is an important component of the overall revenue at the GEC. The GEC is also entitled to other revenue streams such as a portion of certain non-NHL advertising revenue sold by the Predators.

Revenues generated from other events held at the GEC, particularly concerts, also influences financial performance at the facility. The table that follows analyzes the revenues at the GEC that is attributable to the rent generated by the Predators, concerts and other rentals as well as the income generated from food and beverage sales.

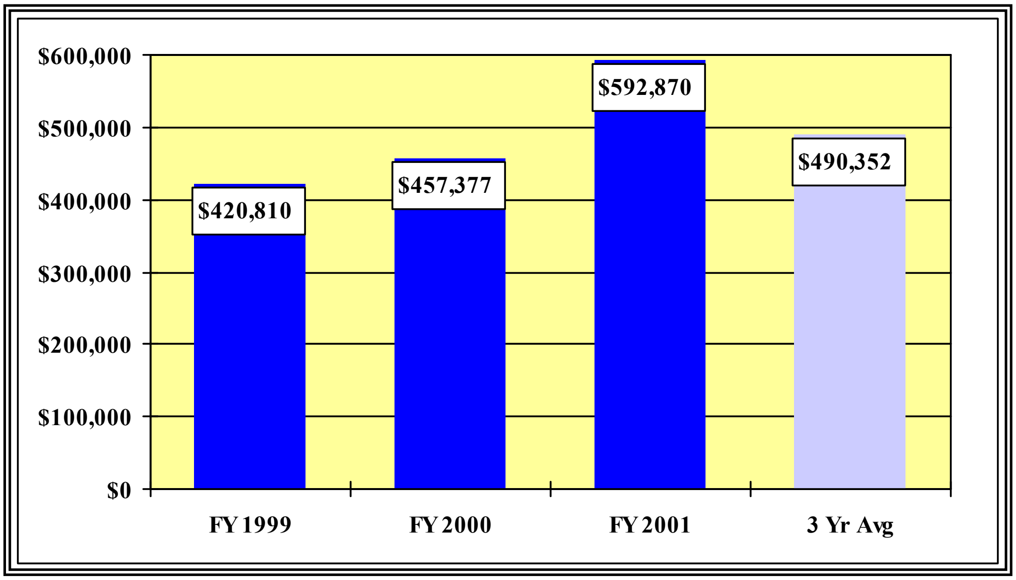
Summary of Facility Rent, Food & Beverage Revenues and Utilization at the GEC for Fiscal Years Ended June 1999 through June 2001

	Fiscal Years Ended				
Revenue	**30-Jun-1999**	**30-Jun-2000**	**% Change from Prior Yr.**	**30-Jun-2001**	**% Change from Prior Yr.**
Total GEC Revenue	$5,430,376	$6,081,014	12.0%	$5,197,805	-14.5%
Rent from Predators home games	$1,050,653	$1,170,520	11.4%	$1,021,907	-12.7%
Rent from concerts	$811,129	$775,001	-4.5%	$702,246	-9.4%
All other facility rent	$501,009	$980,410	95.7%	$574,607	-41.4%
Total GEC rental revenue	$2,362,791	$2,925,931	23.8%	$2,298,760	-21.4%
Food & beverage revenue	$1,253,847	$1,335,185	6.5%	$1,070,907	-19.8%
% of total revenue at the GEC					
Rent from Predators home games	19%	19%	0.0%	20%	5.3%
Rent from concerts	15%	13%	-13.3%	14%	7.7%
All other facility rent	9%	16%	77.8%	11%	-31.3%
Total GEC Food & beverage revenue	23%	22%	-4.3%	21%	-4.5%
Total GEC Attendance	1,348,409	1,375,656	2.0%	1,394,306	1.4%
Number of Predators home games	41	43	4.9%	43	0.0%
Average attendance at Predators home games	15,884	16,420	3.4%	15,601	-5.0%
Total attendance at Predators home games	651,263	706,050	8.4%	670,828	-5.0%
% of total attendance	48%	51%	6.3%	48%	-5.9%
Number of concert events	17	16	-5.9%	16	0.0%
Average attendance at concerts	11,527	10,490	-9.0%	10,626	1.3%
Total attendance at concerts	195,951	178,324	-9.0%	180,647	1.3%
% of total attendance	15%	13%	-13.3%	13%	0.0%

Sources: Powers Management; KPMG research.

As discussed previously in this report, the GEC receives 50% of the non-NHL advertising revenue sold at the facility. The Predators are responsible for selling non-NHL advertising at the facility. The following chart illustrates the amount of non-NHL advertising revenue received by the GEC over the past three fiscal years.

Summary of Non-NHL Advertising Revenue at the GEC



Source: Powers Management.

Non-NHL advertising revenue has increased in each of the last three fiscal years at the GEC. For FY 1999 non-NHL advertising revenue was approximately $421,000 which increased in FY 2000 to approximately $457,000 and again in FY 2001 to approximately $593,000. This represents a 41% increase from FY 1999 to FY 2001.

Below is a table illustrating non-NHL advertising revenue at select facilities.

2001 Non-NHL Advertising Revenue at Select Facilities

Facility Name	Facility Location	Advertising Revenue
Charlotte Coliseum	Charlotte, NC	$821,000
Key Arena	Seattle, WA	$797,000
TD Waterhouse Centre	Orlando, FL	$695,000
Pyramid Arena	Memphis, TN	$631,000
GEC	**Nashville, TN**	**$593,000**
Average of Select Facilities		**$736,000**

Notes: Amounts may include some naming rights revenue at select facilities.
Amounts are rounded to the nearest thousand.
Source: Individual Facilities.

One factor that determines the amount of non-NHL advertising revenue received at a facility is the terms of the lease in place at that facility. As the previous table illustrates, the GEC received less non-NHL advertising revenue than the select profiled facilities.

