Timothy J. Leiweke
President & CEO

February 16, 2011

Mr. Gerry Miller
Chief Legislative Analyst
City of Los Angeles
200 N. Spring Street, Room 255
Los Angeles, CA 90012

Mr. Miguel Santana
Chief Administrative Officer
City of Los Angeles
200 N. Main Street
Los Angeles, CA 90012

Dear Mssrs. Miller and Santana:

We are pleased to submit for your consideration this proposal regarding the potential development of both a new multi-purpose Event Center at the location of the existing West Hall of the Los Angeles Convention Center and a new convention center hall (together with new parking structures) to replace the exhibition and meeting space currently contained in the West Hall.

Like most Angelenos, we are excited about the prospect of an NFL team returning to Los Angeles after a 16-year absence. However, as important as that objective may be, we firmly believe that the opportunity here transcends football. In particular, we envision a project that will not only constitute the next dramatic step in the continued revitalization of downtown Los Angeles, but will also enhance the attractiveness of Los Angeles as a destination for major convention and tourism business and fuel economic growth in a region still suffering from the deepest recession of our lifetime. This project will drive direct investment of over $1.4 billion into facilities serving the tourism industry which, as you know, has become one of the region's most significant economic sectors.

As a backdrop to the attached Transation Overivew, we would like to highlight some important facts and principles that have guided our thinking in formulating this proposal:

First, the West Hall is an outdated facility in dire need of capital improvement. Not only is the aged exterior appearance of the facility a stark contrast to the newer structures that surround it (the South Hall, STAPLES Center, and LA LIVE), but more importantly the obsolescence and inadequacy of the physical facilities and infrastructure, including the central plant that services the entire Convention Center, will necessitate significant investment by the City going forward. In this regard, Convention Center Management has reported that the West Hall requires a minimum of $50 million in improvements. The proposal we are putting forth will not only save the City the need to make this sizeable capital investment in the old West Hall, but will also lead to the development of a brand new comparably-sized facility with much improved functionality funded entirely by newly created revenue streams.

Second, key constituents of the Convention Center (including LA Inc, hotel operators and Convention Center senior management) have made it abundantly clear that reconfiguring the Convention Center to provide for more contiguous exhibition space is critical to its long-term competitiveness. While previous plans contemplate potential Convention Center expansion in the airspace over the property immediately north of the current West Hall, recent conversations with convention planners, managers and others have consistently stressed the need to create new exhition space closer to the South Hall. This proposal would accomplish this objective by providing for the new hall to be constructed immediately adjacent to the existing South Hall.

Third, the LA Convention Center is unable to compete with other cities for the largest conventions because it lacks sufficient convention, exhibition and meeting space. While the recent addition of LA LIVE (including significant meeting and ballroom space at the JW Marriott and The Ritz-Carlton Hotels) has helped in this regard, there is still a shortage of convention space (particularly flat floor space) needed to attract the large group events that would drive additional tourism and other related economic activity to the region. The Event Center we are proposing would be designed, constructed and located in a manner allowing for its use in conjunction with large-scale convention gatherings that currently cannot be booked into existing Convention Center facilities. The additional flat floor space and ancillary meeting space offered by this venue (which could be fully enclosed as needed) would help propel the Convention Center into the top tier of comparable facilities nationwide. And while a lack of conveniently located hotel rooms remains another factor impairing LA's ability to attract the largest conventions, discussions with prospective hotel developers and operators have strongly indicated that this project will serve as a catalyst for the construction of multiple new downtown hotels.

Fourth, at a time when jobs are scarce and families continue to struggle to make ends meet, this major development project will result in thousands of direct construction and operating jobs and will trigger additional economic activity and job creation in both the surrounding downtown area and the broader Los Angeles community. Recognizing the potential for this project to provide the kind of job-stimulating activity the region's economy desparately needs, key leaders of local labor organizations have already voiced their strong support for this initiative.

Finally, and most importantly, we are mindful that the City of Los Angeles cannot and will not subsidize a private stadium development with taxpayer dollars. We understand that the City, like most local governments, has been hit hard by the recent recession, and we recognize that the citizens of this City would understandably look askance at any proposal that contemplated public funding of a private facility. In this regard, key elected officials and City staff have consistently delivered the message that any Event Center proposal must be structured in a way that neither puts the general fund at risk nor threatens to divert existing tax revenues from other key City services. In response, the proposal we are submitting (a) does not contemplate any City funding of the Event Center and (b) provides for a brand new Convention Center hall and related parking structures that will be fully paid for by revenues and contractual payments that the City will receive directly as a result of the new Event Center (and which the City would not have received but for this project).

For all of the above reasons, this proposal will result in a true "win-win" public-private partnership delivering new resources and facilities to the City without putting the general fund and the taxpayers at risk. As recently stated in a public hearing, this is a situation where private sector investment will generate substantial direct benefits to the public sector.

With that as the background, we are pleased to submit for your consideration the proposed arrangements described in the attached Transaction Overview. We look forward to working with you and other City officials in the coming weeks and months as we seek to reach an agreement on this exciting new project.

Very truly yours,

Timothy J. Leiweke

Cc: The Honorable Antonio Villaraigosa
The Honarable Jan Perry
The Honorable Carmen Trutanich
The Honorable Wendy Greuel
The Honorable Members of the Los Angeles City Council
Austin Beutner
Maria Elena Durazo
Carol Schatz
South Park BID
Mark Liberman

TRANSACTION OVERVIEW

A. Proposed Transactions

1. Event Center. L.A. Event Center, LLC (**"Developer"**), a subsidiary of AEG, will construct an Event Center sufficient to accommodate a wide variety of uses, including without limitation, NFL football, soccer, conventions and exhibitions, trade shows, concerts and other entertainment, convention and sporting events on the property where the West Hall of the Los Angeles Convention Center is currently located. The Event Center will be designed to provide approximately 285,000 sq. ft. of usable space for convention and exhibition events, comprised of approximately 165,000 sq. ft. of floor space at the event level and approximately 120,000 sq. ft. of meeting space and other ancillary facilities.

   (a) The Event Center will be constructed by Developer entirely with private funds. The City will provide Developer a long-term ground lease with rent to be determined.

   (b) Developer will grant to City the right to reserve dates for the Event Center to be used for convention and exhibition events, with such use to be on fair market terms.

2. Construction of New Hall and New Parking Structures.

   (a) Prior to constructing the Event Center, Developer will construct a new convention center hall (the "**New Hall**"), contiguous to the South Hall in an airspace parcel over Pico Boulevard, to replace the existing West Hall exhibition and meeting space.

   (b) Developer will also construct parking garages totaling approximately 4,000 spaces on Convention Center property located west of the Event Center (e.g. Bond Street/Cherry Street garage locations) to (i) replace parking spaces currently located in West Hall and Cherry Street garages and (ii) provide approximately 1,400 additional parking spaces for use in connection with Convention Center, Event Center and STAPLES Center events (the "**New Parking Structures**").

   (c) Developer will be responsible for the design and construction of the New Hall and the New Parking Structures, provided that these facilities will be designed in accordance with criteria and standards reasonably acceptable to the City and will be constructed consistent with designs approved by the City.

   (d) City and Developer will jointly develop a budget for the construction of the New Hall and the New Parking Structures. 100% of the cost to design and construct the New Hall (currently estimated by Developer to be approximately $220 million) and the New Parking Structures (currently estimated by Developer to be approximately $80 million) will be financed by new Bonds (see below).

   (e) The New Hall will be owned and operated by the City for Convention Center use.

   (f) The New Parking Structures will be owned by the City, but will be operated by Developer to ensure coordination with surrounding event uses. After deducting all operating costs and a reasonable management fee, Developer shall pay all revenue generated from the operation of the New Parking Structures to the City.

3. Signage

(a) Developer, or its affiliate, will pay annual payments to the City in exchange for signage rights substantially consistent with the agreement previously approved by the City (but which has been pending completion of entitlements), subject to appropriate modifications to reflect the reconfigured Convention Center.

(b) Developer will retain all signage and naming rights for the Event Center. The City will grant Developer additional exterior signage rights on the Event Center, the existing Convention Center and the New Parking Structures to support Event Center naming rights and sponsorship arrangements.

B. Proposed Financing Plan

1. Event Center Financing. Developer will be solely responsible for financing the construction of the Event Center. No City funding will be provided for such financing.

2. Financing of Public Improvements.

(a) Design and construction of both the New Hall and the New Parking Structures, together with associated financing costs will be financed with tax-exempt revenue bonds to be issued by the City or the Los Angeles Convention and Exhibition Center Authority (the **"Bonds"**). Based on preliminary cost estimates, gross Bond proceeds necessary for the New Hall, the New Parking Structures and financing costs are anticipated to be approximately \$325 -\$350 million.

(b) The Event Center site will be released from the collateral securing the existing Convention Center bonds through a defeasance and refunding of existing bonds using proceeds of the new Bonds. The Bonds will be secured by the improvements they finance (New Hall and New Parking Structures). No private credit enhancement will be provided by Developer to support such Bonds.

3. Sources for Repayment of City Bonds.

(a) The Bonds issued for construction of the New Hall and the New Parking Structures will be repaid from the following new revenue streams:

- Rent received by City from ground lease of the Event Center site.
- Admissions fees on tickets sold at the Event Center. Developer will agree to the imposition of an admissions fee on all ticketed events for the entire term of the ground lease. Percentage to be determined, but will be in the range of 3-5%.[1]
- Incremental parking revenue (relative to historical baseline) received by the City from the operation of the New Parking Structures and other City-owned parking structures (e.g. South Hall and Venice Street Garages) in the immediate area.

[1] If STAPLES Center ground lease is extended, additional admissions fees generated at STAPLES Center beyond current scheduled expiration of the fee would also be available to apply toward the debt service on the Bonds.

- Incremental operating revenue (relative to historical baseline) received by the City from the operation of the reconfigured Convention Center (e.g. improved operating performance attributable to the New Hall and the Event Center).
- Incremental signage revenue received by City for Convention Center signage.
- Incremental tax revenues received by the City arising directly or indirectly from the construction or operation of the Event Center, including without limitation, construction sales tax, retail sales tax, parking tax, business license tax, utility tax, property or possessory interest tax.

(b) If the total of all of the above revenue streams is less than the amount of the debt service paid by the City on the Bonds in any given year, Developer will make a payment to the City necessary to fully reimburse the City for the amount of such shortfall under a new gap funding agreement similar to that currently in place for STAPLES Center. If the above revenue streams exceed the debt service paid by the City on the Bonds in any given year, the excess will be credited against any future shortfall obligations of Developer.

C. Miscellaneous

1. Transaction Structure. The proposed transaction will be modeled after the original STAPLES Center transaction, with the obligations of the parties to be set forth in an overall agreement for the transaction, such as a Development Agreement, DDA, or similar agreement. The other principal transaction documents are contemplated to consist of an Event Center Ground Lease, an REA (which may take the form of an amendment to the existing REA), a Development Services Agreement in connection with the design and construction of the New Hall and the New Parking Structures, and an Event Center Gap Funding Agreement (the **"Agreements"**).

2. Entitlements; Approvals. Developer will obtain all entitlements (including all required environmental review and clearances) for the New Hall, the Event Center and the New Parking Structures, with the City's cooperation. Developer will conduct extensive traffic, parking and other studies to ensure that project impacts are properly analyzed and mitigated through a full Environment Impact Report. The City will cooperate with Developer to facilitate project approvals and reduce associated costs where possible. In particular, the City shall review, process and approve permits in a timely fashion, with customary arrangements for reimbursement by Developer for costs relating to dedicated City staff.

3. Event Coordination. Developer, City and STAPLES Center will agree on new terms for coordination of events and parking uses, including operating restrictions where appropriate (e.g. potential restriction on presentation of large events in the Event Center concurrently with large events in STAPLES Center or the Convention Center).

4. LA LIVE Event Deck. The construction of the New Hall and the Event Center will obviate the need for an expansion of the Convention Center over the airspace parcel currently occupied by the event deck at the Olympic West Parking Garage at LA LIVE. Accordingly, apart from the Event Center transactions, Developer may pursue alternative uses for such airspace parcel pursuant to the existing LA LIVE Specific Plan.

Attachment D

"Fiscal Analysis of Proposed Downtown Stadium And Convention Center Project"

Prepared by CSL, International

MEMORANDUM

To: Mr. Gerry Miller, Chief Legislative Analyst
City of Los Angeles

From: Bill Rhoda
Lance Lankford

cc: John Wickham
Hanh Dao

Date: July 22, 2011

Re: Fiscal Analysis of Proposed Downtown Stadium and Convention Center Project

Conventions, Sports & Leisure International ("CSL") is pleased to present this Memorandum regarding the analysis of the Anschutz Entertainment Group ("AEG") proposal to develop a new Event Center and renovated Los Angeles Convention Center ("LACC"). This Memorandum summarizes our research and analyses, and is intended to assist the City of Los Angeles (the "City") with decisions related to the AEG proposal. Additional data and research has been provided in the appendices as well including industry research with regards to the NFL, convention center industry and a signage valuation for the convention center.

CSL has prepared an analysis of: (i) the proposed business agreement between the City and AEG; (ii) public and private monies used for the funding of other NFL stadiums; (iii) the operations of the proposed new stadium; and (iv) the fiscal impact of stadium operations and Convention Center expansion on the City and any financing provided by the City to construct components of the LACC.

The proposed development project consists of the demolition of West Hall and the expansion and renovation of the current South Hall of the LACC. The new stadium will then be adjoined to the expanded Convention Center and be located on the north side of the LACC. Currently, the new stadium is planned to have approximately 1.75 million square feet of space and include 200 suites, 15,000 club seats, two premium level clubs and an operable roof, though that may be changed to a permanent roof as plans are developed.

In addition, two new parking garages will be constructed with approximately 4,200 stalls. These garages will replace the current West Hall and Cherry Street garages and will add more than 1,400 spaces to the levels the existing garages currently contain. The LACC will continue to operate the Venice and South Hall garages which include 2,800 stalls.

Although the conclusions set forth herein were developed independently, CSL received significant cooperation from City staff and AEG personnel in conducting our analysis. AEG has made available the Draft Report: *Fiscal Analysis – Special Events Center and Los Angeles Convention Center Expansion* prepared by Metropolitan Research and Economics ("MR+E"). The financial projections included in this analysis were prepared by CSL and project financial performance of the new stadium through the construction process and for 30 years of operations, the projected term of the bonds issued for the Convention Center expansion.

The body of this Memorandum is organized as follows:

- Executive Summary
- Overview of AEG Proposal
- NFL Stadium Funding Analysis
- Special Tax Analysis and Evaluation
- Financial Analysis
- Convention Center Expansion/Renovation
- Economic Impact Analysis

Executive Summary

Project Overview

The City engaged CSL in April 2011 to evaluate the merits of the AEG proposal to replace the Convention Center West Hall and develop a new state-of-the-art event center capable of attracting a NFL team to serve as the primary tenant. The conclusion that there is no adequate venue from a physical and/or operational standpoint for a NFL franchise has previously been established by numerous parties and stakeholders. In order to assist the City in evaluating the merits of the redevelopment of the Convention Center and construction of a new event center in downtown Los Angeles, CSL has focused their efforts on several key issues, including but not limited to the topics listed below:

- impact of the AEG proposal on the City of Los Angeles;
- comparison of the AEG proposal to other comparable NFL stadium projects;
- potential revenues that could be generated from a new event center and renovated convention center; and
- potential economic benefits that a new event center and renovated convention center could have on the City.

