

Grand Rapids - Kent County Convention/Arena Authority

Wednesday, June 27, 2001

7:30a.m. – 9:30a.m.

*County Administration Building Board Room, 3rd Floor
Grand Rapids, Michigan 49503*

A G E N D A

- | | | |
|-------|---|-------------|
| I. | Call to Order | |
| II. | Review and Approval of the Minutes of the May 23, 2001 Meeting of the CAA | Action |
| III. | Public Comment | |
| IV. | Committee Reports | |
| | a. Finance Committee | |
| | i. Approval of Paid Invoices | Action |
| | ii. Approval of SMG May Financial Report | Action |
| | iii. Approval of CAA May Financial Report | Action |
| | b. Building Committee | |
| | c. Operations and Marketing Committee | |
| V. | Presentation – Robert Bondlow, Managing Director, Grand Rapids Ballet | Information |
| VI. | Approval of Formal SMG Management Agreement | Action |
| VII. | Approval of Fiscal Year 2002 Facility Operating Budgets | Action |
| VIII. | Approval of Fiscal Year 2002 Convention/Arena Authority Budget | Action |
| IX. | SMG Report | |
| | -Facilities Calendar | Information |
| | -Status of Food Service Contract | |
| X. | Other Business | |

XI. Future Business

- a. Competitive Bidding - Operations
- b. Competitive Bidding - Construction
- c. Establish Change Order Approval Process
- d. Conflict of Interest Policy
- e. Parking Lease CAA/City
- f. Memorandum of Understanding – Grand Action

XII. Determination of Next Meeting Date

XIII. Adjournment

**MINUTES OF THE GRAND RAPIDS-KENT COUNTY
CONVENTION/ARENA AUTHORITY
BOARD OF DIRECTORS MEETING
Wednesday, May 23, 2001**

I. Call to Order

The meeting was called to order by Chair Steve Heacock at 7:35 a.m., at the County Administration Building. Mr. Heacock presided and Ms. Birgit Klohs recorded.

Attendance

Members Present: Steve Heacock, Chair
 David Frey, Vice-Chair
 Clif Charles
 Lew Chamberlin
 Birgit Klohs, Secretary/Treasurer
 Joe Tomaselli
 Mayor John Logie

Members Absent: None

Staff/Others: Authority
 Dale Sommers, CAA Representative
 Susan Waddell, Administrative Manager
 Dick Wendt, Legal Counsel from Dickinson -Wright

Grand Rapids
Kurt Kimball
Jana Wallace
Robert White

Kent County
Daryl Delabbio

SMG
Richard MacKeigan
Chris Machuta
Steve Miller
Lynne Ike
Jim Watt

Other
David Czurak, *Grand Rapids Business Journal*
Jack Naudi, *The Grand Rapids Press*
Steve Wilson, CVB
Tim Wondergem, Wondergem Consulting

Attorney Wendt requested the addition of Amendment No. 2 to Agreement Between Owner and Construction Manager. Mr. Heacock so approved.

II. Minutes of Prior Meeting

Motion: Director Chamberlin, supported by Director Tomaselli, moved to approve the minutes of the April 25, 2001 meeting of the Authority. Motion carried unanimously.

III. Public Comment

Convention & Visitors Bureau – Steve Wilson

Mr. Wilson announced that the convention center will host the National Association of Interpretation in November 2001. The convention will attract 1,500 delegates and an economic impact of \$750,000 is anticipated. Mr. Wilson has been meeting with convention clients who are impacted by the Welsh Auditorium demolition. The Midwest Woodworking show has committed to stay in Grand Rapids. Chair Heacock requested Mr. Wilson to attend Board meetings on a regular basis and present updates.

IV. Presentation of Operating Budgets

SMG – Rich MacKeigan and Chris Machuta

Messrs. MacKeigan and Machuta presented the SMG FY 2002 operating budget. Mr. Machuta reported that revenue is expected to decrease by \$300,000 at the Grand Center, due to construction and loss of meeting rooms. The decrease will impact direct and ancillary income. Expenditures are expected to increase approximately \$200,000. SMG is in the process of hiring a director of sales who will have experience with major trade shows.

Director Klohs explained the Finance Committee process for review of the budgets. The budgets are presented today as information items and will be brought back in June for action.

In response to a question from Director Tomaselli regarding the decrease in event days and the increase in attendance, Mr. Machuta explained that the decrease is due to the loss of small shows and should not affect attendance. Director Charles requested a notation to explain the relationship between the event services and operations expenses.

Mr. Machuta reported that the number of events at the Van Andel Arena will decrease due to loss of the Hoops, the Meijer Outlook show, corporate events, and the Ringling Brothers Circus. The budget anticipates a decrease in revenue of approximately \$385,000 and an increase in expenses of \$69,660. Mr. MacKeigan stated that SMG may schedule another circus. Due to loss of the Hoops, the number of dates available to book events has increased. SMG is close is signing two major family events. Revenue may exceed expectations due to the type of replacement events. There also may be an opportunity to relocate events from the Grand Center to the Arena. Director Frey asked whether the Board should consider another basketball franchise. Mr. MacKeigan responded that he would like to wait a year or two because available dates decrease and the Hoops may be viable in the future. In response to a question from Director Tomaselli regarding

the 15% increase in luxury seating, Mr. Machuta explained that spikes will occur every three-four years due to renewals and fee escalation.

Director Frey requested that the final budget include a forecast beyond 2002.

Mr. Robert White, Assistant City Manager-Fiscal Services for the City of Grand Rapids, presented the FY 2002 CAA budget. The net operating income will decline from \$1.4 million to \$726,000. Administrative expenses will increase due to the administrative position. The \$3 million working capital reserve will be maintained through the end of the fiscal year. It is estimated that the CAA will set aside \$429,439 in the capital replacement reserve account, of which \$329,265 will be expended on capital replacements at the two facilities. The CAA will commit \$237,000 of the capital replacement reserve balance to additional capital replacement items and will transfer back \$333,357 to the CAA administration account in order to maintain the \$3 million working capital position.

- V. Approval of Employment Agreement for Administrative Manager
Motion: Director Klohs, supported by Director Chamberlin, moved to approve the Employment Agreement for Administrative Manager. Motion carried unanimously.

- VI. Approval of Formal SMG Agreement
Chair Heacock removed this item from the agenda. The agreement should be available next month.

- VII. Committee Reports

Building Committee

Director Frey reported that Michigan Street will reopen to eastbound and westbound traffic and for turning onto southbound Monroe on Tuesday, May 29. However, Pearl Street from Scribner to Monroe will close on May 29. The demolition work of DeVos Hall lobby is complete. The Committee has been addressing the Welsh Auditorium demolition, which is scheduled to occur June 1, 2003. All May 2003 events will be handled. The Committee reviewed two variances being requested from the Code Review Board: (i) travel distance (from 250' to 400') and (ii) the amount of square footage used for calculations of air exchange. The new County courthouse and City police building will open on schedule. The Committee toured the Steelcase Learning Center.

Operations Committee

Director Chamberlin reported that the Operations Committee received reports from Mr. Steve Wilson regarding the DeVos Place virtual reality tour, an update on bookings and potential bookings, and resolution of conflicts for the 2003 convention season and the process to accommodate displaced users. The Committee commended the construction crew and the CVB. Mr. Jim Watt

submitted capital proposals for the Grand Center. A request for \$50,000 for contingencies will be forwarded to the Finance Committee for consideration.

Finance Committee Agenda

a. April Financial Reports

Motion: Director Klohs, supported by Mayor Logie, moved to approve the April 2001 Convention/Arena Authority financial statements for the Van Andel Arena and Grand Center as presented. Motion carried unanimously.

b. Approval of Paid Invoices

Motion: Director Klohs, supported by Mayor Logie, moved to approve payment of invoices as presented. Motion carried unanimously.

c. Approval of CAA April Financial Report

Motion: Director Klohs, supported by Mayor Logie moved to approve the Convention/Arena Authority Financial Statements dated from inception June 20, 2000 to April 30, 2001 as presented by Beene, Garter LLP. Motion carried unanimously.

d. Extension of Agreement with Beene Garter

Motion: Director Frey, supported by Mayor Logie, moved to approve an extension of the Agreement for Accounting Services with Beene Garter. Motion carried unanimously.

e. Approval of Agreement for Payroll Services

Motion: Director Klohs, supported by Mayor Logie, moved to approve an Agreement for Payroll Services with Beene Garter, in an amount not to exceed \$1,165.30. Motion carried unanimously.

f. Approval of Agreement with PricewaterhouseCoopers

Motion: Director Klohs, supported by Mayor Logie, moved to approve an Agreement for Audit Services with PricewaterhouseCoopers for a term extending through the year 2005. Motion carried unanimously.

XIII. SMG Report

Facilities Calendar

Mr. Rich MacKeigan stated that Ms. Waddell has moved into temporary space at the Arena. A virtual reality tour is set up on the DeVos Hall lobby. Events include Rag Time, Symphony Access concert, Floyd Mayweather boxing, Rampage games, and Pantera concert. Rod Stewart and James Taylor are lined up and the Griffins are scheduling their next season. Mayor Logie commended Rich and his staff for averting a crisis during the River Bank Run. Floyd Mayweather is at the museum giving free autographs. Mr. MacKeigan stated that the bout will be broadcast internationally, both in English and Spanish.

IX. Other Business

Motion: Mayor Logie, supported by Director Klohs, moved to approve Amendment No. 2 to Agreement Between Owner and Construction Manager. Motion carried unanimously.

X. Future Business

- a. Competitive Bidding – Operations
- b. Competitive Bidding – Construction
- c. Establish Change Order Approval Process
- d. Conflict of Interest Policy
- e. Parking Lease CAA/City
- f. Approval of Formal SMG Agreement
- g. Approval of Operating Budgets
- h. Memorandum of Understanding – Grand Action

XI. Next Meeting Date

The next meeting date will be Wednesday, June 27, 2001. The location will be in the County Administration Building, Commissioners' Board Room.

XII. Adjournment

There being no other business, the meeting was adjourned at 9:00 a.m.

Birgit Klohs
Secretary/Treasurer

/smw



CITY OF GRAND RAPIDS

DATE: June 12, 2001

TO: Birgit Klohs
Secretary / Treasurer

FROM: Jana M. Wallace
Fiscal Services Administrative Analyst

SUBJECT: Invoices Processed for Payment

Attached for your review are lists of invoices processed for payment during the most recent period. Below is the summary of Grand Rapids - Kent County Convention / Arena Authority expenditures by fund.

Date checks were issued	Operating Fund	Construction Fund
May 29, 2001	\$ 26,245.57	\$ 661,990.28
June 14, 2001	<u>86,043.23</u>	<u>1,502,240.79</u>
Expenditures by Fund	\$112,288.80	\$2,164,231.07

Total funds expended by the Grand Rapids - Kent County Convention / Arena Authority during the period May 29 through June 14, 2001, were \$2,276,519.87.

Please call me at 456-4514 if you need additional information.

Attachments

MEMORANDUM

GRAND RAPIDS - KENT COUNTY CONVENTION / ARENA AUTHORITY

List of Invoices Processed for Payment on May 29, 2001, as Authorized by the Current Bookkeeping Policy

Payee	Amount	Invoice Date	Description of materials acquired / services received
Invoices Submitted by Project Manager			
C Erhardt - Hunt: A Joint Venture	310,709.00	05/15/2001	Progress Payment #5: Construction - general conditions work
C Materials Testing Consultants	18,334.10	05/22/2001	Environmental, geotechnical, & other site testing - April 2001
C Materials Testing Consultants	2,779.70	05/22/2001	Construction phase services - April 2001
C Nextel Communications	158.81	05/09/2001	Owner's representatives cellular phone charges thru 05/6/2001
C Progressive AE	1,763.88	05/14/2001	De Vos Hall interior art / accessories - April 2001
C Progressive AE	307,799.66	05/14/2001	Architectural design services - April 2001
C Progressive AE	20,445.13	05/14/2001	Architectural design services re change order - April 2001
	<u>\$ 661,990.28</u>		Sub-Total - Invoices Submitted by Project Manager
Invoices Submitted by City Fiscal Services			
O Consumers Energy	26,245.57	05/07/2001	Electrical services for Grand Center - April 2001
	<u>\$ 26,245.57</u>		Sub-Total Invoices - Invoices Submitted by City Fiscal Services
	<u>\$ 661,990.28</u>		Total Invoices Submitted for Payment from Construction Account
	<u>\$ 26,245.57</u>		Total Invoices Submitted for Payment from Operating Account
	<u>\$ 688,235.85</u>		Total Invoices Processed for Payment

GRAND RAPIDS - KENT COUNTY CONVENTION / ARENA AUTHORITY

List of Invoices Processed for Payment on June 14, 2001, as Authorized by the Current Bookkeeping Policy

Payee	Amount	Invoice Date	Description of materials acquired / services received
Invoices Submitted by Project Manager			
C Calder Plaza Office Condo. Assoc	5,020.00	06/05/2001	Calder Plaza Building modifications - through May 31, 2001
C Erhardt - Hunt: A Joint Venture	888,779.00	06/11/2001	Progress Payment # 6: Construction - general conditions/demolition
C Hightech Signs	103.00	05/29/2001	Addition of "De Vos Place" to existing exterior sign
C J P Gray Consulting Inc	10,640.00	06/07/2001	Project management services - May 2001
C Materials Testing Consultants	11,010.08	06/08/2001	Environmental, geotechnical, & other site testing - May 2001
C Materials Testing Consultants	13,933.10	06/08/2001	Construction phase services - May 2001
C Progressive AE	393,817.77	06/06/2001	Architectural design services - May 2001
C Progressive AE	10,145.08	06/06/2001	Architectural design services re change order - May 2001
C Progressive AE	2,872.92	06/06/2001	De Vos Hall interior art / accessories - May 2001
C Sommers, Dale H	9,120.00	05/31/2001	Project management services - May 2001
	<u>\$1,345,440.95</u>		Sub-Total - Invoices Submitted by Project Manager
Invoices Submitted by City Engineer			
C Black and Veatch	70,001.84	04/17/2001	Engineering for Monroe Avenue utility relocation - March 2001
C DVT Electric Inc	84,500.00	05/25/2001	Power resupply to City/County Building due to Monroe Ave work
C Geotech Inc	2,298.00	05/08/2001	Engineering services: self-performing fiber/copper - 4/01-4/30/01
	<u>\$ 156,799.84</u>		Sub-Total - Invoices Submitted by City Engineer
Invoices Submitted by City Fiscal Services			
O Arthur J. Gallagher Risk Mgmt Serv	14,850.00	05/29/2001	Directors and officers liability policy - 5/01/01-5/01/02
O Beene Garter LLP	825.00	05/25/2001	Bookkeeping services for period ended May 23, 2001
O Consumers Energy	1,707.98	05/24/2001	Electrical services for Skywalk - May 2001
O Consumers Energy	36,112.45	05/25/2001	Electrical services for Arena - May 2001
O Grand Rapids City Treasurer	48.39	05/31/2001	Fire protection water line for Grand Center - June-Sept 2001
O Grand Rapids City Treasurer	30.25	05/31/2001	Fire protection water line for Grand Center - June-Sept 2001
O Grand Rapids City Treasurer	2,729.25	05/31/2001	Water and sewer services for Arena - May 2001
O Grand Rapids City Treasurer	95.65	05/31/2001	Water and sewer services for Arena - May 2001
O Grand Rapids City Treasurer	48.39	05/31/2001	Fire protection water line for Grand Center - June-Sept 2001
O Grand Rapids City Treasurer	48.39	05/31/2001	Fire protection water line for Grand Center - June-Sept 2001
O Grand Rapids City Treasurer	1,676.92	05/24/2001	Water and sewer services for Grand Center - May 2001
O Grand Rapids City Treasurer	30.25	05/31/2001	Fire protection water line for Grand Center - June-Sept 2001
O Kent County Dept of Public Works	175.28	05/31/2001	Skywalk steam services - May 2001
O Kent County Dept of Public Works	10,253.16	05/31/2001	Grand Center steam services - May 2001
O Kent County Dept of Public Works	17,183.31	05/31/2001	Arena steam services - May 2001
O Priority Health	228.56	06/12/2001	Insurance benefits for administrative manager - July 1, 2001
	<u>\$ 86,043.23</u>		Sub-Total Invoices - Invoices Submitted by City Fiscal Services
	<u>\$1,502,240.79</u>		Total Invoices Submitted for Payment from Construction Account
	<u>\$ 86,043.23</u>		Total Invoices Submitted for Payment from Operating Account
	<u><u>\$1,588,284.02</u></u>		Total Invoices Processed for Payment

C = Convention Center construction related expenses
O = Non-construction / operating expenses



Item IV(a)(ii)

VAN ANDEL ARENA

**FINANCIAL STATEMENT
FOR THE PERIOD ENDED MAY 31, 2001**

Distribution:

**Richard MacKeigan
Kurt Kimball
Jim Knack
Bob White
Cheryl McConomy
Dave Waichum
Steve Heacock
Glen Mon
Harry Cann
Gary McAneney
Chris Wright**



An SMG Managed Facility

**VAN ANDEL ARENA
ROLLING FORECAST - YE 6/30/00
SUMMARY**

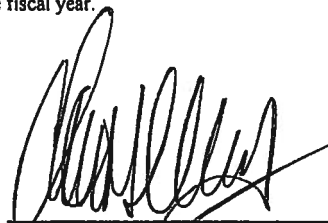
	YTD	ROLL	TOTAL FYE	BUDGET FYE	VARIANCE
NO. EVENTS	147	5	152	163	(11)
ATTENDANCE	752,749	36,500	789,249	889,750	(100,501)
DIRECT EVENT INCOME	1,428,377	13,651	1,442,028	1,303,223	138,805
ANCILLARY INCOME	1,456,592	28,542	1,485,134	1,429,308	55,826
TOTAL EVENT INCOME	2,884,969	42,193	2,927,162	2,732,531	194,631
TOTAL OTHER INCOME	1,486,884	152,078	1,638,962	1,605,559	33,403
TOTAL INCOME	4,371,853	194,271	4,566,124	4,338,090	228,034
INDIRECT EXPENSES					
EXECUTIVE	97,094	9,832	106,926	99,061	(7,865)
FINANCE	112,045	11,540	123,585	141,461	17,876
MARKETING	143,695	14,850	158,545	152,070	(6,475)
OPERATIONS	962,942	98,457	1,061,399	1,043,202	(18,197)
BOX OFFICE	82,066	7,236	89,302	125,614	36,312
LUXURY SEATING	91,356	8,410	99,766	104,707	4,941
SKYWALK ADMIN	32,873	2,240	35,113	32,895	(2,218)
OVERHEAD	1,285,017	132,850	1,417,867	1,382,858	(35,009)
TOTAL INDIRECT EXP.	2,807,085	285,413	3,092,503	3,081,868	(10,635)
NET REVENUE ABOVE EXPENSES	1,564,764	(91,142)	1,473,621	1,256,222	217,399
LESS ALLOCATION FOR CAPITAL REPLACEMENT	34,600	191,665	226,265	226,265	.
NET REVENUE ABOVE EXPENSES AFTER CAPITAL	1,530,164	(282,807)	1,247,356	1,029,957	217,399

Benchmark revenues	4,077,585
Final Statement revenues	4,566,124
Projected excess	488,539

20% of first \$500,000 excess	97,708
25% of \$500,000 and above	-
Total Incentive Fee	97,708
2001 Base Fee	260,981
Total Fee for FY 2001	358,689

Comments:

May performed very well versus the original budget and revised forecasts. The Arena showed its flexibility during May as it was host to a Rock Concert (Bon Jovi), an opera (Carmen), and the highest level of boxing that is currently our there in addition to our more traditional Griffins and Rampage games. June is expected to perform below expected levels, however, the Arena will perform above budget for the fiscal year.



General Manager

Director of Finance

**VAN ANDEL ARENA
GRAND RAPIDS
FINANCIAL STATEMENT HIGHLIGHTS**

	May Actual	May Budget	May Last Year	YTD 6/30/01 Actual	YTD 6/30/01 Budget
Number of Events	12	5	11	147	149
Attendance	63,651	39,500	60,491	752,749	816,250
Direct Event Income	\$184,376	\$73,973	\$159,158	\$1,428,377	\$1,278,222
Ancillary Income	118,941	35,254	166,714	1,456,592	1,402,129
Other Income	164,962	133,798	128,435	1,486,884	1,471,778
Indirect Expenses	(233,573)	(257,011)	(257,102)	(2,807,088)	(2,825,221)
Net Revenue above Expenses	\$234,707	(\$13,986)	\$197,204	\$1,564,764	\$1,326,908
Less Capital Replacement	(\$4,218)			(\$34,600)	
Net After Capital Replacement	\$230,489	(\$13,986)	\$197,204	\$1,530,164	\$1,326,908

COMMENTS:

***** EVENT INCOME *****

Direct event income came in above budget for the month due hosting more events during the month than originally anticipated, and the success of those events. Bon Jovi, Carmen, Boxing, and Bull Riding all performed very well during the month.

***** ANCILLARY INCOME *****

Ancillary income came in well above budget for the month. The highlight of the month was the Floyd Mayweather boxing event which set a new per cap record for food & beverage at \$8.20/per head.

***** INDIRECT EXPENSES *****

Indirect expenses came in below budget for the month, however, will catch up in June as the Arena slows down and summer projects begin in the building.