Comparing financial performance at comparable facilities can offer a good frame of reference from which to benchmark operations of the GEC. We reviewed the comparable facilities outlined in both the License and Use Agreement executed between the Predators and the Metro Sports Authority and the Operating and Management Agreement executed between Powers and the Metro Sports Authority which include the following:

- Arrowhead Pond in Anaheim
- United Center in Chicago
- Gund Arena in Cleveland
- Kiel Center (now known as the Savvis Center) in St. Louis
- Fleet Center in Boston
- Rose Garden in Portland
- Marine Midland Arena (now known as the HSBC Arena) in Buffalo
- CoreStates Center (now known as the First Union Center) in Philadelphia

At the time that the above agreements were executed, these facilities represented newer facilities that hosted NHL and/or NBA teams. While some of these arenas are comparable to the GEC, there are issues associated with using some of these facilities as a benchmark or baseline for comparison.

Because the general characteristics of a market can be important factors in estimating the potential success of a facility, one factor to consider is market size. Market characteristics can influence the likelihood of a facility attracting major concert and entertainment acts as well as potential attendance associated with a major sports tenant. With respect to the comparable facilities outlined in the management contracts, Chicago, Philadelphia and Boston represent the third, fourth and ninth largest MSA populations in the U.S., respectively. These markets are so much larger than Nashville that it would be difficult to draw meaningful comparisons.

Other factors to consider when selecting comparable facilities are characteristics such as seating capacity and premium seating product as well as the ownership and operating structure. The facilities in the three markets discussed previously, the United Center, the First Union Center and the Fleet Center all host at least two major sports tenants, offer more premium seating product and have a significantly different ownership structure from that at the GEC.

For example, the United Center, which is home to the NHL Chicago Blackhawks and the NBA Chicago Bulls, has 208 suites and 3,100 club seats. By comparison, the GEC has 72 suites and 1,800 club seats. The facility was privately financed and is owned and operated by United Center Joint Venture which is an equal partnership between the owners of the Blackhawks and the Bulls.

The First Union Center is owned by Comcast-Spectacor which is a joint venture between Comcast Corporation and Spectacor and hosts both an NHL and NBA team. As an entity, Comcast-Spectacor owns multiple facilities and professional sports franchises. The First Union Center contains 126 suites and 1,800 club seats.

Similar to the United Center and the First Union Center, the Fleet Center in Boston has more than 100 suites and 2,400 club seats. The facility is owned by Delaware North Corporation, which also owns the Boston Bruins and is a 38% stakeholder in the New England Sports Network, a large regional sports television network.

While the Gund Arena, Savvis Center and the Rose Garden represent comparable facilities that host one primary sports tenant in similar sized markets to Nashville, all are privately owned and operated arenas. The team and the facility owner/operator share common ownership at the Rose Garden and at Gund Arena. In addition, the Savvis Center is owned by the Kiel Center Partners which is a syndicate of companies and individuals. Because these facilities are privately owned and operated, they are not required to disclose any information relative to their business operations.

The St. Pete Times Forum (formerly known as the Ice Palace) in Tampa, the RBC Center (formerly known as the ESA) in Raleigh and the Nationwide Arena in Columbus are comparable facilities located in similar sized markets that host NHL franchises. The St. Pete Times Forum is owned by the Tampa Sports Authority and operated by the Palace Sports & Entertainment through a leasehold agreement. Palace Sports & Entertainment also owns the NHL franchise that plays at the facility. The RBC Center is owned by the Centennial Authority and operated by the team through its management company Gale Force Entertainment. The Nationwide Arena was privately funded and is operated by SMG through a management contract with the facility owner.

Although information was obtained on several private facilities, this data is confidential and cannot be included in the report. However, it is considered in our overall conclusions and recommendations. This is also the case at the Rose Garden in Portland which was one of the comparable facilities mentioned in the Predators' lease.

The facilities used to benchmark the GEC's financial information against include the following:

- Arrowhead Pond
- Office Depot Center
- TD Waterhouse Centre
- Charlotte Coliseum

Generally, these facilities were chosen based on one or more of the following criteria:

- Located in markets similar in size to Nashville;
- Offer similar seating capacity;
- Host similar tenant base; and/or
- Offer a similar ownership and management structure; and/or
- Availability of information (i.e. privately owned and operated facilities are not required to disclose any information relative to their business operations).

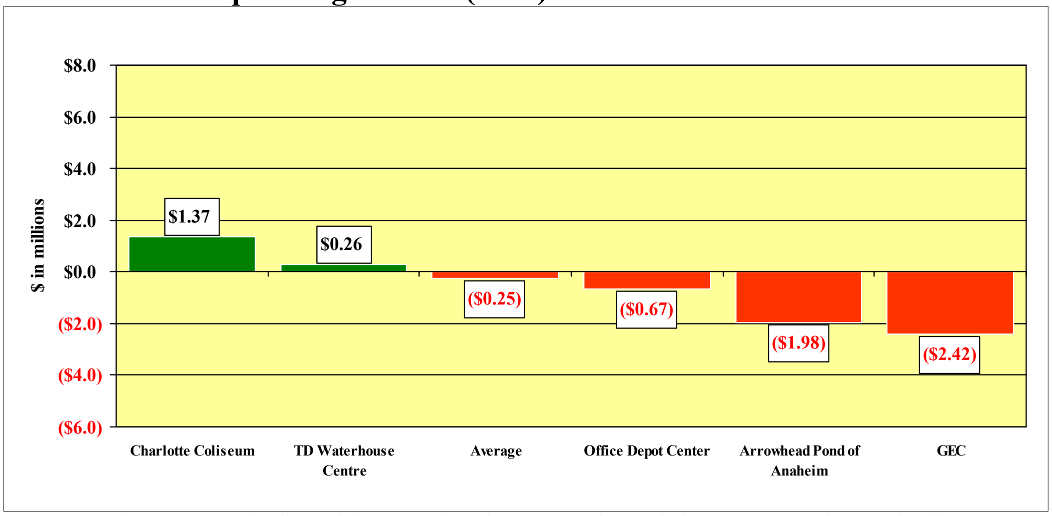
The Arrowhead Pond of Anaheim is a similar sized facility that hosts an NHL franchise as its primary sports tenant. The facility is privately operated by Ogden Facility Management Corp. and was listed as a comparable facility in the Predators' lease agreement.