Key Findings

Based on the analysis undertaken by CSL, a number of key findings have been developed.

- The Los Angeles Convention Center has gone more than 30 years without significant expansion and has dropped behind a number of other markets in attracting conventions, trade shows and other events as a result of having inadequate facilities.
- The competitive market for the Convention Center includes San Diego, Las Vegas, San Jose, Anaheim, San Francisco among others. Each of these markets has continued to invest in the expansion and renovation of their convention centers.
- An opportunity has been presented by AEG to construct a new event center and renovate the convention center. As envisioned, this agreement with AEG would shift the financial risks to the private sector; however, the analysis herein suggests that while much of the financial risk does appear to be focused on the private sector, there are several areas with which the City should be aware:
    - Current projected costs of the stadium and convention center are likely conservative;
    - Lease terms with an NFL team have not been finalized and may ultimately be less favorable to AEG;
    - Franchise acquisition and/or relocation costs have not been established;

    - Actual operating performance for the stadium and team may fall short of projections;
    - Several mechanisms for payment to the City are based on potential future tax collections – actual market conditions could impact these collection assumptions in a negative manner; and
    - Cost and structure of debt may be more expensive than currently projected.

- The projected stadium site is centrally located adjacent to STAPLES Center and LA Live!, making it a suitable location for access from most areas of the greater Los Angeles market and also creates the opportunity to generate significant ancillary impacts within the surrounding development.
- Neither the Los Angeles Coliseum ("Coliseum") nor the Rose Bowl are adequate venues from a physical and operational standpoint for an NFL franchise. Originally constructed in 1923, the Coliseum served as the home of the Los Angeles Raiders from 1982 through 1994 and was outdated even at that time, which is one of the primary reasons the team moved back to Oakland. The Rose Bowl, in Pasadena, is currently undergoing significant renovation, with the addition of premium seating and other upgrades. However, even after such upgrades, the Rose Bowl will not be adequate to serve as the home venue for an NFL team on a long-term basis. Without the construction of a new stadium, it is highly unlikely an NFL franchise would be placed in the Los Angeles market. The deal structure as presented by AEG purports to resolve this issue without using public funds and is structured to provide the City with a unique opportunity to address shortcomings associated with the existing Convention Center. A central focus of the research and analysis that has been conducted was to evaluate these propositions for impact on City financial commitment and risk.
- Significant economic and fiscal impacts could be generated within the City of Los Angeles from the construction of a new NFL stadium and the on-going operations of the stadium and new NFL team, and the renovation of the Convention Center.
- A funding plan that relies solely on private sources has proven difficult to support in other markets, and only the New Meadowlands Stadium in East Rutherford, New Jersey was financed with no public investment. That stadium included two NFL teams and $300 million in investment from the NFL through the G3 program.
- A seat license program will be necessary to help fund the development of a new NFL stadium.
- With a 100 percent privately financed stadium, it will be imperative that AEG and the NFL tenant exceed even superior performing stadiums and teams in terms of revenue generation, including sponsorships, ticket pricing and premium seating.
- The internal rate of return for AEG on its potential equity investment of $450 million is extremely low considering the level of risk for the private development.

Executive Summary (cont'd)

- The renovation of the convention center would enable the venue to maintain its existing event levels while attracting incremental events. It is possible that the convention center could increase its city-wide events to an annual average of approximately 29 from the currently projected average of 24. This would result in increased economic impact to the City of approximately $60 million annually.
- The new taxes paid to the City of Los Angeles from the development and operation of the new stadium and the expanded Convention Center will total more than $146 million (NPV), with an average each year equal to approximately $13.4 million once the stadium is open and operating.
- The total new taxes dedicated to the repayment of the debt issued by the City are projected to be approximately 48.6% when using the NPV of the total payments. The total of the gross new taxes generated by the project that are dedicated to debt payments is slightly more than 49%.

Overview of AEG Proposal

An opportunity has been presented to the City to construct a new NFL stadium and renovate the Los Angeles Convention Center under a partnership structure that purports to eliminate risk and net financial commitment on behalf of the City. The proposed agreement with Anschutz Entertainment Group (AEG) will allow for a new NFL stadium and the renovation of the LACC with public participation. The proposed funding structure provides inherent challenges to the private sector with regard to generating sufficient revenues to both build a new stadium and allocate revenue streams to a NFL team. The cost used in the analysis are based on data provided by AEG. To the extent, that the costs for the stadium and convention center redevelopment exceed initial projections, the financial viability is further impacted.

The projected cost of the new stadium, including financing and related costs is estimated to be approximately $1.2 billion, according to information provided by AEG. In addition to the costs of the stadium, AEG will be responsible for the costs of constructing two new parking garages and the expansion and renovation of the Convention Center. However, as discussed above, the City will issue bonds to pay for the Convention Center costs, which are projected to total $280 million. The bonds will be issued in three series: Tax-exempt Series A - $195 million; Tax-exempt Series B - $60 million; and CABs - $25 million. A series of direct and indirect tax and direct AEG payment revenue streams have been identified that are intended to equal City debt service payments. The risks to the City associated with the overall project, and with potential payback of public debt service obligations, have been presented earlier and are discussed in more detail within the body of this Memorandum.

Executive Summary (cont'd)

NFL Stadium Funding Analysis

Since the Raiders returned to Oakland in 1995, 22 new NFL stadiums have opened and five existing stadiums have undertaken major renovations. All of those stadiums, with the exception of the new Meadowlands Stadium in Newark, New Jersey, have received significant levels of public funding. The new Meadowlands Stadium, the home of both the New York Giants and New York Jets, included private seat licenses sold by both teams to help finance construction and the NFL contributed a larger amount as well due to two teams playing at the facility.

Overall, approximately 50 percent of the funds required to construct the 22 new NFL stadiums were provided from public sources. In the past 12 years, private contributions to new NFL stadiums have averaged approximately $517 million, when stated in 2011 dollars, including the proposed Los Angeles and Santa Clara projects. Thus, the total long-term financing required from private sources was significantly less than that which would be utilized for the proposed Los Angeles stadium.

Special Tax Analysis and Evaluation

AEG has proposed that they receive the rights to new signage opportunities on the South Hall of the Convention Center as well as on the new expansion to the LACC. The plan that was submitted to and approved by the City in 2008 has been evaluated and it has been determined that the value of all of the proposed signage would likely be between $5 and $6 million annually. However, this does not account for the annual maintenance or the amortized cost of the signage hardware.

In the event the final signage plan differs materially from that upon which the evaluation is based, the potential economic value will change as well and would need to be addressed.

Financial Analysis

The proposed operating structure at the new stadium will be unique in the NFL as the stadium will be operated by a private entity that is separate from the team itself and the team will effectively be a tenant at the facility. In all other cases throughout the NFL, the stadium is either operated by the team or an affiliate, or operated by the public sector and leased to the team. The situation at the new stadium will require the sharing of revenues between AEG and the team, including naming rights, sponsorships, luxury suite and club seat premiums and concessions.

It is estimated that a new NFL stadium in Los Angeles with the NFL team as the primary tenant could host at least 27 events per year with upwards of 1,347,000 attendees, an average of approximately 50,000 attendees per event. This does not include non-recurring events such as the Final Four and Super Bowl that will likely take place at the new stadium, but not on an annual basis. Based on these event and attendance projections, it is estimated that EBITDA for the stadium will be $54 million in the first full year of operations and $53 million for the NFL team, for a total of more than $107 million, which would be among the highest in the NFL. However, this does not account for debt service on the stadium or team, or any relocation fee that would be paid if the team moves from another city. As noted, the actual lease structure negotiated will directly impact the viability of the stadium. To the extent the lease allocates revenues in excess of the model used for this analysis, the return will be diminished for the stadium.

These projections create an internal rate of return to AEG of approximately 6.7% and generate more than $146 (NPV over 30 years) million in new tax revenue to the City of Los Angeles.

Economic Impact Analysis

It is estimated that approximately $366.0 million of total economic impact in the City could be generated by construction spending for a new NFL stadium, creating earnings of approximately $159 million and upwards of 2,600 jobs within the City. In addition, the fiscal impacts from construction of a new NFL stadium include approximately $1.2 million in sales tax revenue for the City of Los Angeles, and $66 million for the State of California.

During the first year of operations, the total new economic activity for the NFL team and new stadium could approximate $456 million on an annual basis, with 6,320 jobs created. Over the initial 30 years of operations the stadium should generate nearly $8.7 billion in total output, with $5.3 billion in direct new spending. The stadium project and the convention center expansion are expected to generate more than $410 million in new taxes, with a net present value of approximately $146 million. The total new taxes dedicated to the repayment of the debt issued by the City are projected to be approximately 48.6% when using the NPV of the total payments.

1. Overview of AEG Proposal

Pursuant to the proposed deal structure, AEG would be constructing the new stadium and would be responsible for all costs and expenses related to such development. In addition to the stadium construction, the City would issue bonds for the costs of constructing the new hall for the Convention Center. The current budget for the new hall, including finance and related costs, is $280 million. The effective hard construction costs per square foot for the Convention Center project will have to be carefully evaluated. Increases to these costs could require increases in the bond issue, or additional direct financial support from AEG. Conversely, if reductions to the program of Convention Center space are pursued in order to maintain the current budget, this could negatively impact the ability of the Center to accommodate current and future event demand.

While the City would issue the bonds for the Convention Center construction, revenues generated by the new stadium would theoretically repay this debt, backstopped by various guarantees and other assurances from AEG. Thus, the ultimate repayment of the debt is contingent on the long-term financial viability of AEG and its affiliates.

Below is a summary of the proposed agreement between AEG and the City for the financing of the Convention Center expansion.

Bonds

- $280m in total proceeds
- Issued in 2012 with 34 year maturity
- $195m of Series A Tax-Exempt Lease Revenue Bonds ("Series A LRB")
- $60m of Series B1 Tax-Exempt Mello Roos Bonds ("Series B1 Mello Roos")
- $25m of Series B2 Tax-Exempt Special Tax CABs ("Series B2 CABS")

Payments toward Debt Service

<u>Event Center Rent</u>

- $6.5m Event Center rent (1.75% escalation) applied to repay Series A LRB

<u>Special Taxes Secured by LA Live and STAPLES Center</u>

- Total special taxes of $5m per year paid by AEG to the City

1. Overview of AEG Proposal (cont'd)

- Term commences in 2014 and continues through bond maturity (2046)

- \$3m (3% escalation) of the \$5m total special taxes to be paid by LA Live ("LA Live Special Tax"). LA Live Special Tax shall be secured through a special tax assessment that will be levied on LA Live property. LA Live Special Tax is paid commencing 2014 and applied to repay Series B1 Mello Roos (with payments during construction to fund debt service as set forth below)

- \$2m (3% escalation) of the \$5m total special taxes to be paid by Staples Center ("Staples Center Special Tax"). Staples Center Special Tax is deferred with payment commencing in 2024 and continuing through 2046 and secured through a special tax assessment that will be levied on Staples Center commencing in 2024 and applied to repayment of Series B CABS. Applying a 6% discount rate, Staples Center Special Tax is \$3.9m in 2024 (escalating at 3% annually) continuing through 2046

- Signage inventory to be allocated in proportion to payment amounts

<u>Staples Center Lease Term Extension/Rent</u>

- New 55-year Arena Ground Lease entered into concurrently with Event Center Lease

- Special tax to be levied on Staples Center not to exceed fair market rent during the additional term (2053-2067) ("Additional Term Special Tax")

- Additional Term Special Tax commences in 2024 and continues through 2046

- Using \$3.2m as current FMV rent and applying 1% escalation and 6% discount rate, Additional Term Special Tax will be approximately \$1m annually

- Additional Term Special Tax is applied to repay of Series B CABS

<u>Staples Center Admissions Fee</u>

- Staples Center admissions fee is extended from 2024 through 2046

- Upon full satisfaction/expiration of existing Gap Funding obligations, Staples Center shall retain all admissions fee proceeds in order to pay the

1. Overview of AEG Proposal (cont'd)

Staples Center Special Tax and the Additional Term Special Tax set forth above.

Parking

- Incremental parking revenue to City from Event Center events (estimated to be $1.3m annually) and incremental off-site parking tax to City from Event Center events at non-AEG controlled parking (estimated to be $900k) would both be retained by City to compensate for lost West Hall Revenue

- These incremental revenues/taxes would not be applied to the bonds and there would be no separate "make-whole" payment, thereby creating financial risk and exposure for the City

- Cherry Street/Bond Street ground rent ($500k) would not be applied to bonds but would help offset revenues lost due to AEG operating parking garages

Debt Service Reserve

- Debt service reserve (DSR) requirements as follows: $15m for Series A LRB and $3.5m for Series B1 Mello Roos

- At closing DSR requirements satisfied with a $18.5m LC that is part of Developer's $50 LC commitment during construction period

- Series B1 Mello Roos DSR LC to be replaced with cash reserve funded by the first $3.5m of Series B1 Special Tax Payments during construction

- Once Developer is otherwise able to reduce its LC commitment after completion of Event Center, it must either maintain LC large enough to satisfy the $15m DSR requirement on Series A LRB or alternatively must, at its election, fund cash reserve to allow for step down or elimination of LC

- Any cash funded by Developer to cover DSR for Series A LRB shall constitute a prepayment of Event Center rent for the portion of the Event Center lease immediately preceding maturity of bonds (e.g. prepayment applied first to rent in 2046 and then, if applicable, earlier years). The amount of prepayment determined using a discount rate equal to 6%.

1. Overview of AEG Proposal (cont'd)

Summary of Repayment Streams for Each Series of Bonds

1. Series A Tax-Exempt Lease Revenue Bonds

    - $6.5m Event Center Rent (1.75% escalation)
    - Possessory Interest Tax (on Event Center and New Parking Structures)
    - On-Site Parking Tax (Farmer's Field Events and AEG-controlled garages only)
    - 25% of construction sales tax from Farmer's Field project

2. Series B1 Tax-Exempt Mello Roos Bonds

    - $3m LA Live Special Tax (3% escalation)
    - 25% of construction sales tax from Farmer's Field project

3. Series B2 Tax-Exempt Special Tax CABs

    - $3.9m Staples Center Special Tax (3% escalation) (commencing 2024 through 2046)
    - $1.0m Additional Term Special Tax (flat) (commencing 2024 through 2046)

Other Terms

- Cost of remediation/defeasance funded with the remaining 50% of construction sales tax from Farmer's Field project (developer responsible for any shortfall)

- Developer must maintain minimum of $5m LC for entire term of Series A LRB

- Only 2 years capitalized interest in Series B1 Mello Roos

- Accumulated interest on bond proceeds during construction applied to year 4 debt service for Series A LRB and year 3 debt service for Series B1 Mello Roos

- Interest rate assumptions updated to reflect latest market data

- Any surpluses are escrowed to cover subsequent deficits, with any remaining surpluses in escrow at maturity of bonds to be released to the City

1. Overview of AEG Proposal (cont'd)

Based on the proposal outlined above, the City must focus primarily on following areas:

1) The adequacy of the financial guaranty put in place by AEG;
2) The certainty of the revenue streams that will be credited against the bond payments and the ability to measure such amounts; and
3) The operating agreements for the new stadium to ensure these agreements can be assigned to the City in the event of a default by AEG.