***** ** *****

VAN ANDEL ARENA
FACILITY STATEMENT OF INCOME
PERIOD ENDING 05/31/01

	-----CURRENT-----			-----YTD-----		
	ACTUAL	BUDGET	LAST YEAR	ACTUAL	BUDGET	LAST YEAR
EVENT INCOME						

DIRECT EVENT INCOME						
RENTAL INCOME	196,833	64,586	179,816	1,955,630	1,840,228	1,670,610
SERVICES INCOME	<12,457>	9,387	<20,659>	<527,253>	<562,006>	<469,357>
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TOTAL DIRECT EVENT INCOME	184,376	73,973	159,158	1,428,377	1,278,222	1,201,253
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ANCILLARY INCOME						

FOOD & BEVERAGE	92,123	26,686	116,458	1,214,021	1,175,539	1,136,901
NOVELTY	24,451	7,140	45,658	209,854	190,397	231,914
OTHER ANCILLARY	2,367	1,428	4,598	32,718	36,193	47,986
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TOTAL ANCILLARY INCOME	118,941	35,254	166,714	1,456,592	1,402,129	1,416,801
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TOTAL EVENT INCOME	303,317	109,227	325,871	2,884,969	2,680,351	2,618,054
	-----	-----	-----	-----	-----	-----
OTHER OPERATING INCOME	164,962	133,798	128,435	1,486,884	1,471,778	1,426,892
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ADJUSTED GROSS INCOME	468,280	243,025	454,306	4,371,852	4,152,129	4,044,946
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INDIRECT EXPENSES						
EXECUTIVE	15,568	8,255	6,046	97,094	90,805	82,252
FINANCE	7,343	11,788	7,094	112,045	129,668	93,864
MARKETING	17,631	12,672	6,820	143,695	139,392	134,611
LUXURY SEATING	8,367	8,725	6,947	91,356	95,975	86,283
OPERATIONS	51,333	86,934	98,727	962,942	956,274	961,087
BOX OFFICE	7,015	10,468	4,897	82,066	115,148	76,691
SKYWALK ADMINISTRATION	1,773	2,741	7,265	32,873	30,151	37,971
OVERHEAD	124,544	115,428	119,305	1,285,017	1,267,808	1,282,560
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INDIRECT EXPENSES	233,573	257,011	257,102	2,807,088	2,825,221	2,755,319
	-----	-----	-----	-----	-----	-----
NET OPERATING INCOME	234,707	<13,986>	197,204	1,564,764	1,326,908	1,289,627
	-----	-----	-----	-----	-----	-----
OTHER EXPENSES						
OTHER EXPENSE (INCOME)	4,218	0	0	34,600	0	0
	-----	-----	-----	-----	-----	-----
OTHER EXPENSES	4,218	0	0	34,600	0	0
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NET INCOME (LOSS)	230,489	<13,986>	197,204	1,530,164	1,326,908	1,289,627
	=====	=====	=====	=====	=====	=====

VAN ANDEL ARENA
STATEMENT OF SERVICES INCOME
PERIOD ENDING 05/31/01

	-----CURRENT-----			-----YEAR TO DATE-----		
	ACTUAL	BUDGET	LAST YEAR	ACTUAL	BUDGET	LAST YEAR
Advertising Billed	25,613	2,000	7,787	208,116	89,000	225,895
Sponsorship Income	0	0	8,500	43,248	0	23,620
Labor Billed	5,738	1,080	2,025	28,172	49,770	34,903
Changeover Setup Billed	22,287	7,800	7,732	165,545	117,000	130,846
Stagehands Billed	125,203	105,234	75,211	495,466	516,442	563,250
Security Billed	17,911	5,740	16,187	150,458	129,070	163,588
Ushers & Tix Takers Billed	15,785	7,300	11,675	151,992	138,992	140,916
Box Office Billed	1,629	775	16,486	22,464	13,065	31,615
Ticketing Service Billed	33,565	8,200	15,059	161,918	167,500	146,744
Utilities Billed	0	0	0	0	0	3,000
City Police Fire Billed	1,456	1,400	2,173	11,707	11,800	18,484
EMT Medical Billed	2,825	850	1,375	21,898	15,945	16,413
Cleaning Billed	16,844	7,908	7,040	130,694	142,724	132,643
Insurance Billed	0	0	0	2,240	0	0
Group Sales Commissions Billed	50	0	69	7,552	7,750	7,162
Telephone Billed	4,400	865	3,645	21,442	21,370	27,604
Equipment Rental Billed	0	0	0	2,975	0	0
Damages Billed	0	0	2,140	610	0	2,140
Other Production Billed	34,809	6,600	43,978	343,152	112,400	325,344
TOTAL SERVICE INCOME	308,115	155,752	221,082	1,969,649	1,532,828	1,994,166
Advertising Expense	23,336	2,000	7,787	253,845	122,750	213,629
Sponsorship Expenses	0	0	4,250	13,118	0	17,590
Labor Wages	4,877	918	1,721	23,946	22,169	29,668
Contracted Changeover Setup Expense	24,267	8,725	20,768	243,884	230,450	231,436
Stagehand Wages	133,393	91,106	74,782	510,313	517,554	574,768
Contracted Security Expense	24,796	7,900	20,621	230,090	209,260	212,642
Contracted Ushers & T/T Expense	23,992	3,200	19,997	298,000	69,285	283,551
Ticket Sellers Wages	1,384	329	3,023	10,266	6,909	10,176
Contracted Ticket Seller	0	7,100	0	0	225,770	0
Ticket Service Charge Expense	23,910	8,200	14,555	170,489	167,185	142,859
City Police Fire Expense	1,232	840	2,173	9,320	7,920	12,032
EMT Medical Expense	2,240	682	6,371	16,055	16,187	24,365
Contracted Cleaning Expense	24,838	8,700	21,029	309,350	307,760	311,824
Insurance Expense	0	0	0	20,553	20,640	14,153
Allocated Telephone Expense	1,083	265	1,041	5,018	6,195	3,961
Equipment Rental Expense	0	0	0	967	0	0
Damage Expense	0	0	0	387	0	0
Other Production Expense	31,225	6,400	43,622	381,303	164,800	380,871
TOTAL SERVICE EXPENSE	320,572	146,365	241,740	2,496,902	2,094,834	2,463,523
NET SERVICE INCOME	<12,457>	9,387	<20,659>	<527,253>	<562,006>	<469,357>
	=====	=====	=====	=====	=====	=====

VAN ANDEL ARENA
STATEMENT OF FINANCIAL POSITION
PERIOD ENDING 05/31/01

ASSETS

CURRENT ASSETS

CASH	2,126,407
ACCOUNTS RECEIVABLE	2,740,880
PREPAID EXPENSES	161,808

TOTAL CURRENT ASSETS	5,029,095
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FIXED ASSETS

INTANGIBLE ASSETS	7,701
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TOTAL OTHER ASSETS	7,701
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TOTAL ASSETS	5,036,796
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LIABILITIES & EQUITY

CURRENT LIABILITIES

ACCOUNTS PAYABLE	657,554
ACCRUED EXPENSES	991,309
DEFERRED INCOME	871,624
ADVANCED TIX SALES & DEPOSITS	775,719

TOTAL CURRENT LIABILITIES	3,296,207
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EQUITY

FUNDS REMITTED	<1,750,000>
FUNDING RECEIVED	656,763
RETAINED EARNINGS	1,309,161
NET INCOME (LOSS)	1,524,666

TOTAL EQUITY	1,740,589
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TOTAL LIABILITIES & EQUITY	5,036,796
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VAN ANDEL ARENA
YTD Event Summary Report
07/01/2000 - 05/31/2001

Event Type	Nbr Events		Attendance		Direct Event Income		Ancillary Event Income		Total Income	
	Act	Bud	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
<hr/>										
RBBB Circus	7	0	30,750	0	20,047	18,954	37,805	43,962	57,852	62,916
Disney On Ice	7	8	28,269	32,000	-2,568	28,926	30,100	28,875	27,532	57,801
Stars on Ice	1	1	9,634	10,200	62,223	55,292	16,237	15,135	78,460	70,427
Ice Other	1	9	8,638	28,500	49,010	88,799	13,093	30,917	62,103	119,716
Globetrotters	1	1	5,738	4,000	13,182	7,915	11,352	9,072	24,534	16,987
Motor Sports Truck Tracto	3	3	15,049	18,000	24,107	37,836	29,256	33,850	53,363	71,686
Motor Sports Motorcycles	3	3	17,174	18,000	32,931	42,156	51,490	45,910	84,421	88,066
Horses Lippizzan Stallion	1	2	4,126	3,000	11,614	12,556	6,371	2,052	17,985	14,608
Rodeo	2	2	10,517	12,200	24,407	26,300	22,770	25,115	47,177	51,415
Miscellaneous	2	0	2,928	0	-282	5,259	3,547	6,855	3,265	12,114
Bull A Rama	2	0	10,015	0	43,858	0	26,493	0	70,351	0
Barney	0	0	0	0	-2,017	0	0	0	-2,017	0
<hr/>										
FAMILY SHOWS	30	29	142,838	125,900	276,512	323,993	248,514	241,743	525,026	565,736
<hr/>										
NHL Exhibition	0	0	0	0	-1,753	0	0	0	-1,753	0
NHL Preseason	1	1	10,570	10,800	2,487	10,796	31,404	25,700	33,891	36,496
IHL Preseason	2	2	8,312	14,000	5,245	1,792	8,680	18,122	13,925	19,914
IHL Regular	41	41	251,772	287,000	35,027	36,736	315,607	371,501	350,634	408,237
IHL Playoffs	5	0	22,321	0	-1,023	0	32,065	0	31,042	0
College Hockey NCAA	2	2	14,789	14,000	73,804	34,616	35,462	37,030	109,266	71,646
CBA Regular	12	28	14,167	53,200	32,339	62,804	16,419	61,964	48,758	124,768
College Basketball Regula	1	1	3,398	7,000	8,784	9,073	6,771	5,512	15,555	14,585
College Basketball Tourna	6	2	24,694	7,000	61,121	15,015	47,077	7,367	108,198	22,382
Arena Football Preseason	1	1	3,940	9,000	821	1,744	730	714	1,551	2,458
Arena Football Regular	4	5	26,863	45,000	8,627	8,720	3,001	3,570	11,628	12,290
Boxing Pro Live	1	0	8,442	0	28,742	0	40,621	0	69,363	0
Professional Wrestling	1	2	6,793	17,000	24,157	67,383	24,462	55,469	48,619	122,852
Other Wrestling	0	0	0	0	221	0	0	0	221	0
Tennis	0	0	0	0	-1,535	0	762	0	-773	0
Volleyball	1	0	643	0	9,856	0	1,962	0	11,818	0
<hr/>										
SPORTING EVENTS	78	85	396,704	464,000	286,920	248,679	565,023	586,949	851,943	835,628
<hr/>										
Rock	13	18	109,458	153,000	435,255	520,752	426,898	463,518	862,153	984,270
Country & Western	3	0	22,201	0	85,503	0	59,217	0	144,720	0
Miscellaneous	3	0	20,207	0	45,089	0	21,835	0	66,924	0
Middle of Road	1	0	3,322	0	14,317	0	3,917	0	18,234	0
<hr/>										
CONCERTS	20	18	155,188	153,000	580,164	520,752	511,867	463,518	1,092,031	984,270
<hr/>										
Education	2	2	750	5,000	11,480	11,904	1,509	0	12,989	11,904
Local Business	2	1	4,200	4,000	23,918	11,765	20,109	6,990	44,027	18,755
<hr/>										
TRADE SHOWS	4	3	4,950	9,000	35,398	23,669	21,618	6,990	57,016	30,659
<hr/>										
Women	1	1	5,140	6,000	32,042	22,307	8,436	9,339	40,478	31,646
<hr/>										
PUBLIC/GATED	1	1	5,140	6,000	32,042	22,307	8,436	9,339	40,478	31,646
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Ballet	0	0	0	0	-164	0	0	0	-164	0
Opera	2	2	7,985	13,000	62,405	30,221	6,851	8,075	69,256	38,296

VAN ANDEL ARENA
YTD Event Summary Report
07/01/2000 - 05/31/2001

Event Type	Nbr Events		Attendance		Direct Event Income		Ancillary Event Income		Total Income	
	Act	Bud	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
PERFORMING ARTS	2	2	7,985	13,000	62,241	30,221	6,851	8,075	69,092	38,296
Meetings Seminars Other	3	3	15,128	15,000	39,638	39,001	22,670	32,440	62,308	71,441
MEETINGS / SEMINARS	3	3	15,128	15,000	39,638	39,001	22,670	32,440	62,308	71,441
College	1	1	350	5,000	1,009	6,169	1,470	0	2,479	6,169
CIVIC / GRADUATIONS	1	1	350	5,000	1,009	6,169	1,470	0	2,479	6,169
Religious Other	2	3	14,479	15,000	56,021	38,402	29,465	20,225	85,486	58,627
RELIGIOUS	2	3	14,479	15,000	56,021	38,402	29,465	20,225	85,486	58,627
Banquets > 1000	3	2	5,523	6,350	30,296	16,877	26,135	20,350	56,431	37,227
Banquets < 1000	0	0	0	0	-110	0	3,477	0	3,367	0
BANQUETS / FOOD	3	2	5,523	6,350	30,186	16,877	29,612	20,350	59,798	37,227
Ethnic Festivals	2	2	2,698	4,000	23,746	8,152	10,615	12,500	34,361	20,652
FAIRS	2	2	2,698	4,000	23,746	8,152	10,615	12,500	34,361	20,652
Miscellaneous	1	0	1,766	0	4,488	0	430	0	4,918	0
MISCELLANEOUS	1	0	1,766	0	4,488	0	430	0	4,918	0
GRAND TOTALS	147	149	752,749	816,250	1,428,365	1,278,222	1,456,571	1,402,129	2,884,936	2,680,351

VAN ANDEL ARENA
INDIRECT EXPENSE SUMMARY
PERIOD ENDING 05/31/01

	CURRENT			YTD		
	ACTUAL	BUDGET	LAST YEAR	ACTUAL	BUDGET	LAST YEAR
Salaries Administration	39,425	41,358	33,997	375,463	454,938	368,382
Part-Time	7,981	2,500	6,051	88,305	27,500	57,737
Wages-Trade	127,969	76,018	91,937	760,538	836,198	812,500
Auto Expense	531	831	831	6,441	9,141	8,640
Taxes & Benefits	34,011	24,920	25,772	252,393	274,120	255,903
Less: Allocation/Reimbursement	<140,911>	<64,112>	<83,095>	<573,723>	<705,232>	<653,715>
TOTAL LABOR COSTS	69,007	81,515	75,493	909,416	896,665	849,447
Contracted Security	11,332	15,833	17,998	177,596	174,163	174,257
Contracted Cleaning	2,017	2,000	2,017	22,191	22,000	22,132
Other Contracted Services	0	300	249	2,616	3,300	2,678
Travel & Entertainment	1,725	500	272	12,174	5,500	4,115
Corporate Travel	0	833	0	4,585	9,163	2,278
Meetings & Conventions	571	833	0	2,635	9,163	5,881
Dues & Subscriptions	0	283	45	1,735	3,113	2,167
Employee Training	0	833	0	2,538	9,163	748
Miscellaneous Expense	0	833	0	0	9,163	0
Computer Expense	1,578	2,083	1,564	29,854	22,913	22,098
Professional Fees	1,500	1,917	1,417	20,108	21,087	16,117
Marketing & Advertising	9,354	6,249	3,201	69,552	68,739	60,202
Box Office Expenses	<62>	0	<923>	<3,617>	0	<2,012>
Small Equipment	0	267	0	2,143	2,937	1,378
Vehicle Maintenance	0	50	0	0	550	0
Trash Removal	1,491	1,167	1,898	16,310	12,837	13,439
Equipment Rental	135	967	1,652	15,091	10,637	16,664
Landscaping	0	208	0	2,130	2,288	0
Snow Removal	0	63	0	0	693	333
Exterminating	0	300	248	2,903	3,300	2,723
Cleaning	0	625	0	1,060	6,875	2,530
Repairs & Maintenance	1,861	10,708	17,248	88,641	117,788	114,617
Supplies	10,343	15,682	15,824	189,804	172,502	178,087
Bank Service Charges	2,302	500	314	12,524	5,500	13,768
Insurance	18,425	21,120	25,029	102,667	232,320	235,440
Other Taxes	0	500	0	3,062	5,500	1,441
Printing & Stationary	245	1,667	0	11,476	18,337	11,125
Office Supplies	291	1,000	<1,985>	9,677	11,000	11,819
Postage	40	1,000	1,365	6,319	11,000	6,610
Parking Expense	1,460	1,333	1,425	17,520	14,663	28,454
Telephone Long Distance	5,810	4,333	5,156	51,104	47,663	48,217
Utilities	57,924	55,001	65,429	703,048	605,011	633,830
Base Fee	21,988	21,748	21,245	238,154	239,228	233,693
Incentive Fee	14,927	5,824	0	87,854	64,064	51,687
Amortization	1,963	1,963	1,963	21,597	21,593	21,597
Common Area Expense	<1,572>	<3,217>	0	<21,393>	<35,387>	<28,280>
Less: Allocated/Reimbursement	<1,083>	190	<1,041>	<5,985>	190	<3,961>
TOTAL MATERIAL AND SERVICES	164,566	175,496	181,609	1,897,672	1,928,556	1,905,871
TOTAL INDIRECT EXPENSES	233,573	257,011	257,102	2,807,088	2,825,221	2,755,319



Item IV(a)(ii)

GRAND CENTER

**FINANCIAL STATEMENT
FOR THE PERIOD ENDED MAY 31, 2001**

Distribution:

Richard MacKeigan
Kurt Kimball
Jim Knack
Bob White
Cheryl McConomy
Dave Waichum
Steve Heacock
Glen Mon
Harry Cann
Gary McAneney
Chris Wright



An SMG Managed Facility

**GRAND CENTER
ROLLING FORECAST - YE 6/30/01
SUMMARY**

	YTD Actual	Roll	TOTAL FYE	BUDGET FYE	VARIANCE
NO. EVENTS	376	14	390	404	(14)
ATTENDANCE	494,876	10,700	505,576	554,790	(49,214)
DIRECT EVENT REVENUE	1,395,681	24,824	1,420,505	1,466,636	(46,131)
ANCILLARY REVENUE	624,114	20,860	644,974	731,527	(86,553)
TOTAL EVENT REVENUE	2,019,794	45,684	2,065,479	2,198,163	(132,684)
TOTAL OTHER REVENUE	104,593	8,750	113,343	89,000	24,343
TOTAL OPERATING REVENUE	2,124,387	54,434	2,178,822	2,287,163	(108,341)
INDIRECT EXPENSES					
EXECUTIVE	36,698	4,525	41,223	52,745	11,522
FINANCE	117,081	12,415	129,496	132,653	3,157
MARKETING	83,938	10,452	94,390	118,529	24,139
OPERATIONS	720,516	91,870	812,386	810,822	(1,564)
BOX OFFICE	33,322	4,471	37,793	70,979	33,186
OVERHEAD	955,223	88,450	1,043,673	1,014,655	(29,018)
TOTAL OPERATING EXP.	1,946,778	212,183	2,158,961	2,200,378	41,417
NET OPERATING REVENUE OVER OPERATING EXPENSES	177,611	(157,749)	19,861	86,785	(66,924)

****ESTIMATED****

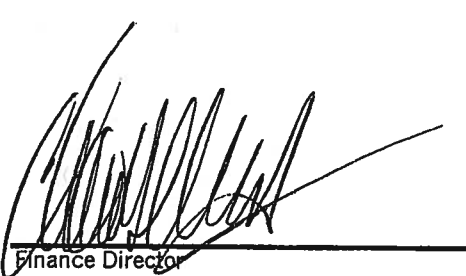
MANAGEMENT FEE CALCULATION

BENCHMARK REVENUES (Est.)	\$ 2,056,403
PROJECTED REVENUES	\$ 2,178,822
PROJECTED INCREASE	<u>\$ 122,419</u>
20% OF FIRST \$500,000	\$ 24,484
25% OF \$500,000 AND ABOVE	\$.
TOTAL INCENTIVE FEE	<u>\$ 24,484</u>
TOTAL BASE 00/01	\$ 174,005
TOTAL FEE FOR FYE 00/01	<u><u>\$ 198,489</u></u>

Comments:

The Grand Center continues to perform below budgeted numbers, however, has stayed consistent with revised forecasts. June will continue that trend, and the Grand Center should maintain positive operating income over expenses for the fiscal year.


General Manager


Finance Director

**GRAND CENTER
FINANCIAL STATEMENT HIGHLIGHTS
FOR MONTH ENDED MAY 31, 2001**

The following schedule summarizes operating results for the month ending and the YTD ending May 31, 2001, compared to budget and to the prior year:

MONTH	May Actual	May Budget	May FY 2000
Number of Events	35	44	49
Attendance	41,466	58,750	41,485
Direct Event Income	\$90,354	\$125,924	\$142,638
Ancillary Income	33,464	64,030	43,081
Other Income	5,033	7,417	1,532
Indirect Expenses	(169,124)	(183,370)	(170,908)
Net Income	<u>(\$40,273)</u>	<u>\$14,001</u>	<u>\$16,343</u>

YTD	YTD 2001 Actual	YTD 2001 Budget	YTD 2000 Prior Year
Number of Events	376	382	417
Attendance	494,876	540,990	556,636
Direct Event Income	\$1,395,681	\$1,415,386	\$1,540,521
Ancillary Income	624,114	707,467	663,218
Other Income	104,593	81,587	107,685
Indirect Expenses	(1,946,778)	(2,017,070)	(1,852,791)
Net Income	<u>\$177,611</u>	<u>\$187,370</u>	<u>\$458,633</u>

EVENT INCOME

Direct event income came in below expected levels for the month. This shortage was derived from the loss of the Sysco Food show that cancelled their event after the budget was finalized.

ANCILLARY INCOME

Ancillary income came in below expected levels for the month. As with Direct Event income, the loss of the Sysco food show is the majority of the lost revenue. The closing of the meeting rooms for construction also contributed to the drop.

INDIRECT EXPENSES

Indirect expenses came in at expected levels for the month.

GRAND CENTER
FACILITY STATEMENT OF INCOME
PERIOD ENDING 05/31/01

	CURRENT			YTD		
	ACTUAL	BUDGET	LAST YEAR	ACTUAL	BUDGET	LAST YEAR
EVENT INCOME						

DIRECT EVENT INCOME						
RENTAL INCOME	87,280	124,151	132,442	1,370,617	1,374,123	1,452,736
SERVICES INCOME	3,074	1,773	10,196	25,064	41,263	87,785
	-----	-----	-----	-----	-----	-----
TOTAL DIRECT EVENT INCOME	90,354	125,924	142,638	1,395,681	1,415,386	1,540,521
ANCILLARY INCOME						

FOOD & BEVERAGE	14,880	23,630	10,710	255,462	303,727	241,979
NOVELTY	676	1,700	636	18,785	22,440	24,534
OTHER ANCILLARY	17,909	38,700	31,735	349,867	381,300	396,705
	-----	-----	-----	-----	-----	-----
TOTAL ANCILLARY INCOME	33,464	64,030	43,081	624,114	707,467	663,218
TOTAL EVENT INCOME	123,818	189,954	185,719	2,019,795	2,122,853	2,203,739
OTHER OPERATING INCOME	5,033	7,417	1,532	104,593	81,587	107,685
	-----	-----	-----	-----	-----	-----
ADJUSTED GROSS INCOME	128,851	197,371	187,251	2,124,389	2,204,440	2,311,424
INDIRECT EXPENSES						
EXECUTIVE	3,676	4,395	4,139	36,698	48,345	49,928
FINANCE	10,212	11,053	9,987	117,081	121,583	122,179
MARKETING	5,315	9,879	11,148	83,938	108,669	98,539
OPERATIONS	67,782	67,571	81,268	720,516	743,281	659,688
BOX OFFICE	2,828	5,917	2,658	33,322	65,087	48,122
OVERHEAD	79,311	84,555	61,708	955,223	930,105	874,335
	-----	-----	-----	-----	-----	-----
INDIRECT EXPENSES	169,124	183,370	170,908	1,946,778	2,017,070	1,852,791
NET OPERATING INCOME	<40,273>	14,001	16,343	177,611	187,370	458,633
OTHER EXPENSES						

NET INCOME (LOSS)	<40,273>	14,001	16,343	177,611	187,370	458,633
	=====	=====	=====	=====	=====	=====

GRAND CENTER
STATEMENT OF SERVICES INCOME
PERIOD ENDING 05/31/01

	-----CURRENT-----			-----YEAR TO DATE-----		
	ACTUAL	BUDGET	LAST YEAR	ACTUAL	BUDGET	LAST YEAR
Advertising Billed	1,772	0	1,456	30,213	6,200	78,115
Stagehands Billed	79,486	67,140	86,960	691,236	713,527	872,778
Security Billed	3,755	6,020	5,312	86,964	83,425	98,770
Ushers & Tix Takers Billed	12,451	13,768	13,521	126,154	131,699	148,268
Box Office Billed	1,900	1,800	1,500	18,050	18,200	20,050
Ticketing Service Billed	7,362	6,270	7,455	131,285	121,410	158,860
Utilities Billed	0	0	0	9,315	6,300	17,200
City Police Fire Billed	1,039	1,124	1,364	22,149	15,369	20,507
Traffic Control Billed	17	0	0	12,063	23,760	28,532
EMT Medical Billed	1,438	1,820	2,299	18,814	20,404	24,111
Cleaning Billed	0	0	0	1,565	3,300	9,661
Insurance Billed	0	0	230	2,186	206	2,682
Group Sales Commissions Billed	0	0	209	0	0	2,824
Telephone Billed	1,077	2,580	515	6,682	13,950	10,404
Damages Billed	0	0	0	0	0	<65>
Other Production Billed	3,500	2,820	40	24,689	13,105	40,340
TOTAL SERVICE INCOME	113,796	103,342	120,861	1,181,364	1,170,855	1,533,038
Advertising Expense	1,182	0	0	29,194	4,200	72,921
Stagehand Wages	74,443	65,126	80,861	649,616	691,856	806,961
Security Wages	3,755	6,020	6,069	88,025	83,425	102,474
Ushers & T/T Wages	8,715	7,772	9,465	88,308	81,511	108,989
Ticket Sellers Wages	1,443	2,125	1,907	27,058	27,464	34,351
Ticket Service Charge Expense	3,047	1,980	2,674	35,182	22,805	46,350
Utilities Expense Allocated	0	0	0	0	0	300
City Police Fire Expense	1,240	1,124	1,364	22,351	14,657	20,507
Traffic Control Expense	523	0	0	29,948	30,217	46,645
EMT Medical Expense	510	1,500	2,299	14,174	14,294	15,552
Cleaning Wages	11,950	15,102	5,842	147,862	156,747	145,001
Contracted Cleaning Expense	0	0	0	0	0	14,323
Insurance Expense	0	0	184	1,789	0	1,879
Group Sales Commissions	0	0	0	0	0	1,565
Damage Expense	0	0	0	420	0	441
Other Production Expense	3,913	820	0	22,374	2,416	26,995
TOTAL SERVICE EXPENSE	110,722	101,569	110,665	1,156,300	1,129,592	1,445,253
NET SERVICE INCOME	3,074	1,773	10,196	25,064	41,263	87,785
	=====	=====	=====	=====	=====	=====

