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For Discussion Purposes

Feasibility Analysis of Proposed New Arena and Convention Center Development in Lincoln

February 29, 2008

CONVENTIONS SPORTS & LEISURE
CSL
Conventions, Sports & Leisure International

Draft Copy
For Discussion Purposes

February 29, 2008

Mr. Kent Morgan
City of Lincoln Nebraska
Planning Department
555 South 10th Street, Suite 213
Lincoln, NE 68508

Dear Mr. Morgan:

Conventions, Sports & Leisure ("CSL") has completed a draft of the market and facility development feasibility analysis for a potential new arena ("Arena") and convention center ("Center") development in Lincoln. This report focuses on market demand, infrastructure conditions, supportable building program, economic and fiscal impacts and financial operations as they relate to future development of arena and convention facilities in Lincoln. The attached report presents our research, analysis and findings, and is intended to assist the City of Lincoln in evaluating various issues pertaining to proposed arena and convention center development.

The analysis presented in this report is based on estimates, assumptions and other information developed from interviews, industry research, surveys of potential facility users and analysis of competitive/comparable facilities and communities. The sources of information, the methods employed and the basis of significant estimates and assumptions are stated in this report. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur. Therefore, actual results achieved will vary from those described and the variations may be material.

We sincerely appreciate the assistance and cooperation we have been provided in the completion of this report and would be pleased to be of further assistance in the interpretation and application of our findings.

Very truly yours,

CSL International

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I. Introduction

Conventions, Sports and Leisure International ("CSL") was engaged by the City of Lincoln to provide a market and facility development feasibility analysis for a potential new arena and convention center development in Lincoln. As an update to CSL's 2004 feasibility analysis, this report outlines the key findings associated with the analysis of local market conditions, comparable and competitive/regional markets and facilities, and market demand characteristics specific to the Lincoln market.

The study process consisted of detailed research and analysis, including a comprehensive set of market-specific information derived from the following:

- Local market visit and site tours.
- In-person interviews/meetings with Lincoln visitor industry representatives, City officials, hoteliers and existing local event facility management.
- Research and analysis of local market conditions and national and regional trends.
- Analysis of facility data from comparable and competitive/regional facilities and markets.
- Interviews with facility management and convention and visitors bureau staff in comparable and regional markets.
- Telephone interviews with promoters of touring acts such as concerts, family shows, sporting and other such events.
- More than 20 completed interviews with meeting planners of local, state and regional events. It is estimated that, together, these event planners organize in excess of 50 annual events.

This report consists of the following primary analysis sections:

Local Market Conditions Analysis – presents analysis of local meeting, event and arena facilities and hospitality infrastructure, focusing on event space, hotels, restaurants, entertainment and other such factors.

Arena Analysis – provides a comparison of various physical characteristics and resources of comparable and competitive/regional arena facilities and their host cities. Additionally, this section analyzes the potential demand from various touring and tenant events for a proposed Lincoln arena.

Convention Center Analysis – provides a comparison of various physical characteristics and resources of comparable and competitive/regional convention center facilities and their host cities relative to the convention and visitor industry. This section further provides the results of a survey analysis of state, regional and national organization event planners. This analysis characterizes market potential for a proposed new Lincoln convention center.

Building Program Analysis – presents an analysis of the market supportable levels of arena development, including seating capacities, suites, club seats and other important facility amenities. With regard to potential convention center development, this section outlines total sellable space, by space component, as well as facility requirements essential to accommodating the demand for potential conference, convention, banquet, meeting, tradeshow, public/consumer show, touring, tenant and other events in Lincoln.

Financial Operations Analysis – provides an analysis of the potential financial operations that could be expected with the development of new arena and convention center facilities in Lincoln under the previously identified development scenarios.

Facility Funding Analysis – presents a summary of potential mechanisms for funding new arena and convention center facilities in Lincoln.

II. Local Market Conditions Analysis

A community's hospitality infrastructure in terms of hotels, restaurants, entertainment and other such factors contributes heavily to the potential success of a convention center. An arena venue can be a significant contributor to the viability of area restaurant, retail and entertainment establishments. Thus, a cycle of mutual benefit can be created among a convention center, an arena and surrounding restaurant/retail/entertainment establishments. As part of the study process, CSL conducted an analysis of various visitor industry attributes as they relate to the Lincoln market area. The analysis of existing Lincoln market conditions addresses the following areas:

- Local market attractions and resources
- Description of existing local event facilities and hotels
- Summary of primary Lincoln event/entertainment facilities
- Local hotel characteristics

Local Market Attractions and Resources

The Lincoln market offers a variety of amenities and recreation/leisure opportunities that could be attractive to convention, conference, meeting and other event planners during their consideration of potential destinations.

Located in southeastern Nebraska on Interstate 80, Lincoln is situated approximately one hour's drive southwest of Omaha. The Lincoln community provides six institutions of higher education, totaling more than 30,000 students. Founded in 1869, The University of Nebraska - Lincoln, with a total enrollment of approximately 23,000 students, is located within walking distance of downtown. The greater Lincoln area offers numerous entertainment options, such as historical sites, museums and related attractions, university and semi-professional sports, fine arts, shopping, live music, parks and a unique variety of outdoor recreational activities (i.e., golf, hunting, fishing, water sports, biking, snowmobiling, etc.). Beyond these attractions, the viability of a community as a convention destination is impacted by available hotel inventory, attractions and existing event facilities.

Exhibit II-1 outlines frequently visited offerings in Lincoln.

Exhibit II-1
Local Market Attractions

American Historical Society of Germans from Russia Museum	National Museum of Roller Skating
Great Plains Art Collection	Nebraska State Capitol
Historic Haymarket District	Red Wing Pottery Musuem
James Arthur Vineyards	Restaurants and nightclubs
Lentz Center for Asian Culture	Sheldon Area Art Gallery & Sculpture Garden
Lincoln Area Model Railroad Club and Museum	Shopping
Lincoln Children's Museum	State Capitol
Lincoln Children's Zoo	University of Nebraska athletics
Museum of Nebraska History	Various outdoor activities

These amenities provide the out-of-town visitor with a variety of activities to attend while at a convention, conference or other spectator/flat floor event. Family members in attendance can also benefit from these amenities.

Existing Local Event Facilities and Hotels

There are a variety of existing event facilities in the local market that cater to the meetings, sports and entertainment industries. These encompass both public venues and private meeting-oriented hotels in the downtown area. Presently, the event facilities in Lincoln that have the ability to accommodate spectator events, athletics, conventions, tradeshows, meetings, conferences, public/consumer shows and other assembly events include:

- Pershing Center
- Devaney Sports Center
- Lancaster Event Center
- State Fair Park
- The Cornhusker Hotel/Burnham Yates Conference Center
- Embassy Suites
- Lied Center for Performing Arts
- Holiday Inn

Under a situation where any potential new facilities are introduced into the market, it is important to ensure that new events are attracted to the market as opposed to simply "shifting" events from existing venues. Therefore, it is necessary to assess the event markets that the existing facilities compete in successfully. Background information concerning these event facilities and hotels is provided on the following pages.

Pershing Center

Originally constructed in 1956, the arena is owned by the City of Lincoln and privately managed by SMG. The facility provides 4,526 permanent seats and can accommodate up to 7,500 event attendees in its Main Arena (with a combination of floor space and permanent and portable seating). The 16,000-square foot arena floor allow for banquets and parties for groups of between 300 and 1,800, depending on the configuration of the set. The Center is equipped with a half house drape that can decrease the capacity, while increasing intimacy at the venue.

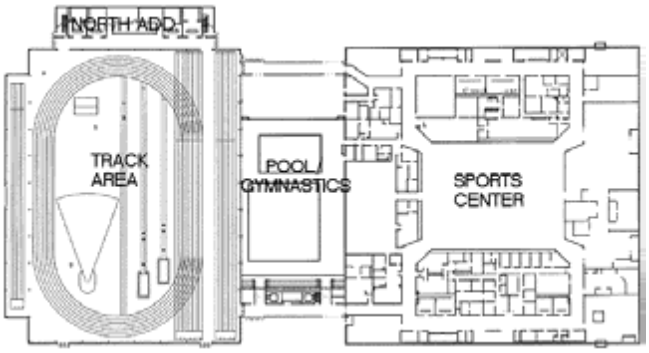
Located beneath the arena floor, Pershing's 28,000-square foot exhibit hall provides non-traditional space with several support columns that can accommodate a wide variety of event types, including exhibitions, tradeshows, sporting events, convocations, concerts, meetings and meal functions. However, it should be noted that the venue's 10'4" ceiling heights and numerous columns are seen as a limiting factor to many traditional events. In recent years, this space has been useful in hosting such local events as girl's roller derby and battle of the bands events.

The Pershing Center currently serves as the Lincoln market's primary concert venue. During the 2006 calendar year, the Center hosted a total of 22 concerts with an average attendance of approximately 2,300. In the same year, Pershing Center attracted four touring events (Sesame Street Live, Shrine Circus, Harlem Globetrotters and Barney Live).

In general, Pershing Center is reflective of other similar event facilities constructed in the 1950's, and is very clearly not up to the standards of more modern arenas. Shortcomings include a lack of state-of-the-industry arena amenities (i.e., club seats, suites, electronic signage, etc.) limited lobby, concourse, restroom and other space, and a poor overall condition associated with a nearly 50-year-old venue.

In recent years, the facility has lost a number of high-profile events to regional markets. As the number of new regional facilities has increased, regaining lost market share as become increasingly difficult as new facilities provide greater event producer revenue opportunities and more up-to-date facility amenities.

Devaney Sports Center

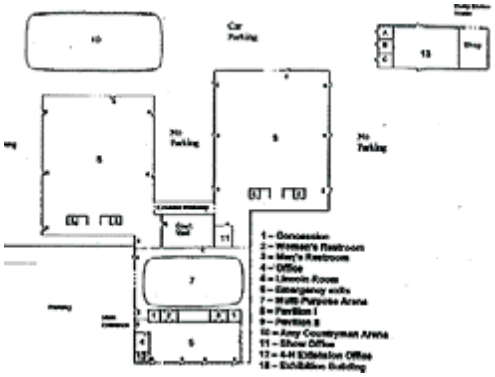


Located on the University of Nebraska campus, the 13,500-seat Bob Devaney Sports Center opened in the fall of 1976. The $13 million building is home to the Huskers' basketball, track, swimming, wrestling and gymnastics teams, while also hosting a wide variety of other non-athletic events. Scheduling of University events typically take priority over other concert, entertainment or other events. In fact, the facility very rarely hosts non-University related events.

This multi-function center is able to accommodate several events at the same time and is designed to provide sightlines for a wide variety of event types. In addition to hosting University of Nebraska sporting events, the facility also hosts Nebraska State High School Championships in basketball, swimming and wrestling, along with other amateur and NCAA events. In terms of hosting non-athletic events, the track and exhibit area offers a venue for tradeshows and vendor exhibits. This area can also be utilized as banquet seating for more than 2,500 guests. The upper level concourse has often been used for display and exhibit booths, meetings, banquets or pre-function gatherings.

Approximately 5,000 parking spaces are available within walking distance of the Sports Center.

Lancaster Event Center



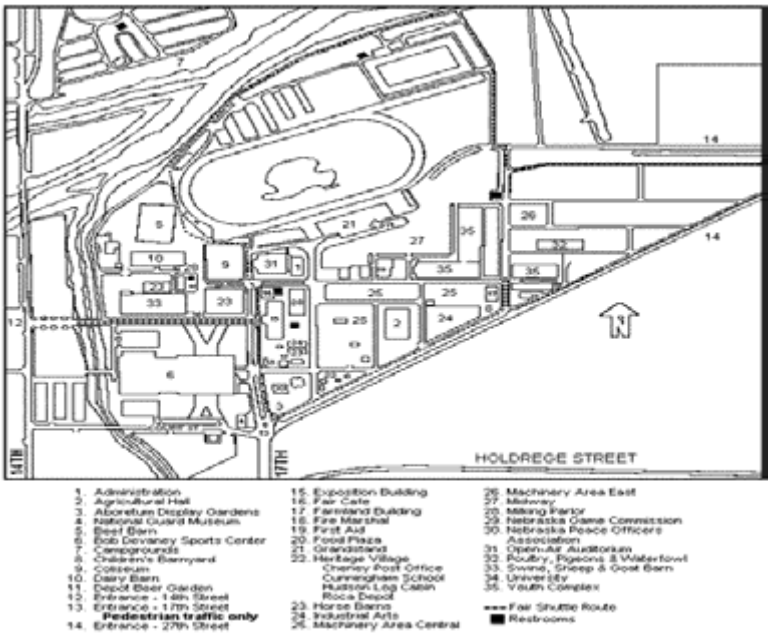
The Lancaster Event Center, located at 84th and Havelock Avenue, is a public, multi-purpose, year-round complex of facilities designed to host a variety of local, regional and national events and activities. The center features three interconnected structures that include the Multi-Purpose Arena and two pavilions, as well as an adjacent outdoor arena and parking for approximately 3,000 vehicles. The site also features 200 campsites with electric hookups and water available.

Each year, the center hosts the Lancaster County Fair, as well as agricultural trade and livestock shows, regional and national equipment shows, automotive shows, indoor and outdoor sporting events (including the Lincoln Capitols of the National Indoor Football League), concerts, reunions, antique and craft shows, dog and cat shows, tractor pulls, rodeos, 4-H and FFA events, tradeshows, school science fairs and speech competitions, as well as certain types of conferences, meetings, conventions, banquets, weddings and other regional and national events and activities. Parking availability for up to 3,000 vehicles has been beneficial for consumer shows.

The Lincoln Room is an exhibit area providing 17,000 contiguous square feet and 25-foot ceilings. The Multi-Purpose Arena provides a rectangular 36,500-square foot area. Pavilions I & II each contain 80,000 square feet of dirt floor space. Each Pavilion can hold 400 horse stalls, or the stalls can be removed and each will hold 400 tradeshow booths. The Amy Countryman Outdoor Arena measures 45,000 square feet and can be divided into up to three smaller arenas. Future planned additions include an announcer/check-in stand located on the west side of the arena.

Based on conversations with facility management, the Center continues to turn away desirable events due to a lack of horse stalls or arena space. In an effort to accommodate these larger events, the Lancaster Event Center is currently planning a major expansion and improvement project. The $8 million project would double the number of horse stalls on the center grounds, add 750 to 900 paved parking stalls, add a new pavilion and put a roof on an outdoor arena.

State Fair Park



State Fair Park consists of 14 multi-purpose event buildings and numerous outdoor facilities on a 325-acre campus. Limited investments have been made in improvements to the facilities in recent years. Examples of events commonly held on the grounds include tradeshows, car shows, craft shows, public shows, dinners, sales, conventions, meetings, seminars, conferences, wedding receptions, livestock shows and competitions, company banquets, educational symposiums, simulcast and live horse racing, private parties, concerts, livestock events and sporting events.

Primary event facilities on the grounds are outlined below and on the following page.

- "The Ice Box" serves as home to the Lincoln Stars of the United States Hockey League (USHL). The team plays approximately 31 games at the facility each year, drawing a total annual attendance of nearly 143,000.

- Agricultural Hall is a 23,000-square foot, flat floor facility centrally located within the park. The facility is able to accommodate 2,000 people theater style, or groups of up to 1,000 banquet style. Ceiling heights within the climate-controlled hall range from 16 to 26 feet.

- The Farmland Building provides an enclosed area measuring 4,200 square feet, in addition to an exposed 3,000-square foot fenced patio area. The building will accommodate groups of up to 300 for events including meetings, seminars, conferences, banquets, etc.

- The Lancaster Building incorporates a total of 14,000 gross square feet of space, consisting of 1,400 square feet of office space and an open area measuring 12,600 square feet. Able to accommodate 58 10' x 10' exhibit booths, the facility often hosts smaller public and consumer shows.

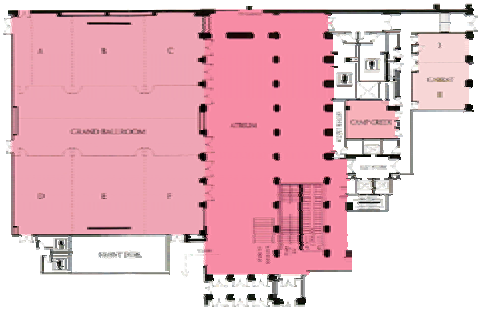
- The Morton Building provides approximately 1,900 square feet of space that is often utilized for dinners, luncheons, private parties and other events attracting 100 or fewer attendees.

- The Industrial Arts Building offers approximately 14,000 square feet of contiguous sellable space. The non-traditional, triangular shaped space is often utilized for public shows, for which it can accommodate 130 booths.

- The Exposition Building incorporates approximately 20,000 square feet. Although the ceiling heights vary from just 12' to 16', the building is used seasonally for fair and various other events.

- The Grandstand plays host to a number of event types including concerts, monster trucks, rodeos and other live performances. The structure is able to seat a total of 5,000 people, through 2,500 indoor and 2,500 outdoor seats.

The Cornhusker Hotel/Burnham Yates Conference Center



Currently serving as one of the market's primary convention/conference facilities, the 297-room Cornhusker Hotel and its adjacent Burnham Yates Conference Center together play host to numerous meetings, conventions, private parties, weddings, banquets and other special events each year. The property is located downtown, within blocks of the University of Nebraska Lincoln, the State Capitol and Historic Haymarket District.

Originally opening in 1926, the Cornhusker was imploded in 1982 and rebuilt, re-opening in 1983. Through a public-private partnership between the City of Lincoln and the Cornhusker Hotel, the Burnham Yates Conference Center was added to the Cornhusker in 1994. In 2005 the Hotel and Center underwent an $8 million renovation and was re-flagged as The Cornhusker, A Marriott Hotel. Based on conversations with hotel management, this change has had positive effects on both occupancy and rate.

The Hotel and Center provides three levels of space and offers approximately 30,700 square feet of total sellable space. The facility incorporates in excess of 17,000 square feet of dedicated meeting space that is divisible into a maximum of 17 individual rooms. Located on the facility's second level, the Grand Ballroom, at 10,500 square feet is the largest contiguous space offered. It is divisible into six partitions to allow for maximum flexibility and features 16-foot ceilings and a high level of wall and floor finish. The Conference Center is able to accommodate groups of up to 2,000 guests.