Assuming those concerns can be addressed in a satisfactory manner, the business deal proposed by AEG is a reasonable stadium funding structure for the City. As discussed elsewhere herein, the City will be the home of only the second NFL stadium that was financed entirely by private funds; the City will again be home to an NFL franchise; and the Convention Center will be renovated to allow it to compete with other major markets.

That being said, the life of the bonds and the increase in annual debt service payments will require that the stadium be successful financially for a period of at least 30 years. If AEG struggles financially with the stadium or any other operations, the risk to the City increases because the ability of AEG to backstop any shortfalls will be impacted. Furthermore, the financial projections used herein are based on certain lease terms with an NFL team. If the final terms of between AEG and the NFL team are less favorable to AEG than those currently proposed it will further increase the risk that revenues will not be sufficient to cover debt service, furthering the reliance on the creditworthiness of AEG. It is thus imperative that the City receive guarantees from an entity other than AEG to pay any short falls, meaning a parent company with stronger assets not tied directly to the stadium be involved.

Additional concerns surround the current cost estimates for both the stadium and the Convention Center. It is likely that the final costs could significantly exceed the current budgeted amounts. This will further burden the project and negatively impact the ability of AEG to generate sufficient cash flows from operations to cover debt service payments. Relocation fees for moving an NFL team will also be required. These could exceed $500 million or even more, which again impacts financial viability as it is almost certain that AEG will be responsible for at least a portion of those fees.

1. Overview of AEG Proposal (cont'd)

As shown in the Project Revenue and Incremental Tax Summary below, the portion of revenues dedicated to the repayment of the bonds are projected to be adequate in most years from the time the bonds are issued until they are repaid.

		TOTAL PROJECT REVENUES			AEG PROPOSAL - DEDICATED TO BOND REPAYMENT		
Project Year		Project Revenues	Incremental Taxes	Total Project Revenues/Taxes	Project Revenues	Incremental Taxes	Total Project Revenues/Taxes
Const.	2012	$0	$0	$0	$0	$0	$0
Const.	2013	0	1,267,125	1,267,125	0	1,267,125	1,267,125
Const.	2014	3,000,000	2,746,750	5,746,750	3,000,000	2,534,250	5,534,250
Const.	2015	3,090,000	3,653,521	6,743,521	3,090,000	3,441,021	6,531,021
1	2016	10,337,700	11,025,317	21,363,017	9,682,700	5,582,594	15,265,294
2	2017	10,560,031	9,606,167	20,166,198	9,891,931	4,858,866	14,750,797
3	2018	10,787,479	9,830,327	20,617,807	10,106,017	4,956,043	15,062,060
4	2019	11,020,170	10,059,932	21,080,102	10,325,079	5,055,164	15,380,243
5	2020	11,258,234	10,295,119	21,553,353	10,549,241	5,156,268	15,705,508
6	2021	11,501,802	10,536,029	22,037,832	10,778,629	5,259,393	16,038,022
7	2022	11,751,012	10,782,808	22,533,820	11,013,376	5,364,581	16,377,956
8	2023	12,006,003	11,035,604	23,041,607	11,253,613	5,471,872	16,725,486
9	2024	17,266,918	11,294,570	28,561,488	16,499,481	5,581,310	22,080,791
10	2025	17,683,904	11,559,863	29,243,768	16,901,119	5,692,936	22,594,055
11	2026	18,111,613	11,831,644	29,943,258	17,313,172	5,806,795	23,119,967
12	2027	18,550,335	12,110,079	30,660,413	17,735,925	5,922,931	23,658,855
13	2028	19,000,367	12,395,335	31,395,702	18,169,669	6,041,389	24,211,058
14	2029	19,462,017	12,687,589	32,149,606	18,614,704	6,162,217	24,776,921
15	2030	19,935,599	12,902,134	32,837,733	19,071,340	6,285,461	25,356,802
16	2031	20,421,437	13,206,376	33,627,813	19,539,893	6,411,171	25,951,064
17	2032	20,919,865	13,518,088	34,437,953	20,020,690	6,539,394	26,560,084
18	2033	21,431,225	13,837,462	35,268,687	20,514,067	6,670,182	27,184,249
19	2034	21,955,869	14,164,694	36,120,563	21,020,368	6,803,586	27,823,953
20	2035	22,494,159	14,499,985	36,994,145	21,539,948	6,939,657	28,479,605
21	2036	23,046,468	14,843,542	37,890,010	22,073,173	7,078,450	29,151,623
22	2037	23,613,179	15,195,576	38,808,755	22,620,417	7,220,019	29,840,437
23	2038	24,194,684	15,556,307	39,750,991	23,182,068	7,364,420	30,546,487
24	2039	24,791,389	15,925,956	40,717,346	23,758,520	7,511,708	31,270,229
25	2040	25,403,711	16,304,754	41,708,465	24,350,184	7,661,942	32,012,126
26	2041	26,032,076	16,692,937	42,725,012	24,957,479	7,815,181	32,772,660
27	2042	26,676,925	17,090,745	43,767,670	25,580,836	7,971,485	33,552,321
28	2043	27,338,710	17,498,429	44,837,139	26,220,700	8,130,915	34,351,614
29	2044	28,017,898	17,916,242	45,934,140	26,877,527	8,293,533	35,171,060
30	2045	28,714,967	18,344,447	47,059,413	27,551,788	8,459,403	36,011,192
30 Year Term							
Nominal Total		$590,375,746	$410,215,455	$1,000,591,201	$563,803,654	$201,311,263	$765,114,917
NPV @ 6.0%		$186,801,842	$146,219,454	$326,503,401	$177,921,909	$71,173,920	$249,095,829

Effective Percentage of New Taxes Dedicated to Debt Service

Gross $	*49.07%*
NPV	*48.68%*

This does not include the other incremental revenues from the project that are not dedicated to bond repayment. Furthermore, the off-site incremental parking taxes and new parking revenues to LACC controlled garages related to stadium events are not included as those amounts are dedicated to replacing lost revenues to LACC from no longer operating West Hall and Cherry Street garages. Only two-thirds (66.6%) of the total projected Transient Occupancy Taxes ("TOT") have been included due to the fact that 1900 of the hotel rooms closest to the new stadium retain TOT generated by those properties.

In total, the dedicated new tax revenues are approximately 48.6% of all incremental taxes projected to the City from the construction and operation of the new stadium, parking garages and expanded Convention Center, when using net present value comparison. If gross amounts are used, the payments dedicated to debt service total slightly more than 49%.

2. NFL Stadium Funding Analysis

This section reviews the potential for successfully funding development of a new NFL stadium in Los Angeles via a public-private partnership.

NFL Stadium Public-Private Partnerships

Since 1992, 23 new or renovated NFL stadiums have opened, 22 of which utilized some level of public-private partnership to successfully develop the facility. In addition to the proposed Los Angeles stadium, a new facility has been proposed in Santa Clara, California that would be the home of the San Francisco 49ers. The following chart summarizes public and private contributions to project funding for the NFL stadiums built or renovated since 1992, including the Los Angeles and Santa Clara projects.

Summary of Public-Private Contributions to NFL Stadium Development

Stadium/Team	Team	Year Opened	Total Project Cost	Private Funding: Total Private	Private Funding: % of Total	Public Funding: Total Public	Public Funding: % of Total
Los Angeles Stadium (Proposed)	**TBD**	**2016**	**$1,200.0**	**$1,200.0**	**100%**	**$0.0**	**0%**
San Francisco 49ers (Proposed)	San Francisco 49ers	2015	$987.0	$873.0	88%	$114.0	12%
New Meadowlands Stadium	Giants/Jets	2010	$1,600.0	$1,600.0	100%	$0.0	0%
New Cowboys Stadium	Dallas Cowboys	2009	$1,194.0	$750.0	63%	$444.0	37%
Lucas Oil Stadium	Indianapolis Colts	2008	$675.0	$100.0	15%	$575.0	85%
University of Phoenix Stadium	Arizona Cardinals	2006	$471.4	$150.4	32%	$321.0	68%
Lincoln Financial Field	Philadelphia Eagles	2003	$518.0	$330.0	64%	$188.0	36%
Soldier Field (renovation)	Chicago Bears	2003	$587.0	$200.0	34%	$387.0	66%
Lambeau Field (renovation)	Green Bay Packers	2003	$295.2	$126.1	43%	$169.1	57%
Gillette Stadium	New England Patriots	2002	$412.0	$340.0	83%	$72.0	17%
Ford Field	Detroit Lions	2002	$440.0	$330.0	75%	$110.0	25%
Reliant Stadium	Houston Texans	2002	$474.0	$185.0	39%	$289.0	61%
Qwest Field	Seattle Seahawks	2002	$461.3	$161.0	35%	$300.3	65%
Heinz Field	Pittsburgh Steelers	2001	$280.8	$109.2	39%	$171.6	61%
Invesco Field at Mile High	Denver Broncos	2001	$400.8	$111.8	28%	$289.0	72%
Paul Brown Stadium	Cincinnati Bengals	2000	$449.8	$25.0	6%	$424.8	94%
LP Field	Tennessee Titans	1999	$291.7	$84.8	29%	$206.9	71%
Cleveland Browns Stadium	Cleveland Browns	1999	$271.0	$71.0	26%	$200.0	74%
M&T Bank Stadium	Baltimore Ravens	1998	$226.0	$22.4	10%	$203.6	90%
Raymond James Stadium	Tampa Bay Buccaneers	1998	$194.0	$0.0	0%	$194.0	100%
Bank of America Stadium	Carolina Panthers	1996	$243.0	$187.1	77%	$55.9	23%
Edward Jones Dome	St. Louis Rams	1995	$299.0	$12.0	4%	$287.0	96%
EverBank Field	Jacksonville Jaguars	1995	$141.0	$19.7	14%	$0.0	86%
Georiga Dome	Atlanta Falcons	1992	$214.0	$49.2	23%	$0.0	77%
FedEx Field	Washington Redskins	1997	$250.5	$180.0	72%	$70.5	28%
Average			**$503.1**	**$288.7**	**37%**	**$202.9**	**63%**

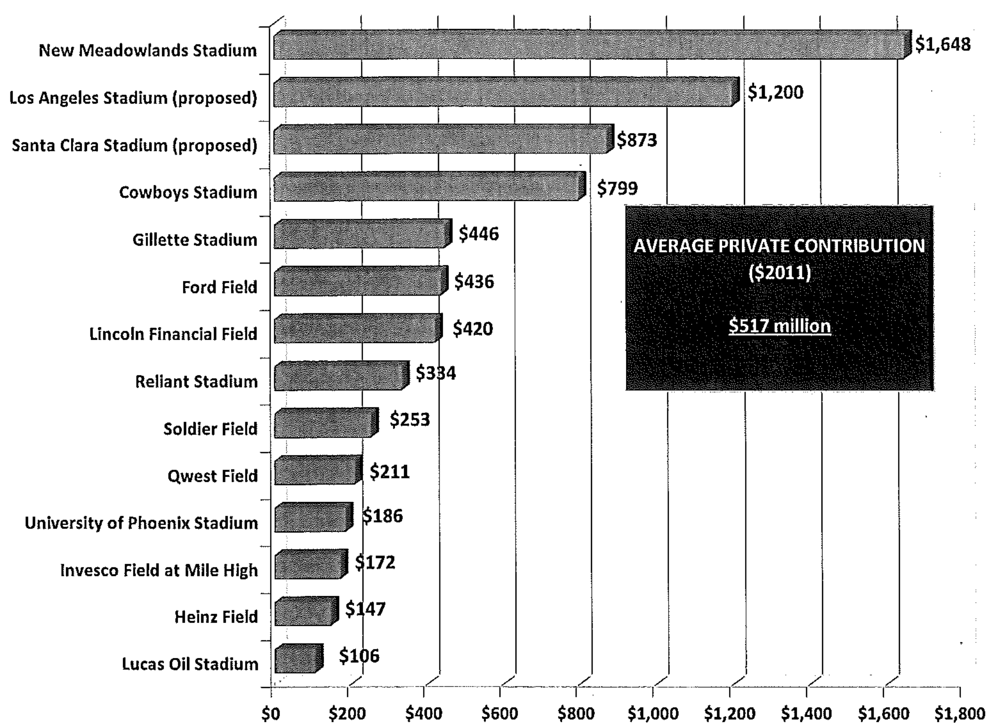
Source: Municpal authorities, facility management, piblic records and industry publications

2. NFL Stadium Funding Analysis (cont'd)

As shown in the exhibit on the previous page, the average new NFL stadium project since 1992 has been 60 percent publicly funded and 40 percent privately funded. Overall, approximately 50 percent of the funds required to construct the 22 new NFL stadiums were provided from public sources. Only one stadium, New Meadowlands Stadium in East Rutherford, New Jersey, did not directly use public funds for construction. However, this project still required significant public-private partnership as the stadium and site are owned by the New Jersey Sports & Exposition Authority and leased to New Meadowlands Stadium Corporation, a 50/50 partnership between the NFL's New York Giants and New York Jets.

The following exhibit presents a summary of the private contributions made to NFL stadium projects that have been completed in the past 12 years, adjusted to 2011 dollars. Private funding utilized to fund these projects typically consists of some combination of NFL contributions, team contributions and stadium revenues.

Private Contributions to NFL Stadium Projects in Past 12 Years (*in 2011 dollars*)



Note: $2011 assumes 3% annual inflation.

2. NFL Stadium Funding Analysis (cont'd)

As shown in the exhibit on the previous page, private contributions to NFL stadium projects in the past 12 years have ranged from $106 million for Lucas Oil Stadium to $1.6 billion for New Meadowlands Stadium (which includes revenues generated by two NFL tenants, the New York Giants and New York Jets). The average private contribution over the past 10 years has been approximately $517 million, when stated in 2011 dollars. If the New York market (New Meadowlands Stadium) is excluded from this analysis, the average private contribution would be approximately $429 million, stated in 2011 dollars.

It is clear based on the data discussed above that the opportunity that exists in Los Angeles to construct a stadium using private funds is unique. Combined with the added value of renovating the Convention Center while also using only private funds, the proposed agreement with AEG would be only the second NFL venue financed entirely with private funds and the only one that includes additional public sector development financed by the stadium revenues.

3. Special Tax Analysis and Valuation

As noted above, one of the components to the AEG proposal is the annual payment to the City of an annual fee in exchange for the City granting the rights to revenues from proposed new signage in the LA Live Entertainment District and on the exterior of the Convention Center to AEG. This section analyzes the value of the proposed signage and the payments the City.

It should be noted that the basis for this analysis is the signage agreement proposed to and approved by the City in 2008. That package included signage on the West Hall, which is being demolished in conjunction with the development of the new stadium. Thus, the final signage package will be different than the 2008 agreement. However, in discussions with AEG and the City, the overall value of the package will not change significantly as the great majority of revenues will be generated from signage on the exterior of South Hall, which is visible from the Highway 110/I-10 Interchange. Most or all of the signs proposed for the South Hall exterior in 2008 will remain in any final iteration of the district signage plan.