GRAND CENTER
STATEMENT OF FINANCIAL POSITION
PERIOD ENDING 05/31/01

ASSETS

CURRENT ASSETS

CASH	1,607,537
ACCOUNTS RECEIVABLE	230,061
PREPAID EXPENSES	68,706

TOTAL CURRENT ASSETS	1,906,303

FIXED ASSETS

TOTAL ASSETS	1,906,303
	=====

LIABILITIES & EQUITY

CURRENT LIABILITIES

ACCOUNTS PAYABLE	1,243,886
ACCRUED EXPENSES	<139,889>
ADVANCED TIX SALES & DEPOSITS	177,710

TOTAL CURRENT LIABILITIES	1,281,707

EQUITY

FUNDS REMITTED	<500,000>
FUNDING RECEIVED	515,225
RETAINED EARNINGS	444,270
NET INCOME (LOSS)	165,101

TOTAL EQUITY	624,596

TOTAL LIABILITIES & EQUITY	1,906,303
	=====

GRAND CENTER
YTD Event Summary Report
07/01/2000 - 05/31/2001

Event Type	Nbr Events		Attendance		Direct Event Income		Ancillary Event Income		Total Income	
	Act	Bud	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Agriculture & Farming	3	3	4,000	4,200	22,932	32,745	7,722	7,500	30,654	40,245
Associations	6	8	5,700	5,300	21,112	20,000	20,422	16,400	41,534	36,400
Banking	0	0	0	0	-662	0	0	0	-662	0
Beauty & Hair Care	3	3	3,100	3,100	16,045	12,150	8,476	10,182	24,521	22,332
Building & Construction	5	4	2,000	6,500	22,626	24,275	10,362	9,395	32,988	33,670
Dental	1	1	450	200	3,267	4,671	2,496	1,825	5,763	6,496
Education	14	16	22,600	15,800	110,657	90,617	52,137	46,320	162,794	136,937
Floriculture & Horticultu	3	3	3,000	3,000	28,279	30,565	6,592	7,600	34,871	38,165
Food & Beverage	1	2	500	800	2,824	3,200	2,538	3,500	5,362	6,700
Food Processing & Distrib	1	6	1,500	8,600	4,076	38,677	3,914	22,800	7,990	61,477
Funeral Industry	3	3	700	2,500	11,716	12,056	3,812	3,320	15,528	15,376
Government	0	2	0	800	0	2,350	0	7,100	0	9,450
Home Furnishings & Interi	0	2	0	1,000	0	7,210	0	18,000	0	25,210
Medical & Health Care	3	2	3,200	2,600	9,596	10,211	8,557	4,850	18,153	15,061
Petroleum & Gas	3	3	2,000	3,000	34,021	32,530	14,946	15,550	48,967	48,080
Political	2	2	2,000	1,500	6,425	8,800	3,872	3,850	10,297	12,650
Real Estate	2	2	1,300	1,200	5,993	4,175	6,250	4,500	12,243	8,675
Religious	7	6	3,300	5,400	29,073	33,315	27,326	24,300	56,399	57,615
Toys & Hobbies	3	4	1,800	5,200	12,051	12,671	1,898	1,870	13,949	14,541
Water	3	3	600	1,500	9,423	8,650	8,763	6,000	18,186	14,650
Woodworking	3	2	3,000	6,000	37,459	50,910	31,717	50,050	69,176	100,960
Local Business	4	2	7,200	6,800	50,148	36,852	36,912	23,800	87,060	60,652
Other Minor	1	0	160	0	884	0	2,408	0	3,292	0
Miscellaneous	5	2	779	2,000	6,385	4,210	375	2,200	6,760	6,410
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TRADE SHOWS	76	81	68,889	87,000	444,330	480,840	261,495	290,912	705,825	771,752
Automotive & Trucking	4	4	30,402	26,000	51,256	47,348	39,591	33,950	90,847	81,298
Boats	6	6	15,713	17,000	67,116	66,558	17,403	15,750	84,519	82,308
Craft Show	2	2	1,200	600	2,230	2,220	907	350	3,137	2,570
Custom Car Show	1	0	361	0	2,641	0	272	0	2,913	0
Housing	1	0	750	0	2,891	0	1,479	0	4,370	0
Medical & Health Care	3	0	998	0	13,310	0	923	0	14,233	0
Motorcycles	2	0	5,103	0	7,351	0	3,070	0	10,421	0
Science	2	0	3,000	0	10,570	0	4,329	0	14,899	0
Sporting Goods & Recreati	4	4	22,812	27,000	40,848	42,410	22,928	22,350	63,776	64,760
Supersale	6	3	17,371	6,500	24,154	8,163	580	1,700	24,734	9,863
Toys & Hobbies	2	2	1,337	3,000	4,734	4,875	339	3,200	5,073	8,075
Wedding Show	3	3	5,885	4,180	9,253	6,446	3,619	3,550	12,872	9,996
Women	4	4	3,181	7,500	13,297	26,260	7,323	9,500	20,620	35,760
Minor Consumer	4	10	11,750	23,500	7,180	42,884	3,284	7,750	10,464	50,634
Home & Garden	4	4	24,703	24,000	46,340	38,967	17,300	16,350	63,640	55,317
---	---	---	---	---	---	---	---	---	---	---
PUBLIC/GATED	48	42	144,566	139,280	303,171	286,131	123,347	114,450	426,518	400,581
Performing Arts Other 2	8	23	11,034	30,900	25,727	73,270	14,475	24,335	40,202	97,605
Ballet	14	14	19,464	16,300	61,418	56,481	11,765	9,590	73,183	66,071
Opera	4	4	7,432	7,200	27,026	23,740	5,027	4,500	32,053	28,240
Childrens	7	0	12,624	0	33,618	0	9,713	0	43,331	0
Symphony	56	45	96,277	68,000	178,646	160,964	29,511	26,550	208,157	187,514
Broadway	44	56	62,786	84,000	139,915	160,251	15,331	17,990	155,246	178,241
Performing Arts Other	13	14	16,881	25,800	50,663	46,410	12,096	14,100	62,759	60,510

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PERFORMING ARTS	146	156	226,498	232,200	517,013	521,116	97,918	97,065	614,931	618,181
Meetings	0	0	0	0	-741	0	238	0	-503	0
Meetings Seminars Other	0	0	0	0	-1,768	0	2,540	0	772	0
Meetings	17	12	2,917	6,600	12,339	13,325	20,322	10,150	32,661	23,475
Seminars	36	49	2,956	20,760	16,271	28,655	11,632	20,230	27,903	48,885
Meetings Seminars Other	31	16	23,750	15,800	56,283	34,490	32,553	26,400	88,836	60,890
MEETINGS / SEMINARS	84	77	29,623	43,160	82,384	76,470	67,285	56,780	149,669	133,250
Civic Other	0	1	0	1,200	0	1,750	0	500	0	2,250
CIVIC / GRADUATIONS	0	1	0	1,200	0	1,750	0	500	0	2,250
Banquets < 1000	1	0	500	0	1,207	0	1,765	0	2,972	0
Banquets > 1000	2	17	2,350	28,900	1,779	27,183	6,720	94,520	8,499	121,703
Banquets < 1000	5	0	4,370	0	3,832	0	14,841	0	18,673	0
Corporate	6	5	6,410	8,800	20,656	17,608	44,329	53,240	64,985	70,848
BANQUETS / FOOD	14	22	13,630	37,700	27,474	44,791	67,655	147,760	95,129	192,551
CPA	2	2	500	200	3,786	4,013	0	0	3,786	4,013
TESTING	2	2	500	200	3,786	4,013	0	0	3,786	4,013
Proms	3	0	1,150	0	999	0	246	0	1,245	0
Dance Other	2	1	5,020	250	12,269	275	4,357	0	16,626	275
DANCE	5	1	6,170	250	13,268	275	4,603	0	17,871	275
Miscellaneous	1	0	5,000	0	4,232	0	1,784	0	6,016	0
MISCELLANEOUS	1	0	5,000	0	4,232	0	1,784	0	6,016	0
GRAND TOTALS	376	382	494,876	540,990	1,395,658	1,415,386	624,087	707,467	2,019,745	2,122,853

GRAND CENTER
INDIRECT EXPENSE SUMMARY
PERIOD ENDING 05/31/01

	-----CURRENT-----			-----YTD-----		
	ACTUAL	BUDGET	LAST YEAR	ACTUAL	BUDGET	LAST YEAR
Salaries Administration	28,356	37,015	38,239	323,345	407,165	391,283
Part-Time	10,208	12,500	13,163	136,101	137,500	153,689
Wages-Trade	93,208	96,048	101,773	917,282	1,056,528	1,042,489
Auto Expense	1,321	1,021	721	12,729	11,231	9,729
Taxes & Benefits	26,560	26,644	20,256	267,877	293,084	292,313
Less: Allocation/Reimbursement	<104,625>	<108,497>	<108,201>	<1,009,153>	<1,193,467>	<1,236,823>
TOTAL LABOR COSTS	55,028	64,731	65,950	648,182	712,041	652,679
Contracted Security	10,220	4,583	4,500	48,378	50,413	54,997
Other Contracted Services	0	167	0	1,530	1,837	1,690
Travel & Entertainment	233	205	270	3,015	2,255	5,689
Corporate Travel	0	250	0	3,331	2,750	364
Meetings & Conventions	0	508	0	5,017	5,588	1,801
Dues & Subscriptions	145	208	290	1,710	2,288	1,497
Employee Training	0	833	961	124	9,163	2,584
Miscellaneous Expense	0	0	0	110	0	246
Computer Expense	2,924	5,000	3,990	38,071	55,000	41,163
Professional Fees	1,125	1,458	1,125	12,375	16,038	13,209
Marketing & Advertising	0	1,041	532	9,348	11,451	7,040
Box Office Expenses	9	0	<518>	168	0	286
Small Equipment	0	0	0	813	0	<4,974>
Architect Design Fees	0	0	318	0	0	318
Trash Removal	2,458	2,667	2,276	15,513	29,337	21,555
Equipment Rental	17	208	558	4,787	2,288	5,494
Landscaping	0	150	82	4,045	1,650	371
Snow Removal	0	250	0	1,751	2,750	333
Exterminating	0	200	0	5,260	2,200	1,338
Cleaning	250	625	45	6,473	6,875	4,450
Construction Costs	335	0	0	1,135	0	0
Repairs & Maintenance	10,554	8,834	13,467	97,390	97,174	95,499
Supplies	17,439	12,334	21,268	135,564	135,674	114,886
Bad Debt Expense	0	42	0	0	462	0
Bank Service Charges	2,680	625	0	15,662	6,875	7,114
Insurance	15,520	14,583	3,553	124,195	160,413	147,997
Other Taxes	0	292	0	2,535	3,212	3,810
Printing & Stationary	0	292	0	2,982	3,212	1,531
Office Supplies	719	625	120	7,921	6,875	3,910
Postage	276	208	0	1,643	2,288	1,553
Parking Expense	0	1,167	1,278	16,223	12,837	15,875
Telephone Long Distance	312	2,917	2,931	39,248	32,087	31,127
Utilities	38,176	39,500	47,914	515,225	434,500	438,634
Base Fee	13,169	14,500	0	161,238	159,500	141,632
Incentive Fee	<2,465>	3,846	0	15,818	42,306	33,013
Municipal Indirect Charges	0	500	0	0	5,500	4,809
Less: Allocated/Reimbursement	0	21	0	0	231	<724>
TOTAL MATERIAL AND SERVICES	114,096	118,639	104,958	1,298,596	1,305,029	1,200,112
TOTAL INDIRECT EXPENSES	169,124	183,370	170,908	1,946,778	2,017,070	1,852,791

**GRAND RAPIDS - KENT COUNTY
CONVENTION / ARENA AUTHORITY**

INTERIM FINANCIAL STATEMENTS

From Inception (June 20, 2000) to May 31, 2001



ACCOUNTANTS' REPORT

To the Board of Directors
Grand Rapids - Kent County Convention / Arena Authority
Grand Rapids, Michigan

We have compiled the accompanying statements of cash receipts and disbursements and cash receipts and disbursements - budget to actual for the operating account and construction account of the Grand Rapids - Kent County Convention / Arena Authority for the period from inception (June 28, 2000) to May 31, 2001, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. These statements do not include the cash receipts and disbursements of the Van Andel Arena and Grand Center which are operated by the Authority. The financial statements presented have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the cash basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Authority's cash receipts and disbursements. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Beene Garter LLP

June 8, 2001
Grand Rapids, Michigan

BEENE GARTER LLP
50 MONROE NW
SUITE 600
GRAND RAPIDS
MICHIGAN
49503-2679

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INTERIM FINANCIAL STATEMENTS

Statement A

GRAND RAPIDS - KENT COUNTY CONVENTION / ARENA AUTHORITY Statement of Cash Receipts and Disbursements From Inception (June 20, 2000) to May 31, 2001

	Operating Account	Construction Account
RECEIPTS		
State of Michigan	\$ -	\$ 20,000,000.00
Downtown Development Authority	2,302,121.00	-
In-kind Support	665.00	-
Interest Deposits	98,115.15	739,555.75
Facility Operations	2,271,000.00	-
Total Cash Receipts	<u><u>4,671,901.15</u></u>	<u><u>20,739,555.75</u></u>
DISBURSEMENTS		
Checks issued prior months	1,149,220.58	12,174,356.34
Checks issued 05/14/01	83,478.60	95,735.01
Checks issued 05/29/01	26,245.57	661,990.28
In-kind Expense	665.00	-
Expense Reimbursement	(6,694.92)	-
Bank fees	-	256.45
Total Cash Disbursements	<u><u>1,252,914.83</u></u>	<u><u>12,932,338.08</u></u>
Net Pooled Cash and Investments	<u><u>\$ 3,418,986.32</u></u>	<u><u>\$ 7,807,217.67</u></u>

Statement B

GRAND RAPIDS - KENT COUNTY CONVENTION / ARENA AUTHORITY Statement of Cash Receipts and Disbursements - Budget to Actual (Operations) From Inception (June 20, 2000) to May 31, 2001

	OPERATING ACCOUNT			
	Facilities Operations		Capital Replacement	
	Budget	Actual	Budget	Actual
RECEIPTS				
Downtown Development Authority	\$ 3,000,000	\$ 1,246,659	\$ 975,000	\$ 1,055,462
In-kind Support	-	665	-	-
Interest on Investments	-	44,640	-	53,475
Facility Operations	2,350,035	2,271,000	243,007	-
TOTAL RECEIPTS	5,350,035	3,562,964	1,218,007	1,108,937
DISBURSEMENTS				
Accounting / Auditing Services	4,000	8,331	-	-
Bank Fees	585	-	-	-
Insurance - Property and Liability	13,500	14,638	-	-
Legal Services	36,000	86,481	-	-
Other Services - Staff Services	36,500	-	-	-
Other Services - Miscellaneous Services	9,415	8,350	-	-
Arena Management Fee	116,035	-	-	-
Transfer to Construction Account	1,000,000	-	-	-
Sub-total Service Disbursements	1,216,035	117,800	-	-
Advertising / Promotion / Publicity	-	715	-	-
Electricity	763,523	572,776	-	-
Steam	306,642	499,747	-	-
Water and Sewer	63,835	61,212	-	-
Sub-total Utility Disbursements	1,134,000	1,133,735	-	-
Building Additions and Improvements	-	-	226,000	-
Facility Equipment Acquisition	-	-	60,265	-
Facility Furniture Acquisition	-	-	43,000	-
Sub-total Capital Disbursements	-	-	329,265	-
In-kind Expense	-	665	-	-
Sub-total In-kind Expense	-	665	-	-
TOTAL DISBURSEMENTS	2,350,035	1,252,915	329,265	-
NET CASH	\$ 3,000,000	\$ 2,310,049	\$ 888,742	\$ 1,108,937
	See Comments		See Comments	
	1 and 2		1 and 2	

Comment 1: Facilities Operations and Capital Replacement budgets were approved by the GR-KC Convention / Arena Authority at its regularly scheduled meeting on May 24, 2000, except for the \$60,265 Facility Equipment Acquisition budget which was approved by the C/AA Finance Committee on June 26, 2000.

Comment 2: Facilities Operations and Capital Replacement columns include receipts and disbursements processed by the C/AA. SMG receipts and disbursements are reported separately in the Van Andel Arena and Grand Center financial statements prepared by SMG.

Statement C

GRAND RAPIDS - KENT COUNTY CONVENTION / ARENA AUTHORITY Statement of Cash Receipts and Disbursements - Budget to Actual (Construction) From Inception (June 20, 2000) to May 31, 2001

	CONSTRUCTION ACCOUNT			
	Monroe Ave Relocation Budget	Actual	Convention Center Construction Budget	Actual
RECEIPTS				
State of Michigan	\$ 8,539,277	\$ 8,539,277	\$ 26,460,723	\$ 11,460,723
Downtown Development Authority	-	-	1,000,000	-
Interest on Investments	-	327,112	-	412,444
TOTAL RECEIPTS	8,539,277	8,866,389	27,460,723	11,873,167
DISBURSEMENTS				
Architectural and Engineering Services	1,512,492	1,241,729	-	6,019,153
Construction Material Testing	3,000	-	-	333,257
Construction in Progress - GMP	7,012,285	3,618,825	27,460,723	764,773
Sub-total Construction Disbursements	8,527,777	4,860,554	27,460,723	7,117,183
Bank Fees	-	-	-	256
Insurance -Property / Liability	-	-	-	17,068
Legal Services	-	22,102	-	30,110
Project Manager / Owner's Representative	-	-	-	315,704
Other Contractual Services	-	7,210	-	496,739
Sub-total Service Disbursements	-	29,312	-	859,877
Advertising / Promotion / Publicity	11,500	-	-	2,522
Meeting Expense	-	-	-	-
Supplies	-	-	-	450
Postage / Express	-	-	-	-
Printing and Binding	-	-	-	32
Project - Related Travel	-	389	-	-
Telephone	-	-	-	2,019
Sub-total Supplies Disbursements	11,500	389	-	5,023
Land Acquisition	-	-	-	60,000
Land Improvements	-	-	-	-
Buildings and Facilities	-	-	-	-
Sub-total Capital Disbursements	-	-	-	60,000
TOTAL DISBURSEMENTS	8,539,277	4,890,255	27,460,723	8,042,083
Net Pooled Cash and Investments	\$ -	\$ 3,976,134	\$ -	\$ 3,831,084
			See Comment	

Comment: Convention Center Construction budget was approved by the GR-KC Convention / Arena Authority at its regularly scheduled meeting on May 24, 2000.

**GRAND RAPIDS-KENT COUNTY
CONVENTION/ARENA AUTHORITY**

**RESOLUTION APPROVING AND AUTHORIZING THE EXECUTION
OF A MANAGEMENT AGREEMENT WITH SMG FOR THE VAN
ANDEL ARENA AND DEVOS PLACE**

Boardmember _____, supported by Boardmember _____,
moved the adoption of the following resolution:

WHEREAS, the current Management Agreement between the Grand Rapids-Kent County Convention/Arena Authority (the "CAA"), as assignee of the City of Grand Rapids and the City of Grand Rapids Downtown Development Authority, and SMG (formerly known as Spectacor Management Group) dated as of June 1, 1996, terminates on June 30, 2001; and

WHEREAS, the CAA and SMG have negotiated a new Management Agreement to be dated and effective July 1, 2001 (the "Management Agreement"), the financial terms of which have previously been approved by the CAA Board; and

WHEREAS, the CAA Board desires to approve and authorize the execution of the Management Agreement in the form attached hereto as Exhibit A.

RESOLVED:

1. That the Management Agreement is hereby approved and the Chairperson of the CAA is authorized and directed to sign the Management Agreement for and on behalf of the CAA.

2. That all resolutions, parts of resolutions, policies and guidelines in conflict herewith shall be, and the same are hereby, rescinded to the extent of such conflict.

YEAS: Boardmembers _____

NAYS: Boardmembers _____

ABSTAIN: Boardmembers _____

ABSENT: Boardmembers _____

Dated: June 27, 2001

Susan Waddell
Administrative Manager/Recording Secretary

CERTIFICATION

I, the undersigned duly qualified and acting Administrative Manager/Recording Secretary of the Grand Rapids-Kent County Convention/Arena Authority (the "CAA"), do hereby certify that the foregoing is a true and complete copy of a resolution adopted by the CAA Board at a regular meeting held on June 27, 2001, and that public notice of said meeting was given pursuant to and in compliance with Act 267 of the Public Acts of Michigan of 1976, as amended.

Dated: June 27, 2001

Susan Waddell
Administrative Manager/Recording Secretary

MANAGEMENT AGREEMENT

between the

**GRAND RAPIDS-KENT COUNTY
CONVENTION/ARENA AUTHORITY**

and

SMG

Dated as of July 1, 2001

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MANAGEMENT AGREEMENT

THIS MANAGEMENT AGREEMENT (this "Agreement") is dated as of the 1st day of July, 2001 between the **GRAND RAPIDS-KENT COUNTY CONVENTION/ARENA AUTHORITY**, a Michigan authority created pursuant to Act 203 of the Public Acts of Michigan of 1999, whose current address is 130 W. Fulton Street, Grand Rapids, Michigan 49503 (the "Authority"), and **SMG**, a Pennsylvania general partnership, whose current address is 701 Market Street, 4th Floor, Philadelphia, Pennsylvania 19106 ("SMG").

BACKGROUND

The Authority is the lessee and operator of the Van Andel Arena (the "Arena") as more fully described herein and located at 130 West Fulton Street in the City of Grand Rapids, Kent County, Michigan (the "City").

The Authority is the owner and operator of the Grand Center, consisting of the Welsh Auditorium, DeVos Hall, the Grand Hall and other meeting rooms and conference areas (the "Grand Center") as more fully described herein and located at 245 Monroe Avenue, N.W. in the City.

The Authority is currently in the process of renovating, developing and constructing an expansion to the Grand Center which when completed will consist of exhibit halls, a ballroom, meeting rooms, food service facilities, below grade parking and DeVos Hall collectively to be known as DeVos Place (the "Place").

SMG is engaged in the business of providing management services, including operations and marketing services for public assembly facilities.

The Authority and SMG are currently parties to a Management Agreement dated June 1, 1996, as amended (the "1996 Management Agreement"), pursuant to which SMG is currently providing management services to the Arena and the Grand Center. The term of the 1996 Management Agreement ends June 30, 2001.

The Authority and SMG desire to enter into a new agreement for the management of the Arena and the Place to be effective July 1, 2001.

NOW, THEREFORE, in consideration of the mutual premises, covenants and agreements herein contained, the parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.1. Definitions.

For purposes of this Agreement, the following terms have the following meanings:

"Affiliate" means a person that directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, a specified person. For purposes of this definition, "control" means ownership of equity securities or other ownership interests which represent more than 40% of the voting power in the controlled person.

"Approved Budget" means the annual operating budget for the Place or the Arena, as approved by the Authority Board and amended in accordance with Article V hereof.

"Arena" means the Van Andel Arena located at 130 W. Fulton Street in the City and shall include the Pedestrian Walkway.

"Arena Operating Account" means the account maintained by SMG in accordance with Article V hereof (with signature authority in such SMG employees as SMG may from time to time determine) at a banking institution selected by SMG as provided herein that is licensed to conduct business in the State and currently conducting business in the County.

"Authority" means the Grand Rapids-Kent County Convention/Arena Authority, a Michigan authority created pursuant to Act 203 of the Public Acts of Michigan of 1999.

"Authority Board" means the Board of Directors of the Authority, its governing body.

"Authority's Administrative Official" means the administrative official of the Authority as from time to time appointed by the Authority Board, or such person as may from time to time be authorized in writing by such administrative official to act for him/her with respect to any or all matters pertaining to this Agreement.

"Capital Equipment" means any and all furniture, machinery or equipment, either additional or replacement, having a per item original cost of \$1,000 or more and an expected useful life of more than one year.

"Capital Improvements" means any and all building additions, alterations, renovations, repairs (which extend the original useful life of the repaired asset) or improvements that have an initial dollar cost of not less than \$5,000 per project.

"City" means the City of Grand Rapids, Kent County, Michigan.

"City Commission" means the City Commission of the City, its governing body.

"County" means Kent County, Michigan.

"County Board" means the Board of Commissioners of the County, its governing body.

"Facility" or "Facilities" means individually and collectively the Arena and the Place.

"Fiscal Year" means a one year period beginning July 1 and ending June 30.

"Management Term" means, subject to Section 3.1(a) hereof, the period commencing on July 1, 2001 and ending on June 30, 2006.

"Memorandum" means the Memorandum of Agreement Regarding Ottawa/Market/Fulton Pedestrian Walkway dated as of June 11, 1997, between the Authority, as assignee of the City of Grand Rapids Downtown Development Authority, Amway Properties Corporation and Arena Station, LLC.

"Net Operating Income/Incentive Benchmark" shall have the meaning set forth in Section 4.2 hereof.