State-of-the-industry technology and other user amenities provided within the Conference Center and Hotel include wireless Internet access, a complete business center, two upscale restaurants, an in-house A/V department, an indoor pool and fitness facility and two attached parking garages offering 1,100 total parking spaces.

The facility caters to a mix of association, government, corporate and other business. In 2006, the facility hosted an estimated 1,240 total events, including 101 association events. Typical associations that regularly utilize the facility include the Nebraska State Bar Association, League of Nebraska Municipalities, Nebraska Hotel and Motel Association, Nebraska DECA, USA Gymnastics and Nebraska Future Farmers of America. Of the 1,240 total events, approximately two-thirds (or more than 800) required hotel rooms, resulting in nearly 55,000 annual occupied room nights at the Marriott Cornhusker. Based on conversations with facility management, most of the state

and regional groups utilizing the Conference Center don't require more space for their event(s), rather date availability seems to be the biggest issue.

Embassy Suites

The Embassy Suites hotel is in the Haymarket District, located adjacent to the University of Nebraska's Lied Center for Performing Arts and the University of Nebraska Lincoln. The 252-room property was constructed in 2000, making it the City's newest primary hotel property. The hotel recently completed $2.1 million in renovations, which improved both guestrooms and event space.

The hotel provides a total of up to 14 divisible meeting rooms totaling 14,600 square feet of flexible, sellable event space. The 11,900-square foot Regents Ballroom is the largest contiguous upscale event space in the community and can comfortably accommodate groups of up to 800 in a banquet setting. Based on conversations with facility management, this space regularly hosts state and regional association events, sports functions, weddings and corporate groups. Importantly, several larger groups currently utilizing Embassy Suites event space are outgrowing the Regents Ballroom and may look to other destinations due to such space constraints.

Other hotel amenities include a complete fitness center (including an indoor pool, whirlpool and sauna), a gift shop, 24-hour business center, bar and grill and an enclosed skywalk that connects the hotel to two new public parking garages.

Lied Center for Performing Arts

Located on the University of Nebraska Lincoln campus, the Lied Center for Performing Arts is a state-of-the-art performing arts facility often hosting major regional, national and international events. The entire building covers 150,000 square feet. This includes the main hall, Carson Theater (a black box theatre), the Steinhart Conference Room, teaching spaces and other facilities. Owned and operated by the University of Nebraska Lincoln, the $20 million structure was completed in 1989.

The main hall offers a maximum capacity of 2,278 people, 1,323 on the main floor and 955 in the balcony. The last row of the balcony is 132 feet from the front of the stage (which measures 13,500 square feet). Additionally, the lobby area can accommodate a reception for approximately 400 people, while the upper lobby can accommodate 300.

The Johnny Carson Theater is a black box theater often used for smaller productions, rehearsals, receptions, dance classes and more. Portable risers can be arranged to accommodate a variety of seating arrangements for up to 250 people.

The 1,800-square foot Steinhart Conference Room is routinely used for meetings, classes, receptions and other gatherings. The room features a retractable wall to divide the room into two meeting areas.

Funding for the Lied Center was provided by a $10 million challenge grant from the Ernst Lied Foundation of Las Vegas, Nevada. An additional $5 million was set aside as a permanent operating and maintenance endowment. In addition to the Lied Foundation funds, the State of Nebraska, as well as thousands of individuals and organizations also contributed to project costs.

Holiday Inn Downtown

Originally constructed in 1974, the 231-room Holiday Inn Lincoln-Downtown is a full-service hotel that provides nearly 12,500 square feet of meeting, convention and banquet space. Space offerings include a total of up to 13 meeting rooms of various sizes. The 5,800-square foot Lincoln Ballroom is the property's largest contiguous space and is capable of hosting groups of up to 400 people in a banquet setting.

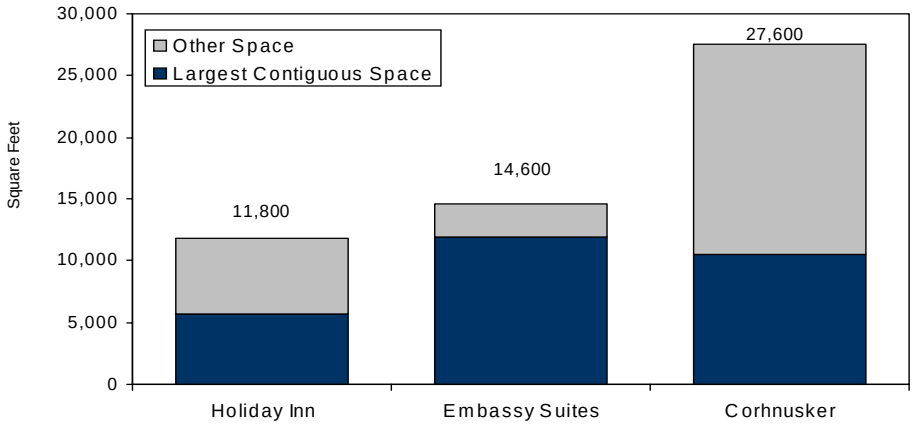
The hotel is currently undergoing a $5 million renovation project, which will upgrade all guestrooms and event space. Further modifications include a flag change, under which the Holiday Inn will become a Crowne Plaza property in January 2008. Based on conversations with management of this and other local hotels, this change is expected to have positive effects on the local hotel market, as it will likely allow for market-wide rate increases.

Summary of Primary Lincoln Event/Entertainment Facilities

Conventions, Conferences & Meetings

The following chart presents a summary of total sellable space within primary local convention, conference and meeting facilities. Often an important factor in site selection among meeting planners, largest contiguous square footage offerings are highlighted.

Exhibit II-2
Primary Lincoln Entertainment/Event Facilities –
Conventions, Conferences & Meetings



Source: facility floorplans, 2007

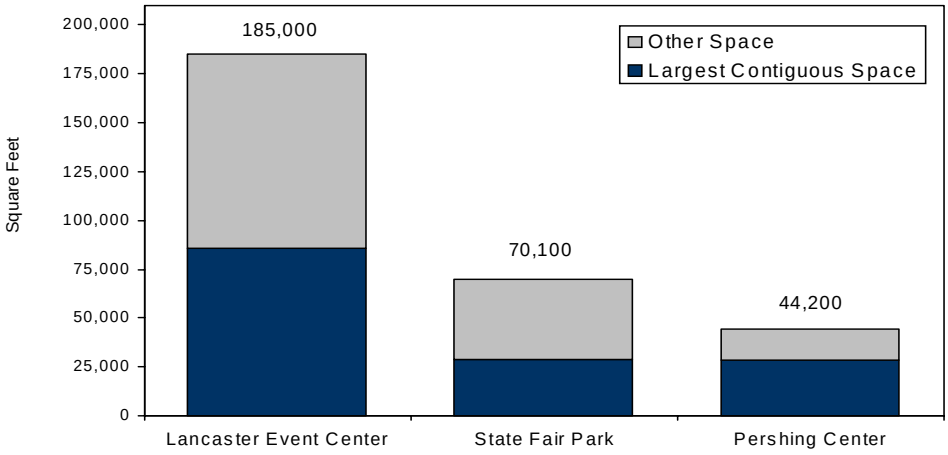
As shown above, Lincoln currently provides a total of three primary venues capable of hosting convention, conference and meeting type events. The Cornhusker Hotel, through its Burnham Yates Conference Center, provides nearly 28,000 sellable square feet divisible into up to 25 individual rooms. In terms of largest contiguous space, the Embassy Suites provides a ballroom measuring nearly 12,000 square feet. The Holiday Inn Downtown provides a total of 11,800 total sellable square feet.

As noted, the existing inventory of convention and meeting space for Lincoln is largely contained in three downtown hotel properties and, from a square footage standpoint, is very limited. This provides an indication that potential future development of space could add to the ability of the market to draw conventions, conferences and meetings, as opposed to simply moving them from one venue to another. It is important to note that the economic impact of events held at these properties is significant, and contributes substantially to the vitality of the downtown area.

Community, Consumer & Other Shows

For the most part, it is believed that the inventory of space for local consumer shows in the Lincoln area is sufficient to accommodate the majority of event demand. Exhibit II-3 presents a summary of total sellable space within primary local community, consumer and other show facilities.

Exhibit II-3
Primary Lincoln Entertainment/Event Facilities – Community, Consumer & Other Shows



Note: Event space provided at Lancaster Event Center and State Fair Park consist of several non-traditional facilities, with limited amenities.
Source: facility floorplans, 2007

Lincoln currently provides three facilities capable of hosting community, consumer and other events requiring substantial amounts of flat floor event space. The largest provider of such space is the Lancaster Events Center, which incorporates a total of approximately 185,000 square feet of exhibit space. However, it should be noted that a majority of the space offerings within the complex are of a non-traditional nature (often consisting of dirt floor facilities with 14-foot ceiling heights). Pavilion II measures nearly 86,000 square feet and is currently the largest contiguous space offering in the Lincoln area. The complex focuses largely on the hosting of equestrian/livestock events.

Other local venues providing large amounts of flat floor event space include State Fair Park and Pershing Center. As noted in the above chart, much like the Lancaster Events Center, event space provided at State Fair Park consists of several non-traditional facilities, with limited amenities. Pershing Center provides both the 16,000-square foot arena floor, as well as the adjacent 28,000-square foot Exhibition Hall. Total exhibit space levels total approximately 70,000 and 44,000 square feet for State Fair Park and Pershing Center, respectively.

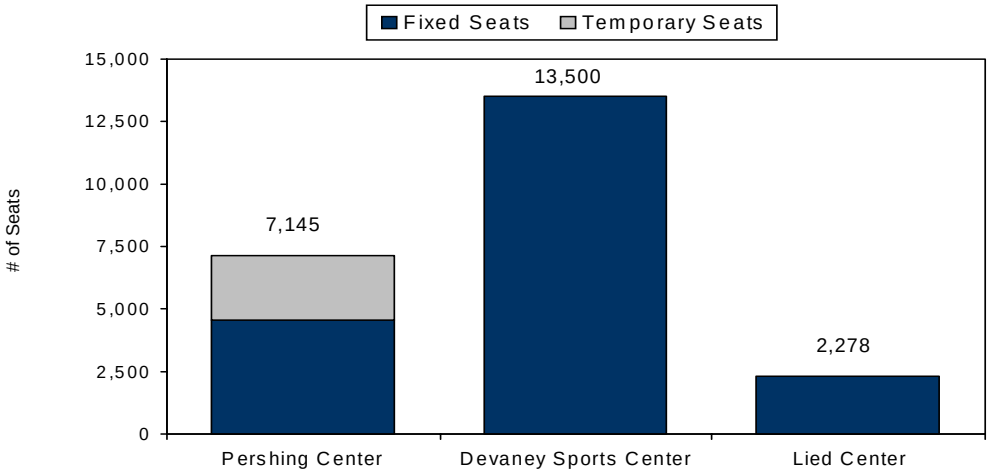
Primary Lincoln Entertainment/Event Facilities – Sports & Entertainment

The inventory of arena space in Lincoln is significant; however, the quality and functionality of Perishing Auditorium is significantly below state-of-the-industry standards, and the University use of the Devaney Center precludes booking many concert and entertainment events that can benefit the community. Added arena inventory would

be needed to prevent additional significant loss of concert and entertainment events and to enhance the ability of the market to compete for added events.

The following exhibit displays Lincoln's current inventory of enclosed sports and entertainment venues.

Exhibit II-4
Primary Lincoln Entertainment/Event Facilities – Sports & Entertainment



Source: Billboard AudArena Guide, 2007

As presented, the market currently provides three venues that frequently host sporting and other seated entertainment events. Devaney Sports Center is the largest such facility. Located on the University of Nebraska campus, the venue provides a total of 13,500 fixed seats and is home to University athletic events, as well as other promoted events. The downtown Pershing Center has served the community's arena needs for over 50 years by providing a total seating capacity of approximately 7,500, approximately 4,500 of which are permanent seats. Located on the University campus, Lied Center for the Performing Arts provides a total of nearly 2,300 seats and hosts a variety of performing arts, University and other functions.

Local Hotel Characteristics

The hotel base in a community plays an important role in determining the ability to accommodate events drawing out-of-town attendees. Additionally, many such facilities provide limited amounts of meeting/event space.

Exhibit II-5 below presents a summary of the primary hotel properties in Lincoln, outlining the total number of guestrooms, year built, largest contiguous space and total sellable square feet of meeting and banquet space.

Exhibit II-5
Summary of Primary Local Hotels

Hotel Property	Number of Guestrooms	Year Built	Largest Contiguous Space (sq. ft.)	Total Sellable Space (sq. ft.)
The Cornhusker	297	1983	10,500	30,700
Embassy Suites	252	2000	11,900	14,600
Holiday Inn Downtown	231	1974	5,800	12,500
Villager Courtyard & Gardens	192	1968	4,400	10,300
Economy Lodge & Suites	133	1973	n/a	n/a
Super 8 - Cornhusker	133	1983	900	1,500
Airport Inn	127	1973	2,100	2,100
Chase Suites	120	1985	n/a	n/a
Hampton Inn Airport	110	1984	1,300	1,300
Staybridge Suites by Holiday Inn	109	1999	800	1,200
Howard Johnson Inn	106	1959	2,100	5,900
Ramada Inn Airport	105	1970	2,200	5,000

Note: Figures include data for properties offering more than 100 total guestrooms
n/a = not available
Source: Lincoln CVB, 2007

As presented, Lincoln currently provides 12 hotel facilities offering in excess of 100 total guestrooms. Of the 12 hotel properties, ten integrate some level of meeting or banquet space. Among them, an average of approximately 8,500 square feet is offered. Together, these properties provide more than 1,900 sleeping rooms within the community. The largest such property (in terms of both total guestrooms and total sellable space), the Cornhusker, provides nearly 300 guestrooms and approximately 31,000 total square feet of event space. The 252-room Embassy Suites, the newest among primary local hotels, offers a nearly 12,000-square foot ballroom, the largest contiguous upscale space offering among local hotels. Of the 12 local hotels providing in excess of 100 total guestrooms, ten incorporate some level of space.

It is also interesting to note that there have been no significant additions to the local hotel inventory in the past seven years. However, there are plans for a new 150-room extended stay property that may be developed near 14th and Q, near the University.

From a meeting planner's perspective, assembling a room block in as few properties as possible is critical, oftentimes not more than three to five hotels. Combining the three largest properties provides 772 total rooms. Assuming that a portion (70 percent) of these rooms would be committed for an event, the total room block that could be assembled approximates 540. In some cases, planners of larger events will be willing to book numerous properties, and in these cases the room block potential of Lincoln is significantly larger than 600 rooms.

III. Arena Analysis

Over the past decade, the United States has experienced rapid growth in the development of new sports venues. In recent years, a number of stadiums and arenas have been constructed at the professional, collegiate, and minor league levels. In this time, multipurpose minor league arenas have been built in markets of widely varying sizes and demographic compositions, from large metropolitan areas to suburbs to smaller, relatively isolated cities. This section will focus on the physical and operational characteristics of existing arenas in markets that could be considered competitive and/or comparable with a new arena in Lincoln. Additionally, a variety of factors have been analyzed in order to provide an estimate for potential event levels and attendance at a new Arena in Lincoln and to assist in identifying the physical characteristics and amenities that should be incorporated into the building plan.

Competitive/Regional Arena Facilities

A new Arena in Lincoln could potentially compete with facilities throughout the region for a variety of traveling concerts, family shows and other such events, and for the entertainment spending dollars of regional residents. Within this section, a number of facilities that could potentially compete with the proposed Arena are identified and discussed. Information with regard to seating capacities, configuration, historical event usage and rental rates has been compiled in order to gain an understanding of the event and facility market in the region. Exhibit III-1 provides a summary of the five competitive/regional arenas discussed within this section.

Exhibit III-1
Competitive/Regional Arenas

Venue	Location	Concert Capacity	Year Opened	Distance to Lincoln
Qwest Center Omaha	Omaha, NE	18,300	2003	60 miles
Mid-America Center	Council Bluffs, IA	8,500	2002	65 miles
Tyson Event Center	Sioux City, IA	10,110	2003	150 miles
Wells Fargo Arena	Des Moines, IA	17,170	2005	190 miles
Sprint Center	Kansas City, MO	18,000	2007	190 miles

As presented, there are more than 70,000 total arena seats available within 200 miles of Lincoln among arena venues constructed in the past five years. Through research of existing facility databases, information received from various publications and discussions with facility management, information was gathered on these arenas, including physical characteristics, event levels, rental rates and other developmental and operational issues. Based on this research, we have developed case studies with regard to each of the identified venues, as presented on the following pages.

Qwest Center
Omaha, Nebraska

The Qwest Center is located in Omaha, Nebraska, approximately 60 miles northeast of Lincoln. The complex includes a convention center and an arena with a capacity of 16,680 for hockey, 17,560 for basketball and 18,300 for concerts. The arena opened in 2003, while the convention center portion of the complex opened in 2004. The complex is owned and operated by the Metropolitan Entertainment and Convention Authority (MECA). The arena has two collegiate tenants, Creighton University men's basketball and University of Nebraska-Omaha men's hockey.

According to facility management, the Center hosted 89 events in its first 12 months of operations, drawing total attendance of approximately 780,000. Included in that total were 27 concerts with an average attendance of 10,300, along with 37 tenant sports events, 19 family show performances and six other events. Qwest Center management indicated that the facility has allowed the Omaha market to host several events that would not have come to Omaha in the past, including a number of major concerts, Disney on Ice and the Ringling Brothers/Barnum and Bailey Circus.

Qwest Center
Omaha, NE

Year Opened	2003
Manager	MECA
Tenants	NCAA
Distance from Lincoln	60
Capacity:	
Concerts	18,300
Ice Events	16,680
Basketball	17,560
Annual Events:	
Tenant	37
Non-Tenant	52

The facility offers two rental packages. The first is a $25,000 flat rate, which includes all expenses. The second is based on 15 percent of gross gate receipts plus event expenses. Due to the Center's success in drawing major concerts to Omaha, it may present a potential Arena in Lincoln with some level of competition for those events.