Competitive Area (Highway 110/Interstate 10 Interchange)

The proposed location of the Event Center is located on the northeast corner of one of the busiest interchanges in the State of California, State Highway 100 and the Santa Monica Freeway (Interstate 10), in downtown Los Angeles.

STAPLES Center, Nokia Theater, LA Live, the Convention Center, the JW Marriott and Ritz-Carlton hotels as well as a number of other restaurants and entertainment venues are all in close proximity to the interchange. It is anticipated that a majority of the signage would be located on the South Hall of LACC to allow for the highest visibility for the greatest number of signs. The remaining signs would be located in and around the LA Live! Entertainment district and on the West Hall of LACC.

The area is heavily saturated with billboards and advertising. Interstate 10 (Santa Monica Freeway) and State Highway 110 are among the most heavily traveled freeways in the United States. As such, the land adjacent to these highways has become extremely valuable terrain for advertisers. California Department of Transportation officials have estimated that approximately 550,000 cars traverse the interchange each day.

Several of the signs in the proposed signage program have low visibility from the I-10/Hwy. 110 Interchange, thus reducing their revenue generating potential and limiting their attractiveness to potential sponsors. However, most of the signs that do not face the interchange will be visible to patrons attending events at the Convention Center, STAPLES Center, Nokia Theater and LA Live!, enhancing the value of these signs.

Availability and Demand

The I-10/Highway 100 interchange has an estimated 550,000 vehicles pass through the area per day, making it one of the most heavily traveled interchanges in the United States. Consequently, it features a high level of saturation from an advertising standpoint. There are already numerous billboards located adjacent to the interchange — many of which are controlled by LA Outdoor and CBS Outdoor — making the area susceptible to clutter and advertising overload.

Given the number of signs proposed along the southwest corner of the South Hall of the Los Angeles Convention Center (23 total), there will be some diminution in value to each sign. However, the number of cars that pass by the location each day, along with traffic at the Convention Center, STAPLES Center and other venues within the district create a valuable signage opportunity for sponsors and advertisers. The remaining 18 signs will be displayed primarily to the 13 million people attending events at LA Live!, STAPLES Center and Nokia Theater each year. While these signs have a smaller number of viewers, because of the smaller number and their locations, the clutter will be less as well

Valuation Methodology

Outdoor advertising is valued based on the number of components that are standard throughout the industry and which are described below. Each sign is evaluated using these factors to determine the monthly and annual value of the sign.

- <u>DEC (Daily Effective Circulation)</u>: Average number of persons 18+ exposed to an advertising display on a daily basis.
- <u>EOIs (Eyes-On Impressions)</u>: Average number of persons who are likely to notice an ad on an outdoor display.
- <u>Visibility Score</u>: Conversion factor applied to circulation counts (people passing an outdoor display) to produce EOIs.
- <u>CPM (Cost Per Thousand)</u>: Commonly used measurement in advertising, CPM estimates the cost per 1,000 views of the ad.

The Daily Effective Circulation, Eyes-on-Impressions and Cost per Thousand are objective standards that can be easily ascertained for a given sign. The more subject factor and the one which is the most difficult to measure is the Visibility Score. Several factors contribute to whether or not an outdoor advertising unit is noticed, and these factors form the foundation of the Visibility Score model. They are:

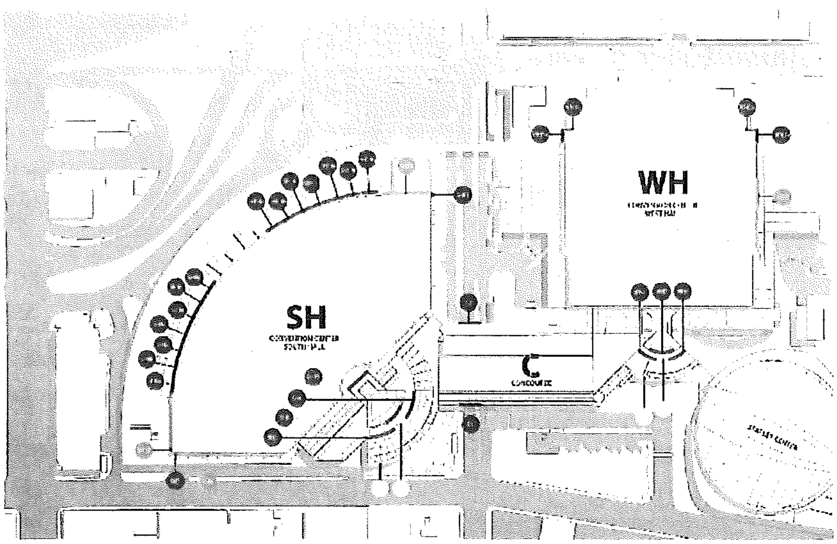
- Distance to the Road

3. Special Tax Analysis and Valuation (cont'd)

- Sign Format
- Sign Size
- Number of units that comprise entire display (clutter)
- Side of the Road (right side being more valuable)
- Angle to the Road
- Street Type

There are two primary signs proposed in the new stadium development project – signs
There are two primary signs proposed in the new stadium development project – signs
visible from the Hwy 110/I-10 interchange and those that are not. The annual attendance at LA Live!, including STAPLES Center and the new stadium will be more than 13 million persons. For the purposes of valuing the proposed signage, the daily vehicle traffic has been used for the signs on the exterior of South Hall and the annual attendance at LA Live! for the remaining signs.

The final factor in the valuation process was to assign each proposed sign in the development a Visibility Score. Obviously the signs on the exterior of South Hall are highly visible, however, given the number of signs that has been proposed (23 total) lowers the visibility score for the signs because of the difficulty in separating the various messages that will be presented. There are also a number of billboards at that interchange, further lowering the Score. It was assumed that none of the signs on the South Hall would be LED as that was not approved under the 2008 plan. LED signs have a higher value than static signs because of the dynamic nature of LED.



The diagram on the right shows the locations of the 41 potential signs proposed under the 2008 agreement.

Based on the valuation techniques used and industry experience, the annual gross revenues generated from the proposed signs on the Convention Center could approximate between $5.0 and $6.0 million if all of the signs were sold. Based on the AEG proposal to pay the City $5.0 million for the rights to the signage, it appears that the City is not forgoing considerable revenue and the offer is reasonable. Exhibit A attached hereto sets forth in more detail the valuation of the proposed signage.

In the event the final signage plan changes materially from the 2008 agreement, the City may want to revisit this discussion to ensure that the $5 million is adequate. However, it is unlikely in any scenario that the potential revenues from the final signage plan will significantly exceed $5 million annually and AEG's own projections are less than 75% of the total potential value set forth above.

4. Financial Analysis

Under the current proposal by AEG, AEG would own and operate the new event center and a NFL team would be a tenant. This operating structure would be the first in the NFL whereby there is a private entity operating the venue with the team as a tenant. This unique structure provides the opportunity for AEG to generate revenues to fund the construction of the stadium, but also provides constraints for the team to generate incremental revenue.

Based on the this proposed structure and discussions with AEG regarding possible lease structures with a NFL team, a comprehensive financial model has been developed that evaluates the financial return to both AEG and the NFL team. The model has also been developed to calculate the impact on the City with regards to the operations of the event center and the NFL team. This analysis is designed to assist project representatives in estimating the financial attributes of a new event center in Los Angeles and cannot be considered to be a presentation of expected future results. Accordingly, this analysis may not be useful for any other purpose. There will be differences between estimated and actual results that may be material. Key assumptions used to estimate the potential financial operations of a new NFL stadium in Los Angeles include, but are not limited to the following. The assumptions disclosed herein are not all-inclusive, but are those deemed to be significant.

- The stadium will open in 2016 and contain approximately 72,000 total seats (including general admission, club and suite seats), with possible expansion to 78,000 for special events;
- The stadium will be developed as a quality, state-of-the-art venue and would accommodate the needs of various types of users;
- An to-be-determined NFL franchise will serve as the primary tenant;
- The stadium will be managed by Anschutz Entertainment Group;
- The market will generate spending on tickets, concessions, merchandise, advertising, sponsorships and premium seating that exceeds what most other NFL teams have been able to achieve;
- The stadium will contain 200 luxury suites (including traditional and large party suites) and 15,000 club seats;
- Approximately 10,200 parking spots will be located within walking distance of the venue – 8,000 will be controlled by stadium management, and 2,800 will be controlled by the Los Angeles Convention Center;
- An additional 20,000 parking spaces will be located within walking distance of the stadium and will be operated by third parties;

- No assumptions have been made regarding revenues that could be generated should the NFL team host any playoff games;
- No assumptions have been made regarding the hosting of the Super Bowl, Final Four, or other comparable "mega" events that would not occur on a regular basis at the stadium;
- There are no significant or material changes in the supply or quality of the existing professional sports venues in the marketplace; and,
- Basic assumptions have been made regarding the distribution of stadium operating revenues between the NFL team that would be the primary tenant at the facility and AEG, which would operate the stadium. These assumptions have been determined based on discussions with AEG.

Summary of Operating Revenues & Expenses

Based on discussions with AEG and the operating performance of other major event centers around the country, a projected event schedule for the new center has been developed. It is estimated that a new NFL stadium in Los Angeles with the NFL team as the primary tenant could host at least 27 events per year with upwards of 1,347,000 attendees, an average of approximately 50,000 attendees per event. These projections do not include any post-season games for the NFL team, nor do they include any non-recurring events that the facility could potentially host, such as the Super Bowl and Final Four.

Assumptions

Event Type:	Annual Events	Average Attendance	Total Attendance
NFL Team			
Pre-Season	2	54,150	108,300
Regular Season	8	63,600	508,800
NFL - Total	10	61,710	617,100
College Football	3	70,000	210,000
Concerts	3	45,000	135,000
Motor Sports	3	25,000	75,000
Soccer	5	50,000	250,000
Other events	3	20,000	60,000
TOTAL	27	49,893	1,347,100

Note: Does not include non-recurring events such as the Super Bowl or Final Four

Based upon the estimated events and attendance shown above, the table below summarizes the estimated operating revenues and expenses associated with a new NFL stadium in Los Angeles in the projected base year of operations (2016). The estimated revenues shown in the following exhibit are based on the revenue sharing agreements that AEG has proposed with an NFL team.

Estimated Operating Revenues & Expenses
New NFL Stadium in Los Angeles
2016 Dollars

Revenues		
	Rent	$13,027,000
	Other Stadium Revenue	89,749,000
	Other Income	2,080,000
	TOTAL REVENUES	$104,856,000
Expenses		
	Stadium Operations	$23,475,000
	Event-day Expenses	6,086,000
	Possessory Interest Taxes	10,599,000
	Ground Lease Payment (Event Center)	6,500,000
	Ground Lease Payment (Parking Garages)	500,000
	STAPLES Special Tax Payment	0
	LA Live! Special Tax Payment	3,183,000
	TOTAL EXPENSES	50,343,000
	INCOME FROM OPERATIONS (EBITDA)	$54,513,000

It is estimated that a new NFL stadium in Los Angeles could generate revenues of approximately $104.8 million and incur expenses of approximately $50.3 million, resulting in earnings before interest, taxes, depreciation and amortization (EBITDA) of approximately $54 million in the inaugural year of operations.

4. Financial Analysis (cont'd)

Currently, AEG anticipates financing approximately $450 million of the total costs of the stadium, as shown below:

Project Development:	
Estimated stadium cost	$1,200,000,000
AEG/Team responsibility (% of total)	100%
NFL G-3 loan	($150,000,000)
Net PSL Sales (estimated)	($150,000,000)
AEG/Team contribution, net	$900,000,000
AEG/Team Equity	$450,000,000
Debt Service	$450,000,000
Interest rate	7.5%
Term	30
Annual debt payment	$38,100,000

Assuming a 30 year term and an interest rate of 7.5%, the annual debt service would be $38 million. The projected IRR for the stadium operations would be approximately 6.7%, based on a total investment of $900 million by AEG. Final stadium costs could exceed these initial estimates, which would impact the IRR to AEG and also the ability to cover annual City debt service payments from operating revenues from the stadium. If final stadium costs increase by 25% ($300 million), the IRR becomes 3.9% and cash flow after debt service for the stadium would be negative. Obviously, this would create concerns not only as to the ability of AEG to back-stop the debt payments, but also the long-term financial viability of the stadium.

Under a typical NFL stadium financial structure, the facility would be owned by the public sector and leased by an NFL team. In most cases, the stadium is operated by the team, and the team retains most of the revenue generated at the facility, including revenue generated from gate receipts, concessions, novelties, parking, private suites and club seats. Teams also traditionally retain naming rights revenue, often relying on this revenue stream to help service some portion of the team's debt responsibility.

In return for stadium operating rights, the team is typically held responsible for stadium expenses or an annual rent expense, or some combination of the two. Rent paid by NFL teams in recent years has ranged from $250,000 to $5 million annually. The proposed deal structure for the Los Angeles stadium is somewhat unique in that the operator of the venue (AEG) will not own a majority interest in the NFL team which would be the primary tenant. This will require sharing of revenues from stadium operations, premium seating, sponsorship sales and other areas that is not typical in most NFL venues where those revenues are typically retained by the team.

Estimated Operating Revenues & Expenses
New NFL Team in Los Angeles
2016 Dollars

Revenues		
	Ticket Sales (net of visiting team share)	$58,548,000
	Other Stadium Revenue	80,042,000
	National Revenues	195,450,696
	Other Income	2,080,000
	TOTAL REVENUES	$336,120,696
Expenses		
	Rent	$8,957,000
	Player cost	173,891,000
	Team operations	46,371,000
	Business expenses	46,371,000
	League assessment	6,956,000
	TOTAL EXPENSES	282,546,000
	INCOME FROM OPERATIONS (EBITDA)	$53,574,696

The projected combined net income from operations between the Stadium and the Team would equal more than $107 million in 2016 dollars. This would be among the highest in the NFL. However, this does not take into account any debt service payments on the stadium, acquisition of the team or any relocation fee that would be required to move an existing franchise to Los Angeles. That fee could be as much as $500 million or more which would cause the team to operate at a loss for a number of years if the fee was amortized.

Impact on City Revenues

Based on the expanded Convention Center, the new stadium and the construction of additional parking stalls under the proposed agreement with AEG, there will be significant revenues and incremental taxes paid to the City of Los Angeles. As discussed above, certain of these revenues and taxes will be dedicated to the repayment of the debt issued by the City for the expansion of the Convention Center, which will total approximately $280 million. Annual payments to retire the debt are projected to increase by approximately 1.75% annually, with payments ranging from $14 million in 2015 to $34 million in 2045, the final year of the term.

With the increasing debt service payments, it is expected that the revenue streams dedicated to repay the debt will be sufficient each year until the retirement of the bonds. However, AEG will be responsible in the event there are any shortfalls, eliminating financial risk to the City.

As shown in Exhibit B attached hereto, the total new tax revenues to the City from the stadium project will total more than $410 million during the first 30 years of operations, with a net present value equal to approximately $146 million. The total percentage of the net present value of the new taxes dedicated to the repayment of the debt issued by the City will likely be approximately 48.6%. The total taxes paid toward the debt will be slightly more than 49% of the gross amounts generated over the first 30 years of project operations. This is due to the fact that all possessory interest taxes on the new stadium and parking garages, the largest incremental taxes, will go toward debt service payments.