"Operating Expenses" means any and all expenditures of whatever kind or nature incurred, directly or indirectly, by SMG on behalf of the Authority in promoting, operating, maintaining or managing each Facility, including, but not limited to: employee compensation (e.g., base salaries, bonuses and car allowances); employee benefits and related costs (e.g., relocation expenses and parking); the purchase of operating supplies; advertising costs; cleaning expenses; data processing costs; dues, subscriptions and membership costs, the costs of procuring and maintaining the insurance and fidelity bond referred to in Article VIII below; amounts expended to procure and maintain permits and licenses and to pay charges, taxes, excises and fees, professional fees, printing and stationery costs, all event-related expenses (e.g., fees payable to promoters and performers, costs for event staffing and costs relating to set-up and clean-up); postage and freight costs; equipment rental costs; computer line charges; repairs and maintenance costs; security expenses; the cost of office supplies; utility and telephone charges; travel expenses; reasonable entertainment expenses; the cost of employee uniforms; exterminator and trash removal costs; Authority internal service charges; reimbursable corporate (travel) expenses directly related to SMG's management of each Facility; the cost of annual independent audits; the costs of operation and maintenance responsibilities of the Authority related to the Pedestrian Walkway identified in paragraph 3 of the Memorandum; the cost of compliance with all laws with respect to the premises of each Facility; and the fixed management fees payable to SMG pursuant to Section 4.1 hereof, all as determined in accordance with generally accepted accounting principals and recognized on a full accrual basis; provided that Operating Expenses shall not include expenditures in connection with Capital Improvements and Capital Equipment purchases (and any capital reserves related thereto), the incentive fees payable pursuant to Section 4.2 hereof and any capital costs or operating expenses of any nature whatsoever relating to the operation of the parking lots servicing the Arena except the parking lot immediately adjacent and south of the Arena. Solely for purposes of (i) calculating Net Operating Income/Incentive Benchmark and (ii) identifying Operating Expenses for each Facility which will be budgeted in the applicable Approved Budgets, Operating Expenses shall exclude fees paid to promoters and other amounts which are excluded from Operating Revenues (in accordance with the second to last sentence in the definition of Operating Revenues), among other things, in calculating SMG's incentive fee hereunder. For the sake of clarity, the fees and amounts, which are excluded from Operating Expenses pursuant to the immediately preceding sentence, shall include all event-related expenses (including costs for event staffing and costs relating to set-up and clean-up).

"Operating Revenues" means any and all revenues of every kind or nature derived from operating, managing or promoting each Facility, including, but not limited to, license, lease and

concession fees and rentals; revenues from merchandise sales; advertising sales; equipment rentals; utility revenues; box office revenues; revenues from the parking lot immediately adjacent and south of the Arena; commissions or other revenues from decoration, set-up and security subcontractors; the revenues the Authority receives from the Pedestrian Walkway pursuant to paragraph 6 of the Memorandum; miscellaneous operating revenues, revenues generated from separate agreements with SMG Affiliates pertaining to each Facility; and interest revenues, all as determined in accordance with generally accepted accounting principles and recognized on a full accrual basis. Solely for purposes of (i) calculating Net Operating Income/Incentive Benchmark, (ii) identifying Operating Revenues for each Facility which will be budgeted in applicable Approved Budgets, (iii) calculating any Revenue Increase pursuant to Section 4.2 hereof, and (iv) determining amounts of Operating Revenues to be deposited by SMG into the appropriate designated depository(ies) pursuant to Section 5.3 hereof, Operating Revenues will be calculated on a "net" basis to exclude (w) Operating Revenues which are paid to promoters of events, (x) Operating Revenues which are collected in the first instance by and retained by concessionaires at each Facility, (y) Operating Revenues which are collected in the first instance by and retained by subcontractors working within or for each Facility and (z) Operating Revenues which are used to pay event-related (or comparable) expenses and which, in accordance with principles applied by SMG on a consistent basis at each Facility, are to be netted against Operating Revenues in calculating budgeted Operating Revenues. In addition, solely for purposes of calculating the Net Operating Income/Incentive Benchmark, and any Revenue Increase pursuant to Section 4.2 hereof Operating Revenues (A) from advertising sales shall consist of such revenues after deduction for payments (1) of any commissions owing in respect of such advertising sales and (2) in respect of advertising sales due under any long term tenant agreement(s) (including without limitation the hockey and arena football teams), and (B) from food and beverage concession sales shall consist of such revenues after deduction for payments in respect of such sales due under any long term tenant agreement(s) (including without limitation the hockey and arena football teams).

"Pedestrian Walkway" means an enclosed elevated pedestrian walkway extending from the west wall of the Arena to Plaza Towers located at the northwest corner of Fulton Street and Monroe Avenue, N.W., in the City as described in the Memorandum and identified in Exhibit A attached thereto.

"Place" means the existing Grand Center including the Welsh Auditorium, DeVos Performing Arts Auditorium and the Grand Hall which is being extensively improved, expanded and renovated as a convention/performing arts/entertainment facility to be known as DeVos Place and located and to be located at 245 Monroe Avenue, N.W., in the City.

"Place Operating Account" means the account maintained by SMG in accordance with Article V hereof (with signature authority in such SMG employees as SMG may from time to time determine) at a banking institution selected by SMG as provided herein that is licensed to conduct business in the State and currently conducting business in the County.

"Renewal Term" means the 5-year period from July 1, 2006 to June 30, 2011, for which this Agreement may be renewed (beyond the Management Term) at the option of the Authority Board in accordance with Section 3.1 hereof.

"Revenue Benchmark" shall have the meaning set forth in Section 4.2 hereof.

"Revenue Increase" shall have the meaning set forth in Section 4.2 hereof.

"SMG" means SMG, a Pennsylvania general partnership.

"State" means the State of Michigan.

ARTICLE II ENGAGEMENT OF SMG; SCOPE OF SERVICES

Section 2.1. Engagement. Subject to the terms and conditions set forth herein, the Authority hereby engages SMG to promote, operate and manage the Facilities during the Management Term and the Renewal Term, if any, and SMG hereby accepts such engagement.

Section 2.2. Scope of Services. SMG shall perform and furnish such management services and systems as are appropriate or necessary to operate, maintain, manage and promote the Facilities in a manner consistent with SMG's policies and procedures and the operations of other similar first-class facilities. SMG shall have exclusive authority over the day-to-day operation of the Facilities and all activities therein; provided that SMG shall, subject to Section 2.5 hereof, follow the booking policy for each Facility as now in effect and as amended from time to time and all other policies and guidelines of the Authority hereafter established by the Authority, that the Authority notifies SMG in writing are applicable to each Facility; provided further that to the extent that such policies or guidelines hereafter established by the Authority materially affect revenues or expenses at either Facility, then and in that event, the Net Operating Income/Incentive Benchmark and the Revenue Benchmarks for the affected Facility, as appropriate, shall be correspondingly adjusted by mutual agreement of the Authority and SMG so that they properly reflect the changed costs or adjusted revenues resulting from such policies or guidelines. For purposes hereof, changes in the policies and guidelines of the Authority shall include, but not be limited to, changes in the assumptions relating to expense allocations of the Authority from those contained in the Approved Budgets for the Arena and the Place for the Fiscal Year ending June 30, 2002.

Section 2.3. Specific Services. Without limiting the generality of the foregoing, SMG shall have, without prior approval of the Authority, except as otherwise expressly provided below, the sole right, responsibility and authority to:

(a) employ, subject to Section 7.1 hereof, supervise and direct employees and personnel at each of the Facilities consistent with the provisions of this Agreement.

(b) administer relationships with all subcontractors, concessionaires and all other contracting parties and assume responsibility for (i) negotiating, subject to subsection (c) below, any renewals and extensions of such agreements to the extent necessary or desirable, and (ii) the compliance with, and enforcement of, such agreements.

(c) negotiate, execute and enter into, in its own name or in its own name as agent for the Authority, as the case may be, and administer any and all licenses, occupancy agreements,

booking commitments (subject to Section 2.5 hereof), advertising agreements, concession, agreements, supplier agreements service contracts (including, without limitation, contracts for cleaning, decorating, and set-up; snow removal, general maintenance; maintenance and inspection of HVAC systems, elevators, stage equipment, fore control panel and other safety equipment; staffing and personnel needs including guards and ushers; and other services which are necessary or appropriate) and all other contracts in connection with the management, promotion and operation of the Facilities, provided that in the event SMG desires to execute or enter into a written agreement in its own name as agent for the Authority and such agreement (i) would bind the Authority to a contractual relationship (other than one involving the license or rental of either Facility in the ordinary course) in an amount over \$2,500, (ii) involves a long term lease with a sports team or (iii) is for a term longer than the Management Term or Renewal Term then in effect, SMG shall obtain the approval of the Authority Board prior to executing and delivering any such agreement in its own name as agent for the Authority. In connection with its activities under this subparagraph (c), SMG will give consideration, where appropriate, to local contractors and suppliers.

(d) to the extent that funds provided by the Authority are made available therefor, maintain the Facilities in the condition received, reasonable wear and tear excepted; provided that the Authority shall be responsible for undertaking all Capital Improvements and Capital Equipment purchases as pursuant to Section 5.5 hereof; provided, further, SMG shall develop, periodically update and adhere to a maintenance plan with respect to each Facility which plan will include specific timeframes for required repairs and refurbishings.

(e) to the extent that funds provided by the Authority are made available therefor, rent, lease or purchase all equipment and maintenance supplies necessary or appropriate for the operation and maintenance of the Facilities, provided that the Authority shall be responsible for undertaking all Capital Improvements and Capital Equipment purchases pursuant to Section 5.5 hereof.

(f) establish and adjust prices, rates and rate schedules for licenses, agreements, contracts and any other commitments relating to each Facility to be negotiated by SMG in the course of its management, operation and promotion of each Facility, provided, however, that such adjustments that would bind the Authority or changes to rate schedules in effect at either Facility shall be subject to the prior approval of the Authority Board which approval shall not be unreasonably withheld. In determining such prices and proposing rate schedules for approval by the Authority Board, SMG shall evaluate comparable rates and charges at similar facilities.

(g) collect Operating Revenues for each Facility in accordance with Sections 5.3 and 5.4 hereof.

(h) pay Operating Expenses for each Facility using funds on deposit in the Place Operating Account or the Arena Operating Account, respectively.

(i) after consultation with and approval of the Authority's legal counsel, institute on behalf of the Authority and at the reasonable expense of the Authority with counsel selected by SMG and approved by the Authority's legal counsel (which counsel will be from the Grand

Rapids area if such action is filed in the Grand Rapids area), such legal actions or proceedings as SMG shall deem necessary or appropriate in connection with the operation of the Facilities, including, without limitation, to collect charges, rates, rents or other revenues due to the Authority or to cancel, terminate or sue for damages under any license, use, advertisement or concession agreement for the breach thereof or default thereunder by any licensee, user, advertiser, or concessionaire at either Facility.

(j) maintain a master set of all booking records and schedules for each Facility and provide the Authority Board with a monthly update with respect thereto. ~

(k) provide day-to-day administrative services in support of its management activities pursuant to applicable Approved Budgets and annual plans described herein, including, but not limited to, the acquisition of services, equipment, supplies and facilities; internal budgeting and accounting; maintenance and property management; personnel management; record-keeping; billing and collections; and similar services.

(l) engage in such advertising, solicitation, and promotional activities as SMG deems necessary and appropriate to develop the potential of each Facility and the cultivation of broad-community support (including without limitation selling advertising inventory and securing product rights for each Facility in a manner which is not in violation of any long term tenant agreement); provided, however, that Authority funds shall not be used to co-promote any event at either Facility without the prior consent of the Authority. SMG shall work with the Kent County Convention and Visitors Bureau to market the Facilities for conventions, trade shows and entertainment events. In advertising relating to the Facilities, SMG shall be permitted to use the terms "Van Andel Arena," "DeVos Place," "DeVos Place Convention Center," "Grand Rapids-Kent Convention/Arena Authority" or "CAA" and related logos, subject to the prior approval of the Authority's Administrative Official.

(m) develop a general customer feedback system for each Facility (subject to the approval of the Authority) which permits users and event attendees to complete focus surveys and/or evaluation reports, which SMG agrees to make available to the Authority.

(n) review and make recommendation to the Authority regarding box office operations for the Facilities.

(o) represent the interests of each Facility, as necessary or appropriate, with City and County departments, the City Commission, the County Board and the Authority Board.

(p) use reasonable efforts to negotiate multiyear occupancy or license agreements with key Place tenants, including, but not limited to, the Grand Rapids Symphony, the Grand Rapids Opera, the Grand Rapids Ballet, and the Broadway Theater Guild, which agreements shall be subject to the approval of the Authority Board.

(q) develop, implement and maintain a policy for commercial advertising within each Facility, which policy shall be subject to the approval of the Authority Board.

Section 2.4. Use of Premises.

SMG may use and occupy the premises of each Facility only for the purpose of operating, promoting and managing each Facility consistent with the terms and conditions of this Agreement and any tenant leases that may be in effect from time to time.

Section 2.5. Bookings.

SMG shall have the sole authority to book events in each Facility; provided that all bookings shall be consistent with a booking policy for each Facility approved by the Authority Board. SMG shall periodically review each such policy and make recommendations for revisions as appropriate to the Authority.

Section 2.6. Insurance.

SMG shall obtain certificates or other evidence of insurance carried by licensees, users, promoters, exhibitors, concessionaries or other persons contracting for use of either Facility. SMG shall require that the Authority and SMG to be named as additional insured on such insurance policies, which shall be issued by companies licensed to do business in the State or qualified by virtue of being surplus lines carriers. Upon request SMG shall provide the Authority's Administrative Official with such insurance certificates or other evidence of insurance coverage.

Section 2.7. Right of Entry Reserved.

Representatives of the Authority shall have the right, in the course of performing their responsibilities for the Authority, upon reasonable advance notice to SMG and at appropriate times, to enter all portions of each Facility to inspect same, to observe the performance of SMG of its obligations under this Agreement, to install, remove, adjust, repair, replace or otherwise handle any equipment, utility lines, or other matters in, on, or about the premises, or to do any act or thing which the Authority may be obligated or have the right to do under this Agreement or otherwise. Nothing contained in this Section 2.7 is intended or shall be construed to limit any other rights of the Authority under this Agreement. The Authority shall not interfere with the activities of SMG hereunder, and the Authority's actions shall be conducted such that disruption of SMG activities shall be kept to a minimum. Nothing in this Section 2.7 shall impose or be construed to impose upon the Authority any independent obligation to maintain or make repairs, replacements, alterations, additions or improvements to the Facilities or create any independent liability for any failure to do so.

Section 2.8. Computer System.

SMG and the Authority acknowledge that SMG has previously installed a computer system for the Facilities in connection with its operation, maintenance and promotion of such Facilities. SMG supplied both the hardware and software for such computer system. The hardware for such system upon installation became the property of Authority (as assignee of the City and City of Grand Rapids Downtown Development Authority). The software, however,

remains the property of SMG and all copies of such software shall be returned to SMG upon termination of this Agreement, provided, however, any records within the data base covered by such software shall remain the property of the Authority and shall, upon termination of this Agreement, be turned over to the Authority or such other party as the Authority may designate.

Section 2.9. Parking.

(a) SMG shall have no management, operation or promotion rights or obligation with respect to the parking facility to be located below grade in the Place, provided, however, net revenues from such facility after the payment of operating expenses shall be included in Operating Revenues. The general manager and all director-level employees at the Place employed by SMG shall be entitled to park in such facility. Other full time employees of SMG located at the Place shall have parking privileges at such facility comparable to those offered to full-time County and City employees.

(b) SMG shall have management, operation and promotion rights and obligations with respect to the parking lot adjacent and to the south of the Arena. Some or all of the SMG employees located at the Arena shall be entitled to park in such lot as SMG in its sole discretion shall determine.

ARTICLE III TERM AND RENEWAL

Section 3.1. Management Term and Renewal Term.

(a) The Management Term of this Agreement with respect to both Facilities shall commence at 12:01 a.m. on July 1, 2001, and will end at midnight on June 30, 2006, unless (i) earlier terminated (a) pursuant to the provisions of this Agreement or (b) at the option of the Authority at the end of the third year of the Management Term, i.e., June 30, 2004, upon not less than 180 days' prior written notice of such termination from the Authority to SMG or (ii) renewed for the Renewal Term as provided in subsection (b) below.

(b) The Authority Board, in its sole discretion, may extend the term of this Agreement for the Renewal Term to commence on July 1, 2006, and end at midnight on June 30, 2011, unless earlier terminated (i) pursuant to the provisions of this Agreement or (ii) at the option of the Authority at the end of the third year of the Renewal Term, i.e., June 30, 2009, upon not less than 180 days' prior written notice of such termination from the Authority to SMG.

Section 3.2. New Agreement.

If the Authority intends, upon termination of the Management Term or Renewal Term, to continue to provide for the promotion, operation and management of either Facility through a private party and this Agreement has not been terminated upon a default by SMG or pursuant to Section 12.2(b) hereof, then the Authority will during the final year of the Management Term or Renewal Term, as applicable, negotiate and discuss in good faith a new contract or arrangement with SMG for the provision of such services following the completion of such term. The

obligation to negotiate with SMG is not intended to guarantee any rights for a future agreement with SMG or any specific terms of a new agreement.

ARTICLE IV SMG'S COMPENSATION

Section 4.1. Base Fee.

As base compensation to SMG for providing the services herein specified during the Management Term and the Renewal Term, if any, the Authority shall pay SMG during the Management Term and the Renewal Term, if any, an annual fixed base fee of \$450,000 for the first year of the Management Team, which amount shall be adjusted upward on the first day of each subsequent Fiscal Year during the term hereof by the percentage change in the Consumer Price Index All Urban Consumers (CPI-U), U.S. city average, during the one year period ending in June immediately preceding such Fiscal Year, as published by the U.S. Department of Labor, provided that for purposes of this adjustment the amount of any yearly increase in the foregoing index in excess of 3% shall be disregarded. The foregoing annual fixed compensation shall be payable in equal monthly installments due on or before the last day of each month during each such Fiscal Year from the quarterly advances of funds pursuant to Sections 5.2 and 5.3 hereof. During each Fiscal Year the fixed base fee shall be allocated equally between the Facilities.

Section 4.2. Incentive Fee.

SMG shall be entitled to an annual incentive fee with respect to each Fiscal Year during the Management Term or Renewal term, if any, which shall be equal to the amount established in accordance with the following sentence, provided, however, that in no event shall the incentive fee for any Fiscal Year exceed 100% of the base fee payable for such Fiscal Year pursuant to Section 4.1 hereof. Subject to the proviso in the immediately preceding sentence, the annual incentive fee shall be an amount calculated with respect to each Fiscal Year equal to the sum of (i) 20% of the first \$1,000,000 of any Revenue Increase and (ii) 25% of any Revenue Increase in excess of \$1,000,000.

Notwithstanding the foregoing paragraph, no incentive fee shall be paid for any Fiscal Year if the combined Operating Revenues for the Facilities do not exceed the combined Operating Expenses for the Facilities by an amount equal to (a) \$1,550,000 attributable to the Arena (during the term hereof, each Fiscal Year after the first Fiscal Year of the Management Term increased by the percentage change in the Consumer Price Index All Urban Consumers (CPI-U), U.S. city average, during the one-year period ending in June immediately preceding such Fiscal Year, published by the U.S. Department of Labor, provided that the purposes of this adjustment the amount of any yearly increase in the foregoing index in excess of 3% shall be disregarded) plus (b) the projected difference between Operating Revenues and Operating Expenses for the applicable Fiscal Year as set forth in the Approved Budget for the Place which amount may be subject to adjustment from time to time as provided in Section 2.2 hereof (the "Net Operating Income/Incentive Benchmark").

Revenue Increase means the amount by which Operating Revenues for a given Fiscal Year exceed the Revenue Benchmark for such Fiscal Year. The Revenue Benchmark shall be an amount equal to (x) \$4,199,913 attributable to the Arena (adjusted upward during the term hereof each year after the first Fiscal Year of the Management Term by the percentage change in the Consumer Price Index All Urban Consumers (CPI-U), U.S. city average, during the one year period ending in June immediately preceding such Fiscal Year, as published by the U.S. Department of Labor, provided that for the purposes of this adjustment the amount of any yearly increase in the foregoing index in excess of 3% shall be disregarded) plus (y) the projected Operating Revenues for the applicable Fiscal Year as set forth in the Approved Budget for the Place which amount may be subject to adjustment from time to time as provided in Section 2.2.

The Authority shall pay SMG any incentive fee earned under this Section 4.2 within 30 days of its receipt of audited financial statements for the Facilities for the applicable Fiscal Year for which the incentive fee is payable. Such audited financial statements shall include a supplemental statement containing the calculation of any incentive fee payable.

Section 4.3. Review of Determination of Net Operating Income/Incentive Benchmark and Revenue Benchmark.

The Authority and SMG agree to in good faith review the method of determining the Place component of the Net Operating Income/Incentive Benchmark and Revenue Benchmark one year after the Place has become fully operational, provided this Agreement is still in effect, to determine if it is more appropriate to set these components at a fixed dollar amount. If such determination is mutually made by the Authority and SMG this Agreement shall be amended to reflect such determination.

ARTICLE V FUNDING; BUDGETS; BANK ACCOUNTS

Section 5.1. Annual Budgets.

(a) It is the intention of the parties that SMG maintain separate financial records and accounts, as well as prepare separate budgets, for each Facility. In connection with the preparation of budgets for each Facility, SMG will seek to identify areas of Operating Expenses (such as, split-function personnel, equipment and vendor supervision) where possible synergies from its management of both Facilities can be achieved and in such instances specifically identify and allocate such Operating Expenses between both Facilities in such budgets and provide such information to the Authority.

(b) In conjunction with the preparation of the annual budget the Authority Board shall adopt an annual operating budget for each of the Facilities (the "Approved Budgets").

(c) For each Fiscal Year during the Management Terms or any Renewal Term, if any, SMG will prepare a recommended annual operating budget for each Facility which it believes will meet the scope of services and objectives under this Agreement. The budget shall contain estimates of Operating Revenues and Operating Expenses, as well as any recommendations for

Capital Improvements or Capital Equipment in such detail and format as the Authority Board or the Authority's Administrative Official may reasonably require. Such proposed annual budgets shall be submitted in a timely manner as required by the budget planning calendar of the Authority, but in no event later than the May 1 immediately preceding each new Fiscal Year. SMG shall cooperate with the Authority's Administrative Official, as it relates to the preparation and submission to the Authority Board of the annual operating budget for each Facility, including such meetings with the Authority Board and Committees of the Authority Board, as may be reasonably necessary to explain the proposed annual budget.

(d) Upon adoption of the Approved Budgets for each of the Facilities for any Fiscal Year, which in no event shall be later than the June 30 immediately preceding such Fiscal Year, the Authority's Administrative Official shall provide SMG with Approved Budgets for each of the Facilities for such Fiscal Year.

(e) If the Approved Budget for either Facility for a Fiscal Year modifies the proposed annual operating budget for such Fiscal Year submitted by SMG to such an extent that, in SMG's reasonable judgment, such budget would materially interfere, impede or impair the ability of SMG to manage, operate, maintain or promote such Facility, SMG shall have the right to terminate this Agreement pursuant to Section 12.2(a) hereof, and the exercise of such right shall not be considered a breach of this Agreement. Any exercise of SMG's right to terminate under this subsection (e) shall be exercised within 30 days of receipt of the applicable Approved Budgets from the Authority's Administrative Official or shall be considered waived for such Fiscal Year.

(f) At any time during a Fiscal Year, SMG shall have the right to seek an amendment to the Approved Budget for either Facility for such Fiscal Year. Nothing in this subsection (f) shall require the Authority, to grant such requests, nor shall the denial of any such requested amendment constitute grounds for termination of this Agreement by SMG. The Authority's Administrative Official shall also have the right to request amendments to the applicable Approved Budget for each Facility, provided that such requested amendments shall not, without SMG's prior consent, reduce the aggregate amount of budgeted Operating Expenses for such Facility. Upon approval by the Authority Board of any such requested amendment (a copy of which shall be promptly furnished to SMG), the Approved Budget for such Facility shall thereafter be as amended. SMG shall have the right to request an amendment to the Approved Budget for either Facility as may be necessary or appropriate as the result of the scheduling by SMG of additional events or activities at either Facility (and the incidence of additional Operating Expenses arising from the scheduling of additional events or activities at either Facility) as long as prior to the scheduling of such events or activities, SMG has a good faith belief that the combined Net Operating Income/Incentive Fee Benchmark for the Facilities would not be adversely affected as a result of such additional events or activities.

Section 5.2. Funding.