Annual Events - Qwest Center

Tenant Sports	Concerts	Family/ Ice Shows	Non-Tenant Sports	Community/ Religious	Other	Total
37	27	19	3	n/a	3	89

Mid-America Center
Council Bluffs, Iowa

The Mid-America Center is located in Council Bluffs, Iowa, a suburb of Omaha, Nebraska. The arena provides seating capacities of approximately 6,800 for hockey, 7,000 for basketball and up to 8,500 for concerts. The Center is part of a complex that opened in 2002 and, like the Qwest Center and Wells Fargo Arena, also includes a convention center. The complex is owned by the City of Council Bluffs and is operated by SMG. The arena has one primary tenant, the Omaha Lancers of the USHL.

The Center's premium seating offerings include 12 private suites, each of which has 12 seats. All suites are leased on five-year contracts with an annual price of $13,000 per year. The suite price includes 12 Lancers season tickets, as well as amenities such as VIP parking and optional in-suite catering. The facility also incorporates 200 club seats sold on three-year contracts at a price of $875 per year, which includes tickets to all Lancers home games, access to a private club, VIP parking passes and the first option to purchase tickets for other events held at the Center.

Mid-America Center
Council Bluffs, IA

Year Opened	2002
Manager	SMG
Tenants	USHL
Distance from Lincoln	65
Capacity:	
Concert	8,500
Ice Events	6,800
Basketball	7,000
Annual Events:	
Tenant	40
Non-Tenant	86

In addition to suites and club seats, the Center implemented a personal seat license plan for seats in prime center ice location. Approximately 560 personal seats are available at a cost of $485 per year for a three-year contract. Personal seat holders do not receive access to a private club, but receive Lancers season tickets and the first right to purchase tickets for their seats for other events.

In a recent year, the Center hosted a total of 126 events, consisting of 40 Lancers games, six non-tenant sporting events, 12 concerts, ten family/ice shows and 39 other events. The Center's published rental rate is the greater of $2,750 per day or 12 percent of gross gate receipts.

Annual Events - Mid-America Center

Tenant Sports	*Concerts*	*Family/ Ice Shows*	*Non-Tenant Sports*	*Community/ Religious*	*Other*	*Total*
40	*12*	*10*	*6*	*19*	*39*	*126*

Tyson Events Center
Sioux City, Iowa

As detailed in the Competitive Facilities section, the Tyson Events Center in Sioux City, Iowa has a capacity of approximately 6,100 for basketball, 6,800 for hockey and football and up to 10,110 for concerts.

Premium seating offerings at the Tyson Events Center include 27 private suites selling at an annual price of $12,500 for a half suite or $25,000 for a full suite seating up to 26 guests. The suite price does not include event tickets. The facility has two minor league sports tenants, the Musketeers of the USHL and the Bandits of the NIFL.

As noted previously, the Center has hosted eight concerts with paid attendance ranging from 1,700 to 8,100 and averaging 5,700, along with a variety of family shows, non-tenant sports events and other events in its first 10 months of operations.

In a recent year, the facility hosted approximately 72 total events, consisting of 37 tenant sporting events, ten concerts, ten family show performances, 12 non-tenant sports events and three community/religious events. The arena's rental rate is based on a calculation that considers the greater of $2,200 versus 10 percent of gross gate receipts.

Tyson Events Center
Sioux City, IA

Year Opened	2003
Manager	City
Tenants	USHL, NIFL
Distance from Lincoln	150
Capacity:	
Concert	10,110
Ice Events	6,800
Basketball	6,100
Annual Events:	
Tenant	37
Non-Tenant	35

Annual Events - Tyson Events Center

Tenant Sports	Concerts	Family/ Ice Shows	Non-Tenant Sports	Community/ Religious	Other	Total
37	10	10	12	3	n/a	72

Wells Fargo Arena
Des Moines, Iowa

Wells Fargo Arena is part of the Iowa Events Center, a complex in Des Moines, Iowa, approximately 190 miles northeast of Lincoln. The Events Center opened in 2005 and also includes Hy-Vee Hall, Veterans Memorial Coliseum and the Polk County Convention Complex, which is located about three blocks south of the main complex. The complex is owned by Polk County. The Arena's capacity is 15,600 for ice events, 16,600 for basketball and up to 17,170 for concerts. The facility's anchor tenant is the Iowa Stars of the American Hockey League and in Fall 2007 will become home to Iowa Energy of the National Basketball Association Developmental League.

The Arena's premium seating offerings include 36 private suites, each of which has 12 seats. Suites are priced between $40,000 and $60,000 annually and include 12 Stars season tickets, four parking passes, the right of first refusal on non-hockey events and the opportunity to purchase up to five additional tickets for any Arena event. The facility also incorporates 600 club seats, which are sold on two, three or four year contracts at an annual price of $1,400 to $1,700 depending on the length of lease agreement signed. Included in the price is a ticket to each Stars home game, first option to purchase tickets for other events at the Arena, access to a private club lounge and one parking pass with each package of four seats purchased.

Wells Fargo Arena
Des Moines, IA

Year Opened	2005
Manager	Global Spectrum
Tenants	AHL, NBDL
Distance from Lincoln	190
Capacity:	
Concert	17,170
Ice Events	15,600
Basketball	16,600
Annual Events:	
Tenant	46
Non-Tenant	83

During the 2006-2007 fiscal year, the Arena hosted a total of 129 events, consisting of 46 Stars games, 24 non-tenant sporting events, 18 concerts, 24 family/ice shows, two community/religious events and several other events.

Annual Events - Wells Fargo Arena

Tenant Sports	*Concerts*	*Family/ Ice Shows*	*Non-Tenant Sports*	*Community/ Religious*	*Other*	*Total*
46	*18*	*24*	*24*	*2*	*15*	*129*

Sprint Center
Kansas City, Missouri

The Sprint Center is a large, multi-use indoor arena that opened fall 2007 in downtown Kansas City. The facility seats 18,500 people and has 72 suites. The Kansas City Brigade of the Arena Football League recently agreed to move to the Sprint Center starting with the 2008 season.

The facility is expected to become Kansas City's home for concerts, family shows sporting and other special events. Further, facility representatives believe the Center will allow Kansas City to be competitive in attracting Big 12 postseason basketball tournament play, NCAA Championship events and Final Four events. In fact, it was recently announced that the Center will host the 2008 Big 12 Conference men's basketball tournament, in addition to the First and Second Rounds of the 2009 NCAA Men's Basketball Tournament and the regional rounds of the 2010 NCAA Women's Basketball Tournament. The city has also entered into discussions with the NHL and the NBA regarding possible expansion or relocation of a professional hockey and/or basketball franchise to the arena.

Sprint Center
Kansas City, MO

Year Opened	2007
Manager	AEG
Tenants	AFL
Distance from Lincoln	190
Capacity:	
Concert	23,750
Ice Events	18,500
Basketball	18,500
Annual Events:	
Tenant	n/a
Non-Tenant	n/a

The $276 million public/private project is being funded in part by the city of Kansas City, which contributed $184 million up front and up to $16 million more if necessary. The revenues for the city's share will come from a $1.50 business fee applied to hotel rooms and $4.50 increase in the daily car rental tax approved by voters in August 2006. There also will be a 2.275 percent user fee on all ticket sales for events held at the Center.

Under the agreement, AEG, the facility operator, will make a $50 million financial commitment to the project and will assist the City in attracting an anchor tenant for the arena. AEG will also cover any construction overruns. Sprint has made a commitment to pay up to $2.5 million per year for 25 years for the naming rights to the downtown arena. Among other things, Sprint will receive rights to develop and create unique and exclusive branding opportunities in addition to external signage, advertising and collateral materials and access to select hospitality, arena services and amenities. Sprint also will be the official telecommunications provider for Sprint Center, providing all telecommunications services for the arena. The National Association of Basketball Coaches has agreed to provide $10 million in financing.

Comparable Arena Facilities

This section focuses on the physical and operational characteristics of existing newer arena facilities in markets that could be considered comparable to Lincoln. In particular, the facilities reviewed consist of arenas with at least 5,000 seats that have been built since 1997 in markets with CBSA populations less than 500,000. A summary of the ten arenas discussed within this section is presented in Exhibit III-2.

Exhibit III-2
Recently built Arenas in Markets with
CBSA Populations of Less Than 500,000

Venue	Location	CBSA Population	Concert Capacity	Year Opened	Tenants
American Bank Center	Corpus Christi, TX	416,500	10,500	2004	CHL, af2, NCAA
Verizon Wireless Arena	Manchester, NH	406,200	11,000	2001	AHL, af2
Sovereign Center	Reading, PA	403,200	9,000	2001	ECHL, AIFA, PBL
Ford Park Event Center	Beaumont, TX	387,400	9,700	2003	ECHL, NIFL
Sovereign Bank Arena	Trenton, NJ	370,200	10,500	1999	ECHL
Crown Coliseum	Fayetteville, NC	347,400	13,500	1997	SPHL, AIFA
Resch Center	Green Bay, WI	301,900	10,000	2002	USHL, af2, NCAA
Budweiser Events Center	Loveland, CO	275,600	7,200	2003	CHL
Tim's Toyota Center	Prescott Valley, AZ	210,400	6,200	2006	CHL, AIFA
John Paul Jones Arena	Charlottesville, VA	190,300	15,219	2006	NCAA
Average		**330,900**	**10,300**		
Proposed Arena	**Lincoln**	**285,700**			

Source: Claritas, Inc. 2007, facility publications

As presented, a total of ten identified markets with a population of less than 500,000 have opened new arenas since 1995. Among these venues, total seating capacities range from 6,200 to 15,219. Every market hosts at least one, and up to three, professional sports tenants.

Through research of existing facility databases, information collected through various publications and discussions with and data provided by facility management, information was gathered on these arenas, including physical characteristics, event levels, rental rates and other developmental and operational issues. Based on this research, we have developed case studies with regard to each of the identified venues, as presented on the following pages.

American Bank Center
Corpus Christi, Texas

The American Bank Center opened in Corpus Christi, Texas in October 2004 provides seating capacities of approximately 8,200 for hockey and up to 10,500 for concerts. The facility is owned by the City of Corpus Christi and is managed by SMG. The Corpus Christi Ice Rays of the Central Hockey League ("CHL") are the building's primary tenant. Texas A&M University's Corpus Christi ("TAMCC") campus utilizes the building for its men's and women's basketball games and in 2007 became home to the arenafootball2 (af2) league's Corpus Christi Sharks.

American Bank Center
Corpus Christi, TX

Year Opened	2004
Manager	SMG
Tenants	CHL, af2, NCAA
Capacity	10,500
Private Suites	11
Club Seats	302
Annual Events:	
Tenant	62
Non-Tenant	65

The Center incorporates 11 private suites with capacities ranging from 10 to 14 seats. Suites are available for three and five year contracts, and are being packaged with signage and other sponsorship opportunities. The suite and signage packages range in price from $75,000 to $150,000 per year, with the suite comprising $40,000 of that total. The suite package includes tickets to all tenant hockey and basketball games played in the arena. Any suites that do not sell as part of larger sponsorship packages will be sold on a single year basis.

In addition to suites, the arena also includes 302 club seats, which can be purchased for three or five years. The price of a three-year license is $2,000 per year, while a five-year contract has an annual cost of $1,900. The price includes season tickets for each tenant and the first right of refusal to purchase tickets to other arena events.

While arena management was not able to provide detailed event projections, they estimate that the arena will host approximately 127 events per year, including 62 tenant sporting events and 56 other events, with total attendance approximating 350,000 patrons. Rental rates for ticketed events will consist of an all-inclusive flat fee of $25,000 for a half house show, $35,000 for a ¾-house or $50,000 for a full house event.

Annual Events - American Bank Center

Tenant Sports	*Concerts*	*Family/ Ice Shows*	*Non-Tenant Sports*	*Community/ Religious*	*Other*	*Total*
62	*16*	*12*	*17*	*13*	*7*	*127*

Verizon Wireless Arena
Manchester, New Hampshire

The Verizon Wireless Arena opened in 2001 in Manchester, New Hampshire and serves as the home of the American Hockey League's Manchester Monarchs and the af2 Manchester Wolves. The facility's capacity ranges from 10,000 for ice events to 11,000 for concerts. The arena is owned by the City of Manchester and operated by SMG.

The Arena incorporates premium seating in the form of 34 private suites and 600 club seats. Suites are leased on five to ten year contracts at a price of $37,500 per year, which includes tickets to all Arena events. Club seats are priced at $1,600 per year, which includes tickets to all Monarchs games, as well as the first right of refusal to purchase tickets to other events at the Arena.

The Arena hosted 127 events in a recent year, including 43 tenant sports events, 19 concerts, 40 family show performances, eight non-tenant sports events, three community events and 14 other events.

The arena is located in downtown Manchester. Manchester's downtown area was struggling to attract and retain businesses, resulting in a higher proportion of the property tax base being shouldered by residents. The Arena was conceived as a means of boosting the downtown area, thereby decreasing residents' share of property taxes. The City retained HOK Architects to evaluate 12 potential sites within the downtown area. The final site was selected due to its proximity to the downtown core, its location on a major downtown street and the presence of adequate parking spaces in close proximity.

Verizon Wireless Arena
Manchester, NH

Year Opened	2001
Manager	SMG
Tenants	AHL, af2
Capacity	11,000
Private Suites	34
Club Seats	600
Annual Events:	
Tenant	43
Non-Tenant	84

The Arena has been highly successful in attracting events and patrons, which has helped bring people to the downtown area during evenings and weekends. Several major private developments have been completed in the downtown area since the Arena opened, including a $70 million hotel/condominium complex, a $33 million apartment complex and at least $10 million in smaller building rehabilitation projects. These projects have converted previously vacant or underutilized buildings into a variety of high quality restaurants, sports bars and other such businesses. Representatives of the Manchester

Development Commission indicated that the success of the arena helped encourage the City and private developers to invest additional dollars in the downtown area.

Annual Events - Verizon Wireless Arena

Tenant Sports	Concerts	Family/ Ice Shows	Non-Tenant Sports	Community/ Religious	Other	Total
43	19	40	8	3	14	127

Reading Sovereign Center
Reading, Pennsylvania

The Sovereign Center in Reading, Pennsylvania opened in 2001 and is home to the Reading Royals of the ECHL (formerly the East Coast Hockey League), the Reading Express of the American Indoor Football Association ("AIFA") and beginning in January 2008 will be home to the Reading Railers of the Premier Basketball League. The facility, which is owned by the Berks County Convention Center Authority and operated by SMG, has a capacity ranging from 7,000 for ice events to up to 9,000 for concerts.

Sovereign Center
Reading, PA

Year Opened	2001
Manager	SMG
Tenants	ECHL, AIFA, PBL
Capacity	9,000
Private Suites	20
Club Seats	701
Annual Events:	
Tenant	45
Non-Tenant	60

The Center offers 20 private suites, each of which hold 10 to 14 guests. The suites can be leased on three or five year terms with an average price of $35,000, which includes tickets to all Royals home games. The facility also incorporates 701 club seats priced at $825, which includes Royals season tickets and the first right of refusal to purchase tickets to other events held at the Center.

The Sovereign Center hosted 105 events in a recent year, including 45 tenant sports events, 14 concerts, 26 family show performances, four non-tenant sports events, four community events and 12 miscellaneous events. The arena's rental rate is the greater of $4,500 per day versus 12 percent of gross gate receipts.

Annual Events - Reading Sovereign Center

Tenant Sports	Concerts	Family/ Ice Shows	Non-Tenant Sports	Community/ Religious	Other	Total
45	14	26	4	4	12	105

Ford Arena
Beaumont, Texas

Ford Arena in Beaumont, Texas opened in November 2003 and is the home of the Texas Wildcatters of the ECHL and the Beaumont Drillers of the National Indoor Football League. The Arena's capacity is 8,200 for hockey and up to 9,700 for concerts. The facility is part of the Ford Park complex, which is owned by Jefferson County, operated by SMG and also includes an exhibition hall and an outdoor concert pavilion.

Ford Arena
Beaumont, TX

Year Opened	2003
Manager	SMG
Tenants	ECHL, NIFL
Capacity	9,700
Private Suites	15
Club Seats	750
Annual Events:	
Tenant	38
Non-Tenant	51

The Arena offers premium seating in the form of 15 suites priced at $35,000 per year, which includes 12 tickets to all arena events. The facility also incorporates 750 club seats with an annual price of $754. The club seat price includes Wildcatters season tickets and the first right of refusal to purchase tickets to other Arena events.

In its first year of operations, the arena hosted 89 event performances, including 38 tenant hockey games, 17 concerts, 23 family shows, eight non-tenant sports events two community events and one other event. The facility's rental rate is the greater of $3,500 or 12 percent of gross ticket sales.

Annual Events - Ford Arena

Tenant Sports	Concerts	Family/ Ice Shows	Non-Tenant Sports	Community/ Religious	Other	Total
38	17	23	8	2	1	89

Sovereign Bank Arena
Trenton, New Jersey

Located in Trenton, New Jersey, Sovereign Bank Arena has a capacity of 8,100 for ice events and 10,500 for concerts. The Arena, which serves as the home of the Trenton Titans of the ECHL, is owned by Mercer County and is operated by Global Spectrum.

The Arena incorporates 32 private suites priced at $47,500, which includes tickets to all Arena events. The facility also offers 1,150 club seats, sold at a price of $973, which includes Titans season tickets and the first right of refusal to purchase tickets to other Arena events.

The Arena hosted 150 events in a recent year, including approximately 40 tenant sports events, 20 concerts, 45 family show performances, five non-tenant sports events, 20 community events and 20 miscellaneous events. The facility charges a rental rate of the greater of $5,000 or 12 percent of gross gate receipts.

Sovereign Bank Arena
Trenton, NJ

Year Opened	1999
Manager	Global Spectrum
Tenants	ECHL, NIFL
Capacity	10,500
Private Suites	32
Club Seats	1,150
Annual Events:	
Tenant	40
Non-Tenant	110

Annual Events - Sovereign Bank Arena

Tenant Sports	Concerts	Family/ Ice Shows	Non-Tenant Sports	Community/ Religious	Other	Total
40	20	45	5	20	20	150

Crown Coliseum
Fayetteville, North Carolina

The Crown Coliseum is part of the Cumberland County Coliseum Complex in Fayetteville, North Carolina. The complex includes a 5,500-seat arena, a 2,430-seat auditorium, a 60,000 square foot exposition center and the Crown Coliseum, which has capacities of 13,500 for concerts, 10,100 for ice events and 11,200 for basketball. The Coliseum was built in 1997 and serves as the home of the Southern Professional Hockey League Fayetteville Force and the Fayetteville Guard of the American Indoor Football Association.