Additionally, AEG will assume control of parking operations of the garages replacing the existing West Hall and Cherry Street garages that are currently operated by the Convention Center. In exchange for these rights, AEG has proposed that the incremental revenues and parking taxes generated by stadium events in the new garages will replace revenues from the current garages generated for the City. As a result, incremental on-site parking taxes are not included in the calculation as new revenues to the City because they are dedicated to replacing the revenues that will be lost due to AEG assuming the parking operations for the new garages.

Demographic Analysis

An important component in assessing the potential success of a new NFL stadium in Los Angeles is the demographic and socioeconomic profile of the local market. The strength of a market in terms of its ability to draw events and spectators is measured, in part, by the size of the market area population and its spending characteristics.

To gain an understanding of the relative strength of the market area, it is useful to compare various demographic and socioeconomic characteristics among other NFL markets. Specific demographic and socioeconomic information that can provide an indication of the ability of a market to support a new NFL stadium includes population, age distribution, household income and corporate base, among other information.

Los Angeles CBSA

The demographic and socioeconomic data presented in this report is based on the Core Based Statistical Area (CBSA). A CBSA is defined by the United States Census Bureau as "a core area containing a substantial population nucleus (of at least 10,000 people), together with adjacent communities having a high degree of economic and social integration with that core." The Los Angeles-Long Beach-Santa Ana CBSA encompasses Los Angeles and Orange counties and is frequently referred to as "Southern California."

4. Financial Analysis (cont'd)

The graphic below summarizes the Los Angeles CBSA as it compares to the other NFL markets in some of the key demographic categories. More detailed demographic information is included in Exhibit C attached hereto.

Summary of NFL Demographic Characteristics

			NFL Market Comparison			
Demographic Variable	**Los Angeles**	**Rank [1]**	**Average [2]**	**Median [2]**	**High**	**Low**
Population	13,255,500	2	4,085,000	2,944,600	18,870,000	1,118,900
Projected Population Growth [3]	0.82%	18	5.25%	6.68%	2.80%	-0.47%
Population per Franchise [4]	1,893,600	3	1,141,017	1,082,800	2,096,700	559,500
Median Household Income	$60,647	9	$56,650	$54,507	$83,427	$45,711
Cost of Living Index [5]	141.6	29	109.5	99.2	217.9	88.7
Adjusted Household EBI	$34,218	30	$43,174	$42,871	$50,939	$22,285
Median Age [6]	35.4	6	37.4	37.5	42.6	33.5
Corporate Inventory [7]	15,340	1	3,950	3,125	15,340	1,120
Corporations per Franchise	2,190	1	1,170	1,120	2,190	560
Corporations per Suite	27.8	1	11.6	10.7	27.8	5.6
Premium Seat Revenue per Corp	$20,300	22	$25,400	$23,800	$54,500	$2,250

(1) Rank out of 31 markets.
(2) Averages and medians exclude Los Angeles.
(3) Annualized growth over next five (5) years.
(4) Includes franchises in the NFL, Major League Baseball, National Basketball Association, and National Hockey League.
(5) Ranked from lowest to highest.
(6) Ranked from youngest to oldest.
(7) Includes all corporate headquarters with at least 25 employees and $5 million in annual sales, and all corporate branches with at least 25 employees.
Source: ACCRA (cost of living); Dun & Bradstreet (corporate inventory); Claritas (all other demographic variables).

Ticket Sales and Premium Seating

In addition to the demographic and socioeconomic profile of a market, the proliferation of premium seating, average ticket price and attendance as well as the corporate base within a market are key indicators of the potential for an NFL franchise to be successful. While Los Angeles is the second largest market in the United States, the level of premium seating product that exists is relatively low. This is due to the lack of luxury suites and club seats at existing venues as well as the fact that three of the areas' six professional team play at STAPLES Center. However, the market does rank as it relates to premium seating revenue generated per corporation.

As the costs of constructing an NFL stadium have continued to rise, NFL franchises have begun to develop new methods of generating the revenues needed to finance a new stadium. Seat license programs are a new and innovative method of generating private funds by selling the licenses of individual seats throughout the stadium. Individuals or corporations who purchase the seat licensing rights gain control of the seat(s) for the life of the stadium and have the option to purchase tickets to all events held in the stadium.

In addition to seat licensing programs, the sale of premium seating is one of the largest sources of revenue generated by an NFL stadium. Premium tickets are more expensive than non-premium tickets and include amenities such as private club access, expanded concession menu and bar, wider seats with more leg room, private restrooms and VIP stadium entrance. The table on the following page summarizes the premium seating inventories, pricing and potential revenue generated by each NFL stadium. As shown in the chart, the new stadium will need to rank as the second most successful NFL venue to sell the majority of suites and club seats in the stadium.

4. Financial Analysis (cont'd)

NFL Stadium Premium Seating Overview

			Private Suites			Club Seats			
Revenue Rank	Franchise	Year Built	Total # of Suites	Average * Annual Fee	Potential * Annual Revenue	Total # of Club Seats	Average Annual Fee	Potential * Annual Revenue	Total * Potential Premium Seating Revenue
1	Dallas Cowboys	2009	300	$300,000	$90,000,000	14,102	$3,400	$47,947,000	$137,947,000
2	**Los Angeles**	**2016**	**200**	**$275,000**	**$55,000,000**	**15,000**	**$4,500**	**$67,500,000**	**$122,500,000**
3	New York Giants	2010	213	$494,000	$52,611,000	9,236	$4,760	$43,976,000	$96,587,000
4	New York Jets	2010	213	$494,000	$52,611,000	10,041	$3,840	$38,539,000	$91,150,000
5	Washington Redskins	1997	208	$151,000	$31,480,000	17,263	$3,350	$57,890,000	$89,370,000
6	Tampa Bay Buccanneers	1998	197	$105,000	$20,705,000	12,053	$2,750	$33,120,000	$53,825,000
7	Houston Texans	2002	185	$156,000	$28,804,000	8,464	$2,700	$22,794,000	$51,598,000
8	New England Patriots	2002	80	$188,000	$15,000,000	6,460	$5,000	$32,327,000	$47,327,000
9	Miami Dolphins	1987	195	$97,000	$18,833,000	10,470	$2,640	$27,641,000	$46,474,000
10	Philadelphia Eagles	2003	171	$143,000	$24,445,000	8,447	$2,340	$19,791,000	$44,236,000
11	Chicago Bears	1924/2003	133	$151,000	$20,142,000	8,376	$2,801	$23,465,000	$43,607,000
12	Carolina Panthers	1996	157	$92,000	$14,404,000	11,223	$2,110	$23,727,000	$38,131,000
13	Baltimore Ravens	1998	122	$138,000	$16,887,000	8,108	$2,420	$19,609,000	$36,496,000
14	Indianapolis Colts	2008	140	$127,000	$17,848,000	7,264	$2,510	$18,253,000	$36,101,000
15	Denver Broncos	2001	115	$123,000	$14,178,000	7,749	$2,790	$21,656,000	$35,834,000
16	Jacksonville Jaguars	1995	89	$110,000	$9,782,000	11,692	$1,970	$23,004,000	$32,786,000
17	Tennessee Titans	1999	171	$78,000	$13,282,000	11,682	$1,590	$18,582,000	$31,864,000
18	Pittsburgh Steelers	2001	129	$99,000	$11,311,000 (1)	8,100	$2,300	$18,610,000	$29,921,000
19	Atlanta Falcons	1992	171	$122,000	$17,980,000	6,180	$1,874	$11,584,000	$29,564,000
20	Seattle Seahawks	2002	112	$105,000	$11,729,000	7,826	$2,180	$17,034,000	$28,763,000
21	San Diego Chargers	1967/1997	113	$110,000	$12,430,000	7,668	$2,120	$16,260,000	$28,690,000
22	Cincinnati Bengals	2000	132	$116,000	$15,247,000	7,793	$1,680	$13,063,000	$28,310,000
23	Cleveland Browns	1999	145	$81,000	$11,703,000	8,345	$1,970	$16,421,000	$28,124,000
24	Green Bay Packers	1957/2003	166	$79,000	$13,038,000	6,089	$2,368	$14,419,000	$27,457,000
25	New Orleans Saints	1975	137	$80,000	$10,960,000	8,593	$1,880	$16,122,000	$27,082,000
26	Arizona Cardinals	2006	108	$99,000	$10,733,000	7,356	$2,101	$15,458,000	$26,191,000
27	Buffalo Bills	1973/1999	132	$82,000	$10,800,000	8,831	$1,650	$14,535,000	$25,335,000
28	Kansas City Chiefs	1972/2010	111	$123,000	$13,653,000	7,715	$1,400	$10,794,000	$24,447,000
29	Detroit Lions	2002	127	$96,000	$12,133,000	7,312	$1,509	$11,033,000	$23,166,000
30	St. Louis Rams	1995	101	$100,000	$10,083,000	6,692	$1,720	$11,507,000	$21,590,000
31	Oakland Raiders	1966/1995	143	$70,000	$9,995,000	5,552	$1,400	$7,775,000	$17,770,000
32	San Francisco 49ers	1971	95	$110,000	$10,450,000	n/a	n/a	n/a	$10,450,000
33	Minnesota Vikings	1982	99	$68,000	$6,742,000	242	$4,500	$1,089,000	$7,831,000
Average (excluding Los Angeles			**147**	**$140,219**	**$19,687,469**	**8,610**	**$2,504**	**$21,549,194**	**$40,563,000**

* Rounded to the nearest '000.

(1) The Steelers have a total of 129 suites, but 15 are non-revenue generating. Suite revenue potential reflects only the revenue-generating suites.

Note: Suites for the Giants and Jets are sold together. Potential annual suite revenue has been split evenly between both franchises.

Source: NFL ticket manifest and premium seating representatives at NFL teams.

Due to the higher costs typically associated with private suites and club seats, corporations are often the main purchasers of premium seating. Therefore, an important indicator of the ability of a market to support various premium seating options is the ratio of the number of corporations and branches to the total number of suites and club seats. This ratio indicates a market's ability to penetrate its corporate market base through the sale of suites and club seats.

The greater Los Angeles market has the largest corporate base in the United States. This combined with the relatively low levels of premium seating in the market and the level of income that significant segments of the population have should allow the NFL franchise to establish itself as one of the top revenue generators in the league.

The tables set forth in Exhibit D detail the premium seating, public seat license and ticket data for Los Angeles and the other NFL markets.

5. Convention Center Expansion/Relocation

CSL has conducted a review of past, current and future market conditions that impact the demand and associated event potential, financial operations and economic impact associated with the Los Angeles Convention Center (LACC). As part of our research, we have reviewed historical and future booking levels, calculated space occupancy levels, surveyed organizers of past LACC events, reviewed the competitive position of the LACC within the industry, and interviewed LACC and LA Inc. representatives. The results of this analysis are summarized herein.

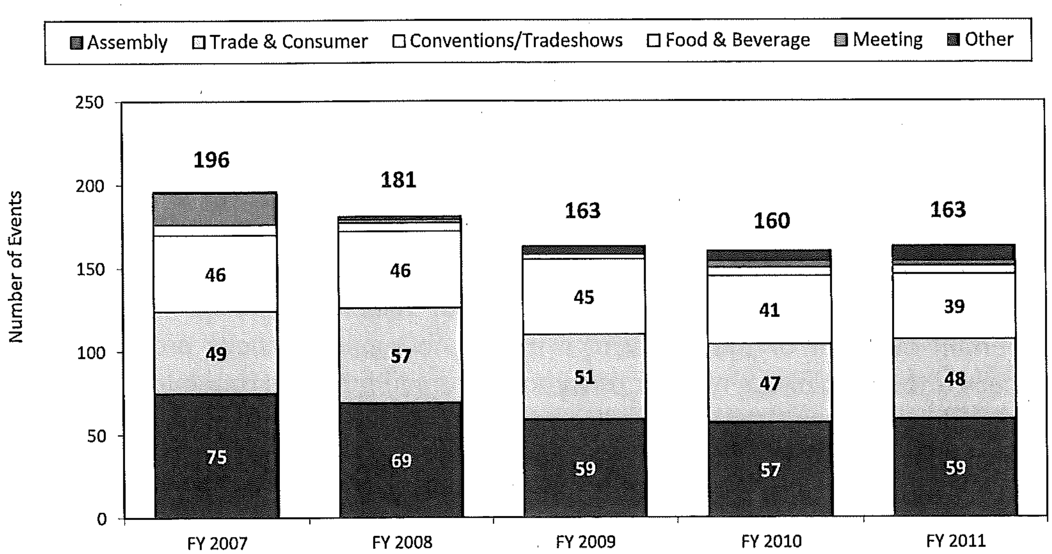
Historical and Potential Future LACC Event and Occupancy Levels

We have reviewed various measures of occupancy for the LACC, including measures of event activity and exhibit space occupancy. Results of this review are summarized below.

Event Activity

The LACC hosts a wide diversity of events, including room-night generating conventions and tradeshows, as well as more locally oriented consumer and trade events. The following exhibit highlights the event activity at the LACC over the past five years.

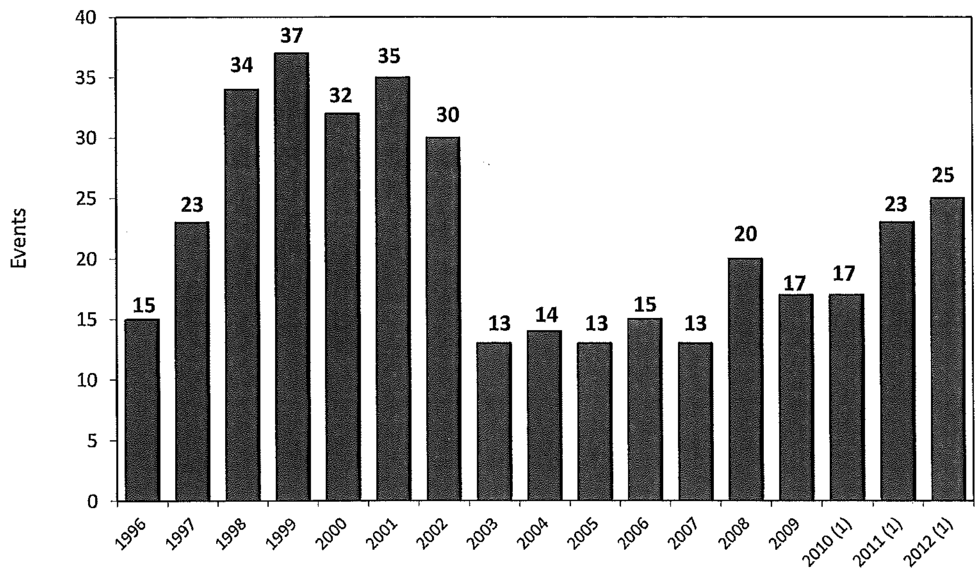
Summary of Historical LACC Event Activity



Notes: Event types are based on LACC classifications. Data does not include internal events.
Source: CSL International, facility management, 2011

As noted above, event activity has declined somewhat since 2008, consistent with national declines in event activity associated with the economic recession. However, the number of city-wide conventions and tradeshows (those that generate a significant non-local attendee base and associated economic impact) have experienced gains in the past several years. The following exhibit highlights the number city-wide events hosted at the LACC since 1996, and continuing into projected data for 2012.