The Charlotte Coliseum, TD Waterhouse Centre, and Office Depot Center are all facilities with one major sports tenant and have similar ownership structures to that of the GEC. With respect to operating characteristics, the Charlotte Coliseum is operated by an authority, TD Waterhouse Centre is municipally operated and the Office Depot Center is operated by a private management company (SMG).

It is important to recognize that facilities vary in their methods of financial reporting. Consequently, for purposes of this analysis, adjustments have been made to the financial information as reported by the facilities in order to try to make the data as consistent as possible for comparative purposes. For instance, operating revenues do not include any public funding or tax revenue such as hotel/motel collections for any of the profiled facilities. Similarly, operating expenses include all expenses of the facility and exclude depreciation expense, debt service, large asset purchases, any expenses related to capital improvements and any effect of taxes.

The graph below illustrates the operating income (loss) for the select profiled facilities.

Operating Income (Loss) for Profiled Facilities



Notes: These amounts for the facilities above have been adjusted to exclude debt service where applicable.
GEC's $2.42 million loss is equal to the FY 2001 excess of expenses over revenue of $3.83 million less debt service of $984,334 and seat use charges payable to Metro for debt service of $426,000.
In order to be consistent, operating income (loss) reflects 2001 information.

Source: Individual facility management.

The following summarizes key observations related to the above information.

- The average net operating loss of the profiled facilities is approximately $250,000.
- The GEC is currently experiencing greater losses than any of the profiled facilities yet has higher attendance in that fiscal year than all but two of the profiled facilities. This is partially attributable to the lease terms with the Predators as well as less concert activity than at the profiled facilities.

  More detailed information related to these facilities is incorporated into the key findings and recommendations section as appropriate.
- Although detailed information was not made available for disclosure in this report, management at the RBC Center in Raleigh, which has been profiled throughout this report, mentioned that the facility experienced an operating loss of approximately $5 million.
- Published data also indicates that both the St. Pete Times Forum and the HSBC Arena operate at a deficit.

The GEC's deficit has been impacted by its tenant's performances and contractual terms. It is important to recognize the impact a tenant has on a facility's bottom-line as well as the fact that facility management has limited control over this issue.

An arena's financial performance can vary based on several factors including sport tenant performance and the amount and type of concert activity. From an event activity standpoint the GEC has been busy and compares favorably to similar facilities. Despite this activity, the ongoing operating deficit at the facility is a concern that needs to be addressed. Consequently, identifying ways to increase revenues and decrease expenses is a key part of improving the financial performance of the GEC.

In conclusion, improving financial performance can be achieved by increasing revenue and/or decreasing expenses. Many revenues and expenses are directly attributable to event activity which can be impacted, to some degree, by marketing and management efforts at the facility. However, increasing revenues is often more difficult because in many ways they are driven by factors outside of the control of management including:

- Market size
- Number of touring acts in any given year
- Date availability
- Changes in the competitive environment
- Tenant team performance
- Existing contractual agreements

Reducing expenses is more likely to be a more successful strategy because management controls more of these areas such as staffing levels, salaries and contracted services.

Hypothetical Impact of Lease Terms

Section 4 of this report discussed the major lease terms between the Predators and the Metro Sports Authority. As a point of comparison, an analysis was conducted to provide an order of magnitude estimate as to the impact that the terms with the tenant teams at certain profiled facilities would have on the GEC's revenue if all other factors such as attendance, ticket price, concessions per capita figures, naming rights revenue, advertising revenue, premium seating revenue and parking revenue were the same. It is assumed that operating expenses would remain constant.

Certain variables associated with the Predators were applied to the lease terms of profiled facilities. For example, one of the profiled facilities receives 85% of the naming rights revenue generated at their facility. Thus, the hypothetical impact to the GEC is shown as if the facility received 85% of the $4 million in naming rights revenue all of which is currently retained by the Predators. The following table illustrates the Predators' variables used in the analysis while the table on the next page shows a summary of the hypothetical impact to the GEC revenue if the Predators operated under the same lease terms as the tenant sports teams at the select facilities.

Estimated Variables Used in Lease Terms Analysis	
Attendance	670,828
Annual Naming Rights Revenue Generated at the GEC	$4,000,000
Annual Suite Leasing Revenue Generated at the GEC	$4,400,000
Annual Club Seat Revenue Generated at the GEC	$1,025,000
Average Ticket Price	$43.52
Estimated Net Concession Revenue per Capita	$3.60
Non-NHL Advertising Gross Revenue	$1,185,740

Notes: Suite and club seat revenue is based on information supplied by the Predators.
Estimated net concession per capita is equal to revenue of $8 per capita and expenses of 55%.
Sources: Powers Management; Nashville Predators; Team Marketing Report; KPMG Research.