The Coliseum incorporates 10 private suites, each of which has 22 seats. Suite holders have two price options, depending on the ticket package associated with their suite. The first package includes tickets to all tenant sporting events and is priced at $12,500 per year, while the second package includes tickets to all arena events at a cost of $25,000 per year. Facility management indicated that all but one suite holder has chosen the $12,500 option.

Crown Coliseum
Fayetteville, NC

Year Opened	1997
Manager	County
Tenants	SPHL, AIFA
Capacity	13,500
Private Suites	10
Club Seats	660
Annual Events:	
Tenant	58
Non-Tenant	92

The Coliseum also incorporates 660 club seats with an annual price of $175, which does not include any tickets, but entitles the seat holder to have the first right of refusal to purchase tickets to non-tenant events held at the arena, as well as the adjacent theater. All suite and club seat holders have access to the Crown Club lounge during events.

According to facility management, the Coliseum hosts approximately 150 events in a typical year, consisting of 58 tenant sports events, 15 concerts, 13 family show performances, eight non-tenant sports events, 20 community events and 36 miscellaneous events. The Coliseum's rental rate is the greater of $3,000 or 12 percent of gate receipts.

Annual Events - Crown Coliseum

Tenant Sports	Concerts	Family/ Ice Shows	Non-Tenant Sports	Community/ Religious	Other	Total
58	15	13	8	20	36	150

Resch Center
Green Bay, Wisconsin

The Resch Center, located in Green Bay, Wisconsin, opened in August 2002. The facility offers seating capacities of 8,500 for sporting events and 10,000 for concerts, and serves as the home of the United States Hockey League's Green Bay Gamblers, the University of Wisconsin-Green Bay men's basketball team, and the af2 Green Bay Blizzard. The arena is owned by Brown County and is operated by PMI, a Wisconsin-based management company.

The Resch Center's premium seating offerings include 25 suites and 608 club seats. The suites can be leased on five year contracts, with annual prices ranging from $30,000 to $35,000, which includes tickets to UWGB basketball games. Club seats are leased on three or five year contracts at a price of $1,000 per seat per year. The club seat price includes tickets to four events each year: one sporting event, one concert, one family show, and one other event. Club seat holders also have the right to purchase season tickets for the arena's tenant sports at discounted prices.

Resch Center
Green Bay, WI

Year Opened	2002
Manager	PMI
Tenants	USHL, af2, NCAA
Capacity	10,000
Private Suites	25
Club Seats	608
Annual Events:	
Tenant	54
Non-Tenant	65

In a recent year, the Resch Center hosted approximately 119 events, including 30 Gamblers games, 16 UWGB games, eight Blizzard games, 17 concerts, 18 family show performances, 18 non-tenant sporting events, 10 community/religious events and two miscellaneous events. The facility charges a flat rental rate for concerts and other such events. The rate varies from $15,000 to $45,000 per concert.

Annual Events - Resch Center

Tenant Sports	Concerts	Family/ Ice Shows	Non-Tenant Sports	Community/ Religious	Other	Total
54	17	18	18	10	2	119

Budweiser Events Center
Loveland, Colorado

Located in Loveland, Colorado, the Budweiser Events Center opened in late 2003. The facility is owned by Larimer County, is operated by Global Spectrum and has a capacity of 5,350 for ice events and 7,200 for concerts. The Center has one tenant sports franchise, the Colorado Eagles of the CHL.

Budweiser Events Center
Loveland, CO

Year Opened	2003
Manager	Global Spectrum
Tenants	CHL
Capacity	7,200
Private Suites	24
Club Seats	777
Annual Events:	
Tenant	35
Non-Tenant	78

Premium seating at the Center includes 24 private suites priced at $33,000 to $50,000 per year, with an average price of approximately $41,500. The suite price includes tickets to all events. The Center also offers 777 club seats with prices ranging from $844 to $1,040 and averaging $950. Club seat holders receive Eagles season tickets, the first right of refusal to purchase their seats for other events, in-seat wait service and exclusive access to a club lounge during events.

Management estimates that the facility hosts approximately 113 events annually, including 35 tenant sports events, 12 concerts, 18 family show performances, 13 non-tenant sports events, six community events and 29 miscellaneous events, including several equestrian shows and other events related to the Larimer County Fair.

According to Larimer County representatives, Events Center planners underestimated the size of arena that could be supported in the area. The hockey tenant's league had recommended a seating capacity of no more than 3,500 in order to avoid playing to a less than capacity crowd. However, despite the actual hockey capacity of 5,200, the tenant hockey team sold out all of its games in its first season. The maximum concert capacity allows the arena to host B-level concert acts but precludes them from hosting A-level concerts.

Annual Events - Budweiser Events Center

Tenant Sports	Concerts	Family/ Ice Shows	Non-Tenant Sports	Community/ Religious	Other	Total
35	12	18	13	6	29	113

Tim's Toyota Center
Prescott Valley, Arizona

Tim's Toyota Center opened in November 2006 in Prescott Valley, Arizona and is managed by Global Spectrum. The facility has a capacity of 5,100 for sporting events and 6,200 for concerts and serves as the home of the Arizona Sundogs of the CHL and beginning in January 2008 will be home to an expansion team of the AIFA.

Tim's Toyota Center
Prescott Valley, AZ

Year Opened	2006
Manager	Global Spectrum
Tenants	CHL, AIFA
Capacity	6,200
Private Suites	22
Club Seats	400
Annual Events:	
Tenant	n/a
Non-Tenant	n/a

The Center incorporates 22 suites, each of which offers between eight and 16 total seats, and 400 club seats. The suites can be leased on three or seven year contracts, with annual prices ranging from $2,100 to $13,400 depending on the size and location of the suite and the length of the lease contract. Club seats are leased on two, three or five year contracts at a price of $750 per seat plus a one-time seat license fee of $350 on a two-year contract, $300 on a three-year contract or $250 on a five-year contract. Club seat holders have the right of first refusal for to purchase their seats for other events, in-seat wait service, exclusive access to a club lounge during events and VIP parking.

As Tim's Toyota Center recently completed their inaugural year of operations, a complete year's worth of event data was not available.

John Paul Jones Arena
Charlottesville, Virginia

Home of the University of Virginia men's and women's basketball teams, the John Paul Jones Arena opened in August 2006 in Charlottesville, Virginia. The $130 million facility is owned by the University of Virginia and is managed by SMG. The Arena offers a total seating capacity of approximately 15,200.

The Arena's premium seating offerings include 20 suites, each with 16 seats. The suites can be leased on contracts ranging from five to ten years and cost between $65,000 and $75,000 annually. Suite prices include tickets to all of the University of Virginia's Men's and Women's basketball games and the right of first refusal for other events held at the Arena. However, the Arena does not offer club seating. The Arena also provides 112 courtside seats that require a $250,000 per seat donation and includes tickets to all University events held at the venue for a 20-year period.

John Paul Jones Arena
Charlottesville, VA

Year Opened	2006
Manager	SMG
Tenants	NCAA
Capacity	15,219
Private Suites	20
Club Seats	none
Annual Events:	
Tenant	38
Non-Tenant	38

Since opening, the Arena has hosted 38 tenant events and 38 non-tenant events such as Ringling Brothers Circus, Blue Man Group, Disney on Ice: Princess Classics, The Dave Matthews Band and Cirque Du Soleil *Dilirium*.

Annual Events - John Paul Jones Arena

Tenant Sports	*Concerts*	*Family/ Ice Shows*	*Non-Tenant Sports*	*Community/ Religious*	*Other*	*Total*
38	*21*	*10*	*1*	*--*	*6*	*76*

Summary

Within this section, various physical and operational characteristics of a number of recently built arenas in comparable mid-sized markets have been presented. Exhibit III-3 summarizes this information.

Exhibit III-3
Comparable Arena Comparison

	American Bank Center	Verizon Wireless Arena	Sovereign Center	Ford Arena	Sovereign Bank Arena
Location	Corpus Christi, TX	Manchester, NH	Reading, PA	Beaumont, TX	Trenton, NJ
Year Opened	2004	2001	2001	2003	1999
Management	Contract	Contract	Contract	Contract	Contract
25-Mile Demographics:					
Population	384,200	953,900	924,000	389,200	2,774,100
Median Household Income	$37,300	$49,700	$46,500	$35,600	$50,800
Arena Configuration:					
Concert Capacity	10,500	11,000	9,000	9,700	10,500
Luxury Suites	11	34	20	15	32
Club Seats	302	600	701	750	1,150
Tenants	CHL, af2, NCAA	AHL, af2	ECHL, AIFA, PBL	ECHL, NIFL	ECHL
Tenant Events	62	43	45	38	40
Non-Tenant Events	65	84	60	51	110

	Crown Coliseum	Resch Center	Budweiser Events Center	Tim's Toyota Center	John Paul Jones Arena	Average
Location	Fayetteville, NC	Green Bay, WI	Loveland, CO	Prescott Valley, AZ	Charlottesville, VA	
Year Opened	1997	2002	2003	2006	2006	
Management	Public	Contract	Contract	Contract	Contract	
25-Mile Demographics:						
Population	463,800	380,700	594,100	169,300	249,300	728,300
Median Household Income	$35,400	$35,400	$45,900	$36,900	$41,500	$41,500
Arena Configuration:						
Seating Capacity	13,500	10,000	7,200	6,200	15,219	10,300
Luxury Suites	10	25	24	22	20	21
Club Seats	660	608	777	400	0	590
Tenants	SPHL, AIFL	USHL, af2, NCAA	CHL	CHL, AIFA	NCAA	
Tenant Events	58	54	35	n/a	38	46
Non-Tenant Events	92	65	78	n/a	38	71

As shown, the facilities discussed in this section have an average capacity of approximately 10,300, with suite and club seat inventories averaging 21 and 590, respectively.

Of the ten facilities analyzed, only one is publicly managed by the city or county in which the arena is located. Of the remaining nine facilities, five are managed by SMG, three are managed by Global Spectrum and one is managed by PMI.

Each facility has at least one sports tenant, including minor league hockey, arena/indoor football and/or collegiate sporting events. In total, the facilities host an average of approximately 117 total events annually, of which 46 are typically tenant events and 71 are non-tenant events.

Exhibit III-4 presents further detail on available event level data among the facilities considered in this analysis.

Exhibit III-4
Comparable Arena Event Levels

	Tenant Sports	Concerts	Family/ Ice Shows	Non-Tenant Sports	Community/ Religious	Other	Total
Crown Coliseum	58	15	13	8	20	36	150
Sovereign Bank Arena	40	20	45	5	20	20	150
Verizon Wireless Arena	54	21	23	9	10	9	126
Resch Center	54	17	18	18	10	2	119
Budweiser Events Center	35	12	18	13	6	29	113
Ford Arena	38	17	23	8	2	1	89
American Bank Center	55	9	6	12	0	1	83
CenturyTel Center	43	13	16	2	3	5	82
John Paul Jones Arena	38	21	10	1	0	6	76
Average	46	16	19	8	8	12	110

Note: Tim's Toyota Center just recently completed a full year of operations and was unable to provide event history and therefore was excluded from this analysis.
Source: Facility interviews and industry periodicals

As presented, while tenant sports often represent an arena's most consistent source of events, many of the facilities reviewed host a significant number of other events. On average, comparable arenas have hosted approximately 46 annual tenant events and 64 annual non-tenant events. Concerts and family/ice shows comprise the majority of non-tenant events held at comparable arenas, averaging approximately 16 and 19, respectively.

While comparisons with the facilities described within this section may be useful, the actual physical characteristics and ultimate operational philosophy adopted by the proposed arena will depend on the specific needs and preferences of primary tenants, whether or not the University is a participant, and the particular market characteristics of the Lincoln area. In addition, factors such as the desire to emphasize community events to benefit the region's population as a whole will need to be weighed by the City against the need to generate acceptable revenue levels. In developing a building program and utilization plan for the arena, the developers may look to these comparable facilities as general benchmarks, but ultimately, must make their own decisions on how to best utilize the facility.

Market Demand Analysis

The purpose of the market demand analysis is to assist in planning the physical characteristics and amenities that should be incorporated into the building plan for a potential new arena in Lincoln. A variety of factors have been analyzed in order to gauge the ability of a new Arena to attract various events.

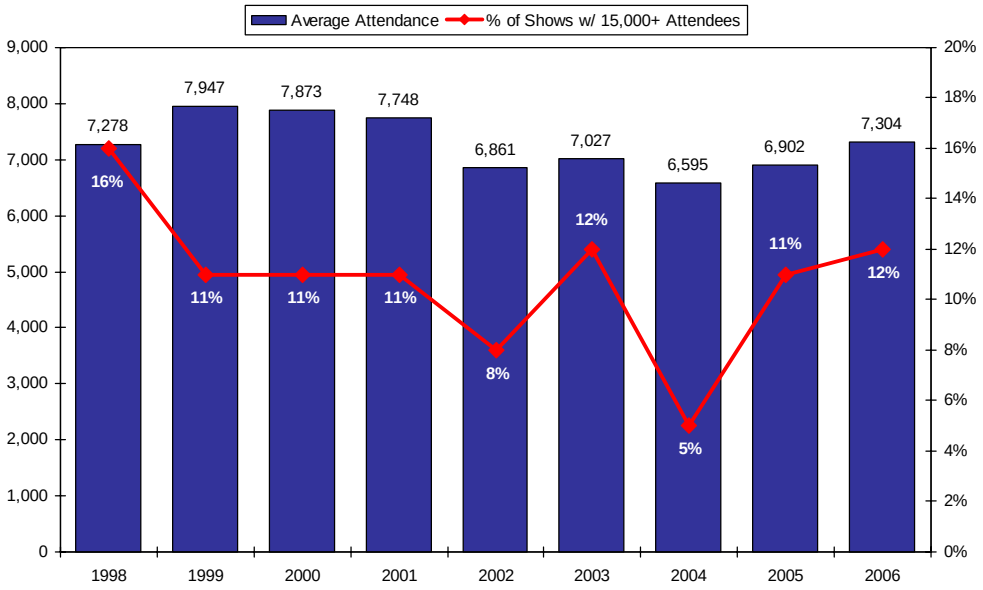
Some of the factors analyzed in this section include:

- Industry trends and characteristics analysis
- Demographic analysis
- Arena suite, club seat and capacity penetration analysis
- Potential events analysis

Industry Trends and Characteristics Analysis

The market success of an arena can be partially attributed to the characteristics of the industry as a whole. In order to assess the current and future strength of the market with regard to Lincoln, it is important to evaluate the industry nationwide. To begin, CSL has complied Pollstar data concerning historical concert attendance levels for the top 100 touring acts annually from 1998 through 2006. Exhibit III-5 summarizes the average attendance for these tours and the percentage of shows averaging more than 15,000 attendees.

Exhibit III-5
Average Attendance and Percentage of Tours Averaging More Than 15,000 Attendees – Top 100 Tours 1998-2006



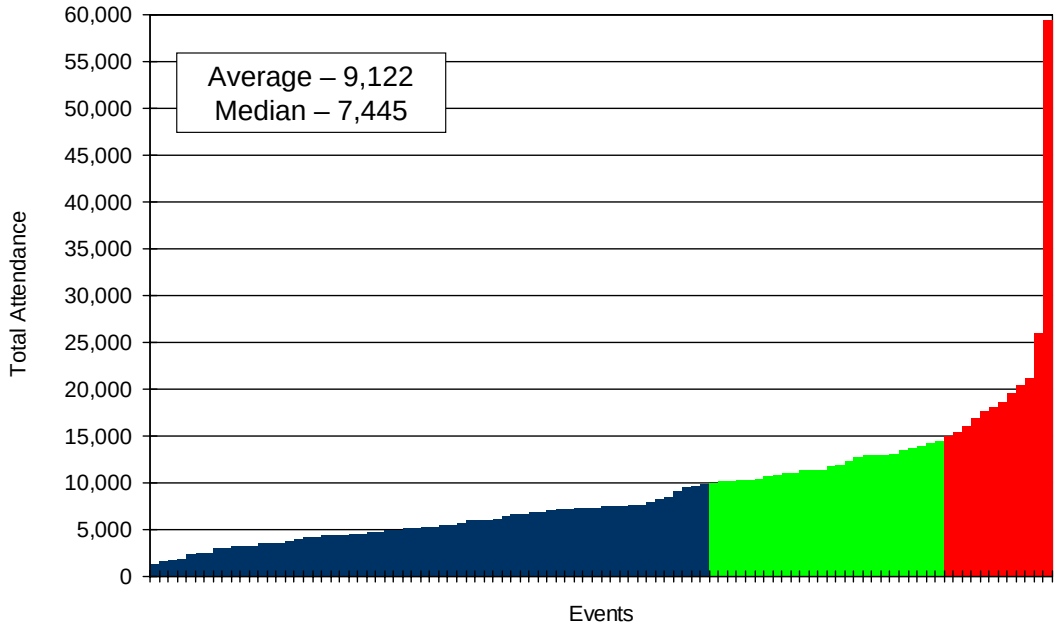
Source: Pollstar, 1998-2007

As shown, there appears to be broad consistency in average tour attendance. The top 100 drawing touring acts since 1998 draw an average attendance of between 6,600 and 7,950 per show, and no more than 16 percent of the top acts and as few as 5 percent averaged

more than 15,000 attendees per show. When reviewing the *top 50* touring acts since 1998, the average attendance per show ranges from approximately 11,000 to 13,000, and when reviewing the *top 25* touring acts this range increases only slightly more to between 13,700 and 16,400 per show. It is important to note that many of the largest tours are held in a variety of venues including stadiums, amphitheaters and arenas. As such, the increased capacity in some of these larger venues significantly increases the drawing potential of some of the top acts and the average attendance they attract per show.

In order to further analyze the drawing power of the top 100 touring acts we have analyzed the average number of tickets sold per show for the 2006 calendar year. Exhibit III-6 summarizes the results.