Summary of LACC City-Wide Events



(1) Years 2010-2012 are based on projected data.
(2) New baseline for the LACC.
(3) Represents an enhanced LACC.
Source: LA Inc. 2011

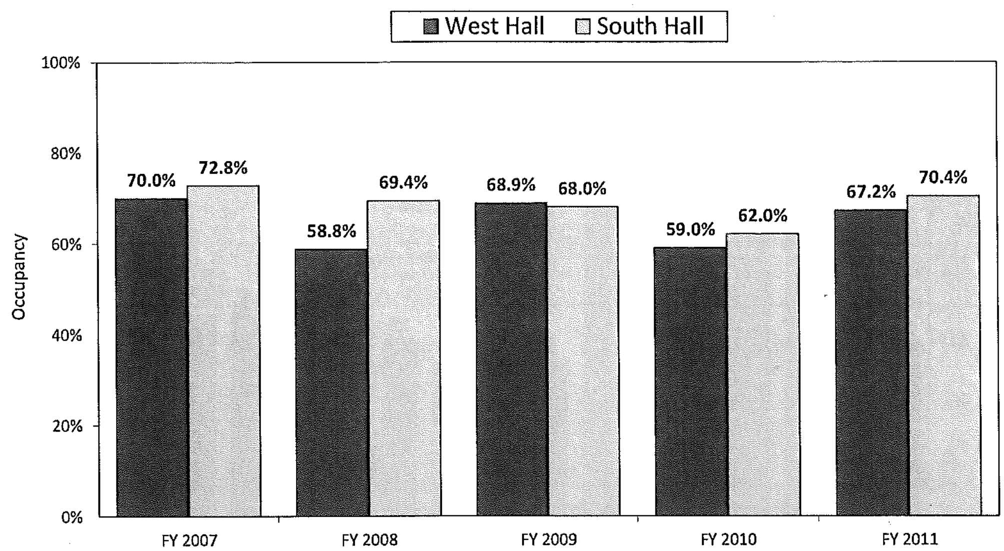
As noted above, city-wide events hosted at the LACC peaked in 1999 and remained relatively high through 2002. Spikes in event activity during the 1998 to 2002 period were reflective of the construction period impacts for convention centers in San Diego and Long Beach, while the significant drop-off during the early 2000's can be attributed in part to broader national economic conditions, lingering effects of 9/11 and global conflicts, as well as the SARS episode. Beginning in 2008, and largely due to the LA Live project and a highly focused marketing effort, the number of city-wide events increased, reaching 23 events in 2011 and 25 in 2012.

Should no improvement to the Los Angeles convention product be made over time, the continued investments being made in competitive destinations could erode recent gains in city-wide event activity. Conversely, improvements to the LACC and surrounding hotel inventory could lead to modest yet sustained increases in the level of city-wide event activity hosted at the LACC.

Occupancy Levels

We have also examined historical occupancy levels for primary LACC exhibit space (West and South Halls). The following exhibit presents occupancy data for the past five fiscal years.

Summary of LACC Exhibit Space Occupancy



Source: facility management, 2011

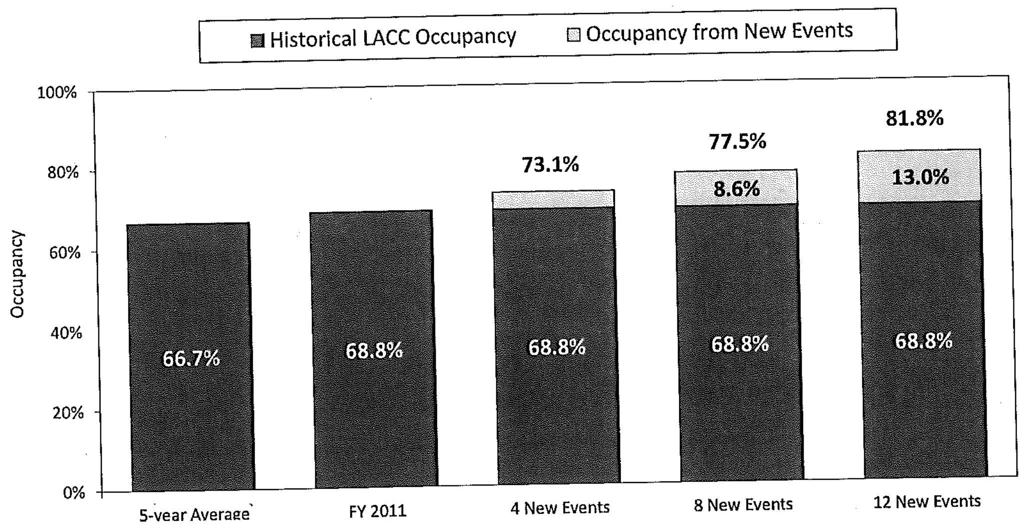
From an industry perspective, occupancy levels, measured by dividing the number of occupied days by 365, can indicate the degree to which usage of the facility has reached a maximum capacity. The occupancy of a facility is determined to be at or approaching a practical maximum capacity range when the actual occupied space in a facility reaches a level of 70 percent of total sellable capacity. It can be difficult to sustain occupancy levels significantly above 70 percent due to the fact that portions of a center's total capacity are un-sellable due to holidays, maintenance days and inherent booking inefficiencies that result when events cannot be scheduled immediately back-to-back.

Based on data provided by LACC management, occupancy levels at the Center have approached and occasionally exceeded the 70 percent threshold. In fiscal year 2011, the South Hall operated at an occupancy level of just over 70 percent, while the West Hall occupancy slightly exceeded 67 percent.

It should also be noted that Petree and Concourse Halls have operated at or above the 70 percent threshold for most of the past five years. These data indicate that as a complex, the LACC has operated at or near capacity for the past several years. The ability to significantly increase the number of high impact or city-wide conventions held at the LACC would require a shifting of event mix to accommodate added city-wide events, a scheduling pattern that is unusually efficient allowing for significant back-to-back bookings, or a combination of both.

To further explore the impact of added LACC event activity on occupancy levels, we have prepared exhibit space occupancy scenarios that assume various increases in city-wide conventions and tradeshows. The following exhibit highlights the level of combined West and South hall occupancy assuming an additional four, eight and twelve city-wide events.

Summary of Potential Future LACC Exhibit Space Occupancy



Notes: Additional events assume new citywide bookings occupying 275,000 gross square feet over eight facility utilization days.
Source: CSL International, facility management, 2011

As noted above, the five year historical exhibit space occupancy level for the LACC averaged 66.7 percent, and in 2011, occupancy levels are estimated at 68.8 percent. If an additional four city-wide events were to be accommodated at the LACC and assuming the other event activity is maintained, occupancy levels would reach 73.1 percent. At eight added city-wide events, occupancy reaches 77.5 percent, and at 12 added events occupancy reaches 81.8 percent. Based on our experience in analyzing large market convention centers throughout the country it would be very difficult to sustain occupancy levels within the high-70's or low 80's percentage level.

As a further component of our analysis, we have reviewed the event calendar for the LACC, using 2012 bookings as a basis. Focusing on the open calendar dates, as well as our understanding of seasonal convention and tradeshow industry demand patterns, it appears that there could be at most eight to ten open booking windows (periods of at least 8 day, primarily during typical industry demand periods).

The analysis of occupancy percentages and open booking windows represents a *capacity* analysis as opposed to a true demand analysis. When considering the potential for added LACC event activity associated with the proposed enhancement project, it is very important to consider the numerous convention industry improvement projects being considered or undertaken within competitive destinations. This competitive landscape is explored in the following section.

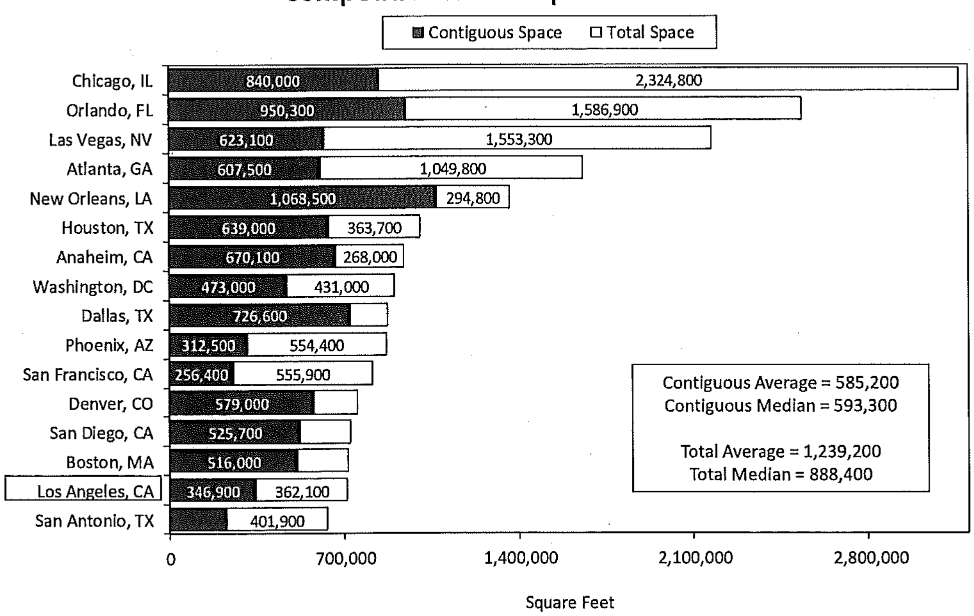
Competitive Landscape

We have reviewed the competitive position of the LACC from several perspectives, including sellable space, hotel inventory and investment taking place in competitive destinations. This research is summarized below.

Sellable Space

We have reviewed the availability of existing sellable event space (which includes all available exhibit, meeting and ballroom space) at the LACC in the context of several competitive and comparable venues, with data presented in the following exhibit.

Comparison of Total Sellable Space –
Competitive and Comparable Facilities



Notes: Space levels for the LACC do not include Kentia Hall.
With the proposed enhancement, the largest contiguous space for the LACC will increase to 540,000 gross square feet.
Source: facility floorplans, management, and industry publications, 2011

5. Convention Center Expansion/Relocation (cont'd)

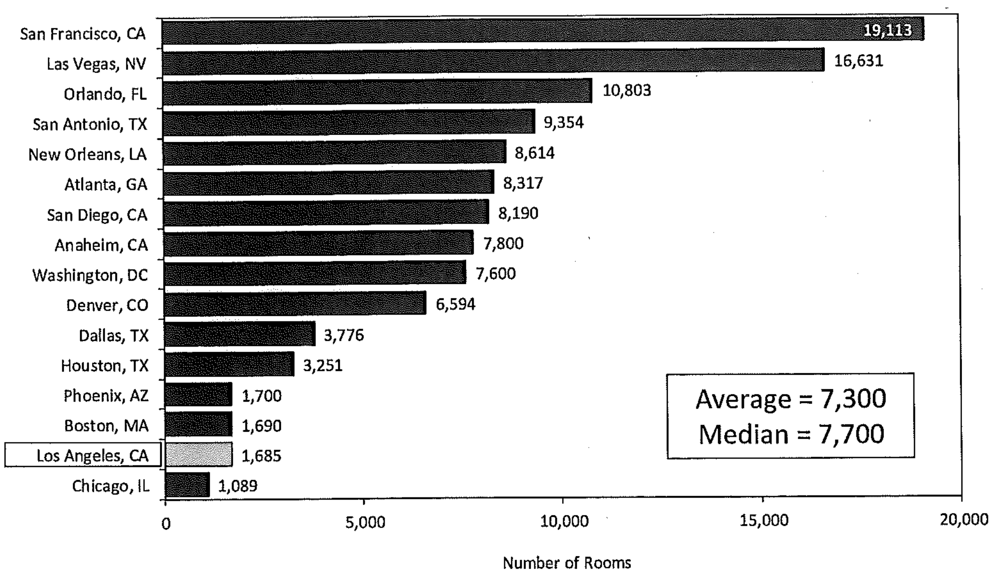
As noted above, the 709,000 square feet of sellable space at the existing LACC ranks 15th among the 16 competitive and comparable facilities reviewed. The exhibit also highlights the largest contiguous exhibit area available within each center. The 346,900 square feet contained in the South Hall ranks 13th among the 16 centers reviewed. In reviewing our full database of large-market convention centers, we also note that among all North American venues, the amount of exhibit space available at the LACC (approximately 557,600 square feet) ranks 21st.

With the proposed LACC enhancement, the overall space totals will remain relatively consistent, however the amount of contiguous exhibit space will increase by approximately 190,000 square feet significantly given the expansion of the South Hall.

Hotel Inventory

Hotel inventory serving a convention center is a critical determinant in the ability to increase overall event activity. Even with a high quality convention center, a destination's event market capture cannot generally expand beyond the capacity of the surrounding hotel inventory to accommodate non-local event attendees. The following exhibit highlights the number of hotel rooms within one-half mile of a set of competitive and comparable convention centers.

Hotel Rooms Within One-Half Mile of Center



Source: CSL International, Convention and Visitors Bureaus, 2011.

5. Convention Center Expansion/Relocation (cont'd)

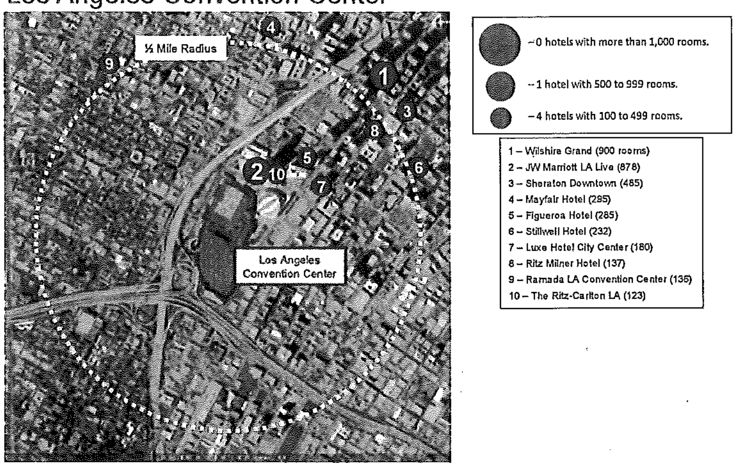
Competitive & Comparable Markets

As noted above, the hotel inventory within one-half mile of the LACC ranks very low relative to the markets reviewed, representing an important competitive disadvantage in attracting significant increases in large city-wide conventions and tradeshows. In fact, to reach the median level of hotel room inventory within one-half mile, an additional 6,000 rooms would have to be developed in the vicinity of the LACC.

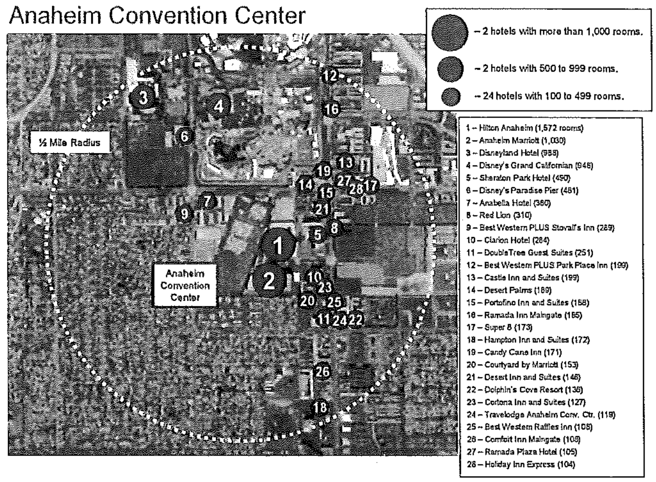
The following exhibit presents a visual representation of the hotel inventory in four major west-coast convention destinations – Los Angeles, San Diego, Anaheim and San Francisco.