KPMG

Summary of Hypothetical Impact to the GEC Gross Revenue Based on Applying Predators' Variables to Tenant Sports Teams' Lease Terms at Select Facilities

	GEC under the terms of its current lease with the Predators	GEC under Predators' variables but lease terms of the Arrowhead Pond at Anaheim	GEC under Predators' variables but lease terms of the HSBC Arena	GEC under Predators' variables but lease terms of the RBC Center	GEC under Predators' variables but lease terms of Xcel Energy Center	GEC under Predators' variables but lease terms of the Office Depot Center
Naming rights	$0	$500,000	$3,400,000	$640,000	$0	$0
Suites	$0	$2,984,000	$440,000	$0	$0	$0
Club seats	$323,000	N/A	$103,000	$0	$0	$0
Rent	$1,460,000	$2,190,000	$2,010,000	$2,750,000	$3,500,000	$308,000
Advertising	$593,000	$593,000	$119,000	$0	$385,000	$0
Concessions	$0	$1,872,000	$0	$0	$0	$0
Parking /misc. other	N/A	N/A	N/A	N/A	N/A	($678,000)
Gross revenue to the GEC from the Predators under its current lease	$2,376,000	N/A	N/A	N/A	N/A	N/A
Gross revenue that could be realized from lease terms at other facilities using the Predators' variables	N/A	$8,139,000	$6,072,000	$3,390,000	$3,885,000	($370,000)
Difference in revenue between other facilities lease terms and the lease terms currently in place at the GEC	N/A	$5,763,000	$3,696,000	$1,014,000	$1,509,000	($2,746,000)

Notes: Rent revenue to the GEC under its current lease term with the Predators was calculated based on attendance multiplied by the average ticket price shown earlier in this report. This yields a different result that the actual rent revenue received by the GEC from the Predators during FY 2001. This method was used to calculate rent revenue received by the GEC in order to more uniformly present and compare amounts paid in rent by the profiled facilities.

Parking controlled by the GEC is limited to approximately 350 spaces most of which are provided to suite holders who have access to their spaces for both Predators and non-Predators events. The financial impact derived from parking at the GEC is nominal and is not considered in this analysis.

N/A= Not applicable

Amounts rounded to the nearest thousand.

Details concerning the leases in place at each facility are as follows:

The Arrowhead Pond at Anaheim

Facility receives 50% of naming rights up to $1 million.
Facility receives 55% of first $10 million in premium seating revenue and 50% of second $10 million.
Facility receives rent in an amount of 7.5% of gross ticket revenue.
Facility receives 50% of non-NHL advertising.
Facility operates concessions in-house and keeps 77.5% of the revenue.

The HSBC Arena

Facility receives 85% of naming rights revenue.
Facility pays the team a commission related to the sale of premium seating and non-NHL advertising. The sales commission agreement was unavailable during this study effort. For purposes of this analysis a conservative estimate of 10% to the facility and 90% to the team was used.
Facility receives a flat base amount of rent which escalates annually.

The RBC Center (formerly known as the Raleigh Entertainment and Sports Arena)

At the time of this report, the Raleigh Entertainment and Sports Arena has changed its name to the RBC Center.
Gale Force Sports and Entertainment pays the facility owner; the Centennial Authority an annual fee in the minimum amount of $2.75 million to operate the facility. With some exceptions where revenue is shared with the facility's other tenant, North Carolina State University Basketball, Gale Force Sports and Entertainment retains the facility revenue and is responsible for all the facility's expenses. Accordingly, individual revenue streams for suites, club seats, rent etc., are not shown.

The Xcel Energy Center

Minnesota Hockey Venture Group LP pays the facility owner; the City of St. Paul an annual fee in the amount of $350 million to operate the facility. In addition, the group pays $385,000 annually for the rights to advertise on the outside marquee. The Minnesota Hockey Venture Group retains the facility revenue and is responsible for all the facility's expenses. Accordingly, individual revenue streams for naming rights, premium seating sales etc. are not shown.

The Office Depot Center (formerly known as the National Car Rental Center)

At the time of this report, the National Car Rental Center has changed its name to the Office Depot Center.
The team pays base rent equal to a maximum of $307,500 per year. Team also pays "incentive" rent above the base rent amount. The incentive rent is equal to the difference in 5% of ticket receipts and the sum of base rent plus pass-through expenses. Pass through expenses equal a portion of the utility expense incurred at the facility and the hockey event staffing expenses. Pass-through expenses are capped at the difference between 5% of ticket receipts and the amount paid in base rent. All expenses incurred in the operation of the facility are paid by the facility operator.
Revenue received under parking/miscellaneous other revenue is a combination of revenue generated from naming rights, suites, club seats and non-NHL advertising.
For purposes of this analysis it is assumed that no incentive rent was paid. Further, the team and the County are to share certain revenue generated at the facility.

Sources: Individual facility leases; Team Marketing Report; KPMG Research.

This hypothetical analysis provides an order of magnitude estimate as to the impact that the lease terms with the tenant teams at selected facilities would have on the GEC's revenue if all other factors such as attendance, ticket price, concession per capita figures, naming rights revenue, advertising revenue, premium seating revenue and parking revenue were the same at each facility.

On an order of magnitude basis, this hypothetical analysis indicates that with the exception of the Office Depot Center, if the Predators' lease terms were similar to those major professional sports tenants at the profiled facilities, the operating results of the GEC would be improved.

Other than the Office Depot Center, additional revenue amounts that could be realized by the GEC in this hypothetical analysis ranged from approximately $1 million to $5.8 million. In the case of the Office Depot Center, it is important to note that while the lease terms would yield less revenue for the GEC than the current Predators' lease, the facility management company currently operating the facility is responsible for operating expenses of the facility. This would also potentially decrease Metro's operating subsidy amount. This is also the case for the RBC Center and the Excel Energy Center.

Utilizing the conservative revenue from this analysis indicates the GEC's revenue before depreciation and debt service could be improved by $1 million thereby potentially reducing Metro's operating subsidy for the GEC for FY 2001 from $4.17 million to $3.17 million.

KPMG

Limited Review of Facility Management's Compliance with Select Terms of the Operating and Management Agreement

The operating and management agreement between the Metro Sports Authority and Powers outlines several operating and procedural guidelines for the management company to follow at the GEC. Select procedures were reviewed and analyzed to determine if Powers was following the terms of the operating and management agreement.