Exhibit III-6
Average Tickets Sold per Show –
Top 100 Tours 2006



Source: Pollstar, 2007

As presented, of the top 100 tours in 2006, 88 percent averaged fewer than 15,000 attendees per show and 62 percent averaged fewer than 10,000 attendees per show. On average, the top 100 tours in 2006 attracted approximately 9,122 people per show. Of the 12 touring acts that attracted more than 15,000 attendees per show, half of the tours did not play in markets comparable to Lincoln in terms of market size and facility offerings. These tours included: U2, The Dave Matthews Band, Roger Waters, Billy Joel, Depeche Mode and Barbra Streisand. Some of the comparable markets that the remaining tours visited included: Omaha, NE (The Rolling Stones), Greenville, SC (Bon Jovi), Grand Rapids, MI (Pearl Jam), and Selma, TX ("Ozzfest").

The exhibit below presents a summary the top touring acts in the United States in 2006, based on information contained in Pollstar's extensive industry database.

Exhibit III-7
Summary of Top US Touring Acts – 2006

	Tour	Avg. Attendance	Notes
	U2	58,174	Played in no comparable markets
	The Rolling Stones	34,878	Played in: Omaha (14,206); Nampa, ID (10,903); North Little Rock, AR (14,945)
	Dave Matthews Band	21,029	Played in no comparable markets
✓	**Bon Jovi**	**26,876**	**Played in: Fresno, CA (11,734); Greenville, SC (11,565); Oklahoma City (15,236)**
	Roger Waters	13,873	Played in no comparable markets
✓	**Pearl Jam**	**14,953**	**Played in: Albany, NY (13,724); Grand Rapids, MI (10,168)**
	Billy Joel	17,106	Played in no comparable markets
✓	**Kenny Chesney**	**18,307**	**Played in several comparable markets attracting between 8,400 and 24,700 people**
✓	**"Ozzfest"**	**16,903**	**Played in: Burgettstown, PA (18,361); Chula Vista, CA (9,484); Moosic, PA (11,962); Selma, TX (17,392)**
	Depeche Mode	17,801	Played in no comparable markets
	Barbra Streisand	15,291	Played in no comparable markets
✓	**Tim McGraw/ Faith Hill**	**15,001**	**Played in several comparable markets attracting between 7,900 and 20,500 people**

Note: Events in bold represent those that are considered to have a potential to come to Lincoln.
Source: Pollstar, 2007

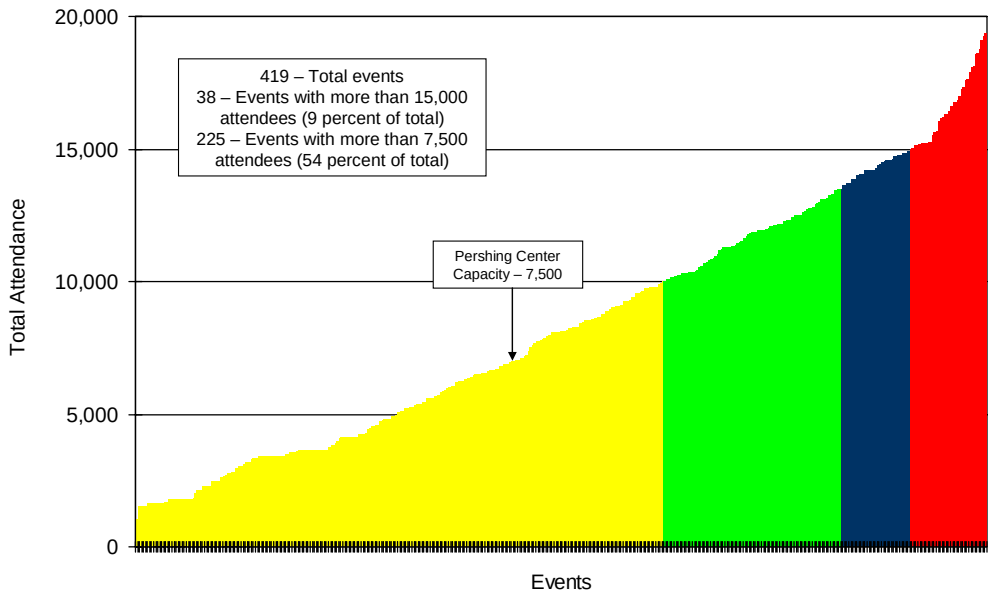
As presented, of the top 12 touring concert acts in the United States in 2006, average attendance varied widely, ranging from more than 58,000 for U2 (which benefited from playing large stadium venues worldwide), to smaller acts such as Roger Waters, which played to an average crowd of approximately 13,900. Of the 12 acts, it is estimated that less than half are considered to have the potential to come to Lincoln, based on the locations and attendance levels of their past events. These include performances such as Bon Jovi, Pearl Jam, Kenny Chesney, Ozzfest and Tim McGraw/Faith Hill. These acts played in venues drawing attendance as low as 7,900.

In an effort to better understand the specific characteristics associated with touring events that would potentially visit Lincoln, we reviewed the per-event attendance at four facilities in markets comparable to Lincoln. These facilities included:

- Bradley Center, Milwaukee, WI (concert capacity of 20,000)
- Ford Center, Oklahoma City, OK (concert capacity of 19,675)
- Qwest Center, Omaha, NE (concert capacity of 18,300)
- Wells Fargo Arena, Des Moines, IA (concert capacity of 17,170)

Exhibit III-8 presents the summary of the per event attendance levels at these venues since for every event listed since 1999.

Exhibit III-8
Total Per Event Attendance Among Touring Events Since 1999 – Comparable Arenas



Note: Data represents events that were reported to Pollstar that were hosted by the Bradley Center (Milwaukee, WI – capacity 20,000), Ford Center (Oklahoma City, OK – capacity 19,675), Qwest Center Omaha (Omaha, NE – capacity 18,300) or Wells Fargo Arena (Des Moines, IA – capacity 16,980) since 1999.

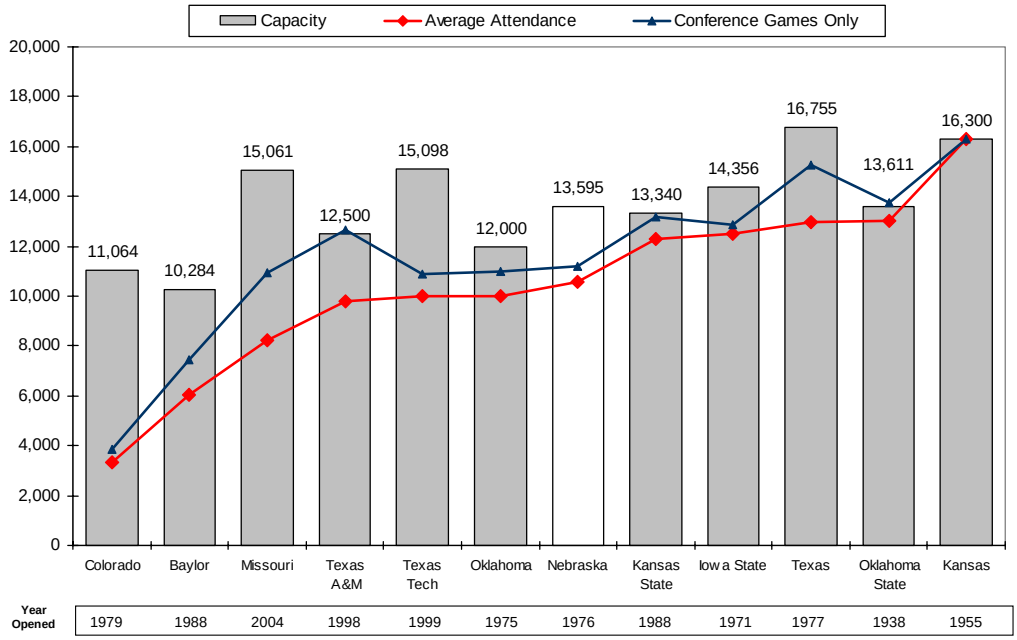
There have been 419 total touring events held at the four reviewed arenas since 1999 capturing a wide variety of attendee levels. Of these events, approximately nine percent (38 total events) were events attracting 15,000 attendees or more. Further, nearly 50 percent of these events attracted more people than what could be accommodated at the Pershing Center, which has a concert capacity of up to 7,500. It is also important to note that approximately 62 percent of events at these comparable facilities attracted fewer than 10,000 attendees per show.

Perhaps the most competitive facility with a potential Arena in Lincoln is Omaha's Qwest Center. Looking further at the touring events visiting the Qwest Center since 1999 shows that of the 176 total events, approximately five percent (nine total events) attracted more than 15,000 per event and approximately 14 percent (24 total events) would not have been able to fit within the Pershing Center. In fact, approximately 70 percent of all touring events with a show at the Qwest Center attracted fewer than 10,000 fans and nearly 50 percent of all touring events taking place at the Qwest Center attracted fewer than 5,000 attendees.

In addition to possibly attracting national touring acts, the proposed Arena in Lincoln has the potential to host a variety of University of Nebraska – Lincoln events, such as men's and/or women's basketball. Therefore, we have reviewed the capacity levels at arenas

that host other Big 12 Conference athletics and the average attendance for Men's Basketball home games at these respective facilities. Exhibit III-9 presents a summary of this analysis.

Exhibit III-9
Total Capacity and Average Home Game Attendance – Big 12 Conference Basketball Arenas



Source: Revenues From Sports Venues 2007 College Edition, www.big12sports.com

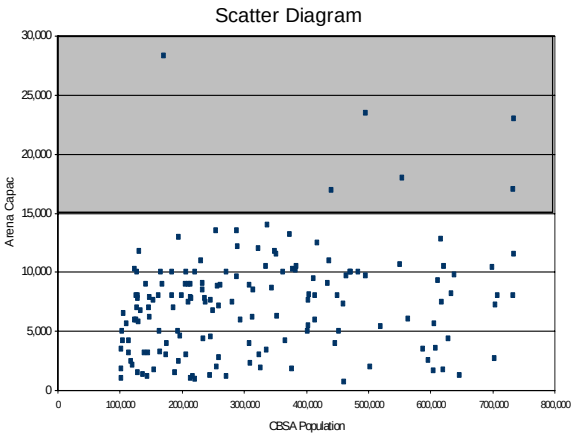
In terms of average attendance, the University of Nebraska – Lincoln men's basketball team is near the mid-point of the Big 12 Conference, selling an average of approximately 10,600 tickets per home game and approximately 11,200 tickets per conference home game. On average, the bottom six schools sell at approximately 62 percent of arena capacity, while the top five schools sell at approximately 90 percent of arena capacity.

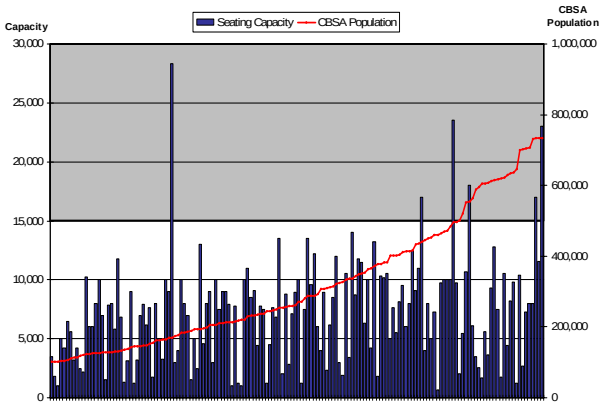
Nebraska sells at approximately 78 percent of capacity for all home games and approximately 82 percent for conference games. It is important to note that only four schools (Texas A&M, Kansas State, Oklahoma State and Kansas) average at or near a sell out for Big-12 Conference games and only three schools are currently playing at arenas built within the last ten years (Missouri – built in 2004, Texas A&M – built in 1998 and Texas Tech – built in 1999).

It is also useful to take a broad national perspective with respect to market size and facility offerings. To this end, we have assembled Core-Based Statistical Area ("CBSA") population data and the capacity for the single largest arena within that CBSA for nearly all national markets with CBSA populations between 100,000 and 750,000. Exhibit III-

10 summarizes this data for all such markets, excluding those with NCAA Division I facilities.

Exhibit III-10
Summary of Largest Arena among Cities with CBSA Population between 100,000 – 750,000 (excluding NCAA Division I Facilities)



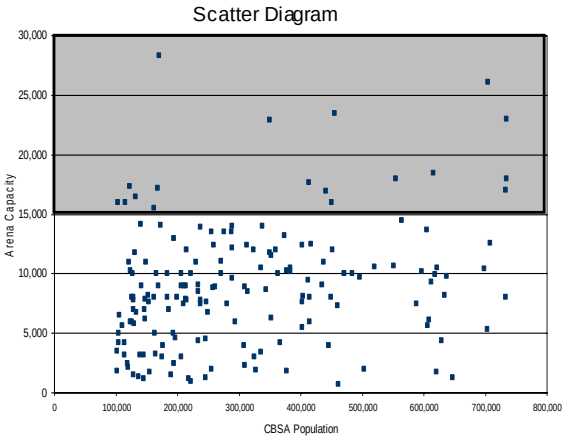


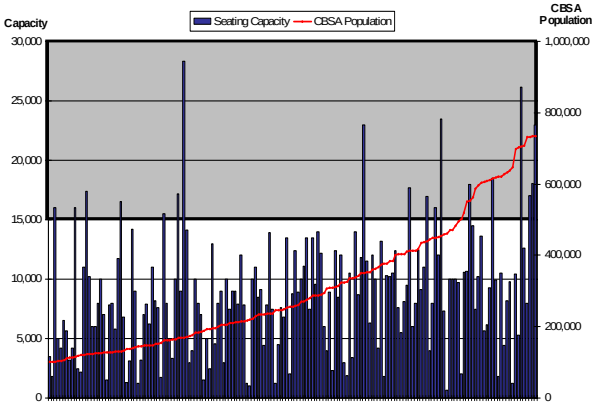
Source: Sales & Marketing Management, Billboard AudArena Guide, 2007

As shown in the exhibits above, there appears to be relatively little correlation between market size and arena capacity. However, with few exceptions, cities with CBSA populations of up to 750,000 do not typically provide public assembly facilities with seating capacities more than 15,000. In fact, only six out of 156 non-Division I markets nationally have an arena capacity over 15,000 seats. Excluding Division I facilities, approximately 55 percent of the markets provide arena capacities under 8,000 seats, while 82 percent provide arena capacities under 10,000 seats.

Exhibit III-11 presents the same type of data, with NCAA Division I facilities included.

Exhibit III-11
Summary of Largest Arena among Cities with CBSA Population between 100,000 – 750,000 (including NCAA Division I Facilities)





Source: Sales & Marketing Management, Billboard AudArena Guide, 2007

As shown, the hosting of an NCAA Division I tenant appears to have an impact on the sizing of arenas in the markets reviewed. In effect, if the arena hosts a Division I tenant, there is a greater likelihood that the facility provides more than 10,000 seats. In fact, an estimated 31 percent of the venues offer over 10,000 seats when NCAA Division I facilities are included. This compares to approximately 18 percent of venues offering more than 10,000 seats in markets without an NCAA Division I tenant.

There are several implications of this data as it pertains to future arena development in Lincoln. While the Pershing Center is significantly outdated, supporting large-capacity arena venues (over 12,000 seats) without NCAA Division I participation may be a difficult proposition from a market demand perspective. However, recognizing that the Devaney Center is also somewhat outdated, attracting University of Nebraska – Lincoln sports could provide greater event utilization to assist in supporting a larger venue.

Demographic Analysis

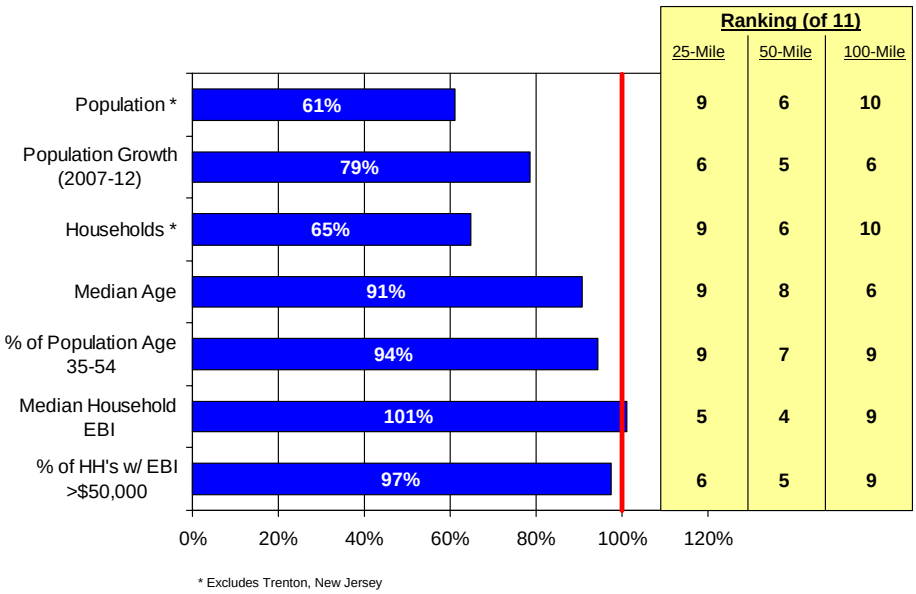
Another important component in assessing the potential success of a new Arena in Lincoln is the demographic and socioeconomic profile of the local market. The strength of a market in terms of its ability to draw events and spectators is measured in part by the size of the market area population and its spending characteristics. To gain an understanding of the relative strength of the Lincoln market area, it is useful to compare various demographic and socioeconomic characteristics among other communities supporting modern arenas similar to the proposed Lincoln Arena.

For purposes of this analysis, the market demographics of Lincoln and several comparably sized markets currently supporting new arenas have been evaluated utilizing 100-mile rings around each facility. The markets chosen represent those with CBSA populations between 200,000 and 500,000 and arenas with at least 5,000 seats having been built within the last 10 years.

While the CBSA encompasses the primary areas with economic and social ties to the core population area, it may not accurately represent the area from which a market's arena can draw event attendees. This can be particularly true of relatively isolated markets such as Lincoln.

Exhibit III-12 presents a summary of Lincoln area demographic characteristics as a percentage of these comparable market averages as taken from a 25-mile radius surrounding the market. The ranking of Lincoln among the ten markets reviewed is then presented for the 25 mile, 50 mile and 100 mile radii.

