PPEA COMPREHENSIVE AGREEMENT
FOR THE OPERATION OF THE
VIRGINIA BEACH SPORTS CENTER

SUMMARY OF MATERIAL TERMS

Parties: City of Virginia Beach ("City")
ESM VB, LLC ("Manager")

Term: 10 year initial term; two 5-year extensions with mutual agreement.

Form: Qualified Management Agreement – this allows the City to finance the construction of the facility using tax-exempt bonds, which aligns with the City's CIP.

Material Terms: Manager to be the sole operator of the Facility. The City's Convention and Visitor's Bureau to establish an office in the Facility for Sports Marketing.

The Manager to develop an operating budget for the Facility, which is subject to approval by the City. The operation of the Facility is focused on tournaments, track meets, and other sports-related events that drive out-of-town visitation and provide positive economic impact for the City.

The Manager to be compensated based on a fixed Management Fee and a variable Incentive Fee. During the construction of the Facility, the Fee is \$15,000/month for the first 12 months and \$20,000/month for the following 12 months. Once the Facility opens, the Management Fee is \$30,000/month. The Incentive Fee is based on gross revenues of the Facility once opened. During the first 2 years after opening, the Incentive Fee is 6% of gross revenues. Thereafter, the Incentive Fee is stepped 4% of the first \$2,500,000, 5% of the next \$1,000,000, 6% of the next \$1,000,000, and 7% above \$4,500,000.

The City, through its Sports Marketing Division of CVB, books tournaments and sports-related events nine months out. These events are generally booked Friday-Sunday. Within nine months, the Manager controls the booking calendar, and the Manager will work to maximize the use of the Facility during Monday-Thursday though leagues, clubs, and other facility use agreements.

For the out-fitting of the Facility, the Manager to present to the City a Start-up Budget. This Start-up Budget primarily intended for furniture, fixtures, and athletic equipment for the Facility, and such items will become the property of the Facility. If the City terminates the Agreement prior to the completion of the initial 10 year term, the City is required to pay the unamortized cost of the furniture, fixtures, and athletic equipment.

The City will hold and control Operating Reserves and Capital Reserves for the Facility. The Manager is responsible for the initial Working Capital.

The Manager will pay the City quarterly a sum equivalent to the gross revenues less operating expenses, Management Fee, Incentive Fee, repayment of the Operating Reserves, if use of Operating Reserves have been required, and repayment of the Start-up Budget. The repayment of the Start-up Budget is based on a schedule that amortizes the Manager provided property over a seven-year schedule. The City intends to use the quarterly payments to fund the Capital Reserve and/or other such purposes as directed by the City Council.

City to retain control over approval of sponsorship and naming rights of the Facility. Parties agree to collectively pursue sponsorships and naming rights consistent with the City's intended purposes. All funds received for naming rights of the Facility, net of direct expenses, will go to the Capital Reserve.

The City has a right to terminate the Agreement for Default. The City has the additional right to terminate for convenience with a specified buy-out amount.