(a) Cash Flow Analyses and Cash Advance. Utilizing the Approved Budget for each Facility for a Fiscal Year, SMG shall prepare an analysis of the monthly cash flow needed for the operation of each Facility and shall furnish a copy of same to the Authority's Administrative

Official. At the commencement of the Fiscal Year beginning July 1, 2001 and annually thereafter, the Authority shall advance to SMG sufficient funds to satisfy the cash flow needs for operation of the Arena and the Place, respectively, for each fiscal quarter covered thereby as provided in Section 5.3 hereof. Such funds shall be deposited into the respective Arena Operating Account and the Place Operating Account established by SMG in accordance with subsection (b) hereof at the banking institution of its choice, licensed to conduct business within the State and be conducting business within the County. SMG may use these funds for the payment of respective Operating Expenses as approved in the Approved Budgets for the Arena and the Place respectively.

(b) Selection of Banking Institution. Currently SMG has established the Arena Operating Account and the Place Operating Account with Fifth Third Bank. If during the Management Term or the Renewal Term, if any, SMG decides to change the banking institution providing such services, SMG may, but shall not be obligated to, rebid such services. Any subsequent banking institution selected shall be licensed to conduct business within the State and be conducting business in the County.

Section 5.3. Receipts.

(a) Upon receipt by SMG, all Operating Revenues for each Facility shall be deposited by SMG in the Place Operating Account or the Arena Operating Account, respectively. SMG shall pay event-related and other Operating Expenses for each Facility out of the funds on deposit from time to time in such Account for such Facility. Within 30 days following the end of each fiscal quarter, SMG shall provide a cash reconciliation of the Operating Revenues and Operating Expenses for each Facility for the fiscal quarter just ended.

(b) In addition, 30 days prior to the end of each fiscal quarter, SMG will prepare a projected cash flow for the upcoming fiscal quarter for each Facility. Based on SMG's cash flow projections, if Operating Revenues for such upcoming fiscal quarter are not sufficient to pay Operating Expenses in a timely fashion for either Facility, SMG shall prepare a request for funds to satisfy the cash flow needs for such upcoming fiscal quarter for the affected Facility, and the Authority will make available to SMG the funds necessary to pay such Operating Expenses based upon the Approved Budget in effect for such Fiscal Year for such Facility. If the Operating Revenues exceed the Operating Expenses for either Facility for the fiscal quarter just ended, the amount of SMG's request for funds for such Facility under this subsection (b) shall be reduced by the amount of such excess or by an amount which SMG estimates at the time of the funding of such request for funds to be the probable amount of such excess.

(c) If the excess (based on actual numbers or on SMG's estimates at the time of funding of a request for funds under subsection (b)) of Operating Revenues over Operating Expenses for either Facility for the fiscal quarter just ended) exceeds SMG's entire request for funds for such Facility under subsection (b) above for the upcoming fiscal quarter, then the amount of such excess under this subsection (c) shall be promptly paid to the Authority.

(d) To the extent that any such estimates by SMG are used under subsections (b) or (c), the quarterly cash reconciliation's shall include a reconciliation of the difference between (i)

such estimates of the excess of Operating Revenues over Operating Expenses for the prior fiscal quarter, if any, and (ii) the actual amount of such excess. At the time of the year end audit pursuant to Section 6.1 hereof, SMG and the Authority shall perform a final cash reconciliation for the Arena Operating Account and the Place Operating Account for the previous Fiscal Year. All such Operating Revenues shall, from the time received by SMG, be the sole property of the Authority. Any breach of the provisions of this Section 5.3 shall constitute a material breach of this Agreement.

(e) With respect to each of the Arena Operating Account, the Place Operating Account and the accounts for each Facility referred to in Section 5.4 hereof (such other accounts being referred to as the "Ticket Sales Accounts"), (i) title to each such account shall include, in addition to SMG, the name of the Authority, (ii) to the extent that any such account contains signing authority, a designated representative of the Authority shall be added to the list of individuals who have signing authority thereunder, and (iii) the funds therein are the property of the Authority (x) subject to the rights granted SMG under this Agreement to make deposits and withdrawals from each such account and to be entitled to receive payments therefrom for any fees and reimbursements due SMG hereunder and, (y) with respect to Ticket Sales Accounts, subject to the rights of the Authority and SMG as provided in Section 5.4 hereof.

Section 5.4. Ticket Sales Revenues.

SMG shall hold in a separate interest-bearing account for each Facility (each a "Ticket Sales Account") in a banking institution depository licensed by the State and operating in the County any ticket sales revenues which it receives with respect to an event to be held at each Facility pending the completion of the event. Such monies are to be held for the protection of ticket purchasers, the Authority and SMG, and to provide a source of funds, as required for payments to performers and promoters and for payments of Operating Expenses for such Facility in connection with the presentation of events as may be required to be paid contemporaneously with the event. Following the satisfactory completion of each event, SMG shall immediately deposit such funds into the Place Operating Account or the Arena Operating Account, respectively. The balance of such funds that remain after the payment by SMG, from funds deposited in such account, of event-related and other Operating Expenses excluded from the definition of Operating Expenses pursuant to the last sentence thereof, shall be deposited by SMG in the Authority's designated depository in accordance with the procedures set forth in Section 5.3. SMG will provide the Authority with a full event settlement report for each event. Interest which accrues on amounts deposited in the Ticket Sales Accounts shall be considered Operating Revenues for the applicable Facility. Bank service charges, if any, on such account shall be considered Operating Expenses for such Facility.

Section 5.5. Capital Improvements; Capital Equipment.

The obligation to pay for, and authority to perform, direct and supervise Capital Improvements and Capital Equipment purchases shall remain with the Authority, as the case may be, and will not be considered Operating Expenses for either Facility. All capital improvements and equipment purchases which do not constitute Capital Improvements or Capital Equipment hereunder shall be included in the applicable annual budget prepared by SMG for each Facility,

and to the extent provided for in the Approved Budget for the applicable Facility, shall be acquired and installed at the direction of SMG and accounted for as Operating Expenses for the applicable Facility. The annual plan submitted pursuant to Section 6.2 hereof shall include SMG's recommendation for Capital Improvements and Capital Equipment purchases to be accomplished during the Fiscal Year for each Facility and shall be accompanied by an estimate of the cost of all such items and projects and a request that the Authority budget funds therefor. The Authority shall retain the discretion to determine whether and to what level to fund Capital Improvements and Capital Equipment purchases to the respective Facility.

Section 5.6. Limitation of SMG Liability.

Notwithstanding any provision herein to the contrary and except for SMG's express indemnification responsibilities in Section 8. 1 hereof, SMG shall have no obligation to fund any cost, expense or liability with respect to the operation, maintenance, management or promotion of the Facilities beyond the extent of the funds deposited for each Facility from time to time in the Place Operating Account or the Arena Operating Account, respectively.

ARTICLE VI RECORDS, AUDITS AND REPORTS

Section 6.1. Records and Audits.

SMG shall keep full and accurate accounting records relating to its activities at each Facility in accordance with generally accepted accounting principles. SMG shall maintain a system of bookkeeping adequate for its operations hereunder. SMG shall give the authorized representative of the Authority access to such books and records maintained at each Facility during reasonable business hours and upon reasonable advance notice. SMG shall keep and preserve for at least 3 years following each Fiscal Year all sales slips, rental agreements, purchase orders, sales books, credit card invoices, bank books or duplicate deposit slips, and other evidence of Operating Revenues and Operating Expenses for each Facility for such period. In addition, on or before September 30th following each Fiscal Year, SMG shall furnish to the Authority a balance sheet, a statement of profit or loss and a statement of cash flows for the, applicable Facility for the preceding Fiscal Year, prepared in accordance with generally accepted accounting principles and accompanied by an independent auditor's report of a nationally recognized, independent certified public accountant. The audit shall contain an opinion expressed by the independent auditor of the accuracy of financial records kept by SMG for such Facility. The audit shall also provide a certification of Operating Revenues and Operating Expenses for such Fiscal Year. The Authority shall have the right to participate in the pre-audit meeting(s) with the auditors. The audit shall be conducted by a reputable firm selected by SMG with approval by the Authority. The Authority shall not withhold or delay such consent or approval unreasonably. Notwithstanding anything to the contrary herein, the costs of such audit for each Facility shall be deemed Operating Expenses for such Facility.

Section 6.2. Annual Plan.

SMG shall provide to the Authority on or before May 1 of each year, an annual management plan for each Facility, which shall include the annual operating budget proposed by SMG for such Facility for the next Fiscal Year. The annual plan for each Facility shall include information regarding SMG's anticipated operations for such Facility for such Fiscal Year, including planned operating maintenance activities by SMG, requested Capital Improvements and Capital Equipment purchases and an anticipated budget therefor, anticipated events at such Facility, anticipated advertising and promotional activities, and planned equipment and furnishings purchases. The annual plan for each Facility shall be used by the Authority Board in reviewing and making decisions upon the annual operating budget for the applicable Facility.

Section 6.3. Monthly Reports.

By the 21st day of each month, SMG shall provide to the Authority a written monthly report in a form approved by the Authority and similar to that used in other SMG-managed facilities setting out the anticipated activities and financial condition of the applicable Facility for the upcoming month and reporting on the prior month's activities and finances. Such monthly reports shall include such detail that is not less than that currently being provided at the effective date of this Agreement.

Section 6.4. Annual Performance Review.

The Authority shall be entitled to prepare a written annual performance review of SMG's performance hereunder based upon operating results, SMG's reporting systems and such other criteria as the Authority and SMG mutually agree. Any such annual review shall be delivered to SMG prior to December 1 following any Fiscal Year during the term hereof. SMG shall, if appropriate, respond to such performance review in its annual plan for the Fiscal Year following the delivery of such a review.

Section 6.5. Internal Audits.

SMG agrees that during the term of this Agreement it will periodically (a minimum of once each Fiscal Year for each Facility) conduct internal audits of the operations of each Facility and promptly advise the Authority of the results of such audits.

ARTICLE VII EMPLOYEES

Section 7.1. SMG Employees.

(a) SMG shall select, train and employ at each Facility such number of employees as SMG deems necessary or appropriate to satisfy its responsibilities under this Agreement. SMG shall use its best efforts to recruit and hire employees who will be proficient, productive, and courteous to patrons. SMG shall have the authority to hire, terminate and discipline any and all personnel working at either Facility.

(b) SMG shall assign to the Facilities a competent, full-time general manager who shall have no duties other than the day-to-day operation and management of the Facilities. Prior to its assignment of a general manager for the Facilities, SMG agrees to consult with the Authority regarding the qualifications of the person to be assigned.

(c) SMG employees at the Facilities shall not for any purpose be considered to be employees of the Authority. SMG shall be solely responsible for their supervision, daily direction and control, compensation (and tax withholding), any employee benefits, unemployment insurance and worker's compensation liability, and insurance expenses, provided that the foregoing expenses shall be considered Operating Expenses of the applicable Facility.

Section 7.2. No Solicitation of Employment by Authority.

During the period commencing on the date hereof and ending one (1) year after the termination of this Agreement, except with SMG's prior written consent, the Authority will not, for any reason, solicit for employment any of the senior management personnel employed by SMG at the Facilities, including, without limitation, the general manager and director-level employees. In addition to any other remedies which SMG may have, specific performance in the form of injunctive relief shall be available for the enforcement of this provision.

ARTICLE VIII INDEMNIFICATION AND INSURANCE

Section 8.1. Indemnification.

(a) SMG shall indemnify, defend and hold harmless the Authority and its officers, boardmembers, agents and employees ("Authority Indemnified Persons") from and against any and all losses, liabilities, claims, damages and expenses (including reasonable attorneys fees) (collectively, "Losses") arising from any negligent act or omission or willful misconduct of SMG or its officers, employees or agents, provided, however, that the foregoing indemnification shall not extend to Losses to the extent such Losses (i) arise from any breach or default by the Authority of its obligations under subsection (b) below, (ii) are of the type that are or would normally be covered by commercial insurance covering (x) the premises at each Facility and (y) business interruption, irrespective of the decision of the Authority to carry or not to carry such insurance or (iii) arise from violations of the Michigan Liquor Control Act, Act 8 of the Public Acts of Michigan of 1933, as amended, and the regulations promulgated thereto to the extent such Act and regulations prohibit such indemnification. The Authority Indemnified Persons shall be required to exhaust all available insurance coverage for the Facilities prior to asserting any claim against SMG pursuant to this subsection (a).

(b) The Authority shall indemnify, defend and hold harmless SMG, its partners, officers, agents and employees ("SMG Indemnified Persons") from and against any and all Losses arising from (i) any negligent act or omission or willful misconduct of the Authority or its officers, boardmembers employees or agents; provided, however, that the foregoing indemnification shall not extend to Losses to the extent such Losses arise from any negligent act

or omission or willful misconduct of SMG or its officers, employees or agents, (ii) the fact that at any time prior to October 1, 1996, either Facility has not been operated, and either Facility and its premises are not or have not been, in compliance with all Laws (as defined in Section 11.2 hereof), (iii) the fact that prior to October 1, 1996 there is any condition on, above, beneath or arising from the premises occupied by either Facility which might, under any law, give rise to liability or which would or may require any "response," "removal" or "remedial action" as such terms are defined under the Comprehensive Environmental Response Compensation and Liability Act, as amended by the Superfund Amendments and Reauthorization Act), (iv) any structural defect or unsound operating condition with respect to either Facility or the premises occupied by either Facility as of October 1, 1996, (v) any obligation or liability under or in respect of any contract, agreement or other instrument properly executed by SMG as agent for the Authority as authorized herein, or (vi) any obligation or liability for physical damage, except for such physical damage caused by the willful misconduct of SMG or its officers, employees or agents, or other Loss to any real property assets located at either Facility or intended to be incorporated therein, whether such property is insured by the Authority or whether the Authority decides not to insure for such Losses. SMG Indemnified Persons shall be required to exhaust all available insurance coverage for the Facilities prior to asserting any claim against the Authority pursuant to this subsection (b).

(c) The provisions set forth in subsection (a) and (b) above shall survive termination of this Agreement, provided, however, that except for indemnification based upon subsection (b)(ii), (iii), (iv), (v) or (vi) above, a claim for indemnification pursuant to this Section 8.1 shall be valid only if the party entitled to such indemnification provides written notice thereof to the other party prior to three years following the date of termination of this Agreement.

(d) The terms of all insurance policies referred to in this Article VIII shall preclude subrogation claims against SMG, the Authority and their respective partners, boardmembers, officers, employees or agents. In addition, if the Authority fails to maintain commercial insurance covering (i) the premises at either Facility and (ii) business interruption, then the Authority hereby waives any subrogation claims that it may have against SMG and its partners, officers, employees or agents with respect to Losses that would normally be covered by such insurance.

Section 8.2. Liability Insurance.

(a) SMG has secured and delivered to the Authority prior to the commencement of this Agreement, and shall keep in force at all times during the term of this Agreement, a commercial liability insurance policy, including public liability and property damage, in such form and from such company as is reasonably acceptable to the Authority, covering the Facilities, the operations hereunder with respect thereto, and any negligent acts or omissions of SMG or the Authority in connection therewith, in the amount of \$2,000,000 for bodily injury and \$2,000,000 for property damage, or in a combined single limit of \$4,000,000, for each occurrence and in the annual aggregate.

(b) SMG shall also maintain comprehensive automotive bodily injury and property damage insurance for business use covering all vehicles operated by SMG officers, agents and

employees in connection with either Facility, whether owned by SMG, the Authority, or otherwise, with a combined single limit of not less than \$2,000,000.

(c) SMG shall be an insured under all such policies referred to in subsections (a) and (b). The Authority shall be an additional insured under the foregoing insurance policies, as its interests may appear, and said policies shall contain a provision covering the parties' indemnification liabilities to each other. Except as otherwise approved by the Authority, all such policies must be written by companies licensed to do business in the State.

(d) The original or a certified-copy of the above policy, or policies, or certificates evidencing the existence thereof, all in such form as the Authority Administrative Official may reasonably require, shall be delivered to the Authority Administrative Official prior to the commencement of this Agreement. Each such policy or certificate shall contain a valid provision or endorsement stating, "This policy will not be canceled or materially changed or altered without first giving 30 days' written notice thereof to the Authority Administrative Official, 130 W. Fulton Street, Grand Rapids, Michigan 49503, sent by certified mail, return receipt requested."

(e) A certificate of insurance shall be delivered to the Authority Administrative Official at least 15 days prior to the expiration date of the expiring policy and a renewal policy or policies will be delivered following the renewal, except for any policy or policies expiring on the termination date of this Agreement or thereafter.

(f) All insurance procured by SMG in accordance with the requirements of this Agreement shall be primary over any insurance carried by the Authority and shall not require contribution by the Authority.

Section 8.3. Workers Compensation Insurance.

SMG shall at all times maintain worker's compensation insurance (including occupational disease hazards) with an authorized insurance company or through the Michigan State Compensation Insurance Fund or through an authorized self-insurance plan approved by the State, insuring its employees at the Facilities in amounts equal to or greater than required under State law.

Section 8.4. Fidelity Bond.

SMG shall provide to the Authority a fidelity bond covering all of SMG's personnel under this Agreement in the amount of \$1,000,000 for each loss, to reimburse the Authority for losses experienced due to the dishonest acts of SMG's officers, employees or agents.

Section 8.5. Property Insurance.

(a) SMG shall maintain or cause to be maintained sufficient property damage or loss insurance to cover personal property owned by the Authority and SMG at each Facility and shall maintain such insurance throughout the term of this Agreement.

(b) If the Authority elects to maintain property insurance covering the premises of the Facilities, the Authority shall cause SMG to be named as an additional insured under all of the Authority's property and hazard insurance policies covering or relating to the Facilities. Nothing in this Agreement is intended to require SMG to maintain property and hazard insurance covering the premises of either Facility or business interruption insurance for the activities held at either Facility.

(c) The original or a certified copy of the above policy, or policies, referred to in subsection (b), or certificates evidencing the existence thereof, all in such form as SMG may reasonably require, shall be delivered to SMG prior to the commencement of this Agreement. Each such policy or certificate shall contain a valid provision or endorsement stating, "This policy will not be canceled or materially changed or altered without first giving 30 days' written notice thereof to SMG, Risk Management Director, 701 Market Street, 4th Floor, Philadelphia, PA, 19106, sent by certified mail, return receipt requested."

(d) A renewal policy (or satisfactory evidence of such renewal) shall be delivered to SMG following the renewal, except for any policy expiring on the termination date of this Agreement or thereafter.

Section 8.6. Certain Other Insurance.

If SMG enters into any agreements during the term of this Agreement with any independent contractors for the provision of services hereunder, SMG shall have the right to require such contractors to name SMG as an additional insured under any insurance required by SMG thereunder and to deliver to SMG prior to the performance of such services a certified copy of such policy or a certificate evidencing the existence thereof, which policy contains the same type of endorsements and provisions as provided in Section 8.5(c).

ARTICLE IX OWNERSHIP OF ASSETS

Section 9.1. Ownership.

The ownership of buildings and real estate, technical and office equipment and facilities, furniture, displays, fixtures, vehicles and similar tangible property located at either of the Facilities shall remain with the Authority. Ownership of, and title to, all intellectual property rights of whatsoever value, held in the name of the Authority, shall remain in the name of the Authority and any intellectual property rights acquired by SMG pursuant to its management of the Facilities shall be placed in the name of SMG as agent for the Authority. The ownership of consumable assets, such as office supplies and cleaning materials, purchased with funds of the Authority shall remain with the Authority, but such assets may be utilized and consumed by SMG in the performance of services under this Agreement. The ownership of data processing programs and software owned by the Authority shall remain with the Authority and the ownership of data processing programs and software owned by SMG shall remain with SMG. SMG shall not take or use, for its own purposes, customer or exhibitor lists or similar materials

developed by the Authority for the use of the Facilities, unless written consent is granted by the Authority Administrative Official. Ownership of equipment, furnishings, materials, or fixtures not considered to be real property and other personal property purchased by SMG with funds of the Authority for use at or for either Facility shall vest in the Authority automatically and immediately upon purchase or acquisition. The assets of the Authority as described herein shall not be pledged, liened, encumbered or otherwise alienated or assigned other than in the ordinary course of business of either Facility without the prior approval of the Authority.

Section 9.2. Authority Obligations.

Except as herein otherwise set forth, throughout the term of this Agreement, the Authority will maintain full beneficial use and ownership of, respectively, the Place and the Arena and will pay, keep, observe and perform all payments, terms, covenants, conditions and obligations under any bonds, debentures or other security agreements or contracts relating, respectively, to the Place and the Arena to which the Authority may be bound.

ARTICLE X ASSIGNMENT; AFFILIATES

Section 10.1. Assignment.

Neither this Agreement nor any of the rights or obligations hereunder may be assigned by either party hereto without the prior written consent of the other party hereto. An assignment requiring the prior written consent of the Authority will be deemed to have occurred if SMG becomes an Affiliate of another entity. For the sake of clarity, the parties acknowledge that the foregoing does not preclude the assignment by SMG of its right to receive its fees hereunder to its lender(s) as collateral security for SMG's obligations under any credit facilities provided to it by such lender(s) provided that such collateral assignment shall not in any event cover SMG's right to manage, promote or operate the Facilities hereunder.

Section 10.2. SMG Affiliates.

(a) Transactions with Affiliates. Any contract entered into between SMG and an Affiliate of SMG relating to the Facilities shall be on terms and for prices customarily charged in the industry for comparable goods and services. In addition, SMG, as agent for the Authority may rent either Facility or any part thereof to itself in connection with any event in the promotion of which SMG is involved, so long as such rental is made on rates and terms that comply with the booking policy for such Facility as then in effect. SMG shall notify the Authority in writing, whenever any such transaction with an SMG Affiliate is contemplated.

(b) Conflicts of Interest.

(i) The Authority acknowledges that SMG manages other public assembly facilities which may, from time to time, be in competition with the Facilities. Subject to subparagraph (ii) below, the management of competing facilities will not, in and of itself, be deemed a conflict of interest or breach of SMG's duties hereunder, provided, however, in all

instances in which either Facility is in competition with other public assembly facilities managed by SMG for the solicitation of certain events, SMG shall not involve its principal office (currently in Philadelphia, Pennsylvania) on behalf of any such other facility in an attempt to influence the decision-making process regarding the selection of a site for such events.

(ii) During the term hereof, neither SMG nor any SMG Affiliate shall, without the prior approval of the Authority render on-site management services to any facility other than the Facilities within a 100 mile radius of the Facilities; provided that notwithstanding such defined territory, SMG shall be entitled to provide on-site management services to any facility within the Detroit Metropolitan area.

ARTICLE XI LAWS AND PERMITS

Section 11.1. Permits, Licenses, Taxes and Liens.

SMG shall use reasonable efforts to procure any permits and licenses required for the business to be conducted by it hereunder. The Authority shall cooperate with SMG in applying for such permits and licenses. SMG shall deliver copies of all such permits and licenses to the Authority Administrative Official. SMG shall pay promptly from Operating Revenues of the applicable Facility or funds provided by the Authority under this Agreement all taxes, excise and license and permit fees of whatever nature arising from its operation, promotion and management of the Facilities (all of such taxes, excise and license and permit fees constituting Operating Expenses of the applicable Facility). SMG shall use reasonable efforts to prevent mechanic's or materialman's or any other lien from becoming attached to the premises or improvements at either of the Facilities or any part or parcel thereof, by reason of any work or labor performed or materials furnished by any mechanic or materialman, so long as the work, labor or material was provided at SMG's direction and the Authority has budgeted funds for the payment of charges therefor in accordance with this Agreement.

Section 11.2. Governmental Compliance.

SMG, its officers, agents and employees shall comply with all federal, state, local and municipal regulations, ordinances, statutes, rules, laws and constitutional provisions (collectively, "Laws") applicable to SMG's operation, maintenance, management and promotion of the Facilities hereunder. SMG shall take all reasonable and appropriate measures to enforce such Laws against its invitees and licensees at the Facilities.

Section 11.3. No Discrimination in Employment.

In connection with the performance of services under this Agreement, SMG shall not refuse to hire, discharge, refuse to promote or demote, or to discriminate in matters of compensation against, any person otherwise qualified, solely because of race, color, religion, gender, age, national origin, military status, sexual orientation, marital status or physical or mental disability.

ARTICLE XII TERMINATION

Section 12.1. Termination Upon Default.

Either party may terminate this Agreement upon a default by the other party hereunder. A party shall be in default hereunder if (i) such party fails to pay any sum payable hereunder within 30 days after same is due and payable, or (ii) such party fails in any material respect to perform or comply with any of the other terms, covenants, agreements or conditions hereof and such failure continues for more than 60 days after written notice thereof from the other party. In the event that a default (other than a default in the payment of money) is not reasonably susceptible to being cured within the 60-day period, the defaulting party shall not be considered in default if it shall within such 60-day period have commenced with due diligence and dispatch to cure such default and thereafter completes with dispatch and due diligence the curing of such default. Any termination pursuant to this Section 12.1 will be effective upon notice from the non-defaulting party following the expiration of all of the applicable aforementioned time periods.