Specifically, procedures related to the procurement of supplies and services were reviewed to determine if facility management was operating in compliance with the specific provisions of the operating and management agreement. Additionally, contracts with third party vendors supplying services to the GEC such as cleaning, security, and crowd management were also reviewed from a procedural perspective to ensure sufficient controls are in place to verify that generally the services of third party vendors are being provided in accordance with the contracts executed by those third party vendors.

As mentioned previously in this report, Powers and the Predators share the services of certain employees. The salaries and expenses associated with these employees are paid by the Predators and Powers reimburses the team on a monthly basis for those staffing expenses attributable to Powers. The types of services provided by the shared positions, as well as the procedure for allocating those expenses were also reviewed.

As part of the testing process for the procurement of supplies and services, Powers' FY 2002 disbursement ledger was reviewed. Transactions above the monetary threshold as outlined in the operating and management agreement and thus qualifying as requiring certain treatment under the operating and management agreement were identified and further analyzed to determine compliance under the provisions of the operating and management agreement. Additionally, procedures for the administration of third party vendor contracts providing services to Powers were analyzed.

The Predators' use of the GEC for non-game hour practice sessions was also reviewed to determine if the team was in compliance with the provisions of the Agreement which govern the Predators' use of the facility for non-game hour practices. Throughout the term of the License and Use Agreement previously discussed in this report, the Predators shall have the right to use the GEC for practice sessions during game hours (six hours prior to and three hours subsequent to a Predators home game) at no additional cost. In addition, the Predators shall have the right to hold a reasonable number of practice sessions at the GEC during periods other than game hours; provided that (i) such practice sessions do not interfere with a non-team event, and (ii) the Team pays the Metro Sports Authority any incremental cost incurred by the Metro Sports Authority as a result of each practice session held during non-game hours. To allow a reasonable opportunity to schedule non-team events, no practice session may be scheduled more than 15 days before the date on which the game will take place. The Team shall have the right to exclude the general public from its practice sessions at the GEC. While the majority of the team's practices, including pre-season training camp, occurred at the Sportsplex practice arena, facility management estimates that the Predators used the GEC for 35 non-game hour practices during the six and one-half month 2001-2002 NHL season. Facility management also indicated that the decision to hold non-game hour practices at the

GEC is short-term in nature and occurs only at times that do not conflict with other events at the facility or when the set-up on removal of the ice surface is not required. Many of the costs associated with the Predators' use of the GEC for non-game hour practices, such as the cleaning of the benches and locker rooms and the resurfacing of the ice, are paid by the Predators.

Key Findings and Recommendations

- Total revenue recognized at the GEC has decreased by almost $1 million in FY 2001 and another $1 million in FY 2002 according to unaudited statements prepared by facility management.
- Although accommodating civic and non-profit groups may be beneficial to the community, this activity generally does not generate a profit for the facility and in fact costs the facility money. This issue is exacerbated in the case of the GEC due to Metro's contractual obligation to compensate Powers based upon the volume of community events hosted at the facility.
- A facility's financial performance is impacted by its tenant's attendance and contract terms. For FY 2001, approximately 20% of the GEC's revenues were derived from the rental of the facility to the Predators, while 14% of the GEC's revenues were derived from the rental of the facility for concerts.
- Without a renegotiation of the terms of the agreement, the financial upside for the GEC is limited by virtue of the License and Use Agreement executed with the Predators.
- Rent revenue associated with concerts hosted at the GEC has been on the decline. For FY 2001, revenue from concerts has decreased almost 10% from the previous period to just over $700,000 for the year. The number of concerts for this same time period has remained relatively constant on a year-to-year basis.
- Rent received from concerts at the GEC is generally capped in order to be competitive with other facilities and to attract events to the market. Consequently, the facility would have to host a significant number of additional concerts in order to make a substantial impact on the current financial deficit of the GEC, which is unlikely given current market conditions and trends in the industry.
- Some facilities choose to provide concessions and catering in-house because the profit margin is often higher. Several of the comparable facilities utilize this approach. The GEC recently extended its concession contract with Sportservice for an additional seven years. This limits the opportunity, without a re-negotiation of the concessions contract, to provide concession and catering services in-house in the short-term.
- The share of concession commissions received by the GEC is consistent with comparable facilities that outsource concession services.

- Currently Powers and other Metro facilities utilize different concessionaires and other vendors for services at their respective facilities. Metro should explore the possibility of bundling all of its concessionaire contracts where appropriate in an effort to take advantage of purchasing power and economies of scale. Although contracts are currently in place at the facilities, this represents a long-term strategy for all of Metro's facilities.
- Although the GEC does not receive revenue from the sale of food and beverages at Predators games, it does get a share from other events. Concessions revenue is primarily driven by the type of event and attendance. Non-Predators event attendance at the GEC increased by approximately 7% between FY 2000 and FY 2001. Despite this increase in non-Predators event attendance, food and beverage revenue has decreased 20% during this same period.
- The GEC controls a minimum number of parking spaces. In addition, revenue generated from parking at the facility during Predators' events goes to the team as part of its lease agreement. Consequently, unlike many of the peer facilities, the GEC generates very limited revenue from parking which negatively impacts its operating deficit.
- The GEC retains no portion of the naming rights revenue associated with the facility. This is inconsistent with several of the profiled facilities.
- The GEC may want to explore its rights within the existing naming rights agreement to possibly sell other naming rights within the facility such as for the performance hall or a reduced seating capacity theatre in the lower arena area.
- As mentioned earlier in the report, Metro should explore the potential opportunity of relocating the Nashville CVB Visitor Information Center and utilizing that space to achieve a greater financial impact for the facility. In FY 2001 the Visitor Information Center paid approximately $9,600 to the Metro Sports Authority for the space. This area represents some of the most visible and potentially marketable space in the facility.
- According to *The 2001 Building Owners and Managers Association Experience Exchange Report*, there is approximately 690,000 square feet of rentable office space with an approximate 89% occupancy rate in Nashville. According to this same source, average office space rents for approximately $18 per foot in downtown Nashville. If the GEC were able to rent the 11,000 square feet of currently available and unused space in the facility, it could possibly recognize an additional $150,000 to $200,000 per year in rent revenue.
- The GEC should make a concerted effort to lease all of the available space within the facility which could provide additional revenue on an annual basis.
- Salaries & benefits, general & administrative and net event expenses comprised 92%, 92% and 94%, of the GEC's operating expenses for FY 1999, 2000, and 2001, respectively. Since these three areas have comprised over 90% of the facilities operating expenses over the past three years, Powers should focus on these areas in an effort to reduce operating expenses and improve financial performance.

