

MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding ("MOU") is entered into as of the last date stated below by and between the City of Glendale (the "City") and Glendale Hockey, LLC ("Glendale Hockey") to reflect the current understanding of the parties and to serve as the basis for documenting a final agreement between the parties.

Background

- A. In May 2009, the Coyotes Hockey, L.L.C. and its affiliated entity, Arena Management Group, L.L.C. (collectively referred to as the "Coyotes"), filed for federal bankruptcy protection.
- B. The NHL's expressed intention is to sell the Coyotes' assets as soon as practicable; either to new owners who will continue to play NHL hockey in Phoenix, or if such a sale cannot be arranged, to new owners who may relocate the hockey team to another market.
- C. The purpose of this Memorandum is to document the understandings that the parties to this Memorandum have developed during their recent discussions regarding the purchase of the Coyotes' assets from the National Hockey League.
- D. Discussions have now reached a point where all parties desire to commit additional and significant resources and to take further actions to negotiate the more formal and detailed agreements that will be needed in order to undertake and complete the transactions contemplated by this Memorandum (collectively, the "Project Agreements"). This Memorandum is intended to serve as the basis for each party to commit that additional time and those additional resources necessary for the negotiation of the detailed Project Agreements.
- E. It is the intent of the parties to keep the team in Glendale, Arizona for the term of the lease.

Understanding of the Parties

It is the understanding of the parties that:

1. Purchase of Coyotes' Assets. Glendale Hockey desires to purchase the Coyotes' assets from the NHL and has made satisfactory progress toward reaching an agreement with the NHL that will facilitate that transaction.
2. Change of Team Name. Glendale Hockey will work with the NHL to change the team name from "Phoenix", to either "Glendale" or "Arizona".
3. Creation of Community Facilities District. The City will create, or cause to be created, a Community Facility District ("CFD"), or other similar and beneficial mechanism, within 90-120 days of signing MOU as an entity to sell bonds and collect revenues.
4. NHL Payment. The CFD will collect revenues and sell bonds to pay the NHL an amount not to exceed \$65 million over a three-year period and the parking revenue will be used to securitize revenue bonds for the purpose of making payments to the NHL according to the following schedule:
 - a. Year 1 payment to NHL would be \$21.6 million
 - b. Year 2 payment to NHL would be 21.6 million
 - c. Year 3 payment to NHL would be \$21.8 million

5. Operating Loss Reserve Account. The CFD will fund an Operating Loss Reserve Account in an amount of \$25 million per year; with a cap not to exceed \$100 million and seven (7) years.
- 5.1 The CFD will pledge any available portion of parking funds, CAM charges, CFD-generated revenues, and other available revenues to fund the Operating Loss Reserve Account.
- 5.2 The CFD will securitize the identified revenues and make funds available in an amount of \$25 million per year; with a cap of \$100 million and seven (7) years.
- a. The CFD will obtain a letter of credit, or other similar credit enhancement, based on best available market conditions, to provide a back-up source of funds to protect against Operating Losses. The cost of issuance of the letter of credit, or other similar credit enhancement, will be covered through the proceeds of the CFD. The letter of credit shall be drawable by Glendale Hockey upon presentation of an audited financial statement showing the amount of loss to be paid. No other creditor shall be able to call on the letter of credit. It is anticipated that this process will take 30-45 days.
- b. During the first seven years of operations after Glendale Hockey's execution of a new Arena Management Use Lease Agreement (AMULA), Glendale Hockey may also draw upon the Operating Loss Reserve Account to offset losses incurred by hockey operations and Arena Operating Expenses paid to Glendale Hockey as follows:
- c. Glendale Hockey's draws upon the Operating Loss Reserve Account to pay for actual cash losses from hockey operations and arena operations ("Team Operating Loss") up to \$25,000,000 per year, \$100,000,000 maximum lifetime cap and seven years from the date of the signed amended AMULA ("Team Operating Loss Maximum").
6. AMULA. The parties recognize a new AMULA will need to be executed as follows:
- 6.1 The City agrees to assign the Arena operating responsibility to either Glendale Hockey or a third party as designated by Glendale Hockey.
- 6.2 The city will retain current payments under the new AMULA to pay current Bonds associated with the initial construction of the Arena
7. Parking Use Fee. The CFD will establish an account for the purpose of accruing all parking revenues net of parking-related expenses that are collected as a result of Arena operations ("Net Parking Revenues"). Parking fees shall not exceed \$8 per car, per game or \$20 per car per arena event, without the consent of Glendale Hockey.
- 6.1 Net Parking Revenues will be payable to the CFD.
- 6.2 Any Net Parking Revenues received that are greater than the amount needed to service the debt for the NHL Payment and the Arena Operating Cap will accrue to the City
- 6.3 The current City Parking Fee will continue to accrue in trust for and be paid to the City ("Reserve Fund").
8. Recourse. At the conclusion of each year following the fifth fiscal year, should the Operating Loss Reserve Account be insufficient after disbursement for the Arena Operating Expenses to fund the Team Operating Loss up to the Team Operating Loss Maximum, the following may occur:
- a. The City will secure additional funds sufficient to pay for any Operating Loss Reserve Account shortfall; or,

- b. Glendale Hockey will provide notice no later than 180 days prior to the end of the 5th fiscal year to the City of its intent to sell the team during which period the City may secure a new buyer of the assets of Glendale Hockey, in which case Glendale Hockey will receive not less than \$103,000,000 ("Minimum Sale Price"), Glendale Hockey's initial equity investment in the assets of the Phoenix Coyotes.
- 9. Terms. All capitalized terms not defined herein have the meaning assigned to them in the AMULA.
- 10. Further Documents. The parties acknowledge and agree that this Memorandum contains recitals of the initial discussions and intentions of the parties with respect to certain, but not all, of the terms of the Project Agreements.
 - 9.1 The parties further acknowledge and agree that material terms and conditions remain to be negotiated and agreed upon prior to the execution of any of the Project Agreements.
 - 9.2 The parties will proceed in good faith to negotiate the complete terms and conditions of the Project Agreements.
 - 9.3 A failure by the parties or any of them to successfully negotiate and execute any of the Project Agreements will not be deemed a breach of this Memorandum, or any other agreement, by, between, or among the parties and will not subject any party to any form of liability as a result.
- 11. Council Approval. This Memorandum serves merely to memorialize the parties' discussions and is not intended to be a binding commitment in form or manner. The parties fully understand that any commitment by the City other than the administrative resources necessary to formulate binding Project Agreements requires formal approval of the Glendale City Council.
- 12. Break-Up Fee. Notwithstanding paragraph 10, the city shall pay Glendale Hockey legal fees up to \$200,000 if the City is unable to put in place the CFD or a similar entity to fund the above amounts, along with a letter of credit, as discussed above. If the city provides all of the above funding amounts through a CFD or similar entity along with a letter of credit as discussed above and Glendale Hockey or its designee does not proceed with the purchase of the team, then Glendale Hockey will pay the City's legal fees as damages not to exceed \$200,000.

Glendale Hockey, LLC



By: Jerry Reinsdorf

Its: Member

Date: _____

4/11/10

City of Glendale

Ed Beasley
City Manager

Date: _____