Exhibit III-12
Lincoln Demographics as a Percentage of Comparable Market Averages (25-mile radius)



The Lincoln market ranks below the overall comparable facility market average in terms of population, population growth and household inventory within a 25-mile radius. To interpret the data, note that the population in Lincoln within a 25 mile radius is equivalent to 61 percent of the average population level amongst the markets reviewed. This ranks ninth of the ten markets reviewed. However, this ranking is largely impacted by the proximity of markets such as Manchester, NH and Reading, PA to extremely large metropolitan areas. When looking at population on a 50 mile radius basis, Lincoln's

ranking increases to sixth, dropping to tenth when considering population base within a 100 mile radius.

In terms of median age, percentage of the population between age 35 and 54, median household effective buying income and percentage of households with an effective buying income greater than $50,000 the Lincoln market compares more favorably relative to the comparable markets analyzed. However, the ranking among the ten markets reviewed generally remains within the lower half. The importance of the relative strength of these factors will be discussed further in the following analysis.

Arena Suite, Club Seat and Capacity Penetration Analysis

The purpose of this section is to determine the physical characteristics that should be incorporated into an Arena in Lincoln, including estimates related to appropriate capacity and premium seating levels.

Capacity Analysis

In order to identify a market supportable seating capacity for the proposed Arena, it is helpful to understand the capacities of arenas in competitive and regional markets. Exhibit III-13 presents a summary of 12 competitive and regional markets and a summary of the ratio between their populations, within a 25-mile and 50-mile radius, to the available seating capacity at the local arena.

Exhibit III-13
Ratios of Population to Seating Capacities –
Competitive and Regional Markets and Facilities

			25-Mile		50-Mile	
Market	**Facility**	**Arena Capacity**	**Population**	**Ratio of Population to Capacity**	**Population**	**Ratio of Population to Seating Capacity**
Kearney, NE	UNK Health & Sports Center	5,800	60,445	10.4	195,524	33.7
Sioux Falls, SD	Sioux Falls Arena	8,000	207,941	26.0	310,068	38.8
Council Bluffs, IA	Mid America Center	8,500	771,748	90.8	958,375	112.8
Topeka, KS	Landon Arena	10,000	289,863	29.0	712,395	71.2
Rapid City, SD	Rushmore Plaza Civic Center	10,000	110,254	11.0	159,545	16.0
Lincoln, NE	**Proposed Arena**		**306,300**		**1,059,310**	
Des Moines, IA	Wells Fargo Arena	16,300	515,145	31.6	800,627	49.1
Wichita, KS	Sedgwick County Arena (1)	17,000	541,647	31.9	719,491	42.3
Madison, WI	Kohl Center	17,700	528,198	29.8	1,090,024	61.6
Tulsa, OK	BOK Center	18,000	757,299	42.1	1,059,559	58.9
Omaha, NE	Qwest Center	18,300	774,686	42.3	1,078,105	58.9
Kansas City, MO	Sprint Center	18,500	1,687,072	91.2	2,166,677	117.1
Oklahoma City, OK	Ford Center	20,800	1,045,548	50.3	1,292,155	62.1
Average (2)		**14,075**	**607,487**	**43.2**	**878,545**	**62.4**
Average (3)		**12,114**	**321,928**	**26.6**	**569,668**	**66.5**

25-mile Market Penetration (2)	**7,097**
25-mile Market Penetration (4)	**11,526**
50-mile Market Penetration (2)	**16,971**
50-mile Market Penetration (5)	**15,920**
AVERAGE	**12,878**

Note: Ratios indicate the ratio of population to seating capacity. The 25 and 50-mile radii represent concentric rings from each market's city center.
(1) currently under construction.
(2) excludes Lincoln
(3) excluding markets with a 25-mile population over 700,000/50-mile population under 200,000
(4) excluding markets with a 25-mile population over 700,000
(5) excluding markets with a 50-mile population under 200,000
Source: Billboard's Aud Arena Guide, Claritas, Inc., 2007

On average, competitive and regional markets have a population of approximately 607,500 within a 25-mile radius and 878,500 within a 50-mile radius. However, for comparative purposes, we have also created an analysis that excludes those markets within a 25-mile radius with a population over 700,000 and markets within a 50-mile radius with a population less than 200,000, as Lincoln has a population of approximately 306,300 within a 25-mile radius and 1,059,300 within a 50-mile radius.

Further analysis of the data for all arenas reviewed reveals that, on average, these markets offer an arena with approximately 14,100 seats and a resulting ratio of approximately 43 people per available arena seat within a 25-mile radius and approximately 62 people per available area seat within a 50-mile radius. These ratios applied to the Lincoln population statistics generate arena capacity levels ranging from 7,100 to 17,000. When utilizing population statistics that exclude markets with a 25-mile population of over 700,000, or a 50-mile population of under 200,000, the average arena size approximates 12,100. The penetration analysis provides an indication that the Lincoln market could potentially support an Arena in the 11,500 (using data for a 25 mile radius) to 15,900-seat range (using data for a 50 mile radius).

Looking at the combined analysis, including all penetration ratios reviewed, supportable capacities reach approximately 12,900 seats. It should be noted that only two of the venues reviewed house Division I sports tenants, and the housing of a Division I program will tend to support higher facility capacities.

Club Seat Analysis

As a means of estimating the level of potential support for club seating at the proposed Arena, an analysis was prepared comparing the ratio of club seat inventories to total high income households in each comparable facility market with an arena that offers club seating. High income households are defined as households with annual effective buying incomes in excess of $50,000. These households are likely to represent a major source of demand for upscale seating areas.

Exhibit III-14 presents the results of the club seat penetration analysis.

Exhibit III-14
Collegiate and Professional Club Seat Inventories – Comparable Markets

Arena	Location	Major Leagues	Minor League Arena	Minor League Ballpark	Collegiate Arena	Collegiate Stadium	Total CS's	Total High Income Households (1)	High Income Households Per CS
Sovereign Bank Arena	Trenton, NJ	0	1,150	0	0	0	1,150	520,700	453
Arena at Harbor Yard	Bridgeport, CT	0	0	0	1,300	0	1,300	405,400	312
Verizon Wireless Arena	Manchester, NH	0	600	0	0	0	600	176,900	295
Constant Convocation Center	Norfolk, VA	0	0	0	831	0	831	215,500	259
Sovereign Center	Reading, PA	0	701	0	0	0	701	156,300	223
American Bank Center	Corpus Christi, TX	0	302	0	0	0	302	46,500	154
Stockton Events Center	Stockton, CA	0	500	400	0	0	900	126,600	141
Budweiser Events Center	Loveland, CO	0	777	0	0	0	777	100,800	130
Qwest Center	Omaha, NE	0	0	0	1,000	0	1,000	126,000	126
Laredo Entertainment Center	Laredo, TX	0	155	0	0	0	155	16,100	104
Crown Coliseum	Fayetteville, NC	0	660	0	0	0	660	47,100	71
Spokane Arena	Spokane, WA	0	0	0	1,000	0	1,000	65,600	66
Ford Arena	Beaumont, TX	0	750	0	0	0	750	47,200	63
Rabobank Arena	Bakersfield, CA	0	1,000	0	0	0	1,000	59,700	60
Tim's Toyota Center	Prescott Valley, AZ	0	400	0	0	0	400	22,000	55
Alltel Arena	North Little Rock, AR	0	2,000	0	0	0	2,000	79,600	40
Save Mart Center	Fresno, CA	0	0	600	2,000	0	2,600	96,900	37
Mizzou Arena	Columbia, MO	0	0	0	1,000	0	1,000	27,300	27
Colonial Center	Columbia, SC	0	0	0	3,000	3,000	6,000	88,500	15
Resch Center	Green Bay, WI	6,000	0	0	608	0	6,608	60,800	9
Average			**450**	**50**	**537**	**150**	**1,487**	**124,275**	**84**
Average (Excluding large metro areas)			**436**	**56**	**524**	**167**	**1,516**	**86,633**	**57**
Lincoln Based on Average Ratio		**0**	**0**	**160**	**403**	**0**	**563**	**47,100**	**84**
Lincoln Based on Avg. Ratio (Excl. large markets)Green E		**0**	**0**	**160**	**664**	**0**	**824**	**47,100**	**57**
Lincoln Assuming Average CS's of Comps		**0**	**0**	**160**	**524**	**0**	**524**	**47,100**	**90**

(1) Households with an annual Effective Buying Income of $50,000 or greater within 25 miles of each facility.

As shown, the average comparable facility market has a ratio of 84 high income households per club seat, or 57 high income households per club seat when excluding large metropolitan areas such as Trenton, NJ and Bridgeport, CT. Applying this ratio to the Lincoln market's high income household inventory of approximately 47,100 would result in a range of approximately 563 to 824 club seats in the market. Given that the Memorial Stadium currently offers 160 club seats, an additional 403 to 664 club seats could be supported at a new arena, based on these statistics.

If we assuming that a new arena in Lincoln offered the comparable market average of 524 club seats, the resulting ratio of high income households to club seats in Lincoln would approximate 90. This ratio is slightly higher than the average ratio of the comparable set of markets, but still close to the mid-point of the set of markets reviewed. Given the potential for a state-wide university draw, planning efforts should still focus on at least 600 club seats, although this would place the arena at the low end of markets reviewed in terms of total number of available club seats.

Suite Analysis

Due to the higher costs associated with private suites, corporations are typically the main purchasers of this element of premium seating. Therefore, a useful indicator of the ability of a market to support private suites is the ratio of corporations and branches to the total number of suites. Exhibit III-15 presents a penetration analysis taking into account both corporate inventories and total market-wide suite inventories among 22 markets with comparable facilities that offer suites.

Exhibit III-15
Collegiate and Professional Suite Inventories – Comparable Markets

		Minor Leagues		Collegiate				
Arena	Location	Arena	Ballpark	Arena	Stadium	Total Suites	Total Corporations & Branches (1)	Corporations & Branches Per Suite
LJVM Coliseum	Winston-Salem, NC	0	0	17	0	17	1,794	106
Constant Convocation Center	Norfolk, VA	0	0	16	0	16	1,686	105
Qwest Center	Omaha, NE	0	0	32	0	32	1,122	35
Times Union Center	Albany, NY	0	0	25	0	25	998	40
Save Mart Center	Fresno, CA	0	34	32	22	88	890	10
Alltel Arena	North Little Rock, AR	28	21	12	0	61	772	13
Colonial Center	Columbia, SC	0	0	41	18	59	710	12
Sovereign Bank Arena	Trenton, NJ	32	16	0	0	48	608	13
Stockton Events Center	Stockton, CA	24	24	0	0	48	601	13
Rabobank Arena	Bakersfield, CA	27	4	0	0	31	582	19
Spokane Arena	Spokane, WA	16	25	6	0	47	521	11
Arena at Harbor Yard	Bridgeport, CT	42	20	0	0	62	507	8
Sovereign Center	Reading, PA	20	0	0	0	20	443	22
Ford Arena	Beaumont, TX	15	0	0	0	15	439	29
American Bank Center	Corpus Christi, TX	11	19	0	0	30	364	12
Verizon Wireless Arena	Manchester, NH	34	32	0	0	66	358	5
Budweiser Events Center	Loveland, CO	24	0	0	0	24	275	11
Tim's Toyota Center	Prescott Valley, AZ	22	0	0	0	22	253	12
Crown Coliseum	Fayetteville, NC	10	0	0	0	10	222	22
John Paul Jones Arena	Charlottesville, VA	0	0	20	56	76	191	3
Mizzou Arena	Columbia, MO	0	0	26	35	61	180	3
Laredo Entertainment Center	Laredo, TX	14	0	0	0	14	163	12
Average		**15**	**9**	**10**	**6**	**40**	**622**	**16**
Average (2)		**16**	**10**	**10**	**7**	**42**	**510**	**12**
Lincoln Assuming Avg. Ratio of Comps		**0**	**0**	**21**	**0**	**21**	**325**	**16**
Lincoln Assuming Avg. Ratio of Comps (2)		**0**	**0**	**27**	**0**	**27**	**325**	**12**
Lincoln Assuming 20 Suites at New Arena		**0**	**0**	**20**	**42**	**62**	**325**	**5**
Lincoln Assuming 20 Suites (Excl. Memorial Stadium)		**0**	**0**	**20**	**0**	**20**	**325**	**16**

(1) Corporations with at least 25 employees and $5 million in annual sales revenue; branches with at least 25 employees.
(2) Excludes markets with more than 1,500 total corporations.

As presented, the average ratio of corporations and branches to suites in the comparable markets reviewed is 16. When eliminating from this comparison those markets with more than 1,500 total corporations and branches (Winston-Salem, NC and Norfolk, VA), the resulting ratio decreases to approximately 12 corporations and branches per available suite. Applying these ratios to the 325 corporations and branches located within Lincoln would result in a total market-wide supportable suite inventory ranging from approximately 21 to 27 suites. However, Memorial Stadium currently offers (and successfully leases) 42 suites, indicating that the University of Lincoln football program could be considered somewhat of a stand-alone outlier for purposes of this analysis. This

is particularly true given the relatively high costs of suite leases and the required broad state-wide and even regional customer base for the Memorial Stadium suite product.

Assuming a new Arena in Lincoln incorporates 23 suites (the average number of suites available at arenas in comparable markets) the ratio of corporations and branches to private suites in the Lincoln market would approximate five, ranking very low. If Memorial Stadium suites are excluded from this assessment (as could be appropriate given their broader customer base), the ratio of corporations to suites increased to 16, equal to the average for comparable markets.

The intent of this analysis is to provide preliminary estimates related to premium seating at a potential new Arena in Lincoln, based solely on a comparison of comparable facilities and a market penetration analysis. It should be noted that the analysis did not include a detailed market survey and therefore should only be considered a preliminary assessment. As the Arena project continues to move forward, a more detailed premium seating analysis may be warranted to provide a more precise assessment of the supportable premium seating demand, pricing and amenity packages unique to Lincoln.

Potential Event Analysis

In order to estimate the number and types of events that could potentially be held at a new Arena in Lincoln, interviews were held with a number of local, regional and national event promoters. Based on conversations with Pershing Center management and our industry experience and contacts, those contacted in this effort included representatives of the following organizations and event types:

- Concerts
- Family shows
- Ringling Bros. Barnum & Bailey Circus
- "Disney On Ice"
- Stage productions
- Professional wrestling
- Pool and dart tournaments
- High school sports

These conversations provided an understanding of the Lincoln market's current ability to attract various types of events and how they market's attractiveness could be impacted by the development of a new facility.

Event Types

In addition to tenant sporting events, there are a number of different types of touring events that could potentially utilize a new Arena in Lincoln, such as concerts, family shows, circuses, ice shows, Broadway stage productions, professional wrestling, monster truck shows or professional bull riding tours.

Based in part on the industry trends and characteristics analysis discussed earlier, the greatest opportunity to attract concerts to a new Arena in Lincoln may be derived from the "middle market" concert category. Such middle market concert acts generally draw between 2,500 and 8,000 spectators to a single performance. While smaller acts often play in clubs or theaters and larger acts generally perform in large arenas, the supply of ideal venues for middle market performers is often lacking. A mid-sized arena is often ideal for these performances, offering enough seats to accommodate fan demand, while providing a more intimate setting than a large arena or stadium venue. The Pershing Center currently serves as the Lincoln market's primary concert venue. During the 2006 calendar year, the Center hosted a total of 22 concerts with an average attendance of approximately 2,300. These statistics were significantly impacted by the poor condition of the Center.

Family shows are events that cater to spectators of all ages and include a wide variety of events such as Sesame Street Live, "Disney on Ice", Nickelodeon shows, circuses and the Harlem Globetrotters. A new facility's ability to attract family shows will depend somewhat on the physical characteristics of the facility. For example, the presence of ice capacity allows ice shows to be held at a venue. In order to accommodate circuses, a facility would need to incorporate a relatively large arena floor. These and other similar shows may also require significant backstage and load-in/out space, a large lobby and box office space with multiple ticket windows, among other specific requirements.

In 2006, the Pershing Center attracted four touring events to Lincoln. In particular, Sesame Street Live hosted three performances, with an average attendance of approximately 2,600 per show. The Shrine Circus hosted five performances, with an average attendance of approximately 3,700 per show. The Harlem Globetrotters hosted one event, which attracted approximately 4,300 people and Barney Live hosted one event, which attracted approximately 2,200 people.

Other types of potential events that could utilize space at a new Lincoln Arena include: touring, non-tenant sporting events such as wrestling, rodeos, monster truck shows and motocross races, community or religious events, workshops, holiday parties and political rallies.

Survey of Event Promoters and Organizers

The views and opinions of sports and entertainment event promoters within the region are critical to understanding the potential event activity that could be attracted to a new arena venue in Lincoln. We have therefore surveyed numerous event promoters regarding the likelihood of rotating future events to an Arena in Lincoln, specific facility characteristics or amenities they require for their events, and the relationship of the Lincoln market and a potential new arena to the Omaha market and the Qwest Center.

Of the event promoters interviewed, all expressed a positive interest in rotating future events to a new Arena in Lincoln, with varying degrees of enthusiasm. In particular, three promoters said they would "definitely" bring events to a new venue in Lincoln. Four promoters indicated they would "likely" bring events to a new venue and one promoter said they would "possibly" bring events to a new Arena in Lincoln.

Specific comments from promoters included:

- "Since we already promote events in Lincoln, we have no concerns about promoting events at a new venue."
- It is a great music market and the proximity of the college is a great benefit."
- "Promoting events in Lincoln would be dependent on routing considerations."
- "We would be willing to consider promoting events in a new facility, but it would depend on cost and the willingness of the facility to share revenues."

Event promoters and organizers were also asked to estimate the number of events they would hold at a new facility in Lincoln on an annual basis and how many event days each would last. Answers ranged from as few as one event per year to as many as 20 events per year. On average, promoters estimated they may bring four to six shows to Lincoln per year each. Given the stated level of interest in the market, we have estimated that approximately 30 touring shows may rotate to Lincoln on an annual basis.

The majority of promoters indicated that they did not require a day to move-in and/or a day to move out. Only Ringling Bros. Barnum & Bailey Circus and Valley Vending indicated they needed a day prior to their respective events to set up. Most events would tear down and depart upon completion of their event performance.