Hotel Inventory within ½ Mile of Convention Center
Competitive & Comparable Markets

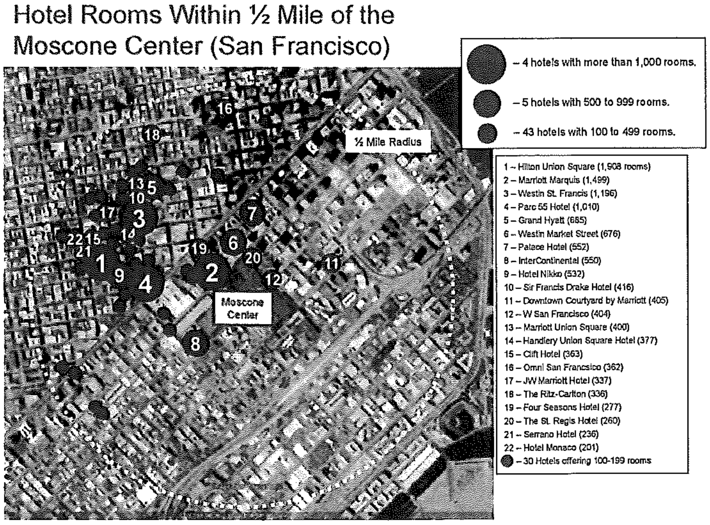
Hotel Rooms Within ½ Mile of the Los Angeles Convention Center



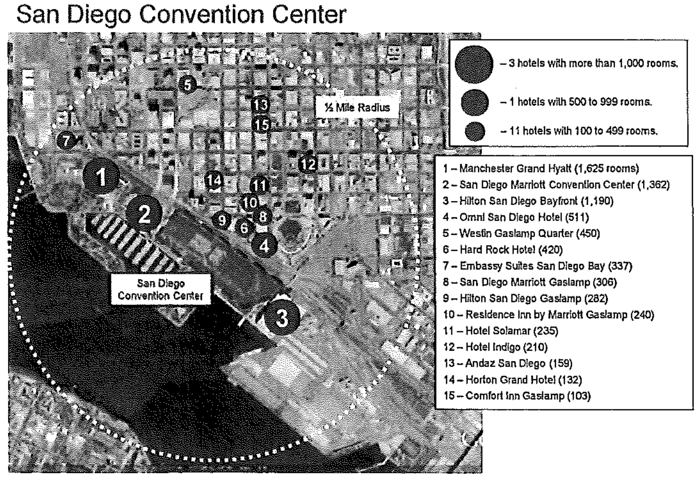
Hotel Rooms Within ½ Mile of the Anaheim Convention Center



Hotel Rooms Within ½ Mile of the Moscone Center (San Francisco)



Hotel Rooms Within ½ Mile of the San Diego Convention Center



5. Convention Center Expansion/Relocation (cont'd)

As noted above, a significant relative shortage of hotel rooms exists within the vicinity of the LACC. Further, a significant portion of hotel room available in Los Angeles is located outside the ½ mile radius.

Competitive Destination Investment

It is important to note that in addition to LACC and hotel capacity conditions, the national convention industry competitive landscape will significantly influence event capture. Given the significant community-wide impacts associated with large convention and trade events, virtually all major U.S. cities have invested in providing competitive facilities and destinations. Several examples of recent investment in competitive destinations are summarized below.

- **San Diego** – As envisioned, a $753 million expansion would add 200,000 square feet of exhibit space, a third ballroom (80,000 square feet), 100,000 square feet of meeting rooms, and a new 500 room hotel directly behind the convention center. Architects for the project have been retained, and funding sources are being evaluated. The project has an estimated completion target of 2015.
- **Anaheim** – A $20 million, 100,000-square foot "Grand Plaza" outdoor pavilion is being developed adjacent to the Center. The outdoor space is expected to be a marketing tool to attract additional tradeshows and large conventions and should be completed in 2012. Additionally, planning is underway to add 72,000 square feet of meeting space, plus additional hotel room inventory.
- **San Francisco** – $70 million in facility upgrades have been funded and are currently being implemented. Improvements will include: modernized lighting, heating, air-conditioning, audio-visual capability, movable wall dividers, new carpeting and repainting. Electronic updates will feature full Wi-Fi accessibility, many additional computer plug-ins and a digital display network. Longer-term plans are being discussed for an extensive re-configuration and expansion of the Center.
- **Phoenix** – An $800 million expansion of the Center was completed in 2009. The project nearly tripled the size of the Center. The Center is part of a downtown entertainment complex that consists of the US Airways Center, Chase Field, Symphony Hall, Science Center, and other visitor/cultural assets.

In addition to the projects noted above, convention center/headquarter hotel expansion and enhancement projects are being discussed in Seattle and Portland.

The current convention and tradeshow industry is in a state of very limited growth, emerging from a period of decline over the past several years. Fundamentally, any significant increase in capture of high impact city-wide conventions and tradeshows for the LACC would have to take place as a result of taking business from competitive markets such as those described above. Given the convention industry investments taking place in these markets, the sales and marketing challenges for increasing LACC high impact events should not be underestimated.

Potential Future LACC Event Activity

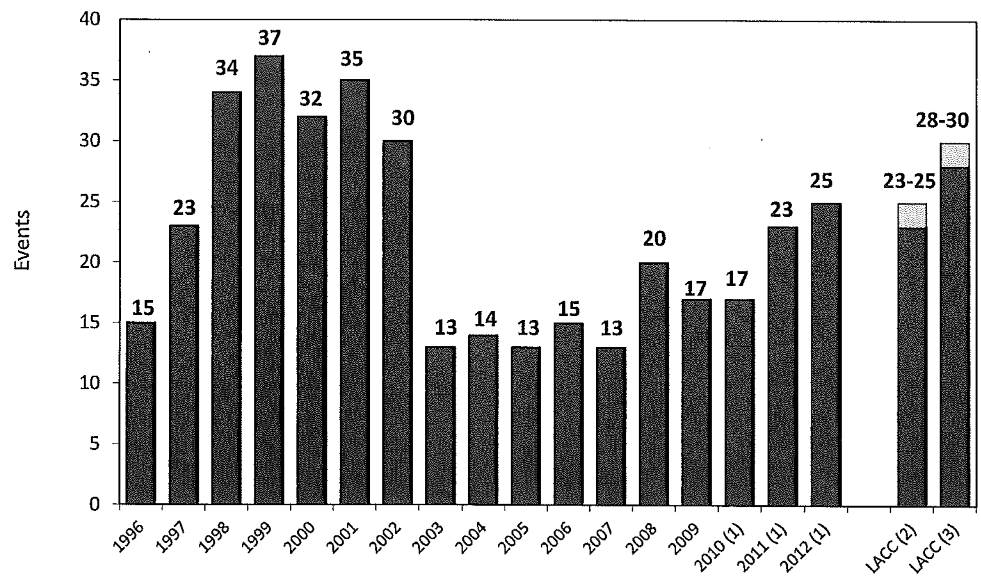
There are several fundamental aspects that draw from our assessment of potential future LACC event activity, particularly future city-wide events. Based on the analysis summarized herein, we can make the following points.

- We assume that any LACC enhancement project will provide an amount of sellable space equivalent to the existing space inventory, and that the added exhibit space will be contiguous to the existing South Hall.
- The national inventory of large, nationally-rotating conventions and tradeshows is relatively stable. Future growth in the segment of events will likely be limited over the next several years. Based on data maintained by Destination Marketing Association International, there are approximately 250 events that require 200,000 or more square feet of exhibit space. With modest annual growth, this provides a fairly limited base of events to attract.
- Competitive destinations, including San Diego, Anaheim, San Francisco and Phoenix, have already or are considering significant investments in their convention center, hotel and destination assets. As the competition continues to improve, it will be challenging to draw significant numbers of city-wide events away from competitive destinations into Los Angeles.
- The configuration of the existing LACC, with two separate halls, lack of a ballroom and a lack of nearby hotel inventory, represent competitive disadvantages when trying to attract large city-wide conventions and tradeshows. The proposed LACC enhancement project will address many of the shortcomings of the Center. Combined with future potential development of hotel inventory adjacent to or very nearby the LACC, these improvements will help place Los Angeles more on a level playing field with competitive west coast destinations.
- The LACC, given its diversity of event activity, operates at exhibit space occupancy levels that are at or near the 70 percent threshold that typically defines a "full" center. Modest increases in large national conventions and tradeshows could be accommodated into the LACC resulting in somewhat higher but sustainable occupancy levels. However, significant increases in large national conventions and tradeshows (increases of 50 percent or more) would result in LACC occupancy percentages that don't appear to us to be sustainable over an extended period.

- There are relatively few events that require very large seating capacities for general sessions. Also, relatively few events would consider the proposed Event Center playing surface as dedicated exhibit space, particularly so given the differing elevation between the playing surface and the LACC exhibit space, and the fact the these spaces are not contiguous. As a result, the availability of event space in the Event Center may allow for the capture of up to two events annually that would not otherwise have been booked into the LACC.

Based on these and other considerations, we have developed estimates of the potential increase in LACC city-wide event activity resulting from the proposed facility enhancement project.

The following exhibit highlights the historical potential future level of city-wide event activity for the LACC.



(1) Years 2010-2012 are based on projected data.
(2) New baseline for the LACC.
(3) Represents an enhanced LACC.
Source: LA Inc. 2011

LACC City-Wide Event Levels

As previously noted, the level of city-wide events hosted by the LACC has run in cycles over the past 16 years. Spikes in event activity during the 1998 to 2002 period were reflective of the construction period impacts for convention centers in San Diego and Long Beach, while the significant drop-off during the early 2000's can be attributed to a variety of economic, global conflict and other such factors. More recent increases are attributable to significant improvements to the hotel and entertainment package surrounding the LACC, as well as highly focused convention sales and marketing efforts. Given current Los Angeles convention industry product and overall industry conditions, the base-line number of LACC city-wide events is expected to range between 23 and 25. This represents a significant increase from the baseline levels recorded between 2003 and 2007, and is consistent with the more recent LACC booking data.

The proposed LACC enhancement project would provide for numerous physical improvements in the form of larger contiguous exhibit space, a dedicated ballroom, and potential availability of Event Center space. With these proposed improvements to the LACC, and assuming the development of significant added hotel inventory proximate to the LACC, a new baseline of city-wide events is estimated at between 28 and 30. Given the stable condition of convention and tradeshow industry demand projected into the future, the large majority of additional LACC city-wide events will have to result from attracting events that otherwise would have booked into centers in competitive markets such as San Diego, Anaheim, Phoenix, San Francisco and Denver.

It should also be noted that without added hotel inventory, the proposed enhancements to the LACC may facilitate the ability to maintain *current* city-wide event levels, but would not likely result in material increase in city-wide event capture.

Potential Financial Operating Impact

We have reviewed the past financial operating performance of the LACC. The following exhibit presents the operating results for the LACC over the past three fiscal years and projected for FY 2010-2011.

Summary of Historical LACC Financial Operating Results

Los Angeles Convention Center
Statement of Operating Income and Expenses

	FY 2007-2008	FY 2008-2009	FY 2009-2010	Estimated FY 2010-2011
Operating Revenue:				
Exhibit Hall and Meeting Room Rentals	$6,941,111	$6,580,133	$6,334,549	$5,671,633
Utility Services	8,286,032	10,077,427	8,231,795	9,000,000
Parking Fees	6,942,049	6,451,613	6,106,910	7,000,000
Food Service Net Return	1,899,245	1,854,821	701,557	600,000
Miscellaneous	2,019,819	1,792,521	1,069,374	2,350,000
Total Operating Revenue	**26,088,256**	**26,756,515**	**22,444,185**	**24,621,633**
Operating and Administrative Expenses:				
Salaries	$16,321,176	$16,375,021	$13,412,179	$14,500,000
Utilities	3,941,299	4,052,396	4,085,052	4,500,000
Contractual Services	2,522,364	2,345,462	2,457,473	2,500,000
Repairs, Materials and Supplies	937,634	1,074,040	464,247	250,000
Office & Administration	298,155	252,943	114,734	115,000
Advertising and Other Promotion	211,731	157,489	125,555	115,000
Transfer to City Departments	2,032,723	2,247,115	1,090,000	1,299,973
Miscellaneous	77,281	69,845	78,724	70,000
Total Operating and Administrative Expense	**26,342,363**	**26,574,311**	**21,827,964**	**23,349,973**
Income (loss) From Operations	**($254,107)**	**$182,204**	**$616,221**	**$1,271,660**

Source: LACC, 2011

Based on our review of this data, as well as our experience analyzing convention center performance throughout the country, the following observations have been made:

- *Including parking revenue*, the LACC has operated at a near break even level, exclusive of debt service. It is common throughout the country for large-market convention centers to operate at deficits as high as $10 million. In this sense, the LACC operates at "industry superior" levels.
- Parking revenues represent a significant share of overall LACC revenue, accounting for 24 to 28 percent of revenue over the past four years. Changes to the allocation of parking revenue could have a material impact on the overall financial performance of the LACC. If decisions are made to reallocate parking revenue, a new "benchmark" of financial operating performance for the LACC should be acknowledged.
- The proposed LACC improvement project will provide for a more compact, contiguous building program, and this may allow for slight decreases in operating expense.

5. Convention Center Expansion/Relocation (cont'd)

- The ability to attract added city-wide conventions and tradeshows will not likely have a significant impact on overall LACC net financial performance. These events tend to demand significant rent concessions (in exchange for their significant community-side economic impact) and as a result a break-even scenario on a per-event basis could be assumed.
- We assume that major trade events such as the Auto Show, as well as the variety of local consumer shows, will remain as LACC customers. Losing a material number of these events could have a significant negative impact on LACC financial operating performance.

Given the above considerations, we do not anticipate a significant decrease (or increase) in net LACC financial operating levels. As noted above, decisions as to allocation of parking revenue could impact this finding.

A more detailed Planning Analysis for the Los Angeles Convention Center is attached hereto as Exhibit E.

6. Economic Impact Analysis

Potential Economic Impact – New Stadium

As part of the analysis, estimates of the potential economic impacts of the proposed new stadium have been developed. The assessment is based on past assumptions as to total events, per-attendee spending, attendance and economic impact multipliers. For purposes of this analysis, the economic impacts of the NFL team and the new stadium have been presented in terms of adjusted impacts, which represent the impacts to the local economy after accounting for the unique nature of player salaries and the manner in which they impact the economy as well as other expenditures that are not expected to impact the local economy. Throughout this report, the estimated economic impacts are presented in terms of City impacts to reflect the portion of economic activity attributable to the Team and stadium that is assumed to take place within the City.