- General & administrative (G&A) expenses include expense items such as insurance, operational supplies, rental equipment, service agreements, telephone expense, and miscellaneous general and administrative expenses. Powers also classifies the seat use charge collected by the facility and remitted to Metro for debt service within the G&A expenses. Miscellaneous general and administrative expense includes such items as bad debt expense, bank charges, computer repairs & maintenance, dues & subscriptions, employee professional development, interest expense, office equipment, office furnishings, office supplies, other office costs, outside labor, postage, printing, uniform cleaning, and uniform expense.
- The G&A expense has increased 43% over the past three fiscal years as shown in next table. Utilities expense increased almost $1 million over this same time period which represents the largest component of this increase.
- The table below illustrates the increase in general and administrative expenses for the GEC from FY 1999 to FY 2001 by major line item.

Detail of General and Administrative Expenses for the GEC for FY 1999 through FY 2001

	1999	2000	2001	Increase/ (Decrease)	+/(-) % Change
Utilities	$1,159,493	$1,815,426	$1,954,589	$795,096	68.6%
Contracted Services	$216,115	$293,733	$347,693	$131,578	60.9%
Operational Supplies	$236,616	$316,435	$335,325	$98,709	41.7%
Insurance Expense	$108,657	$116,926	$176,597	$67,940	62.5%
Service Agreements	$161,179	$184,173	$211,536	$50,357	31.2%
Seat Use Charge	$420,000	$461,388	$426,000	$6,000	1.4%
Rental Equipment	$10,348	$13,659	$5,998	($4,350)	-42.0%
Telephone Expense	$58,986	$30,292	$24,389	($34,597)	-58.7%
Misc. G&A	$321,132	$260,382	$186,847	($134,285)	-41.8%

Notes: Increase/(Decrease) represents change from 1999 to 2001 expenses.
Sorted in descending order of Increase/(Decrease).
Source: Powers Management.

- Although utilities are an expense, the fees charged for utilities are outside of facility management's control. Powers should continually monitor its operations to ensure it is operating in as energy efficient a manner as possible.
- The allocation of expenses associated with the shared staffing is determined based on the level and type of activities performed by each shared employee. As part of the annual budgeting process outlined in the operating and management agreement, the Manager at the GEC should furnish the Metro Sports Authority with a proposed allocation of the shared employee expenses between Powers and the Predators together with a reasonably detailed summary explaining the basis of such allocation. Although the method of allocation as well as the number and type of shared staff positions appears reasonable, this process of determining the allocation is not being documented, distributed and reviewed by the Metro Sports Authority in a timely manner. Consequently, this allocation of staff should be periodically reviewed and monitored by the Metro Sports Authority.

- Although the number of employees at the GEC is higher than at selected peer facilities, the salaries and benefits expense appears to be consistent with other similar facilities. However, Powers and the Metro Sports Authority may want to explore the merits of reducing the number of full-time employees by outsourcing certain functions currently done in-house to determine if financial efficiencies can be achieved while still operating the facility in a first-class manner.
- The third largest expense over the last three fiscal year period is event related costs. This expense is best characterized as the net amount of expenses incurred by hosting events at the GEC including concerts, family shows, and Predator's home games. Examples of such expense items include advertising, security, parking, usher services, first aid, etc. Some such expenses are reimbursed by promoters depending upon the contractual terms negotiated between facility management and event promoters.
- With respect to procurement practices in place at the GEC, our analysis indicated that Powers is operating in accordance with guidelines outlined in the operating and management agreement. In addition, it appears that Powers has the appropriate procedures in place related to monitoring contracts with third party vendors to ensure that the appropriate services have been provided and that the invoices are accurate prior to payment. However, during the course of the study our analysis indicated that a few contracts with third party vendors had expired. Management noted that these third party providers operated on good faith during the period prior to renewal. As of the date of the study, all of the major contracts are current.
- Based on information provided by management, it appears as though practices outside of normal game hours by the Predators at the GEC occurred on days that did not conflict with other facility events. The incremental cost of operations to the GEC associated with the use of the facility for Predators non-game hour practice sessions are nominal particularly since the Predators pay for many of these practice related expenses. While over time there may be some additional wear and tear associated with the use of facility assets, this incremental cost is likely minimal and difficult to estimate.

Capital Improvement Plan

Capital improvement planning and appropriate funding of projects is a critical aspect of keeping public assembly facilities competitive in the marketplace. Because such facilities are frequently utilized, these assets can physically deteriorate quicker than many other municipally owned assets if not properly maintained. It is typical for local governments to struggle with adequately maintaining and improving their public assembly facilities at a level that allows them to remain functional and competitive.

During FY 2000, Metro spent approximately $1.2 million on improvements and repairs to the GEC. Such improvements include a new escalator, carpet and tile for the suite level, terrazzo tile repair, ice chiller plant and domestic water upgrade.

