Seattle Partners
Follow-up responses to City Finance Team
Dated 5/12/17

Question 1:

Explain AEG's sales philosophy to help understand the projected increase in sponsorships and premium seating from the existing KeyArena site to the new Seattle Arena. Compare new T-Mobile Arena sponsorships and premium seating with old MGM Grand Garden Arena sponsorship and premium seating:

Answer 1:

AEG's general approach to the sale of sponsorships is a *"less is more"* philosophy. AEG will generally look to one naming rights partner for the arena and approximately 10 category exclusive founding partners, a mix of local and global companies that would ideally be uniform throughout the Seattle Center and, of course, the arena. As you saw in our presentation, AEG already has solid relationships with several existing campus partners.

Regarding premium seating, AEG intends to create unique, vibrant, and luxury premium seating opportunities for the large corporate base in Seattle as well as individuals, featuring a mix of luxury suites, opera boxes, terrace tables, and club seats at varying price points, from $1,500 per seat for club seats to $200,000 or more for a 16 person suite. All premium seating offers will provide an experience that can't be matched anywhere in the City of Seattle, including high-end furnishings and design, premium concessions offerings, a personal concierge, access to private areas of the arena, and of course tickets to the world's greatest artists, performers, and athletes.

AEG has sold more arena sponsorships and premium seating than any company in the world and would be in position to tap into our breadth of existing and new relationships to achieve a good blend of partners to augment the entertainment value of this project.

Finally, in no way would our sale of sponsorships or premium seating impede other campus activities from their existing commercial rights. We will work closely with Seattle Center to make certain sponsorships are integrated into the campus in a manner consistent with the way they are now. AEG remains aligned in our mission to bring reputable partners to the City of Seattle.

Las Vegas Case Study:

The MGM Grand Garden Arena (GGA) was the predecessor to the T-Mobile hosting major concerts, family shows, award shows, PBR Championships, in addition to being the home of most major boxing and UFC events. However, it was an older building, without high-end premium seating offerings or valuable sponsorship inventory. Despite hosting massive international events, there was very little sponsorship or premium seating revenue at Grand Garden Arena, with total permanent premium seating and sponsorship revenue of less than $1M per year.

In 2016, T-Mobile Arena opened. While the overall content did not increase dramatically at T-Mobile Arena versus Grand Garden Arena, AEG adopted its sales philosophy discussed above and generated $39M in gross contractually obligated income (premium seating and sponsorships) in its first full year. Because of the proprietary nature of the details of these agreements, we have not included the detail in this response, but we would be happy to discuss details in person or over the phone. We believe that Seattle is a bigger and deeper market than Las Vegas for sponsorships and premium seating, both from a corporate and individual base. In our model, we are projecting $40.9M in gross contractually obligated income (premium seating and arena sponsorships) in its first full year, which is slightly LESS than inflation adjusted revenues at TMA. We feel confident in our ability to generate significant revenues as well as provide an excellent platform for sponsors and companies to convey their brand, all while giving the City of Seattle a state of the art arena in the heart of Seattle Center.

Question 2:

Provide detail for estimate of $47.8 million of estimated Government fees/taxes listed in the Uses section in the Sources and Uses RFP response.

Answer 2:

The amount of $47.8M was an estimate of projected total fees and taxes to be paid to municipalities during the development period. It was calculated based on the following taxes/fees anticipated to be assessed on the project: 10.1% sales tax (of which approximately 1% goes to the City); B&O taxes; Seattle Street Use Fees; and Seattle Permit Fees (.85% of estimated hard costs).

Based on an estimated $425M in hard costs (inclusive of sales taxes), sales taxes assessed are estimated to be $39.0M. Business and Occupancy taxes during the development period are projected to be approximately $3M. Seattle Permit Fees are projected to be approximately $3.6M, and finally we project Seattle Street Use Fees to be approximately $2.2M. Of course, all of these are estimates and will depend on actual taxable costs.