Section 12.2. Termination Other than Upon Default.

(a) SMG shall have the right to terminate this Agreement upon sixty (60) days written notice to Authority (i) under the circumstances described in Section 5.1(e) hereof, or (ii) if the Authority fails to make Capital Improvements or Capital Equipment purchases at either Facility to the extent that such omission, in SMG's judgment, materially interferes with, impedes or impairs the ability of SMG to manage such Facility effectively.

(b) The Authority shall have the right to terminate this Agreement upon 60 days prior written notice to SMG if the Authority Board by affirmative vote of at least 70% of its members, determines that it is in the best interest of the Authority to do so. Prior to taking any action to terminate under this provision, the Authority Administrative Official shall provide SMG with a written list of concerns or deficiencies relating to SMG's performance under this Agreement. SMG shall have 45 days to cure such deficiencies or respond to such concerns in writing to the Authority Board. Upon the expiration of such 45-day period, the Authority Board shall have the right to conduct such other hearing into the matter as it, in its sole discretion, deems appropriate. Any action to terminate under this provision shall only be taken at a public meeting to which SMG has been provided at least ten (10) days prior written notice.

(c) Either party hereto shall have the right to terminate this Agreement under the circumstances specified in Section 13.6(d) hereof.

Section 12.3. Effect of Termination.

In the event this Agreement is terminated, (i) all Operating Expenses for the Facilities incurred or committed for prior to the date of termination shall be paid by SMG out of funds deposited in the Place Operating Account and the Arena Operating Account, respectively; provided that (a) to the extent that the funds on deposit in each such account are insufficient for

the Operating Expenses of the applicable Facility, the Authority shall promptly reimburse SMG therefor and shall indemnify and hold SMG harmless therefrom and (b) to the extent the funds on deposit in each such account exceed the aggregate amount of such Operating Expenses for the applicable Facility, SMG shall deposit such excess into the account designated by the Authority Administrative Official, (ii) the Authority shall promptly pay SMG all fees earned to the date of termination (the base and incentive fees described in Section 4 hereof being subject to proration), provided that in the case of a termination by the Authority pursuant to Section 12.1 hereof, the Authority shall be entitled to offset against such unpaid fees any costs incurred by the Authority in remedying any default by SMG hereunder which resulted in such termination (other than the fees or expenses of any replacement manager for the Facilities) and (iii) in the case of a termination pursuant to Section 12.2(b) hereof, the Authority shall, as liquidated damages for such early termination and in addition to the foregoing, promptly pay SMG a termination fee equal to 100% of SMG's annual base fee for the Facilities under Section 4.1 hereof in effect at the time of such termination. Upon a termination pursuant to Section 12.1, all further obligations of the parties hereunder shall terminate except for the obligations in this Section 12.3 and in Sections 8.1, 8.2(c) and 12.5 hereof; provided, however, that if such termination is the result of a willful default, the non-defaulting party exercising its right to terminate this Agreement shall be entitled to recover damages for breach arising from such willful default.

Section 12.4. Non-Exclusive Remedies.

Each party's rights of termination pursuant to this Article XII are in addition to any other rights it may have hereunder or otherwise and the exercise of a right of termination shall not be an election of remedies.

Section 12.5. Surrender of Premises.

Upon termination of this Agreement (termination shall, for all purposes in this Agreement, include termination pursuant to the terms of this Article XII and any expiration of the term hereof), SMG shall surrender and vacate the Facilities upon the effective date of such termination. Each Facility and all equipment and furnishings shall be returned to the Authority in good repair, reasonable wear and tear excepted, to the extent funds were made available therefor by the Authority. All reports, records, including financial records, and documents maintained by SMG at the each Facility relating to this Agreement shall be immediately surrendered to the Authority by SMG upon termination.

ARTICLE XIII MISCELLANEOUS

Section 13.1. Use of the Facilities at Direction of the County, the City or the Authority.

(a) The County, the City and the Authority shall have the right to use either Facility or any part thereof, upon reasonable advance notice and subject to availability, for such purposes as meetings, seminars, training classes or other uses without the payment of any rental or use fee

except that direct out-of-pocket expenses incurred in connection with such uses shall be paid by the County, the City or the Authority, as the case may be.

(b) The County, the City and the Authority shall not schedule use of either Facility pursuant to subsection (a) above if such use will conflict with paying events booked by SMG and shall in all instances be subordinate thereto in terms of priority of use of either Facility, provided, however, that the County, the City and the Authority shall not be subordinate with respect to any competing use which is first scheduled within the 21 day period immediately preceding the scheduled use of the County, the City or the Authority. If either of the Facilities are to be used at the County's, the City's or the Authority's request or by the County, the City or the Authority pursuant to subparagraph (a) above, a normal rent or use fee which otherwise would be chargeable for such event shall be deemed to have been paid, and any such deemed payments which exceed the amount of \$10,000 in any Fiscal Year shall constitute Operating Revenues for the respective Facility for the purpose of calculating SMG's incentive fee pursuant to Section 4.2 hereof.

Section 13.2. Alternative Dispute Resolution.

(a) The parties desire to cooperate with each other in the management and operation of the Facilities pursuant to the terms hereof. In keeping with the cooperative spirit and intent, any dispute arising hereunder may, with the mutual consent of both parties, be first referred to the parties' respective agents or representatives prior to either party initiating a legal suit, who in such instance will endeavor in good faith to resolve any such disputes within the limits of their authority and within 45 days after the commencement of such discussions. If any dispute remains unresolved after the parties have elected to follow the dispute resolution procedure set forth above, the matter may, at the option of both parties, be resolved pursuant to subsections (b) and (c) below.

(b) If both parties so elect, and such elections are made in written form executed by an officer of each party legally authorized to do so and delivered to the other party in compliance with the notice provisions hereof, (either after exhausting the procedures in subsection (a) above or as an initial means of dispute resolution), the parties will endeavor to settle the dispute by mediation under the then current Center for Public Resources ("CPR") model procedure for mediation of business disputes or, if such model procedure no longer exists, some other mutually agreeable procedure. Within 10 business days from the date that the parties mutually elect to proceed with mediation hereunder, the Authority shall select a neutral third party mediator, who shall be subject to the reasonable approval of SMG. Each party will bear its own cost of mediation, provided, however, the cost charged by any independent third party mediator will be borne equally by the parties.

(c) The parties agree that any mediation proceeding (as well as any discussion pursuant to subsection (a) above) will constitute settlement negotiations for purposes of the federal and State rules of evidence and will be treated as non-discoverable, confidential and privileged communication by the parties and the mediator. No stenographic, visual or audio record will be made of any mediation proceedings or such discussions. All conduct, statements, promises, offers and opinions made in the course of the mediation or such discussion by any

party, its agents, employees, representatives or other invitees and by the mediator will not be discoverable nor admissible for any purposes in any litigation or other proceeding involving the parties and will not be disclosed to any third party.

(d) The parties agree that if the parties mutually elect to proceed with mediation hereunder then this mediation procedure will be obligatory and participation therein legally binding upon each of them. In the event that either party refuses to adhere to the mediation procedure set forth in this Section 13.2, the other party may bring an action to seek enforcement of such obligation in any court of competent jurisdiction.

(e) The parties' efforts to reach a settlement of any dispute will continue until the conclusion of the mediation proceeding. The mediation proceeding will be concluded when: (i) a written settlement agreement is executed by the parties, or (ii) the mediator concluded and informs the parties in writing that further efforts to mediate the dispute would not be useful, or (iii) the parties agree in writing that an impasse has been reached. Notwithstanding the foregoing, either party may withdraw from the mediation proceeding without liability therefor in the event such proceeding continues for more than 45 days from the commencement of such proceeding. For purposes of the preceding sentence, the proceeding will be deemed to have commenced following the completion of the selection of a mediator as provided in subsection (b).

(f) If the parties mutually elect to proceed with the above dispute resolution procedures and any dispute has not been resolved pursuant to those procedures, either party can then initiate litigation and/or terminate the Agreement as provided in Article XII hereof. If the parties mutually elect to proceed with the above dispute resolution procedures, then such procedures shall be the sole and exclusive procedures for the resolution of disputes between the parties arising out of or relating to this Agreement provided, however, that a party, without prejudice to the above procedures (if they have been so selected by the parties) may file a complaint to seek a preliminary injunction or other provisional judicial relief, if in its sole discretion such action is necessary to avoid irreparable damage or to preserve the status quo. Despite such action, the parties will continue to participate in good faith in the procedures specific in this Section 13.2, if they have been so selected by the parties.

(g) All applicable statutes of limitation and defenses based upon the passage of time shall be tolled while the procedures specific in this Section 13.2 are pending. The parties will take such action, if any, required to effectuate such tolling. Each party shall be required to perform its obligations under this Agreement pending final resolution of any dispute arising out of or relating to this Agreement, unless to do so would be impossible or impracticable under the circumstances.

Section 13.3. No Partnership Joint Venture; Prohibited Relationships.

(a) It is understood that nothing herein contained is intended or shall be construed in any way to create or establish the relationship of partners or a joint venture between the Authority and SMG. None of the officers, agents or employees of SMG shall be or be deemed to be employees of the Authority for any purpose whatsoever.

(b) None of the voting power of the Authority Board is vested in SMG and its directors, officers, partners or employees, and the chief executive officer of SMG is not a member of the Authority Board.

(c) None of the voting power of the management committee of SMG is vested in the Authority, the Authority Board and the Authority's officers and employees, and the chairperson of the Authority is not a member of the management committee of SMG.

(d) SMG and the Authority are not related parties within the meaning of 144(a)(3) of the Internal Revenue Code of 1986, as amended, and are not members of the same controlled group within the meaning of U.S. Treasury Regulations Section 1.150-1(e).

(e) As required by, and limited to, the provisions of, the Michigan Liquor Control Act, Act 8 of the Public Acts of Michigan of 1933, as amended, and the rules promulgated pursuant hereto, and subject to the terms of this Agreement, the Authority shall be responsible for the conduct of Arena and Place operations and the activities of SMG and its employees.

Section 13.4. Entire Agreement.

This Agreement, together with the Exhibit A attached hereto, contains the entire agreement among the parties with respect to the subject matter hereof. In addition, this Agreement shall supersede all prior agreements and understandings with respect to the subject matter hereof. For the sake of clarity, the 1996 Management Agreement is not deemed superseded by this Agreement since the 1996 Management Agreement expires prior to the commencement of this Agreement.

Section 13.5. Written Amendments.

This Agreement shall not be altered, modified or amended in whole or in part, except in a writing executed by both of the parties hereto.

Section 13.6. Force Majeure.

(a) Neither party hereto shall be liable to the other for any failure, delay, or interruption in performing its obligations hereunder due to causes or conditions beyond its control. In the event of strikes, boycotts, picketing, slowdowns, work stoppages or labor disputes of any other type affecting either Facility, SMG shall not thereby be deemed to be in default or to have breached any part of this Agreement unless such event shall have been caused

solely by unfair labor practices of SMG or violations by SMG of applicable collective bargaining agreements.

(b) No party hereto shall be under any obligation to supply any service or services if and to the extent and during any period that the supplying of any such service or services or the provision of any component necessary therefor shall be prohibited or rationed by any federal, State, city or municipal law, rule, regulation, order or directive.

(c) Except as otherwise expressly provided in this Agreement, no abatement, diminution or reduction of the payments payable to SMG shall be claimed by the Authority or charged against SMG, nor shall SMG be entitled to additional payments beyond those provided for in this Agreement for any inconvenience, interruption, cessation, or loss of business or other loss caused, directly or indirectly, by any present or future laws, rules, requirements, orders, directives, ordinances or regulations of the United States, or of the State, or the Authority or of any other lawful authority whosoever, or by priorities, rationing, or curtailment of labor or materials, or by war or any matter or thing.

(d) In the event of damage to or destruction of either Facility by reason of fire, storm or other casualty or occurrence of any nature or any regulatory action or requirements that, in either case, is expected to render either Facility materially untenable, notwithstanding the reasonable efforts of the Authority to remedy such situation, for a period estimated by an architect selected by the Authority at the request of SMG of at least 180 days from the happening of the fire, other casualty or any other such event, the Authority on the one hand, or SMG, on the other hand, may terminate this Agreement upon written notice to the other. In the event that either Facility becomes either wholly or partially untenable as a result of any of the foregoing, appropriate adjustments to the Net Operating Income/Incentive and Revenue Benchmarks shall be made.

(e) SMG may suspend performance required under this Agreement with respect to either Facility, without any further liability, in the event of any act of God or other occurrence, which act or occurrence is of such effect and duration as to effectively curtail the use of the affected Facility so as to effect a substantial reduction in the need for the services provided by SMG for a period in excess of 90 days; provided, however, that for the purposes of this subsection (e), SMG shall have the right to suspend performance retroactively effective as of the date of the use of the affected Facility was effectively curtailed. "Substantial reduction in the need for the services provided by SMG" shall mean such a reduction as shall make the provision of any services by SMG economically impractical. No payments of the management fees otherwise due and payable to SMG shall be made by the Authority during the period of suspension with respect to the affected Facility. In lieu thereof, the Authority's Administrative Official and SMG may agree to a reduced management fee payment for the period of reduction in services.

Section 13.7. Binding Upon Successors and Assigns, No Third-Party Beneficiaries.

(a) This Agreement and the rights and obligations set forth herein shall inure to the benefit of, and be binding upon, the parties hereto and each of their respective successors and permitted assigns.

(b) This Agreement shall not be construed as giving any person, other than the parties hereto and their successors and permitted assigns, any legal or equitable right, remedy or claim under or in respect of this Agreement or any of the provisions herein contained, this Agreement and all provisions and conditions hereof being intended to be, and being, for the sole and exclusive benefit of such parties and their successors and permitted assigns and for the benefit of no other person or entity.

Section 13.8. Notices.

All notices or other communications permitted or required under this Agreement shall be in writing and shall be sufficiently given if and when hand delivered to the persons set forth below or if sent by documented overnight delivery service or registered or certified mail, postage prepaid, return receipt requested, or by telegram, telex or telecopy, receipt acknowledged, addressed as set forth below or to such other person or persons and/or at such other address or addresses as shall be furnished in writing by either party hereto to the other. Any such notice or communication shall be deemed to have been given as of the date received, in the case of personal delivery, or on the date shown on the receipt or confirmation therefor in all other cases.

To the Authority:

Grand Rapids-Kent County Convention/Arena Authority
c/o Chairperson
130 West Fulton Street, N.W.
Grand Rapids, MI 49503

With a copy to:

Richard A. Wendt, Esquire
Dickinson Wright PLLC
200 Ottawa Avenue, N.W.
Suite 900
Grand Rapids, MI 49503

To SMG:

SMG
701 Market Street, 4th Floor
Philadelphia, PA 19106
Attention: President

With a copy to:

William R. Sasso, Esquire or
Steven A. Scolari, Esquire
Stradley, Ronon, Stevens & Young, LLP
2600 One Commerce Square
Philadelphia, PA 19103-7098

Section 13.9. Section Headings and Defined Terms.

The section headings contained herein are for reference purposes only and shall not in any way affect the meaning and interpretation of this Agreement. The terms defined herein and in any agreement executed in connection herewith include the plural as well as the singular and the singular as well as the plural, and the use of masculine pronouns shall include the feminine and neuter. Except as otherwise indicated, all agreements defined herein refer to the same as from time to time amended or supplemented or the terms thereof waived or modified in accordance herewith and therewith.

Section 13.10. Counterparts.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and either party may become a party hereto by executing a counterpart hereof, but all of such counterparts together shall be deemed to be one and the same instrument. It shall not be necessary in making proof of this Agreement or any counterpart hereof to produce or account for any of the other counterparts.

Section 13.11. Severability.

The invalidity or unenforceability of any particular provision, or part of any provision, of this Agreement shall not affect the other provisions or parts hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions or parts were omitted.

Section 13.12. Non-Waiver.

A failure by either party to take any action with respect to any default or violation by the other of any of the terms, covenants, or conditions of this Agreement shall not in any respect limit, prejudice, diminish or constitute a waiver of any rights of such party to act with respect to any prior, contemporaneous or subsequent violation or default or with respect to any continuation or repetition of the original violation or default.

Section 13.13. Approvals.

The Authority and SMG each represent and warrant to the other that all required approvals have been obtained, and that each has full legal right, power and authority to enter into and perform its obligations hereunder.

Section 13.14. Michigan Law to Apply.

This Agreement shall be construed in accordance with the laws of the State and any action brought in law or equity arising out of its construction or enforcement shall be filed in the Circuit Court for the 17th Judicial District of Michigan (Kent County Circuit Court) or in the United States District Court for the Western District of Michigan, Southern Division.

Section 13.15. Certain Other Representations of the Authority.

The Authority hereby represents and warrants to SMG that it has full legal right, power and authority to enter into this Agreement and to perform its obligations hereunder and that its obligations hereunder are not subject to appropriations, budgeting or any other funding contingency.

Section 13.16. Minority and Women-Owned Businesses.

SMG agrees that it will make every reasonable good faith effort to include minority-owned business enterprises ("MBEs") and women-owned business enterprises ("WBEs") in goods, services and supplied contracting opportunities at each Facility. These good faith efforts shall include, but not be limited to:

- (a) Seeking out qualified MBEs and WBEs which are capable of furnishing goods, services and supplies for each Facility.
- (b) Placing qualified MBEs and WBEs on solicitation and contact lists.
- (c) Assuring that qualified MBEs and WBEs are contacted whenever they are potential sources of furnishing goods, services and supplies for each Facility.
- (d) Structuring requirements, when economically feasible, into smaller or more discrete tasks which will allow qualified MBEs and WBEs to participate in supplying such goods, services and supplies.
- (e) Using available listings of MBEs and WBEs from the Small Business Administration, the Minority Business Development Agency, the County, the City, the Grand Rapids Board of Education and other applicable private and public entities.
- (f) Requesting prime contractors to use the steps set out in this Section 13.16 to employ subcontractors for goods, supplies and services to be provided for each Facility.

Section 13.17. Host Neighborhood Provisions.

- (a) For purposes of this Section 13.17, the "Host Neighborhood" means the following areas in the City of Grand Rapids which are bounded by: (i) US Route 131 on the west, Michigan Street on the north, Franklin Street on the south, and College Avenue on the east (the "Primary Area") and (ii) Lexington Avenue on the west, Leonard Street on the north, Hall Street

on the south, and College Avenue on the east (the "Secondary Area"). With respect to subsection (b) hereof, SMG's efforts thereunder shall be focused on the Primary Area; however, if SMG is unable to meet the employment goals under subsection (b) from the Primary Area, SMG shall be entitled to expand such efforts to include the Secondary Area.

(b) SMG agrees that it will engage in every reasonable good faith effort to recruit, employ and retain residents of the Host Neighborhood for employment at each Facility. Such good faith efforts will include, but not be limited to:

(i) Utilizing appropriate Host Neighborhood and other applicable human service agencies to identify employment opportunities, candidates and training opportunities for Host Neighborhood residents.

(ii) Establishing a goal of not less than ten percent (10%) of all permanent and part-time jobs at the Facilities for Host Neighborhood residents.

SMG agrees to report to the Authority periodically on its compliance efforts with the terms of this Section 13.17 and to share with the Authority such information and data as will enable the Authority to review SMG's reasonable good faith efforts hereunder. Nothing contained in this Section 13.17 shall require SMG to take, or omit to take, any action which is in violation of any applicable law, regulation or court order.

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the day and year first above written.

WITNESSED:

**GRAND RAPIDS-KENT COUNTY
CONVENTION/ARENA AUTHORITY**

By:_____

Name: Steven R. Heacock

Title: Executive Chairperson

SMG

By:_____

Name:

Title:

EXHIBIT A

VAN ANDEL ARENA AND DEVOS PLACE BOOKING POLICY



**Grand Rapids – Kent County
Convention / Arena
Authority**

GRAND CENTER

**Operating Budget
For Fiscal Year 6/30/2002**

- Budget Highlights
- Income Statement
- Indirect Expense Summary
- Management Fee
- Capital Budget
- Event Detail
- Staff Allocation



An SMG Managed Facility

SMG - Grand Center
Grand Rapids - Kent County Convention/Arena Authority
Budget Highlights
Fiscal Year Ending June 30, 2002

Overview

Fiscal year 2002 will begin the transition from the current building to the new Convention Center. The budget will show the beginning of this transition in both the physical change of the building, as well as, the operation and booking of the facility.

Income

The Grand Center is expected to show a decrease of just over \$300,000 in income when compared to fiscal year 2001. Most of this decrease is due to the loss of space in the meeting rooms from the relocation of the Devos Hall loading dock. The rentable space has decreased, as well as, the loss of shows dependant upon the support function of these smaller meeting rooms.

Indirect Expenses

The Grand Center is expected to show an increase in indirect expenses of just over \$200,000 when compared to fiscal year 2001.

The budget shows the addition of a Director of Sales and Director of Event Services. Sales will be combined with Marketing through the construction project, and the Operations department has been split into two with the creation of the Event Services department. This split is needed due to the increase size of the new building and currently will allow for improved focus on both the front of house and back of house areas during construction.

Other increases in indirect expenses are a result of an increased allocation of the General Manager and Maintenance Manager positions from the Arena to the Grand Center, increase in utility expense, and a redistribution of the overall management fee under the terms of the new contract.

SMG - Grand Center
Grand Rapids - Kent County Convention/Arena Authority
Lead Income Statement
Fiscal Year Ending June 30, 2002

	FY 2002 <u>BUDGET</u>	FY 2001 <u>EST/ACT</u>	<u>VAR.</u>
EVENT DAYS/PERFORMANCES	318	373	(55)
ATTENDANCE	494,970	491,699	3,271
DIRECT EVENT INCOME			
RENT	1,115,635	1,307,379	(191,744)
SERVICE INCOME	17,977	29,347	(11,370)
TOTAL DIRECT EVENT INCOME	<u>1,133,612</u>	<u>1,336,726</u>	<u>(203,114)</u>
ANCILLARY INCOME			
CONCESSIONS	95,248	104,973	(9,725)
CATERING	82,777	168,194	(85,417)
NOVELTY	18,712	10,843	7,869
DECORATOR	159,392	208,671	(49,279)
ELECTRICAL	19,640	.	19,640
EQUIPMENT	124,150	134,036	(9,886)
TOTAL ANCILLARY INCOME	<u>499,919</u>	<u>626,717</u>	<u>(126,798)</u>
TOTAL EVENT INCOME	<u>1,633,531</u>	<u>1,963,443</u>	<u>(329,912)</u>
OTHER OPERATING INCOME			
INTEREST INCOME	75,000	63,189	11,811
TICKET INCENTIVES	30,000	25,826	4,174
EQUIPMENT RENTAL	25,000	23,347	1,653
OTHER INCOME	6,000	5,244	756
TOTAL OTHER INCOME	<u>136,000</u>	<u>117,606</u>	<u>18,394</u>
ADJUSTED GROSS INCOME	<u>1,769,531</u>	<u>2,081,049</u>	<u>(311,518)</u>
INDIRECT EXPENSES			
EXECUTIVE	81,433	59,652	(21,781)
FINANCE	145,356	133,388	(11,968)
MARKETING	139,854	105,520	(34,334)
OPERATIONS	445,575	769,480	323,905
EVENT SERVICES	417,843		(417,843)
BOX OFFICE	60,682	57,571	(3,111)
OVERHEAD	984,945	947,771	(37,174)
TOTAL INDIRECT EXPENSES	<u>2,275,692</u>	<u>2,073,382</u>	<u>(202,306)</u>
NET FACILITY INCOME (LOSS)	<u>(506,161)</u>	<u>7,667</u>	<u>(513,828)</u>

SMG - Grand Center
Grand Rapids - Kent County Convention/Arena Authority
Indirect Expense Summary
Fiscal Year Ending June 30, 2002

	<u>Budget</u> <u>F/Y 2002</u>	<u>Estimate</u> <u>F/Y 2001</u>	<u>Variance</u>
Salaries	741,771	518,130	(223,641)
Salaries Part - Time	815,760	1,081,858	266,098
Auto Allowance	21,250	12,250	(9,000)
Payroll Taxes	138,117	140,294	2,177
Employee Benefits	98,850	77,755	(21,095)
Pension	34,263	18,993	(15,270)
Union Expenses	50,500	59,511	9,011
Allocated Salaries	(1,034,006)	(1,155,020)	(121,014)
Total Labor Costs	866,505	753,771	(112,734)
Contracted Security	62,400	50,076	(12,324)
Meetings	20,400	7,328	(13,072)
Meals & Entertainment	8,500	1,814	(6,686)
Dues & Subscriptions	1,700	2,024	324
Professional Fees	20,000	16,650	(3,350)
Employee Training	9,200	6,325	(2,875)
Printing	8,000	2,398	(5,602)
Advertising	10,000	8,305	(1,695)
Trash Removal	32,000	24,421	(7,579)
Landscaping		4,449	4,449
Armored Services	2,100	1,927	(173)
Exterminating	4,200	3,460	(740)
Cleaning	7,500	8,642	1,142
Repairs & Maintenance	103,000	94,209	(8,791)
Snow Removal			
Supplies	135,240	135,818	578
Corporate Travel	3,750	4,472	722
Computer Expenses	63,800	61,029	(2,771)
Equipment Rental	4,200	5,952	1,752
Bank Service Charges	7,500	12,050	4,550
General Liability Insurance	45,807	72,992	27,185
Property Insurance	29,000	27,267	(1,733)
Insurance Expense	28,190	27,106	(1,084)
Local Taxes	3,600	4,285	685
Printing & Stationary	3,000	2,588	(412)
Office Supplies	7,500	6,738	(762)
Postage	3,000	2,088	(912)
Parking Expense	14,000	16,004	2,004
Telephone	30,600	45,205	14,605
Utilities	516,000	477,791	(38,209)
Management Fee	225,000	184,698	(40,302)
Total Materials & Service	1,409,187	1,318,111	(91,076)
Total Indirect Expenses	2,275,692	2,071,882	(203,810)

**SMG - Grand Center
Grand Rapids - Kent County Convention/Arena Authority
Management Fee Calculation
Fiscal Year Ending June 30, 2002**

Description of Calculation

The management fee is composed of two parts, the Base Fee and the Incentive Fee. Fiscal Year 2002 changes the structure of both parts of the fee. The Base Fee will be \$225,000 with a revenue benchmark equal to the gross revenue in the enclosed budget. Due to the structure of the incentive fee, no amount will be budgeted, however, will be included in the rolling forecast if performance dictates.