Event promoters and organizers were asked what they thought an appropriate capacity for their event in Lincoln would be. Responses ranged from 3,000 seats to 15,000 seats. On average, event promoters estimated they prefer an arena with over 11,000 total seats. Promoters also indicated that a high level of sub-divisibility through curtain/rigging system would be preferred to provide the opportunity for a more intimate setting for smaller shows.

Specific comments included:

- "Monster truck or rodeo events require larger seat capacity (10,000 to 11,000 seats)."
- "Significant demand in 4,000 to 5,000-seat venues, but larger venue should be available (up to 13,000 seats) for major events."
- "Primary sports tenant could drive larger capacity; sub-divisibility would then be even more critical."
- "Ceiling heights with significant rigging capabilities."

Finally, event promoters were asked to comment on their perceptions of the relationship between the Lincoln market and the Omaha market, specifically with respect to possibly hosting events in either market or both markets. Specific comments included:

- "We would play both markets. We would play a full run of shows (7-8 shows) at the Qwest Center and a partial run of shows in Lincoln (3-5 shows)." – *Family Show Promoter*
- "We have hosted events in both markets in the past and it has been our experience that they are separate markets." – *Professional Wrestling Promoter*
- "It is not likely that we would play both markets consecutively, but if we were to do so, it would be a split-week with shared marketing expenses across both markets." – *Circus Promoter*
- "We would only promote events in one venue. In the past we have made money in Lincoln and lost money in Omaha. Therefore, assuming the facility would be able to accommodate our events (in terms of capacity, rigging, seat arrangements, etc.) we would probably prefer Lincoln." – *Concert Promoter*
- "If a new facility in Lincoln was able to accommodate intimate, 5,000-seat performances, we would definitely look to Lincoln." – *Concert Promoter*
- "The two markets would not compete on the same level' Omaha is bigger and people are willing to drive to the bigger market from the smaller one, whereas they are less likely to drive to the smaller market from the bigger one." – *Concert Promoter*
- "Omaha is likely to get the majority of the shows and the larger shows." – *Convert Promoter*
- "The ability of arena management to co-promote events is important." – *Concert Promoter*

There are several important implications of this research. First, there is general agreement that the Pershing Center is outdated and will likely never again reach the event levels it once achieved. Secondly, if a new arena is developed, promoters generally agreed that at least 10,000 seats would be needed in order to be positioned above competitive and regional event venues such as the Mid America Center in Council Bluffs and to thereby offer a promoter a financial incentive to book events in Lincoln. Even at a larger capacity, the regional competition from Omaha and Council Bluffs for music and entertainment events will be very strong. Although the student population may offer some advantages, Lincoln will continue to face challenges in attracting events in an increasingly competitive regional environment. Certainly the University participation in an arena project will have an impact on arena event levels, financial performance and supportable capacity.

IV. Convention Center Analysis

This chapter provides an analysis of various physical characteristics and resources of both comparable and competitive/regional facilities and markets. This data will help place a potential new Lincoln convention center within a competitive and comparable market context with respect to facility, space, hotel inventory and related features. Additionally, in order to provide a basis for evaluating future event potential in Lincoln, approximately 20 individual interviews (potentially representing more than 50 individual events) of local, state and regional event planners were conducted as part of our research process.

Comparable and Competitive/Regional Facilities and Markets

The following section provides a review of various physical characteristics and resources of facilities and communities around the country that are comparable or may be competitive with a potential new convention facility in Lincoln. This data is useful in understanding how similar markets are performing within current industry conditions, the level of space and hotel room inventory offered by competitors and other such characteristics. Numerous factors are considered by association and corporate event planners in determining the ability of a community to attract convention, conference and tradeshow business. Some of these factors analyzed in this section include:

- Exhibit space
- Meeting/ballroom space
- Total sellable space
- Hotel room inventory
- Hotel room tax rate
- CVB annual budget

Exhibit IV-1 presents the 16 facilities and markets that were analyzed.

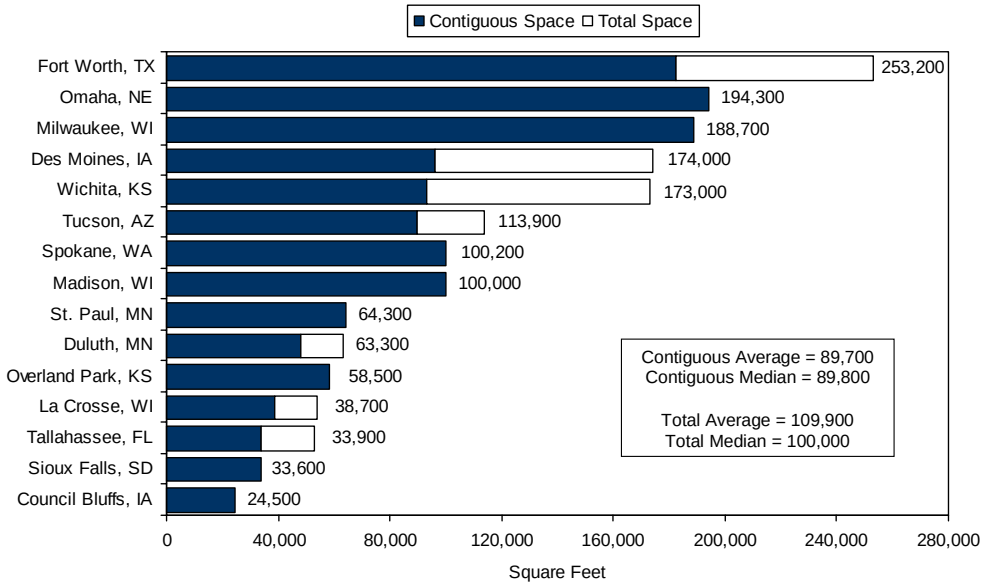
Exhibit IV-1
Comparable and Competitive/Regional Facilities and Markets

City, State	Facility
Council Bluffs, IA	Mid-America Center
Des Moines, IA	Iowa Events Center
Duluth, MN	Duluth Entertainment Covention Center
Fort Worth, TX	Fort Worth Convention Center
La Crosse, WI	La Crosse Center
Madison, WI	Alliant Energy Center
Mankato, MN	Alltel Center
Milwaukee, WI	Midwest Airlines Center
Omaha, NE	Qwest Center
Overland Park, KS	Overland Park Convention Center
Sioux Falls, SD	Sioux Falls Convention Center
Spokane, WA	Spokane Convention Center
St. Paul, MN	St. Paul RiverCentre
Tallahassee, FL	Tallahassee - Leon County Civic Center
Tucson, AZ	Tucson Convention Center
Wichita, KS	Century II Center

Exhibit Space

There are two types of exhibit space offered at the facilities reviewed: prime space and gross space. Prime space refers to the dedicated exhibition area, typically used by conventions and tradeshows for exhibits, that is column-free or with minimal columns, has high ceilings (typically at least 30 feet in height), utility floor grids (supplying electricity, telecommunications, water, etc.) and other such amenities. Gross space refers to the total area that can be used for exhibits and includes surrounding areas such as lobbies, meeting space, ballrooms and other such space. Exhibit IV-2 presents a comparison of total prime exhibit space offered at the comparable and competitive/regional facilities reviewed.

Exhibit IV-2
Comparison of Prime Exhibit Space –
Comparable and Competitive/Regional Facilities



Note: The Alltel Center does not currently offer prime exhibit space; however, 20,000 square feet of space is available on the arena floor.
Source: facility floorplans, management, and industry publications, 2007

As shown, the Fort Worth Convention Center incorporates the largest amount of prime exhibit space, with approximately 253,300 square feet. Omaha's Qwest Center offers the largest amount of contiguous exhibit space among the comparable and competitive/regional facilities, with its 194,300-square foot exhibit hall. Currently the Mid-America Center in Council Bluffs offers the least amount of prime exhibit space, with approximately 24,500 square feet. On average, comparable and competitive/regional facilities offer approximately 109,900 square feet of prime exhibit space and 89,700 square feet of contiguous exhibit space.

As shown, the facilities with the highest level of available exhibit space are generally the primary facility within their respective market, such as the Qwest Center, Midwest

Airlines Center, Iowa Events Center, Century II Center and the Tucson Convention Center. Facilities in complementary markets such as the Saint Paul RiverCentre, Overland Park Convention Center and Mid-America Center generally offer a significantly lower level of exhibit space.

The proximity of the Qwest Center to Lincoln may provide a measure of competition similar to that experienced by these markets. Specifically, the Qwest Center may be more desirable for regional and national events given its accessibility, facility size and adjacent/market-wide hotel inventory.

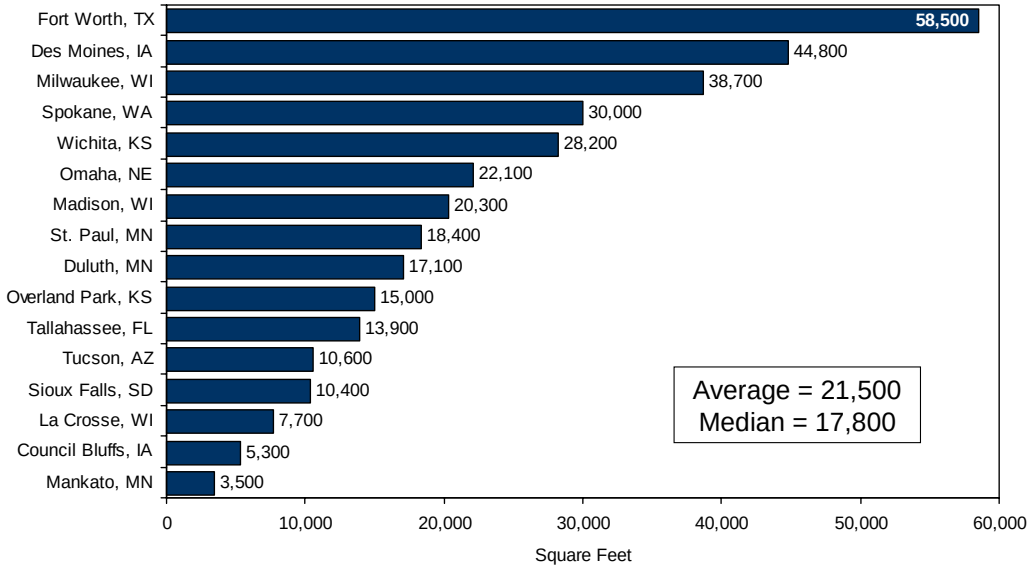
It is important to note that the Tucson Convention Center is currently planning to expand their exhibit space offerings in conjunction with the construction of a new headquarters hotel and arena. Further, communities that house the Saint Paul RiverCentre, Midwest Airlines Center in Milwaukee, Alliant Energy Center in Madison, Iowa Events Center in Des Moines and Duluth Entertainment Convention Center are all currently considering or planning an expansion to their respective convention facilities.

Meeting/Ballroom Space

Sufficient modern meeting and ballroom space is also important in attracting and accommodating events in the convention, conference and meetings industry. Based on CSL research, event organizers see it as an increasingly important factor in their selection of host cities. Meeting space is typically highly flexible (sub-divisible) with high-end acoustics, event technology and separate service corridor access.

Exhibit IV-3 compares the square feet of meeting space offered at the comparable and competitive/regional facilities reviewed.

Exhibit IV-3
Comparison of Meeting Space –
Comparable and Competitive/Regional Facilities



Source: facility floorplans, management, and industry publications, 2007

The level of meeting space is broadly distributed among the convention centers reviewed, ranging from approximately 58,500 square feet available at the Fort Worth Convention Center, to approximately 3,500 square feet at Mankato's Alltel Center. On average, comparable and competitive/regional facilities offer approximately 21,500 square feet of meeting space.

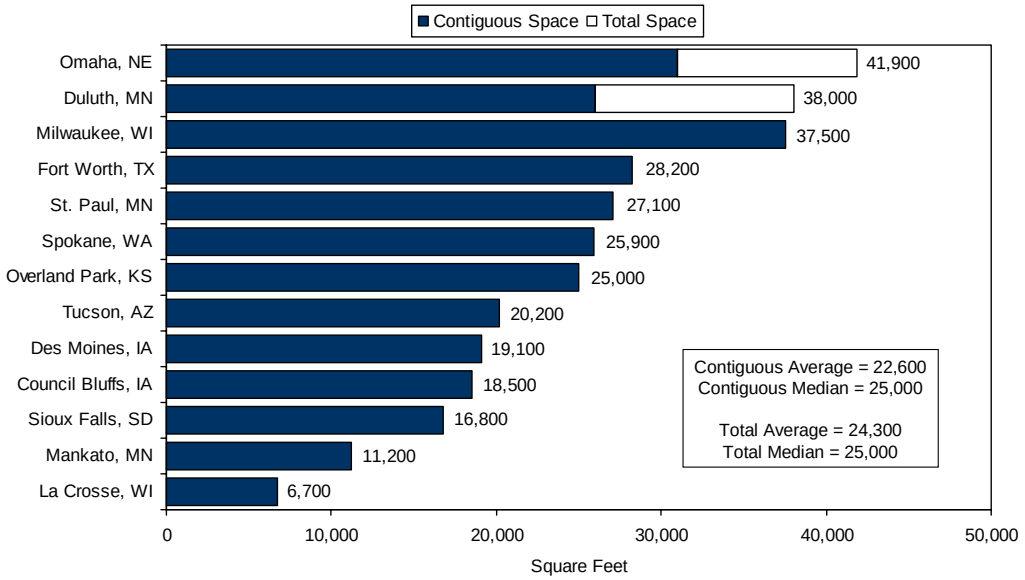
The number of breakout meeting rooms is another important characteristic of a facility's meeting space package. If a facility has too few breakout rooms, its ability to market to a wide variety of events and host multiple events at the same time is severely handicapped. A review of the total number of breakout rooms within the comparable and competitive/regional facilities provides an indication that facilities in larger and/or primary markets tend to offer more meeting rooms. The Fort Worth Convention Center, Iowa Events Center, Midwest Airlines Center and Spokane Convention Center are the only facilities of the set reviewed that offer more than 20 breakout meeting rooms. On average, comparable and competitive/regional facilities offer a total of 16 breakout meeting rooms.

Ballroom space is another important characteristic that event planners review when selecting a potential facility. The space can be used for general assemblies, product demonstrations, light exhibits and a variety of other uses. Recognizing this, planners have increasingly placed a premium on such space in their selection of host cities.

Ballroom space is also desirable in that it tends to keep delegates in the convention center during the event as a variety of different functions, such as meal functions, can be conducted all under one roof. Further, adjacent hotel ballrooms may be occupied with unrelated functions that may prevent their use by convention center events. In state-of-the-industry convention centers, ballroom space tends to provide a large contiguous open area, high ceilings (25 to 28 feet as opposed to 12 to 15 feet for meeting space), and a slightly higher level of finish, including a higher grade of lighting, floor covering and wall finish.

Exhibit IV-4 compares the total ballroom space offered within the comparable and competitive/regional facilities reviewed.

Exhibit IV-4
Comparison of Ballroom Space –
Comparable and Competitive/Regional Facilities



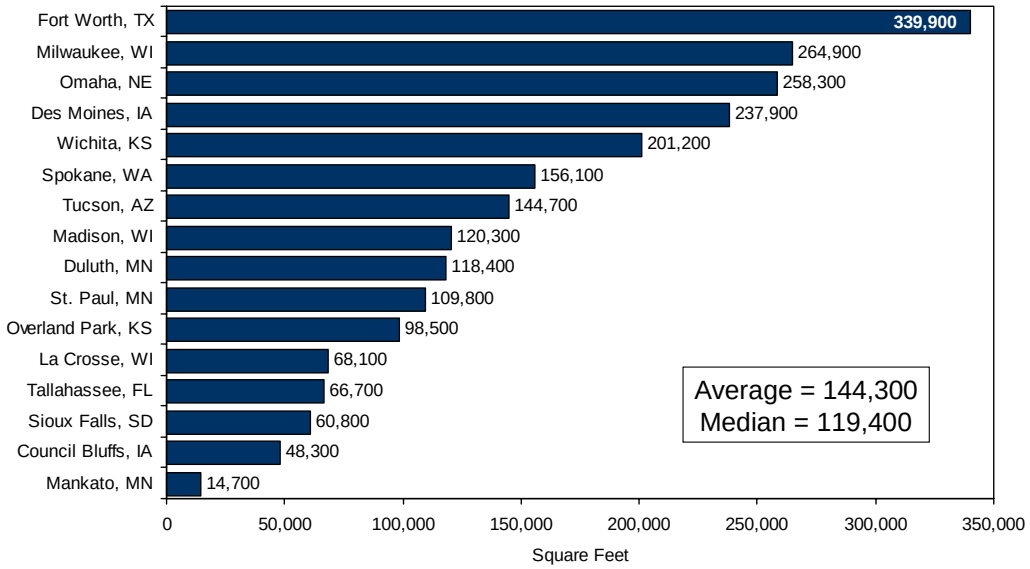
Note: The Alliant Energy Center, Tallahassee – Leon County Civic Center and Century II Center do not currently offer ballroom space.
Source: facility floorplans, management, and industry publications, 2007

In terms of total ballroom space offered, Omaha's Qwest Convention Center offers the most such space, at approximately 41,900 square feet; however, Milwaukee's Midwest Airlines Center offers the largest amount of contiguous ballroom space with a 37,500-square foot ballroom. The Alliant Energy Center, Tallahassee – Leon County Civic Center and Century II Center do not currently offer dedicated ballroom space. On average, comparable and competitive/regional facilities offer approximately 24,300 square feet of ballroom space and approximately 22,600 square feet of contiguous ballroom space.

Total Sellable Space

Exhibit IV-5 details the rankings of the set of facilities analyzed in terms of total sellable space (which includes all available exhibition, meeting and ballroom space).

Exhibit IV-5
Comparison of Total Sellable Space –
Comparable and Competitive/Regional Facilities



Source: facility floorplans, management, and industry publications, 2007

As outlined, the amount of total sellable space offered at the comparable and competitive/regional facilities reviewed varies widely, averaging approximately 144,300 square feet. The Fort Worth Convention Center offers the most total sellable space, with approximately 339,900 square feet. Only six of the markets reviewed offer more than 150,000 square feet of total sellable space: Fort Worth, Milwaukee, Omaha, Des Moines, Wichita and Spokane. However, as mentioned earlier, Tucson, which offers 144,700 square feet of total sellable space, is currently planning a convention center expansion. The Alltel Center in Mankato offers the lowest amount of total sellable space, with approximately 14,700 square feet.