Powers has estimated its six-year capital improvement budget for FY 2001 through FY 2006 at the GEC as follows:

				2003	
Project					Amount
Rehearsal Hall Im					$4,025,000
Sound System Up					235,750
Re-carpet Meetin					115,000
Mansafe System					112,470
Dressing & Lock					52,150
Other Capital Eq					46,000
Suite Fan Coil Un					40,250
Wallboard, Tile, P			25,000	Suite Fan Coil Units	36,000
Hardware (locks,			20,000	Frequency Drive Replacement	34,500
Scoreboard Cells	20,000	Scoreboard Cells	20,000	Wallboard, Tile, Paint	25,000
Misc. Electrical	15,000	Unit Substation- Electric	16,100	Misc. Compressor Replacement	24,000
Replacement of Glass	15,000	Splashguards Upper Level Signage	15,000	Misc. Pumps	23,000
Telescopic Seating	10,000	Misc. Plumbing	11,000	Motor Control Center	23,000
Aisle Lighting 300 Level	10,000	Sound System Upgrade	10,000	Scoreboard Cells	20,000
Security Cameras	10,000	Misc. Electrical	5,000	Misc. Electrical	15,000
Toilet Partitions	10,000	Security Cameras	5,000	Telescopic Center Railings	11,200
Misc. Plumbing	7,000			Misc. Plumbing	11,000
Jet Ice	5,000			Sound System Upgrade	10,000
				Jet Ice	5,000
				Toilet Partitions	5,000
Total Requested	$4,183,270		$495,950		$4,869,320
Total Funded by Metro	$665,000		$401,000		$455,000
Total Expended by GEC Management	$721,000		$353,000		N/A

GEC Management's Recommendations for Capital Improvements					
Fiscal Year 2004		Fiscal Year 2005		Fiscal Year 2006	
Project	Amount	Project	Amount	Project	Amount
Dressing & Locker Room Improvements	$100,000	Re-carpet Meeting Rooms, Club & Suite Level	$300,000	R&R Roofing System	$1,000,000
Other Capital Equipment	88,550	Chiller Replacement	300,000	Bowl Airhandler	100,000
Hardware (locks, doors, windows)	50,000	Telescopic Seating	115,000	All Other Capital Equipment	55,150
Suite Fan Coil Units	36,000	Other Capital Equipment	63,950	Hardware (locks, doors, windows)	50,000
Hot Water Heater Replacement	35,000	Glycol Pump	50,000	Suite Fan Coil Units	36,000
Wallboard, Tile, Paint	25,000	Fixed Seating Replacement	47,000	Misc. Pumps	25,000
Suite R&R	20,000	Suite Fan Coil Units	36,000	Motor Control Center	25,000
Scoreboard Cells	20,000	Jet Ice	25,000	Wallboard, Tile, Paint	25,000
Replacement of Glass	15,000	Wallboard, Tile, Paint	25,000	Toilet Partitions	25,000
Misc. Plumbing	11,000	Misc. Compressor Replacement	24,000	Suite R&R	20,000
Telescopic Seating	10,000	Scoreboard Cells	20,000	Scoreboard Cells	20,000
Aisle Lighting 300 Level	10,000	Misc. Electrical	15,000	Telescopic Center Railings	10,000
Sound System Upgrade	10,000	Misc. Plumbing	11,000	Telescopic Seating	10,000
Misc. Electrical	5,000	Sound System Upgrade	10,000	Security Cameras	10,000
Security Cameras	5,000	Toilet Partitions	5,000	Sound System Upgrade	10,000
Jet Ice	5,000			Misc. Electrical	5,000
Toilet Partitions	5,000			Misc. Plumbing	5,000
				Jet Ice	5,000
	$450,550		$1,046,950		$1,436,150

Notes: Amounts are listed in descending order in each fiscal year.
N/A=Not available.

Sources: Powers Management; Metro Office of Management and Budget.

The six-year capital improvement plan recommended by facility management totals approximately $12.5 million with the highest recommended annual capital improvement budget of approximately $4.9 million in FY 2003 of which $4 million is for a bowl air handler.

In FY 2001, Metro funded approximately $665,000 of the $4.2 million requested capital budget. However, actual expenditures by facility management were approximately $721,000. According to facility management, the difference between the amount actual spent by facility management ($721,000) and what was funded by Metro ($665,000) which equals approximately $56,000 was absorbed through the general operating expenditures of the GEC.

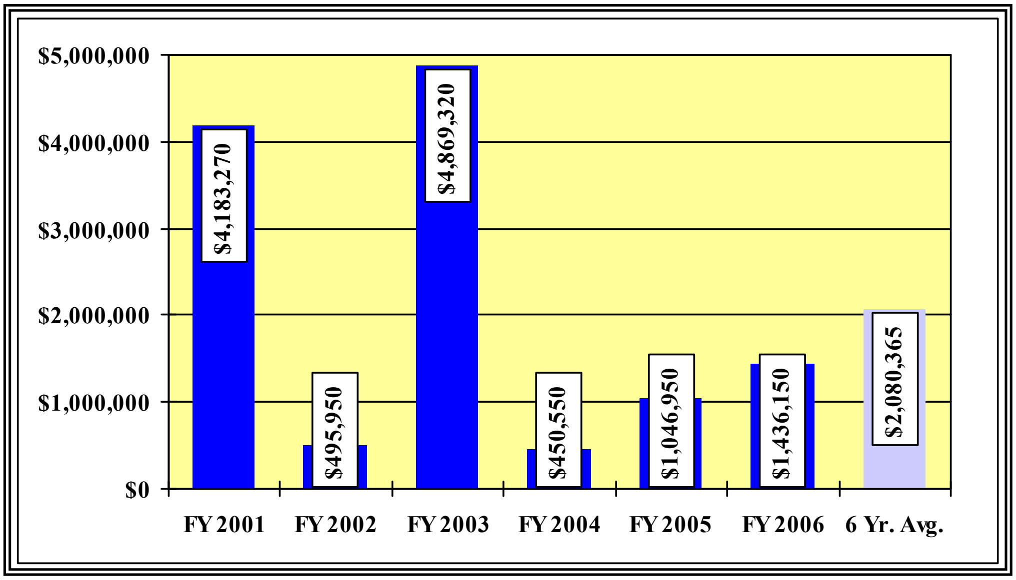
In FY 2002, although GEC management requested a capital budget of approximately $496,000, only $401,000 was funded by Metro. The amount actual spent by facility management was $353,000. The difference between what was funded by Metro ($401,000) and what was spent by facility management ($353,000) is approximately $48,000 and is included in the anticipated FY 2003 amount to be funded by Metro.