Construction Period Impacts

It is anticipated that the new stadium will cost approximately $1.2 billion, including the two parking garages that AEG will construct as part of the project. Within the City of Los Angeles, it is expected that construction will generate total output of more than $360 million and create more than 2,500 jobs. The construction will take nearly three years and it is estimated that nearly $2.0 billion of gross total output would be created by construction spending, generating gross earnings of approximately $841 million and 14,000 jobs.

Estimated Economic Impacts of Construction
New NFL Stadium in Los Angeles

Gross Impacts	
Total Output	$1,929,000,000
Earnings	$841,200,000
Employment	14,000
City Impacts	
Total Output	$366,500,000
Earnings	$159,830,000
Employment	2,660

In addition, the tax impacts from construction of a new NFL stadium include approximately $1.2 million in sales tax revenue for the City of Los Angeles, and $66 million for the State of California.

Estimated Fiscal Impacts of Construction
Sales Tax Revenues

Estimated Taxable Sales	
State	$1,058,730,000
County	$316,550,000
City	$161,560,000
Sales Tax Rate	
State	6.25%
County Allocation	0.25%
City Allocation	0.75%
Sales Tax Revenue	
State	$66,170,000
County Allocation	$791,400
City Allocation	$1,212,000

Stadium and Team Operations

Stadium and team operations will have a much greater long-term economic impact on the City and the surrounding area. The operation of NFL franchises can create significant impacts on a community in a variety of ways. As a part of ongoing team operations, economic impacts are generated by the franchise, the League, stadium operations and fan spending. The impacts generated by an NFL team most visibly begin with fan and corporate spending on tickets, concessions, parking, merchandise, premium seating and stadium sponsorship at the stadium. League and other team revenues also comprise a portion of the initial round of spending. Other spending sources that further comprise the initial round of spending include visiting team expenditures and spending by fans at local establishments before and after games.

Direct Spending

The direct impact discussed in this report includes team and stadium revenues as well as spending by stadium patrons before and after events taking place outside of the stadium at local establishments such as restaurants, hotels, retail shops and other such places. The estimated operating revenues for the team and the stadium were used to calculate the majority of the initial round of spending related to those entities. The assumptions related to attendance and spending levels at non-NFL events were used to estimate direct spending related to the stadium but not directly attributable to the Team.

6. Economic Impact Analysis (cont'd)

Estimates related to out-of-stadium spending are based primarily on information gathered as a part of previous analyses for NFL teams. Spending estimates for other events at the new stadium were developed based on industry averages. The estimated spending per person reflects a weighted average that accounts for individuals who do not spend any money as well as for individuals who do spend money before and after home games.

In addition to fan spending before and after home games, other areas of economic activity that have been used to calculate the impact associated with the stadium include team revenues and visiting team/media spending.

Adjusted Spending
Adjustments to the gross direct spending sources related to an NFL team have been made to reflect the fact that spending patterns of professional sports teams vary significantly from those in other more typical industries, as a portion of the initial spending immediately leaves the local economy. Because the largest expense of a professional sports franchise, players' salaries, does not necessarily fully impact the local area (players often do not reside in the local area year-round), the initial round of spending has been adjusted downward in this analysis.

Direct spending during the first full year of operations is projected to be $548 million, with adjusted gross spending totaling $391 million. The net new direct spending during that same year will be approximately $277 million.

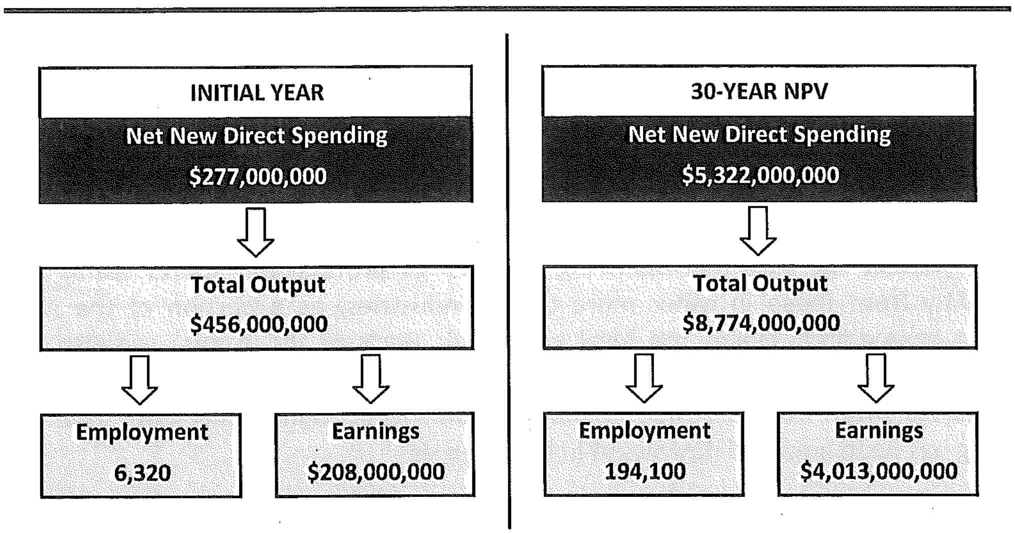
Net New Direct Spending
Stadium & Team Operations

Spending Source	First Year	30-Year Cumulative *(1)*	Net Present Value *(2)*
NFL Team/Stadium	$238,000,000	$11,305,000,000	$4,573,000,000
Other Stadium Events	39,000,000	1,851,000,000	749,000,000
Total Net New Spending:	**$277,000,000**	**$13,156,000,000**	**$5,322,000,000**

(1) Assumes annual inflation rate of 3 percent.
(2) Assumes discount rate of 6 percent.

As the direct spending cycles throughout the local economy, additional impact is generated. Using multipliers supplied by the IMPLAN Group specific to the City of Los Angeles, we have estimated total output associated with the NFL team and the new stadium. During the first year of operations, the total new economic output for the NFL team and new stadium could approximate $456 million on an annual basis, with 6,320 jobs created. Over the initial 30 years of operations the stadium should generate nearly $8.8 billion in total output.

Summary of Estimated Economic Impacts
New NFL Stadium in Los Angeles



Fiscal Impacts

As a result of the direct and indirect economic impacts generated by the NFL team and the new stadium throughout the local area, the City of Los Angeles realizes increased tax collections. Based on the estimates of direct spending, the resulting tax collections have been calculated for the State and local jurisdictions. The sales tax within the City of Los Angeles totals 8.75 percent, with revenues distributed as follows:

- 6.25 percent retained by the State
- 0.75 percent allocated to the City from which the tax originated
- 0.25 percent allocated to the County
- 1.50 percent allocated to the MTA

In addition to the player salary adjustment discussed above, it is also necessary to adjust other team revenues to reflect that fact that team expenditures do not all occur locally. In total, gross direct spending has been reduced by 85 percent in estimating City fiscal impacts.

The estimated revenues generated by the City's 14.0 percent Transient Occupancy Tax have also been included in the analysis. Sales and Transient Occupancy taxes have been calculated based upon the existing tax rates applied to concessions, merchandise, restaurant and hotel spending.

Sales taxes resulting from indirect spending have also been included in the analysis. The percentage of indirect spending that is assumed to be subject to sales taxes has been estimated based on historical gross sales and taxable sales data. Based on this historical information, it is estimated that approximately 30.0 percent of indirect spending would represent taxable sales. The Exhibit below sets forth the incremental taxes generated from the new stadium.

Estimated Net New Fiscal Impacts
New NFL Stadium in Los Angeles

	First Year	30-Year Cumulative (1)	Net Present Value (2)
City - Sales Tax	*807,000*	*40,016,000*	*13,842,537*
City - Business Tax	*974,000*	*46,674,000*	*15,210,461*
Parking Tax (3)	*775,352*	*31,454,533*	*10,511,561*
Utility Tax	*507,182*	*24,129,414*	*7,731,931*
Possessory Interest Tax	*3,988,242*	*169,037,730*	*60,050,355*
City - TOT	*818,950*	*38,961,890*	*13,233,877*
City - Total	$7,870,726	$350,273,567	$120,580,722

(1) Assumes annual revenue growth of 3 percent.

(2) Assumes discount rate of 6 percent.

(3) Accounts for on-site parking only; off-site parking taxes replace lost revenues due to AEG assuming operations of the new garages.

The total projected taxes do not account for any Super Bowls, Final Fours or other non-recurring large events. It is very possible these types of events will occur at the stadium periodically. These types of events contribute between $10 and $15 million in taxes to the City each time they occur (including $5 to $10 million in TOT). During years when the stadium does not host either of these events, the TOT will average between $2.0 and $2.5 million over the first 30 years of operations. While these amounts are significant, the TOT actually paid to the City will likely be much lower than these projections reflect. The Ritz-Carlton (123 rooms), JW Marriott (878 rooms) and Wilshire Grand (900 rooms) hotels all retain the TOT taxes for some period of time pursuant to the agreements related to the financing and construction of these hotels. These hotels are likely to receive a large contingent of out-of-town guests for any events at either the stadium or the Convention Center. A total of 1,900 of the most desirable rooms for these events would thus be eliminated from the potential TOT revenues for a number of years, significantly impacting the total TOT received by the City. As a result, we have included only 66.7% of the annual projected TOT as actually being received by the City for the purposes of this report.

Potential Economic Impact – Convention Center Expansion/Renovation

As part of the analysis, we have developed estimates of the potential impacts on LACC city-wide convention and tradeshow activity associated with the proposed LACC enhancements. The assessment is based on past LACC data and our assumptions as to per-attendee spending, average event days, attendance and economic impact multipliers.

The event and impact data generated for this summary report are presented in the following exhibit.

Summary of Historical and Potential Future LACC Event and Impact Data

	3-Year Average (2010-2012)	5-Year Average (2008-2012)	7-Year Average (2006-2012)	Going Forward Baseline	Assuming LACC Enhancement
Events	22	20	19	24	29
Average Attendance	5,074	4,510	4,443	5,000	5,000
Average Event Days	4.00	4.00	4.00	4.00	4.00
Percent Non-Local	90%	90%	90%	90%	90%
Non-Local Attendee Days	395,776	331,190	297,036	432,000	522,000
Average Per-Day Spending (1)	$429	$429	$429	$429	$429
Total Direct Spending	$169,787,835	$142,080,476	$127,428,267	$185,328,000	$223,938,000
Output Multiplier (2)	1.550	1.550	1.550	1.550	1.550
Total Economic Output	$263,219,534	$220,265,230	$197,550,132	$287,311,218	$347,167,722
Hotel Tax (14% as of 2011)	$8,985,172	$7,518,899	$6,743,504	$9,807,558	$11,850,799
State Sales Tax (6.25%)	$5,539,328	$4,635,376	$4,157,347	$6,046,326	$7,305,977
City Sales Tax (0.75%)	$664,719	$556,245	$498,882	$725,559	$876,717
County Sales Tax (0.25%)	$221,573	$185,415	$166,294	$241,853	$292,239
MTA (transportation) Sales Tax (1.5%)	$1,329,439	$1,112,490	$997,763	$1,451,118	$1,753,435

(1) Includes spending from the attendee, exhibitor and event sponsor.
(2) Based in IMPLAN data.

As presented above, historical LACC data are summarized for three, five and seven year periods ending in 2012. The data show a general progression of event level and average attendance data increases. Resulting total direct spending over the 2010 to 2012 period averages $169.8 million. Direct spending for the five and seven year periods are estimated at $142.1 million and $127.4 million, respectively. As the direct delegate spending cycles throughout the local economy, additional impact is generated. Using multipliers supplied by the IMPLAN Group specific to the Los Angeles market, we have estimated total output associated with the LACC under various conditions. The total output associated with the seven, five and three year averages ranges from $197.5 million to $263.2 million. Under the new baseline scenario, total output generated by LACC city-wide events is estimated at $287.3 million. With the proposed LACC enhancements in place, as well as assumed significant hotel inventory improvements, the total output for the LACC could approximate $347.2 million on an annual basis.

Hotel tax collections will average an estimated $9.0 million over the 2010 to 2012 period. A new baseline hotel tax collection level is estimated at $9.8 million. With LACC enhancements and hotel inventory expansion, hotel tax collections are estimated to reach $11.8 million. Again, for the purposes of this report, we have included only two-thirds of the total TOT generated from LACC events due to the JW Marriott, Ritz-Carlton and Wilshire Grand hotels retaining TOT.

The state sales tax collections associated with the LACC are estimated at $5.5 million over the 2010 to 2012 period. New baseline sales tax impacts are estimated at $6.0 million. Assuming LACC enhancement and hotel inventory expansion, the baseline state sales tax impacts would increase to an estimated $7.3 million. The city's share of sales tax collections are estimated at $665,000 over the 2010 to 2012 period, stabilizing at a new baseline of $726,000. With LACC enhancement and hotel inventory expansion, the baseline impact for the city's share of sales tax collections is estimated at $877,000. The county's share of sales tax collections is estimated at $222,000 over the 2010 to 2012 period, reaching a baseline level of $242,000. This increases to $292,000 with LACC and hotel room inventory enhancements. Finally, sales tax collections dedicated to MTA (transportation) are estimated at $1.3 million over the 2010 to 2012 period, reaching a new baseline level of $1.5 million, and increasing further to $1.8 million with the LACC and hotel room inventory enhancements.

Given the cyclical nature of the industry, the impact of general economic conditions and changes to the competitive landscape that are certain to take place over time, the actual LACC city-wide booking levels, and associated economic and fiscal impacts will vary year to year, and this variance could be significant. Further, if no improvement to the LACC or surrounding hotel inventory takes place over time, the new baseline event and impact estimates will begin to erode as competitive destinations take market share from Los Angeles.

The exhibit on the following page summarizes the economic and fiscal impacts that the new stadium and NFL team as well as the expansion to the Convention Center will have on the City of Los Angeles.

6. Economic Impact Analysis (cont'd)

Summary of Estimated Economic Impacts
New NFL Stadium and Expanded Convention Center

New Stadium		*Convention Center*	
Net New Direct Spending		Net New Direct Spending	
First Year	$277,000,000	First Year	$48,000,000
30-Year Cumulative (1)	$13,156,000,000	30-Year Cumulative (1)	$2,283,619,954
Net Present Value (2)	$5,322,000,000	Net Present Value (2)	$923,822,421
Total Output		Total Output	
First Year	$456,000,000	First Year	$60,000,000
30-Year Cumulative (1)	$21,689,000,000	30-Year Cumulative (1)	$2,854,524,942
Net Present Value (2)	$8,774,000,000	Net Present Value (2)	$1,154,778,027
Earnings		Earnings	
First Year	$208,000,000	First Year	$26,160,000
30-Year Cumulative (1)	$9,919,000,000	30-Year Cumulative (1)	$1,244,572,875
Net Present Value (2)	$4,013,000,000	Net Present Value (2)	$503,483,220
Employment		Employment	
Net New Jobs	6,320	Net New Jobs	711
Net New Taxes		Net New Taxes	
First Year	$7,870,726	First Year	$1,513,318
30-Year Cumulative	$350,273,567	30-Year Cumulative (1)	$61,392,404
Net Present Value (2)	$120,580,722	Net Present Value (2)	$25,901,330

(1) Assumes annual inflation rate of 3 percent.
(2) Assumes discount rate of 6 percent.