	<u>FY 2002 Budget</u>	<u>FY 2001 Act/Est</u>
Base Fee	225,000	174,005
Incentive Fee		
Revenue	1,769,531	2,081,265
Benchmark Revenue	<u>1,769,531</u>	<u>2,027,926</u>
Projected Revenue Increase	-	53,339
Incentive Percentage	<u>20%</u>	<u>20%</u>
Total Incentive Fee	<u>-</u>	<u>10,668</u>
Total SMG Management Fee	<u><u>225,000</u></u>	<u><u>184,673</u></u>

SMG - Grand Center
Grand Rapids - Kent County Convention/Arena Authority
Capital Budget
Fiscal Year Ending June 30, 2002

Capital Improvements

Building

Devos Upgrades (See Below ***)	50,000	
Refinish Devos Stage Floor	<u>50,000</u>	100,000

Furniture/Furnishings

Cyclorama for Devos Stagehouse		12,000
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Machinery/Equipment

Total Capital Request:

<u><u>112,000</u></u>

SMG - Grand Center
Grand Rapids - Kent County Conventions/Arena Authority
Indirect Expense Summary
Fiscal Year Ending June 30, 2002

EXHIBIT HALLS	2001	2002	Attendance	Rental	Service	Concession	Catering	Novelty	Decorator	Electrical	Equipment	EVENT	EVENT	VARIANCE
	NO of Events	NO of Events		Income	Income	Income	Income	Income	Income	Income	Income	INCOME FY 2001	INCOME FY 2002	
Agriculture & Farming	3	3	800	5,850	(805)	370	353	-	1,785	300	750	8,603	40,245	(31,642)
Animals	6	5	6,400	15,400	(3,991)	1,371	9,852	-	4,760	820	3,000	31,212	13,771	(17,441)
Associations	-	2	2,000	11,700	(700)	238	518	-	2,720	100	2,000	16,576	36,400	(19,824)
Banking	3	3	3,000	10,800	(400)	-	3,215	-	2,210	200	1,700	17,725	24,521	(6,796)
Beauty & Hair Care	5	5	6,000	28,450	(3,348)	739	260	-	10,710	6,320	1,400	44,531	29,915	(14,616)
Building & Construction	1	-	-	-	-	-	-	-	-	-	-	-	5,763	(5,763)
Dental	14	26	11,770	86,080	(10,675)	2,265	10,164	-	18,666	1,980	12,300	120,780	142,880	(22,100)
Education	3	3	3,000	30,000	(890)	858	16	-	4,165	580	1,000	35,729	34,998	731
Floriculture & Horticulture	1	3	2,600	27,500	(2,005)	-	1,555	-	4,590	300	2,800	34,740	8,851	25,889
Food & Beverage	1	3	2,500	6,425	(700)	-	-	-	3,230	200	-	9,155	15,376	(6,221)
Food Processing & Distribution	3	2	3,000	34,000	(1,050)	-	1,244	-	11,560	800	750	47,304	25,210	(22,110)
Funeral Industry	2	2	500	2,925	(610)	-	156	-	680	200	600	3,951	15,061	(11,110)
Home Furnishings & Interior	3	3	3,000	34,000	(1,050)	-	-	-	-	-	-	-	48,080	(14,080)
Medical & Health Care	2	-	-	-	-	-	-	-	-	-	-	-	12,650	(12,650)
Petroleum & Gas	2	-	-	-	-	-	-	-	-	-	-	-	12,243	(12,243)
Political	2	-	-	-	-	-	-	-	-	-	-	-	56,169	(56,169)
Real Estate	7	-	-	-	-	-	-	-	-	-	-	-	13,949	(13,949)
Religious	3	3	1,800	6,825	(1,287)	608	-	-	1,156	120	-	7,422	18,186	(10,764)
Toys & Hobbies	3	-	-	-	-	-	-	-	-	-	-	-	69,281	(69,281)
Water	3	-	6,000	50,000	(8,020)	5,960	52	-	39,950	1,400	1,000	90,342	59,730	(30,612)
Woodworking	4	-	-	-	-	-	-	-	-	-	-	-	22,882	(22,882)
Local Business	6	14	3,350	17,050	(4,720)	1,037	1,395	-	3,400	220	4,500	490,952	700,031	(209,079)
Misc Tradeshow	77	76	52,720	333,005	(39,201)	13,446	28,780	-	109,582	13,540	31,800	53,737	55,317	(1,580)
TOTAL CONVENTIONS/TRADESHOWS	4	4	20,000	36,000	1,150	7,867	-	-	6,120	800	1,800	12,851	9,996	2,855
Home & Garden	3	3	5,800	10,429	(1,281)	282	-	-	901	240	2,300	12,851	64,760	(51,909)
Wedding Shows	4	4	23,000	36,000	2,200	14,781	311	-	5,610	600	1,800	61,302	23,781	(37,521)
Sporting Goods & Recreation	4	4	12,000	15,075	1,380	2,146	-	-	4,080	600	500	23,781	2,913	(20,868)
Women	1	-	-	-	-	-	-	-	-	-	-	-	81,298	(81,298)
Custom Auto Show	4	4	30,000	40,000	4,650	7,152	4,148	-	17,850	2,000	1,800	77,600	3,137	(74,463)
New Car Show	2	3	3,600	3,900	209	572	-	-	850	200	1,000	6,731	3,594	(3,137)
Craft Show/Sale	6	6	16,000	62,000	(1,870)	10,728	166	-	4,250	400	1,800	77,474	82,308	(4,834)
Boat Show	2	2	1,400	6,700	(94)	334	-	-	-	20	-	6,960	5,073	1,887
Toys & Hobbies	16	15	40,000	41,150	7,666	6,556	156	-	3,825	200	3,700	63,255	27,552	(35,703)
Misc. Public Shows	46	45	151,800	251,254	14,010	50,398	4,781	-	43,486	5,060	14,700	383,691	332,354	(51,337)
TOTAL PUBLIC SHOWS	2	2	500	3,900	(250)	-	-	-	306	240	2,100	3,649	3,786	(137)
Testing	12	3	4,150	5,338	(750)	-	6,948	-	306	-	-	14,181	62,549	(48,368)
Banquet	3	-	-	-	-	-	-	-	-	-	-	-	22,917	(22,917)
Dances	6	6	6,600	27,075	(2,555)	238	30,279	-	3,230	300	5,800	64,367	69,912	(5,545)
Corporate	31	17	23,750	42,613	(4,330)	3,768	6,303	-	595	-	7,600	56,549	83,466	(26,917)
Seminars/Amway	48	4	1,550	5,975	(1,066)	-	488	-	2,108	500	2,250	10,255	76,489	(66,234)
Seminars & Meetings	102	32	36,550	84,901	(8,951)	4,006	44,018	-	6,239	1,040	17,750	149,001	319,119	(170,118)
TOTAL OTHER	225	153	241,070	669,160	(34,142)	67,850	77,579	-	159,307	19,640	64,250	1,023,644	1,351,504	(327,860)
TOTAL - EXHIBITION HALL														

SMG - Grand Center
Grand Rapids - Kent County Convention/Arena Authority
Indirect Expense Summary
Fiscal Year Ending June 30, 2002

		NO OF EVENTS	ATTEN- DANCE	RENTAL INCOME	NET SERVICE INCOME	FOOD AND BEVERAGE INCOME	CATERING INCOME	NOVELTY INCOME	ARTCRAFT INCOME	EQUIPMENT INCOME	EVENT INCOME FY 2002	EVENT INCOME FY 2001	VARIANCE
DEVOS HALL/WELSH ARENA													
GR BALLET	14	13	14,700	44,550	6,580	1,479	819	-	-	6,700	60,128	69,005	(8,877)
GR OPERA	4	6	12,000	40,125	3,525	1,431	-	-	-	6,600	51,681	30,351	21,330
BROADWAY THEATRE GUILD	56	56	84,000	111,650	22,540	9,177	-	3,500	-	6,300	153,167	198,641	(45,474)
GR SYMPHONY	54	49	88,200	148,075	7,914	5,488	4,067	1,960	-	19,600	187,104	202,118	(15,014)
MISC DEVOS EVENTS	11	28	40,250	66,850	8,785	6,628	312	10,852	-	11,950	105,377	34,001	71,376
MISC WELSH EVENTS	9	13	14,750	35,225	2,775	3,195	-	2,400	85	8,750	52,430	78,004	(25,574)
TOTAL - DEVOS HALL/WELSH	148	165	253,900	446,475	52,119	27,398	5,198	18,712	85	59,900	609,887	612,120	(2,233)
TOTAL - ALL BUILDINGS	373	318	494,970	1,115,634	17,979	95,248	82,777	18,712	159,392	124,150	1,632,531	1,963,624	(330,093)

SMG - Grand Center
Grand Rapids - Kent County Convention/Arena Authority
Budget Highlights
Fiscal Year Ending June 30, 2002

This page outlines the allocation of personnel who have responsibilities for the Grand Center and VanAndel Arena. In order to maintain two separate sets of accounting records, there needs to be an agreement on the sharing of some common expenses. These allocations have been reviewed as part of the budgeting process. With the start of the Grand Center construction project, the General Manager and Maintenance Manager will be allocated an additional 1/3 to the Grand Center from Arena. This budget also includes the addition of a Director of Sales and Director of Event Services.

<u>Position</u>	<u>Grand Center Allocation</u>	<u>Arena Allocation</u>
General Manager	50%	50%
Director of Finance	50%	50%
Director of Operations	67%	33%
Director of Marketing	50%	50%
Director of Sales	100%	0%
Director of Event Services	100%	0%
Facility Maintenance Manager	67%	33%
Box Office Manager	30%	70%
Bookkeeper	50%	50%
Human Resources	50%	50%
GM Secretary	33%	67%
Marketing Admin. Asst.	67%	33%
Receptionist	50%	50%



Grand Rapids – Kent County
Convention / Arena
Authority

VAN ANDEL ARENA

Operating Budget For Fiscal Year 6/30/2002

- * Budget Highlights
- * Lead Income Statement
- * Indirect Expense Summary
- * Management Fee
- * Capital Projects
- * Event Summary
- * Salary Allocation



An SMG Managed Facility

SMG - Van Andel Arena
Grand Rapids - Kent County Convention/Arena Authority
Budget Highlights
Fiscal Year Ending June 30, 2002

Overview

Fiscal year 2002 is one of change for the Arena as we lose the Grand Rapids Hoops and their 28 event days. However, this will allow for the Griffins to have more weekend dates and increased potential for the calendar to be filled with more unique events.

Income

The Van Andel Arena is expected to show a decrease in revenue of just under \$300,000. This decrease is due to the loss of the Hoops, the Ringling Brothers Circus decision to go to every other year scheduling, the loss of the Meijer Outlook show, and an overall decrease in corporate type events.

The Arena does show a revenue increase from Griffins games as their schedule should be more heavily weighted to the weekends with the Hoops not taking up some of the dates. The Arena shows an increase in food & beverage as a result of projected higher attendance, as well as, a decrease in changeover expense as the building will not be going through as many conversions.

Indirect Expenses

The Van Andel Arena is expected to show a decrease in indirect expense of just under \$100,000.

This decrease is mainly due to the increased allocation of the General Manager and Maintenance Manager to the Grand Center from the Arena, and the management fee redistribution as the Grand Center will be expensing a larger portion of the overall fee.

Since most expenses for an event are included in the overall revenue calculation for an event, the loss of the Hoops will show a minimal effect on indirect expenses.

SMG - Van Andel Arena
Grand Rapids - Kent County Convention/Arena Authority
Budget Highlights
Fiscal Year Ending June 30, 2002

	FY 2002 <u>BUDGET</u>	FY 2001 <u>EST/ACT</u>	<u>VAR.</u>
EVENT DAYS/PERFORMANCES	118	158	(40)
ATTENDANCE	711,300	780,333	(69,033)
DIRECT EVENT INCOME			
RENT	1,566,595	1,967,011	(400,416)
SERVICE INCOME	(489,000)	(552,603)	63,603
TOTAL DIRECT EVENT INCOME	<u>1,077,595</u>	<u>1,414,408</u>	<u>(336,813)</u>
ANCILLARY INCOME			
CONCESSIONS	977,875	1,034,047	(56,172)
CATERING	79,799	98,777	(18,978)
NOVELTIES	232,552	215,138	17,414
VIDEO BOARD	42,294	32,645	9,649
TOTAL ANCILLARY INCOME	<u>1,332,520</u>	<u>1,380,607</u>	<u>(48,087)</u>
TOTAL EVENT INCOME	<u>2,410,115</u>	<u>2,795,015</u>	<u>(384,900)</u>
OTHER OPERATING INCOME			
LUXURY SEATING	956,175	832,406	123,769
PERMANENT ADVERTISING	503,506	507,384	(3,878)
INTEREST INCOME	90,000	115,817	(25,817)
TICKET INCENTIVES	75,000	83,087	(8,087)
MISCELLANEOUS INCOME	75,000	66,865	8,135
TOTAL OTHER INCOME	<u>1,699,681</u>	<u>1,605,559</u>	<u>94,122</u>
ADJUSTED GROSS INCOME	<u>4,109,796</u>	<u>4,400,574</u>	<u>(290,778)</u>
INDIRECT EXPENSES			
EXECUTIVE	82,334	96,291	13,957
FINANCE	151,806	134,126	(17,680)
MARKETING	147,483	158,311	10,828
OPERATIONS	1,019,556	1,039,678	20,122
BOX OFFICE	109,722	103,149	(6,573)
LUXURY SEATING	114,218	106,913	(7,305)
SKYWALK	36,676	33,658	(3,018)
OVERHEAD	1,215,202	1,274,531	59,329
TOTAL INDIRECT EXPENSES	<u>2,876,992</u>	<u>2,946,653</u>	<u>69,660</u>
NET FACILITY INCOME (LOSS)	<u>1,232,804</u>	<u>1,453,921</u>	<u>(221,117)</u>

SMG - Grand Center
Grand Rapids - Kent County Convention/Arena Authority
Indirect Expense Summary
Fiscal Year Ending June 30, 2002

	<u>Budget</u> <u>F/Y 2002</u>	<u>Estimate</u> <u>F/Y 2001</u>	<u>Variance</u>
Salaries	569,325	514,278	(55,047)
Salaries Part - Time	789,577	855,820	66,243
Auto Allowance	9,725	8,769	(956)
Payroll Taxes	134,206	109,469	(24,737)
Employee Benefits	116,013	98,342	(17,671)
Pension	40,066	22,102	(17,964)
Union Expenses	53,480	43,922	(9,558)
Allocated Salaries	(778,870)	(684,456)	94,414
Total Labor Costs	933,522	968,246	34,724
Contracted Security	198,000	191,872	(6,128)
Meetings	13,200	9,427	(3,773)
Meals & Entertainment	5,100	4,572	(528)
Dues & Subscriptions	1,300	3,113	1,813
Professional Fees	24,500	21,300	(3,200)
Employee Training	11,700	7,677	(4,023)
Printing	24,000	21,587	(2,413)
Advertising	30,000	33,578	3,578
Trash Removal	15,000	14,349	(651)
Landscaping	3,500	3,380	(120)
Armored Services	3,600	3,417	(183)
Exterminating	4,000	3,713	(287)
Cleaning	29,400	26,897	(2,503)
Repairs & Maintenance	128,000	120,678	(7,322)
Snow Removal	0	-	-
Supplies	181,100	185,084	3,984
Corporate Travel	7,500	9,630	2,130
Computer Expenses	63,800	33,051	(30,749)
Marketing Fund	45,000	42,643	(2,357)
Equipment Rental	7,800	17,726	9,926
Bank Service Charges	14,000	12,017	(1,983)
General Liability Insurance	64,017	56,260	(7,757)
Property Insurance	31,000	29,814	(1,186)
Insurance Expense	43,132	41,473	(1,659)
Local Taxes	3,600	6,062	2,462
Printing & Stationary	11,000	9,948	(1,052)
Office Supplies	12,000	12,039	39
Postage	12,600	11,306	(1,294)
Parking Expense	19,100	18,220	(880)
Telephone	51,600	50,599	(1,001)
Utilities	689,800	656,545	(33,255)
Management Fee	225,000	326,783	101,783
Amortization	5,889	23,559	17,670
Allocated Expenses	(35,758)	(29,912)	5,846
Total Materials & Service	1,943,480	1,978,407	34,927
Total Indirect Expenses	2,876,992	2,946,653	69,651

SMG - Van Andel Arena
Grand Rapids - Kent County Convention/Arena Authority
Management Fee Calculation
Fiscal Year Ending June 30, 2002

Description of Calculation

The management fee is composed of two parts, the Base Fee and the Incentive Fee. Fiscal Year 2002 changes the structure for the base fee as the Grand Center will be expensing a larger share of the overall fee. The incentive fee calculation stays the same as the revenue benchmark will continue to be increased by the percentage change in the CPI-U.

	FY 2002 Budget	FY 2001 Act/Est
Base Fee	225,000	262,185
Incentive Fee		
Revenue	4,109,796	4,400,574
Benchmark Revenue	<u>4,199,913</u>	<u>4,077,585</u>
Projected Revenue Increase	-	322,989
Incentive Percentage	<u>20%</u>	<u>20%</u>
Total Incentive Fee	<u>-</u>	<u>64,598</u>
Total SMG Management Fee	<u><u>225,000</u></u>	<u><u>326,783</u></u>

SMG - Van Andel Arena
Grand Rapids - Kent County Convention/Arena Authority
Capital Budget
Fiscal Year Ending June 30, 2002

Capital Improvements

Building	
Refurbish of Suites	125,000

Furniture/Furnishings

Machinery/Equipment

Total Capital Request:

<u>125,000</u>

SMG - Van Andel Arena
Grand Rapids - Kent County Convention / Arena Authority
Event Summary
Fiscal Year Ending June 30, 2002

EVENT TYPE	2001 NO of Events	2002 NO of Events	Attendance	Rental Income	Service Income	Concession Income	Catering Income	Novelty Income	Video Board Income	EVENT INCOME FY 2002	EVENT INCOME FY 2001	VARIANCE
Hoops Basketball	18	-	-	-	-	-	-	-	-	-	48,758	(48,758)
Griffins Preseason	2	2	12,000	16,530	(14,550)	13,800	1,488	-	1,628	18,896	13,925	4,971
Griffins Regular Season	41	41	246,000	338,865	(298,275)	282,900	30,504	-	33,374	387,368	363,517	23,851
Griffins Playoffs	2	-	-	-	-	-	-	-	-	-	16,633	(16,633)
Rampage Preseason	1	1	8,000	8,025	(8,638)	-	-	-	814	201	1,744	(1,543)
Rampage Regular Season	7	7	56,000	56,175	(60,469)	-	-	-	5,698	1,404	9,860	(8,456)
NHL Preseason	1	1	8,000	-	2,034	18,000	1,225	-	780	22,039	32,507	(10,468)
College Hockey Tournament	2	-	-	-	-	-	-	-	-	-	109,844	(109,844)
Professional Volleyball	1	3	17,000	45,000	(4,691)	32,000	350	15,960	-	88,619	11,950	(11,950)
Professional Wrestling	1	1	4,000	7,500	1,980	7,500	350	-	-	17,330	46,582	42,037
Women's College Basketball	6	1	4,000	7,500	1,980	7,500	350	-	-	17,330	15,555	1,775
College Basketball Tournaments	2	2	6,000	10,000	3,303	6,000	787	-	-	20,090	107,926	(87,836)
TOTAL SPORTS	84	58	357,000	482,095	(379,306)	360,200	34,704	15,960	42,294	555,947	778,801	(222,854)
Ringling Brothers	7	-	-	-	-	-	-	-	-	-	57,091	(57,091)
Harlem Globetrotters	1	1	5,500	18,000	(7,780)	8,000	420	2,310	-	20,950	26,562	(5,612)
Disney on Ice	7	8	28,000	90,000	(58,750)	25,000	1,312	-	-	57,562	25,783	31,779
Superdups	2	-	-	-	-	-	-	-	-	-	3,265	(3,265)
Champions On Ice	1	1	8,000	35,000	6,145	8,000	1,400	2,520	-	53,065	59,408	(6,343)
Stars on Ice	1	1	8,500	46,000	4,788	8,250	875	6,300	-	66,213	70,411	(4,198)
Dragon Tails	-	6	18,000	67,500	(45,850)	13,500	525	7,560	-	43,235	17,985	(25,250)
Lipizzaner Stallions	1	1	12,000	47,000	(25,200)	24,000	385	2,310	-	48,495	45,976	2,519
Bulls and Broncs Rodeo	2	2	17,000	51,000	(22,826)	36,125	787	7,560	-	72,646	70,421	2,225
Arenacross	3	3	10,000	62,000	(18,427)	20,000	875	-	-	64,448	62,496	1,952
Professional Bull Riders	2	2	10,000	42,000	(17,849)	24,000	315	4,200	-	52,666	53,363	(697)
Monster Trucks	3	3	15,000	45,500	(185,749)	166,875	6,894	32,760	-	479,280	492,761	(13,481)
TOTAL FAMILY SHOWS	30	27	122,000	458,500	(185,749)	366,875	6,894	32,760	-	1,066,342	900,641	165,701
Rock	17	20	180,000	460,000	58,722	368,000	17,500	162,120	-	53,317	144,020	(90,703)
Country	3	1	8,000	23,000	2,936	18,400	875	8,106	-	53,317	85,158	(31,841)
Christian	4	1	8,000	23,000	2,936	18,400	875	8,106	-	53,317	1,129,819	43,157
TOTAL FAMILY SHOWS	24	22	176,000	506,000	64,594	404,800	19,250	178,332	-	1,172,976	1,129,819	43,157
College Graduation	2	2	11,600	15,000	2,471	-	437	-	-	17,908	12,274	5,634
Education	2	-	-	-	-	-	-	-	-	-	12,989	(12,989)
Meller Outlook	2	-	-	-	-	-	-	-	-	-	44,027	(44,027)
Benny Hln	-	3	30,000	45,000	5,820	20,000	1,750	5,500	-	76,070	57,041	(19,029)
Miscellaneous Banquets	4	3	5,500	22,500	4,212	10,000	14,700	-	-	51,412	86,230	(34,818)
Marriage Seminar	2	1	2,200	5,000	1,605	5,500	787	-	-	12,892	34,361	(21,469)
Great Lakes Irish Music Festival	1	1	-	-	-	-	-	-	-	-	38,246	(38,246)
Grand Rapids Opera	2	-	-	-	-	-	-	-	-	-	62,308	(62,308)
Amway Seminar	3	1	2,000	7,500	(5,825)	3,500	52	-	-	5,227	4,918	309
Rocky Horror Picture Show	1	1	5,000	25,000	3,178	7,000	1,225	-	-	36,403	41,240	(4,837)
Time Out for Women	1	1	5,000	25,000	3,178	7,000	1,225	-	-	36,403	41,240	(4,837)
TOTAL MISCELLANEOUS	20	11	56,300	120,000	11,461	46,000	18,951	5,500	-	201,912	393,634	(191,722)
GRAND TOTAL	158	118	711,300	1,566,595	(489,000)	977,875	79,799	232,552	42,294	2,410,115	2,795,015	(384,900)

SMG - Van Andel Arena
Grand Rapids - Kent County Convention/Arena Authority
Budget Highlights
Fiscal Year Ending June 30, 2002

This page outlines the allocation of personnel who have responsibilities for the Grand Center and VanAndel Arena. In order to maintain two separate sets of accounting records, there needs to be an agreement on the sharing of some common expenses. These allocations have been reviewed as part of the budgeting process. With the start of the Grand Center construction project, the General Manager and Maintenance Manager will be allocated an additional 1/3 to the Grand Center from Arena. This budget also includes the addition of a Director of Sales and Director of Event Services.