Key Findings and Recommendations

- The facility as originally designed was built to house either a professional hockey or basketball franchise, neither of which had committed to playing in Nashville at the time of the facility's construction. Since its original construction in 1997, and the commitment from the Predators to utilize the facility for its home games, the facility has undergone several renovation projects such as adding a new restaurant and bar area, adding a new escalator, modifying end zone clubs and seating including a staircase connecting the club and suite seat sections. In addition, a premium seating entrance was built.
- Facility management is very active in the ongoing upkeep and maintenance of the facility and adheres to a formalized process set forth by Metro which is critical given the current financial deficit of the facility. General improvements and maintenance such as painting, roof cleaning, re-carpeting where needed as well as other general flooring and aesthetic type maintenance are completed on a regular basis.

A summary of capital requests for FY 2001 through FY 2006 is as follows:

Proposed Capital Spending at the GEC



Source: Powers Management.

- On average, Powers proposes spending $2 million each year for capital improvements. In its six-year capital planning process, Powers proposed larger capital improvements for FY 2001 and FY 2003 which were primarily associated with the purchase, replacement or refurbishment of two areas within the facility. The first encompassed $3 million of improvements to the rehearsal hall area in FY 2001 and the second includes approximately $4 million for replacement of a bowl air handler in FY 2003.

- It is important to recognize that management's requested capital improvement projects are evaluated and prioritized within the context of the total annual funding requests made by all Metro departments. This enhances the need for prioritization and justification of capital improvement requests made by facility management.

- During the study effort, it was discovered in FY 2001 Powers spent more on capital expenditures for the GEC than was approved by Metro. According to facility management, this excess expenditure was charged to the operating budget of the GEC which exceeded its budgeted operating loss for the year. In the future, capital expenditures for the GEC should be closely monitored to determine that only those amounts approved by Metro are expended.

- In FY 2001, approximately $3.5 million of the $4.2 million requested by GEC facility management was not funded by Metro. The majority of this amount ($3 million) was requested for rehearsal hall improvements. Management indicated that if this space was renovated, it would be better positioned to attract acts who would rent it for rehearsals and generate additional revenue for the facility. Although other facilities have generated additional revenue by hosting rehearsals, they typically utilize their existing arena and ancillary space at the facility rather than creating/renovating space for this purpose. While there may be merits to improving this space in the facility, there does not appear to be an immediate need for Metro to fund this requested capital improvement, particularly given the magnitude of the estimated cost. Given the nature of this improvement and the existing operating deficit of the GEC, Metro may want to request management to provide a persuasive cost/benefit analysis for this project including an estimate of when Metro can expect to recoup its return on investment and begin to generate incremental new profit to facility operations.

- Of the nearly $12.5 million in proposed capital spending, less than 5% or approximately $600,000 would be allocated to repairs, maintenance or replacement of assets purchased by Metro in association with the Predators. These items include dressing and locker room improvements, replacement of the chiller system, annual maintenance of the score clock cells, and items for treatment of the ice surface and its related equipment.

- Metro must maintain a balance in its operating objectives of protecting its investment yet developing a proactive approach to the use of the facility and its revenue generating capacity. It is important to maintain the facility in order to appropriately accommodate the primary professional sports tenant's need as well as to remain competitive with other State and regional facilities particularly given the evolving nature of the live entertainment industry.

- Overall the GEC is well maintained which provides for a consumer friendly and safe environment which is an important factor in maintaining or improving attendance levels at the GEC.

- A properly maintained facility will assist Powers and other marketing agencies associated with the GEC in booking events such as large entertainment events and special sporting tournaments. Since many larger sporting tournaments are booked months, if not years in advance, demonstration of a commitment to capital improvement and spending is critical. In addition to the facility's existing main tenant and concert promotions, it is these events that offer the greatest opportunity for future revenue generating opportunities.

- Facility management should prepare a cost/benefit analysis that it presents to Metro for all large future capital expenditures which can be defined by a certain agreed upon dollar figure. This analysis should be monitored as appropriate in an effort to identify and correct variances related to the projected benefit of the expenditure.

Overall, the GEC is a well-run facility. This assessment is based on review and analysis of various operational areas including event activity, rental rate structure, and existing contractual agreements in place as well as other factors such as trends in the sports and entertainment industry, the competitive market in which the GEC operates and the market characteristics of Nashville. In the short-term, there appears to be relatively limited opportunities for management to significantly increase revenues and/or minimize expenses that would fundamentally impact the operating deficit. While it was determined through the study process that the Predators and Powers generally appear to be operating in compliance with the material terms of their respective agreements, Metro's operating subsidy of the GEC is in large part the result of the existing contractual agreement with the Predators. Metro's contractual arrangement with a related entity of the team (Powers) to operate and manage the GEC is not unlike the arrangements at other NHL facilities. However, Metro's case is unique in that the facility management company and the primary sports tenant share common ownership while Metro is responsible for funding any operating deficit. In other arenas where there is common ownership between the team and the facility operator, the facility operator typically assumes the risk of operating losses and benefits from any financial upside. In this approach, the municipality's financial exposure is limited.

The Metro Sports Authority and Powers should continue to actively investigate ways to improve the financial performance of the facility for the long-term such as potentially pursuing naming rights of the smaller theater configuration, exploring opportunities to maximize rental of available space in the GEC for commercial/office use, maximizing usage of the GEC in association with events held at the Convention Center and other facilities in the market, reducing staffing costs and/or outsourcing certain operations if the same quality can be achieved in a more cost efficient manner.