<u>Position</u>	<u>Grand Center Allocation</u>	<u>Arena Allocation</u>
General Manager	50%	50%
Director of Finance	50%	50%
Director of Operations	67%	33%
Director of Marketing	50%	50%
Director of Sales	100%	0%
Director of Event Services	100%	0%
Facility Maintenance Manager	67%	33%
Box Office Manager	30%	70%
Bookkeeper	50%	50%
Human Resources	50%	50%
GM Secretary	33%	67%
Marketing Admin. Asst.	67%	33%
Receptionist	50%	50%



CITY OF GRAND RAPIDS

DATE: May 10, 2001

TO: Birgit Klohs, Chair
Convention/Arena Authority Finance Committee

FROM: Robert J. White *RJW*
Assistant City Manager - Fiscal Services

SUBJECT: C/AA Financial Position
FY 2001 Budget Update
FY 2002 Recommended Budget

Immediately preceding this item on the Finance Committee agenda you will find the FY 2002 "Facility Operation" budget submissions as prepared by SMG representatives. This agenda item consolidates the facility manager financial activities with those of the administrative and capital replacement reserve accounts for the purpose of providing an overall financial perspective concerning Authority operations.

The attached financial report provides detailed cash flow forecasts comprised of the original and updated budgets for FY 2001 and a budget request for FY 2002. Statement A contained therein summarizes this information. Highlights of that summary include the following:

- Net Operating Income generated from "Facilities Operation" will decline from a current estimate of \$1.4 million to an amount slightly in excess of \$726,000 in the upcoming fiscal year. Additional details concerning this decline in net operating income is provided in the SMG "Facilities Operation" agenda item.
- The administrative expenses of the C/AA will increase from the current year estimate of \$135,638 to \$160,000 in the upcoming fiscal year. This is primarily due to the first full year expense of the administrative position. Line item details concerning this budget item are available in Statement G.
- The \$3 million working capital reserve will be maintained through the end (June 30, 2002) of the upcoming fiscal year.

MEMORANDUM

- Based on current estimates, the C/AA will be able to set aside \$429,439 in the capital replacement reserve account, of which \$329,265 will be expended on capital replacements at the two facilities. The net effect of these transactions will provide for a balance slightly in excess of \$1.15 million at June 30, 2001.
- During FY 2002 the Authority would commit \$237,000 of this capital replacement reserve balance to additional capital replacement items and will transfer back \$333,357 to the C/AA administration account in order to gain the \$3 million working capital position.
- The priorities of available resources are first, to maintain the \$3 million operating reserve; second, to provide for the \$1 million annual pledge transfers to the capital construction account and third, add up to \$500,000 (inflation adjusted) of net facility operating income to the capital replacement reserve of the C/AA. During FY 2002 the third priority will not be achieved.

It is anticipated that a presentation of this material will be made to both the Finance Committee and the full Board during regularly scheduled sessions in May, with consideration of a request for adoption included in the June 2001 Board agenda.

RJW/klm

Attachments

**CONVENTION / ARENA AUTHORITY
FINANCIAL UPDATE / BUDGET REQUEST
TABLE OF CONTENTS
May 10, 2001**

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STATEMENT A
CONVENTION/ARENA AUTHORITY
SUMMARY FUND STATEMENT
May 10, 2001

	<u>FY 2001</u>		<u>FY 2002</u>
	<u>ORIGINAL BUDGET</u>	<u>CURRENT ESTIMATES</u>	<u>RECOMMENDED BUDGET</u>
<u>FACILITIES OPERATION (SMG)</u>			
Revenues	\$ 6,625,253	\$ 6,481,839	\$ 5,879,327
Expenses	(5,282,246)	(5,026,762)	(5,152,684)
Net Operating Income	<u>\$ 1,343,007</u>	<u>\$ 1,455,077</u>	<u>\$ 726,643</u>
<u>CAA ADMINISTRATION</u>			
Revenues:			
Transfer from SMG	\$ 1,343,007	\$ 1,455,077	\$ 726,643
Interest	-	60,000	100,000
Transfer (to) from Capital Reserve	(243,007)	(379,439)	333,357
Transfer to Capital Construction	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>
	100,000	135,638	160,000
Administration	<u>(100,000)</u>	<u>(135,638)</u>	<u>(160,000)</u>
Excess of Revenues over Expenses	-	-	-
Fund Balance, Beginning of Year	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>
Fund Balance, End of Year	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
<u>CAPITAL REPLACEMENT RESERVE</u>			
Transfer from (to) CAA Administration	\$ 243,007	\$ 379,439	\$ (333,357)
Interest	-	50,000	40,000
	<u>243,007</u>	<u>429,439</u>	<u>(293,357)</u>
Capital Replacement/Acquisitions	<u>(269,000)</u>	<u>(329,265)</u>	<u>(237,000)</u>
	(25,993)	100,174	(530,357)
Fund Balance, Beginning of Year	<u>975,000</u>	<u>1,055,462</u>	<u>1,155,636</u>
Fund Balance, End of Year	<u>\$ 949,007</u>	<u>\$ 1,155,636</u>	<u>\$ 625,279</u>

STATEMENT B
CONVENTION/ARENA AUTHORITY
FACILITIES MANAGEMENT CONTRACT
NET AVAILABLE TO THE AUTHORITY
FISCAL YEAR ENDING JUNE 30, 2001
May 10, 2000

	<u>VAN ANDEL ARENA¹</u>	<u>GRAND CENTER¹</u>	<u>TOTAL</u>
Operating Revenues:			
Events	\$ 2,732,531	\$ 2,198,163	
Suites/Premium Seats	810,000	-	
Advertising	517,255	-	
Other	278,304	89,000	
	<u>4,338,090</u>	<u>2,287,163</u>	\$ 6,625,253
Direct Operating Expenses: ²			
Labor	978,165	776,731	
Base Management Fee	260,981	174,005	
Insurance	253,436	175,000	
Security	190,000	-	
Other	669,403	554,490	
	<u>2,351,985</u>	<u>1,680,226</u>	<u>4,032,211</u>
Excess	1,986,105	606,937	2,593,042
Less: Capital Replacement	<u>166,000</u>	<u>103,000</u>	<u>269,000</u>
Net Available to Authority:	<u>\$ 1,820,105</u>	<u>\$ 503,937</u>	<u>\$ 2,324,042</u>

NOTES:

¹Summary of SMG proposed operating/capital replacement budget recommendations as submitted to the Authority Board on April 18, 2000.

²"Direct Operating Expenses" excludes operating expenses incurred for utilities and Facility Manager Contract - incentive fees which will be paid from the Authority operating account.

STATEMENT C
CONVENTION/ARENA AUTHORITY
FUND STATEMENT
FOR THE FISCAL YEAR ENDING JUNE 30, 2001
May 10, 2000

	OPERATIONS	CAPITAL		TOTAL
		REPLACEMENT	CONSTRUCTION	
Fund Balances, beg. of year	\$ -	\$ -	\$ -	\$ -
Additions:				
Initial (7/1) DDA Transfer	3,000,000	975,000	-	3,975,000
State Participation	-	-	35,000,000	35,000,000
Net Available to Authority ¹	2,350,035	(25,993)	-	2,324,042
Facility Capital Transfer ²	(1,000,000)	-	1,000,000	-
	<u>4,350,035</u>	<u>949,007</u>	<u>36,000,000</u>	<u>41,299,042</u>
Deductions:				
New Construction	-	-	36,000,000	36,000,000
Direct Pay Utilities	1,134,000	-	-	1,134,000
SMG Incentive Fees	116,035	-	-	116,035
Administration:				
Legal/Bookkeeping/Auditing	40,000	-	-	40,000
Insurance (D & O)	13,500	-	-	13,500
Staff Services	36,500	-	-	36,500
Other	10,000	-	-	10,000
	<u>1,350,035</u>	<u>-</u>	<u>36,000,000</u>	<u>37,350,035</u>
Fund Balances, end of year	<u>\$ 3,000,000</u>	<u>\$ 949,007</u>	<u>\$ -</u>	<u>\$ 3,949,007</u>

NOTES:

¹The "Net Available to Authority" is allocated first to the Operations account in an amount sufficient to maintain an anticipated \$3 million minimum reserve with the balance allocated to the Capital Replacement reserve.

²The first of ten annual transfers from the Operating Reserve to the Capital Construction sub-fund by the C/AA in fulfillment of a City/DDA pledge toward the project budget.

STATEMENT D
CONVENTION/ARENA AUTHORITY
FACILITIES MANAGEMENT CONTRACT
NET AVAILABLE TO THE AUTHORITY
FISCAL YEAR ENDING JUNE 30, 2001
May 8, 2001

	<u>VAN ANDEL ARENA¹</u>	<u>GRAND CENTER¹</u>	<u>TOTAL</u>
Operating Revenues:			
Events	\$ 2,795,015	\$ 1,963,659	
Suites/Premium Seats	810,000	-	
Advertising	517,255	-	
Other	278,304	117,606	
	<u>4,400,574</u>	<u>2,081,265</u>	<u>\$ 6,481,839</u>
Direct Operating Expenses:²			
Labor	968,246	753,771	
Base Management Fee	262,185	174,005	
Insurance	127,547	127,365	
Security	191,872	50,076	
Other	675,660	479,681	
	<u>2,225,510</u>	<u>1,584,898</u>	<u>3,810,408</u>
Excess	2,175,064	496,367	2,671,431
Less: Capital Replacement	<u>226,265</u>	<u>103,000</u>	<u>329,265</u>
Net Available to Authority:	<u><u>\$ 1,948,799</u></u>	<u><u>\$ 393,367</u></u>	<u><u>\$ 2,342,166</u></u>

NOTES:

¹Summary of SMG proposed operating/capital replacement budget recommendations as submitted to the Authority Finance Committee on May 17, 2001.

²"Direct Operating Expenses" excludes operating expenses incurred for utilities and Facility Manager Contract - incentive fees which will be paid from the Authority operating account.

STATEMENT E
CONVENTION/ARENA AUTHORITY
FUND STATEMENT
FOR THE FISCAL YEAR ENDING JUNE 30, 2001
May 8, 2001

	OPERATIONS	CAPITAL		TOTAL
	<u>\$</u>	<u>REPLACEMENT</u>	<u>CONSTRUCTION</u>	<u>\$</u>
Fund Balances, beg. of year	\$ -	\$ -	\$ -	\$ -
Additions:				
Initial (7/1) DDA Transfer	3,000,000	1,055,462	-	4,055,462
State Participation	-	-	35,000,000	35,000,000
Net Available to Authority ¹	2,291,992	50,174	-	2,342,166
Interest	60,000	50,000	750,000	860,000
Facility Capital Transfer ²	(1,000,000)	-	1,000,000	-
	<u>4,351,992</u>	<u>1,155,636</u>	<u>36,750,000</u>	<u>42,257,628</u>
Deductions:				
New Construction	-	-	36,750,000	36,750,000
Direct Pay Utilities	1,134,336	-	-	1,134,336
SMG Incentive Fees	82,018	-	-	82,018
Administration:				
Legal	100,000	-	-	100,000
Bookkeeping/Auditing	10,000	-	-	10,000
Insurance (D & O)	14,638	-	-	14,638
Staff Services	10,000	-	-	10,000
Other	1,000	-	-	1,000
	<u>1,351,992</u>	<u>-</u>	<u>36,750,000</u>	<u>38,101,992</u>
Fund Balances, end of year	<u>\$ 3,000,000</u>	<u>\$ 1,155,636</u>	<u>\$ -</u>	<u>\$ 4,155,636</u>

NOTES:

¹The "Net Available to Authority" is allocated first to the Operations account in an amount sufficient to maintain an anticipated \$3 million minimum reserve with the balance allocated to the Capital Replacement reserve.

²The first of ten annual transfers from the Operating Reserve to the Capital Construction sub-fund by the C/AA in fulfillment of a City/DDA pledge toward the project budget.

STATEMENT F
CONVENTION/ARENA AUTHORITY
FACILITIES MANAGEMENT CONTRACT
NET AVAILABLE TO THE AUTHORITY
FISCAL YEAR ENDING JUNE 30, 2002

May 8, 2001

	<u>VAN ANDEL ARENA¹</u>	<u>GRAND CENTER¹</u>	<u>TOTAL</u>
Operating Revenues:			
Events	\$ 2,410,115	\$ 1,633,531	
Suites/Premium Seats	956,175	-	
Advertising	503,506	-	
Other	240,000	136,000	
	<u>4,109,796</u>	<u>1,769,531</u>	\$ 5,879,327
Direct Operating Expenses: ²			
Labor	933,522	866,505	
Base Management Fee	225,000	225,000	
Insurance	138,149	102,997	
Security	198,000	62,400	
Other	692,521	502,790	
	<u>2,187,192</u>	<u>1,759,692</u>	3,946,884
Excess	1,922,604	9,839	1,932,443
Less: Capital Replacement	<u>125,000</u>	<u>112,000</u>	<u>237,000</u>
Net Available to Authority:	<u>\$ 1,797,604</u>	<u>\$ (102,161)</u>	<u>\$ 1,695,443</u>

NOTES:

¹Summary of SMG proposed operating/capital replacement budget recommendations as submitted to the Authority Finance Committee on May 17, 2001

²"Direct Operating Expenses" excludes operating expenses incurred for utilities and Facility Manager Contract - incentive fees which will be paid from the Authority operating account.

**STATEMENT G
CONVENTION/ARENA AUTHORITY
FUND STATEMENT**

FOR THE FISCAL YEAR ENDING JUNE 30, 2002

May 8, 2001

	OPERATIONS	CAPITAL		TOTAL
		REPLACEMENT	CONSTRUCTION	
Fund Balances, beg. of year	\$ 3,000,000	\$ 1,155,636	\$ -	\$ 4,155,636
Additions:				
State Participation	-	-	30,000,000	30,000,000
Interest	100,000	40,000	500,000	640,000
Net Available to Authority ¹	2,265,800	(570,357)		1,695,443
Facility Capital Transfer ²	(1,000,000)	-	1,000,000	-
	<u>1,365,800</u>	<u>(530,357)</u>	<u>31,500,000</u>	<u>32,335,443</u>
Deductions:				
New Construction	-	-	31,500,000	31,500,000
Direct Pay Utilities	1,205,800	-	-	1,205,800
SMG Incentive Fees	-	-	-	-
Administration:				
Legal	40,000	-	-	40,000
Bookkeeping/Auditing	20,000	-	-	20,000
Insurance (D & O)	15,000	-	-	15,000
Staff Services	75,000	-	-	75,000
Other	10,000	-	-	10,000
	<u>1,365,800</u>	<u>-</u>	<u>31,500,000</u>	<u>32,865,800</u>
Fund Balances, end of year	<u>\$ 3,000,000</u>	<u>\$ 625,279</u>	<u>\$ -</u>	<u>\$ 3,625,279</u>

NOTES:

¹The "Net Available to Authority" is allocated first to the Operations account in an amount sufficient to maintain an anticipated \$3 million minimum reserve with the balance allocated to the Capital Replacement reserve.

²The first of ten annual transfers from the Operating Reserve to the Capital Construction sub-fund by the C/AA in fulfillment of a City/DDA pledge toward the project budget.

VAN ANDEL ARENA WEEKLY

Item IX

DATE	EVENT	EC	ROOM	TIME	FUNCTION
Wed, Jun 20	Griffins	JS	Banquet A	11A-12P	401K Meeting
Thur, Jun 21	Available				
Fri, Jun 22	Convention/Arena Authority	JS	Banquet A	8A-11A	Legislative Breakfast
Sat, Jun 23	Rampage vs Indiana	AH	Arena	7:30P-10:30P	Football game
	Rampage	JS	Banquet A/B	6:30P-7:30P	Group welcome center
	Holland JR Rocket Football	JS	Banquet C	6:30P-7:30P	Banquet
	Worthland World Wide Cup	JS	Banquet D	6:30P-7:30P	Banquet
Sun, Jun 24	Available				
Mon, Jun 25	Available				
Tue, Jun 26	Available				
Wed, Jun 27	Available				
Thur, Jun 28	Beene Garter LLP	JS	Banquet A	7A-11A	Banquet
Fri, Jun 29	Pantera	MS	Arena	6:00 PM	Performance
Sat, Jun 30	Available				
Sun, Jul 1	Available				
Mon, Jul 2	Available				
Tue, Jul 3	Available				
Wed, Jul 4	Closed – Holiday				
Thur, Jul 5	Available				
Fri, Jul 6	Available				
Sat, Jul 7	Rampage vs Chicago	AH	Arena	7:30P-10:30P	Football game
Sun, Jul 8	Available				
Mon, Jul 9	Available				
Tue, Jul 10	Available				
Wed, Jul 11	Available				
Thur, Jul 12	Available				
Fri, Jul 13	Available				
Sat, Jul 14	Rampage vs Oklahoma	AH	Arena	7:30P-10:30P	Football game
Sun, Jul 15	Available				

GRAND CENTER WEEKLY - YEAR 2001

DATE	EVENT	CONSTRUCTION	ROOM	TIME	FUNCTION	EC
		PARKING RAMP DEMOLITION. HARD HAT AREA. MR & KR CLOSED. BLODGETT ROOM OPEN. ACCESS BEHIND GRAND CENTER CLOSED.				
TUES. JUNE 19						
WED. JUNE 20						
THURS. JUNE 21						
FRI. JUNE 22	DESTINY TEAM		DV/	8A-1P 1P-5P 6P 7P-1:30A	MOVE IN MEETING DOORS MEETING	MF
	WILD BIRDS UNLIMITED		GH/	10A NOON-5P	SMG/CLIENT MEETING MARKING FLOORS	DS
SAT. JUNE 23	WILD BIRDS UNLIMITED		GH/ WA/ GH/	8A-6P 12:30PM-2P 4P-9P	DECORATOR SETUP LUNCHEON VENDOR MOVE IN	DS
	DESTINY TEAM		DV/	9:30A 10:30AM-3:30PM 5:30PM 6:30PM-12:40AM 1A-2A	DOORS MEETING DOORS MEETING MOVE OUT	MF
SUN. JUNE 24	WILD BIRDS UNLIMITED		GH/	6A-4P 5:30P-6P 6P-8:30P	VENDOR MOVE IN VENDORS IN PREVIEW PARTY	DS
	GREAT DIVAS OF GOSPEL		GH,MAIN CONCOURSE/ DV/	NOON-5P 7P 7:30P-10P 10P-MID	MOVE IN DOORS TO SEATING PERFORMANCE MOVE OUT	ST
MON. JUNE 25	WILD BIRDS UNLIMITED		GH/	8A 9A-5P	VENDORS IN EXHIBITS	DS
TUES. JUNE 26	WILD BIRDS UNLIMITED		GH/	8A 8A-4P 4P-10P	VENDORS IN EXHIBITS MOVE OUT	DS
WED. JUNE 27						
THURS. JUNE 28						
FRI. JUNE 29						
SAT. JUNE 30						
SUN. JULY 1						
MON. JULY 2						
TUES. JULY 3						
WED. JULY 4						
THURS. JULY 5	CONVENTION CONCEPTS		GH/	8A-5P	MOVE IN	ST
FRI. JULY 6	CONVENTION CONCEPTS		GH/	8A-5P 7P-1A	MOVE IN MEETING	ST
SAT. JULY 7	CONVENTION CONCEPTS		GH/	9A-3P 3P-6P 7P-1A	MEETING POSS. BREAKOUT SESSION GENERAL SESSION	ST
SUN. JULY 8	CONVENTION CONCEPTS		GH/	8A-NOON NOON-5P 9A-6P	MEETING MOVE OUT MOVE IN	ST
MON. JULY 9	MISSIONARY CHURCH		DV/			ST
TUES. JULY 10	MISSIONARY CHURCH		DV/	10A-12:45P 12:45P-2:45P 2:45P-3:15P	REHEARSAL CONCERT OF PRAYER LEMONADE BREAK	ST

DATE	EVENT	CONSTRUCTION	ROOM	TIME	FUNCTION	EC
				3:15P-5P 6P-8:30P 8:30P-9P 9P-10P	BUSINESS MEETING REHEARSAL & WORSHIP SERVICE COFFEE BREAK CONCERT	
WED. JULY 11	MISSIONARY CHURCH		DV/	8A-9:30A 9:30A-10A 10A-1P 6P-10P	REH & DEVOTIONAL HOUR COFFEE BREAK BUSINESS MTG & REHEARS REH & WORSHIP SERVICE	ST
THURS. JULY 12	MISSIONARY CHURCH		DV/	8A-9:30A 9:30A-10A 10A-1P 6P-10P	REH & DEVOTIONAL HOUR COFFEE BREAK BUSINESS MTG & REHEARS REH & WORSHIP SERVICE	ST
	INTERNATIOANL ORDER OF JOB'S DAUGHTERS CITY MEETING		1/3 GH/			MF
FRI. JULY 13	MISSIONARY CHURCH		BR/	8A-NOON	MEETING	ST
			DV/	8A-9:30A 9:30A-10A 10A-NOON 2:15P-5P 6P-8:30P	REH & DEVOTIONAL HOUR COFFEE BREAK BUSINESS SESSION BUSINESS SESSION REH & WORSHIP SERVICE	ST
	NATIONAL ASSOC. OF EXECUTIVE HOUSEKEEPERS		WA/	8A-NOON 1P-3:30P 3:30P-7P	MOVE IN MEETING MOVE OUT	DS
	INTERNATIONAL ORDER OF JOB'S DAUGHTERS		1/3 GH/			MF
SAT. JULY 14	MISSIONARY CHURCH		DV/	8A-MID	MOVE OUT	ST
	INTERNATIONAL ORDER OF JOB'S DAUGHTERS		1/3 GH/			MF
SUN. JULY 15	IRISH TENORS		DV/	8A-5P 7P 7:30P-9:30P 9:30P-11:30P	MOV E IN DOORS PERFORMANCE MOVE OUT	ST
MON. JULY 16						
TUES. JULY 17						
WED. JULY 18						
THURS. JULY 19						
FRI. JULY 20	GREAT AMERICAN TRAIN SHOW		EH,WH/	3P-9P	MOVE IN	MF
	AMERICAN LEGION DEPT. OF MICHIGAN CONVENTION		1/3 GH/	10A-3P 3P-5:30P	MOVE IN GENERAL SESSION	DS
SAT. JULY 21	GREAT AMERICAN TRAIN SHOW		EH,WH/	11A-5P	SHOW	MF
	AMERICAN LEGION DEPT. OF MICHIGAN CONVENTION		1/3 GH/	9A-3P	GENERAL SESSION	DS
SUN. JULY 22	GREAT AMERICAN TRAIN SHOW		EH,WH/	11A-5P 5P-10P	SHOW MOVE OUT	MF
	AMERICAN LEGION DEPT. OF MICHIGAN CONVENTION		1/3 GH/	10A-1P 1P-4P	GENERAL SESSION MOVE OUT	DS
MON. JULY 23						
TUES. JULY 24						
WED. JULY 25						
THURS. JULY 26	NET IMPACT		2/3 GH/	TBD	MOVE IN	DS
FRI. JULY 27	NET IMPACT		2/3 GH/	7P 8P-MID	DOORS IN SESSION	DS

DATE	EVENT	CONSTRUCTION	ROOM	TIME	FUNCTION	EC
SAT. JULY 28	NET IMPACT		2/3 GH/	12:30A-1A 8A 10:30A-1:30P 6P 7P-MID 12:30A-1A	EXITING BREAKFAST IN SESSION DOORS IN SESSION EXITING	DS
SUN. JULY 29	NET IMPACT		2/3 GH/	8:30A- 9A-10:30A 10:30A-?	DOORS CHURCH SERVICE MOVE OUT	DS
MON. JULY 30						
TUES. JULY 31	NATIONAL ASSOCIATION OF SCIENTIFIC MATERIALS MANAGERS		2/3 GH/		MOVE IN	MF