In Lincoln, the Cornhusker Hotel's Burnham Yates Conference Center provides the greatest amount of sellable space, with approximately 27,600 total square feet. However, the Embassy Suites and the Holiday Inn provide approximately 14,600 and 11,800 total square feet, respectively. In effect, the Lincoln market covers the smaller event segments (i.e., those requiring 15,000 or fewer square feet of space) with three downtown facilities.

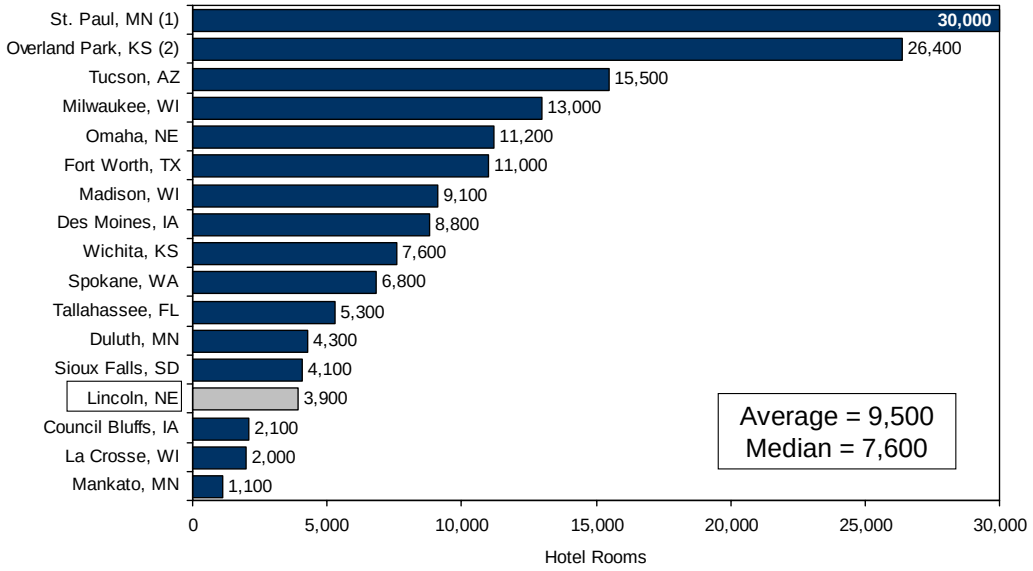
Hotel Room Inventory

The availability of hotel rooms to serve the requirements of the convention industry is a critical factor in the success of a public assembly facility. The inventory of hotel rooms in a community is measured in many different ways, including:

- total inventory of rooms throughout the metro area;
- number of headquarters hotel rooms; and
- total rooms within one-half mile of the convention center.

For purposes of this analysis, we have assembled data pertaining to each of the above measures. Exhibit IV-6 details the total number of available hotel rooms in each of the markets considered in this analysis.

Exhibit IV-6
Comparison of Total Hotel Rooms –
Comparable and Competitive/Regional Markets

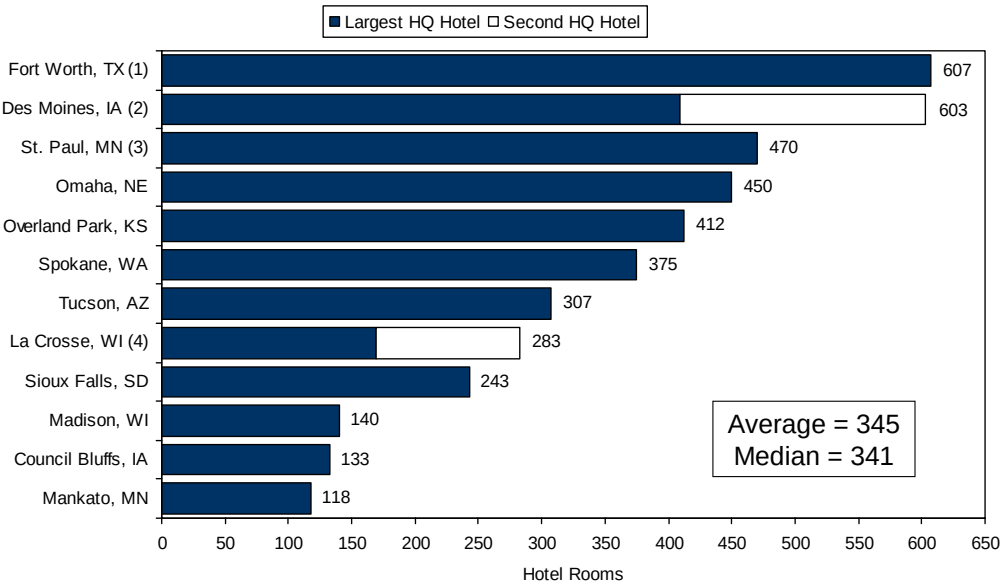


(1) Hotel room count includes the Minneapolis, MN market.
(2) Hotel room count includes the Overland Park, KS market.
Source: Interviews with CVB's, Destination Marketing Association International CVB Organizational & Financial Profile, 2007

As shown, there is a wide range in the number of hotel rooms in the markets reviewed. From the approximately 30,000 hotel rooms available in the Saint Paul/Minneapolis metropolitan area, to the approximately 1,100 hotel rooms available in Mankato. On average, comparable markets offer approximately 9,400 hotel rooms throughout their respective metro areas. The estimated 3,900 available hotel rooms within Lincoln ranks near the bottom of the set of markets reviewed.

Another measure of room inventory can be presented by focusing on hotel rooms in a headquarter property near the convention facility. Exhibit IV-7 below details the inventory of hotel rooms at headquarters hotel properties serving each market's convention center.

Exhibit IV-7
Comparison of Headquarters Hotel Rooms –
Comparable and Competitive/Regional Markets



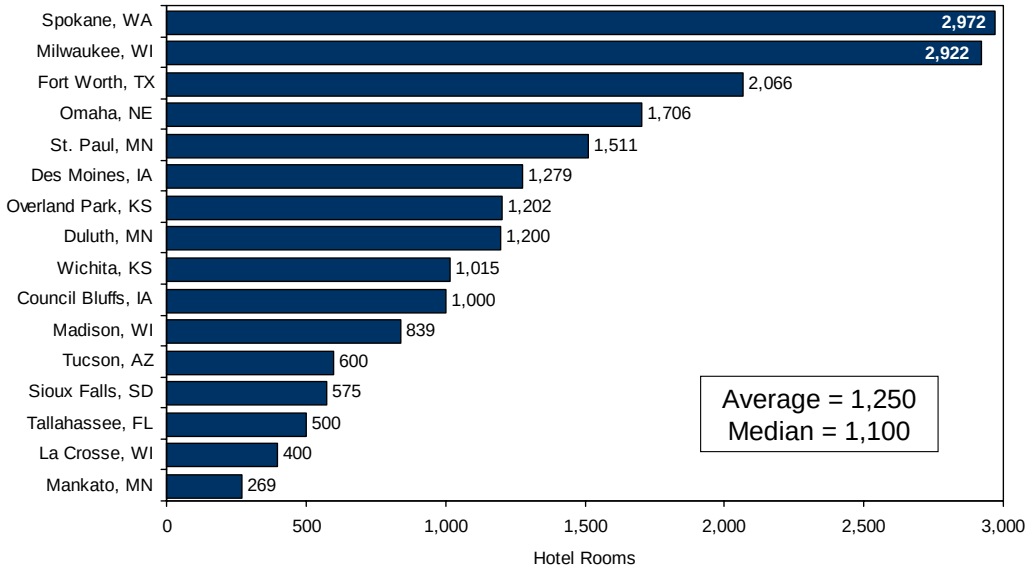
(1) The Omni Fort Worth Hotel is expected to open in Fall 2008 with 607 rooms.
(2) Des Moines has two headquarter hotels; the Des Moines Downtown Marriott (409 rooms) and the Renaissance Savery Hotel (194 rooms).
(3) The Crowne Plaza Hotel St. Paul-Riverfront is not adjacent to the St. Paul RiverCentre.
(4) La Crosse has two headquarter hotels; the Radisson Hotel La Crosse (169 rooms) and the Holiday Inn Hotel & Suites La Crosse (114 rooms).
Note: Milwaukee, with a total of 1,214 rooms between two headquarter hotels; the Hilton Milwaukee City Center (730 rooms) and the Hyatt Regency Milwaukee (484 rooms), was excluded from this comparison.
Note: Duluth, Tallahassee and Wichita do not currently offer headquarter hotels.
Source: Interviews with CVB's, Destination Marketing Association International CVB Organizational & Financial Profile, 2007

As presented, Fort Worth and Des Moines incorporate the most total rooms at headquarter hotels, with 607 and 603 rooms available, respectively. However, the 607-room Omni Fort Worth Hotel is not expected to open until Fall 2008 and the 603 rooms in Des Moines are split between the Des Moines Downtown Marriott (409 rooms) and the Renaissance Savery Hotel (194 rooms). Further, Milwaukee, which was excluded for comparison purposes, offers 1,214 total hotel rooms between the Hilton Milwaukee City Center (730 rooms) and the Hyatt Regency Milwaukee (484 rooms). The average number of rooms available at headquarters hotels in the comparable markets analyzed, excluding Milwaukee, is approximately 345. The recently-opened Hilton Garden Inn Mankato Downtown is the smallest available headquarter hotel, offering a total of 118 guestrooms.

Based on conversations with CVB representatives, we have also measured the hotel inventory within one-half mile of the respective convention centers in comparable markets. This is an important analysis because event planners typically prefer to achieve

their room block in hotel properties located within a relatively short walking distance to the event facility. Results are summarized in Exhibit IV-8.

Exhibit IV-8
Comparison of Total Rooms at Hotels
Within One-Half Mile of the Convention Center –
Comparable and Competitive/Regional Markets



Source: Interviews with CVB's, Destination Marketing Association International CVB Organizational & Financial Profile, 2007

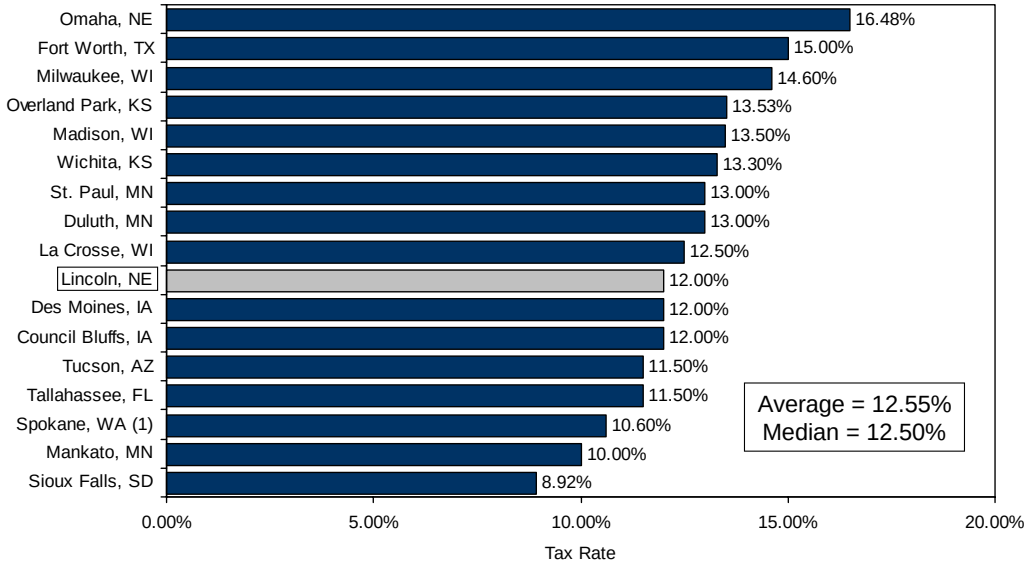
On average, approximately 1,250 total hotel rooms are located within one-half mile of each market's primary convention facility. Spokane and Milwaukee incorporate the most hotel rooms within one-half mile of their convention centers, with approximately 2,972 and 2,922 rooms, respectively. Mankato currently incorporates the fewest available hotel rooms within one-half mile of the center, with 269 rooms. As will be discussed further later in this report, the construction of additional hotel rooms proximate to a new convention center in Lincoln may be necessary to ensure that Lincoln remains competitive with markets such as Wichita, Council Bluffs and Omaha in terms of attracting state and regional events.

Hotel Room Tax Rate

In addition to hotel room availability, the total tax charged on hotel rooms is a factor event meeting planners frequently consider when making their host destination assessments. Locations with considerably higher room tax rates relative to other markets can, for some events, negatively impact the likelihood of the location being selected. Further, many of the comparable and competitive/regional markets reviewed utilize hotel tax revenue to fund convention and visitors bureau and/or convention facility operations or debt service.

Exhibit IV-9 provides a summary of total hotel room tax rates charged within the markets reviewed.

Exhibit IV-9
Comparison of Total Hotel Room Tax Rate –
Comparable and Competitive/Regional Markets



(1) Spokane, WA also levies a $1.50 per night Tourism Promotion Area tax.
Source: Interviews with CVB's, Destination Marketing Association International CVB Organizational & Financial Profile, 2007

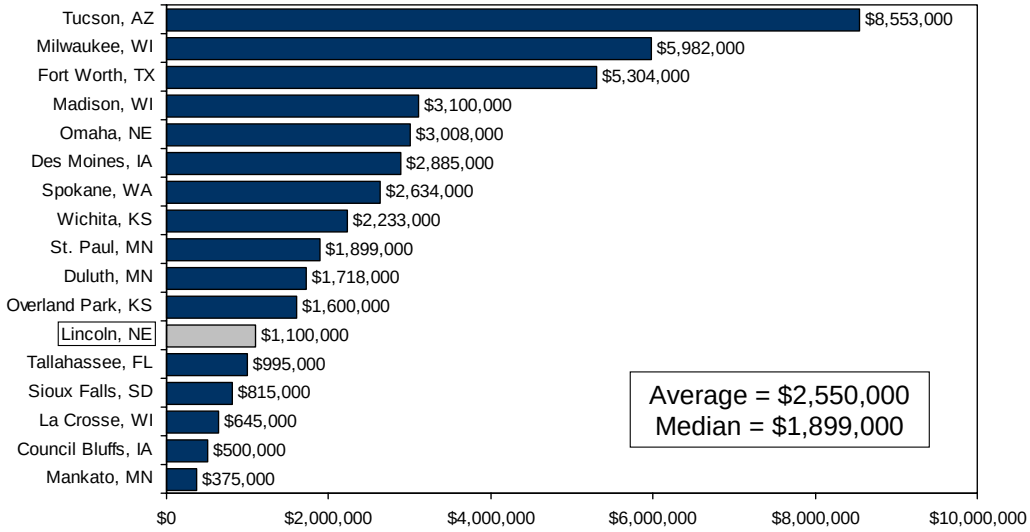
Of the markets reviewed, Omaha charges the highest such rate (16.48 percent), while Sioux Falls collects the least (8.9 percent). Lincoln possesses a total effective hotel tax rate of 12.0 percent, ranking slightly below the mid-point (12.50 percent) and the overall average (12.55 percent) of the comparable and competitive/regional markets reviewed. Overall, Lincoln's present effective hotel tax rate is not considered onerous relative to comparable markets and may be viewed positively when compared to the rate in Omaha.

This comparison is also indicative of the community's potential (at least preliminarily) to increase this rate as a potential means of fundraising for potential new public assembly facility development and/or operations.

Convention and Visitors Bureau Annual Budgets

Exhibit IV-10 below presents a summary of the annual convention & visitors bureau (CVB) budgets for the comparable markets reviewed. The data presented reflects 2006 budgeted expenditures.

Exhibit IV-10
Comparison of Convention and Visitors Bureau Annual Budgets – Comparable and Competitive/Regional Markets



Source: Interviews with CVB's, Destination Marketing Association International CVB Organizational & Financial Profile, 2007

As shown, CVB expenditures in Tucson are the highest, at approximately $8.55 million. On average, annual CVB budgets in comparable and competitive/regional markets approximates $2.55 million per year. This average is more than two times the current budget of the Lincoln CVB (which operated under an approximate $1.1 million budget in 2007). Of this total, approximately $100,000 is dedicated annually toward a convention bid fund, which is often utilized to subsidize event-related expenses for targeted groups in an effort to bring desired events to Lincoln. Based on conversations with CVB management, the CVB's budget has been relatively constant in recent years. It is likely that additional Lincoln Convention and Visitors Bureau expenditures would be beneficial in marketing a new Lincoln convention center.

The data presented herein begin to provide a benchmark for a potential new convention center in Lincoln and serves to indicate Lincoln's relative position within the convention industry. However, as with any analysis utilizing information from comparable and competitive/regional facilities and markets, it has certain limitations. In order to further analyze the potential for a new convention center in Lincoln the following section provides the results of surveys conducted with potential users of a new Lincoln convention center. This will help to further shape recommendations as to the type of investment in the convention industry, if any, that should be considered in Lincoln.

Market Demand Analysis

To form a basis for the market demand analysis, detailed surveys were completed with meeting planners within various key segments that represent the existing and potential event market for Lincoln. This data provides a basis for evaluating event potential in the Lincoln market and the facility characteristics needed to accommodate those markets. Based on contact information provided by the Lincoln CVB, Internet-based surveys were completed by representatives of state and regional organizations representing past and potential future event activity for a new Lincoln convention center. The data presented herein provides an assessment of potential user needs, their willingness to utilize a potential Lincoln even facility and provides an indication of the perception of the Lincoln market as a potential host community for their event(s).

Based on past and current research, it is expected that state and regional events would comprise a significant portion of overall non-local event activity at a potential new convention facility in Lincoln. It is estimated that there are approximately 300 such events in and around Nebraska that are held annually that use some combination of meeting, banquet and exhibit space. State and regional organizations surveyed typically represent independent professional organizations or smaller affiliates of national organizations. Regional organizations often produce an annual event that rotates among destinations within a region of states, while state organizations typically host an annual event within their particular state. The majority of both state and regional organizations hold one or more annual events.

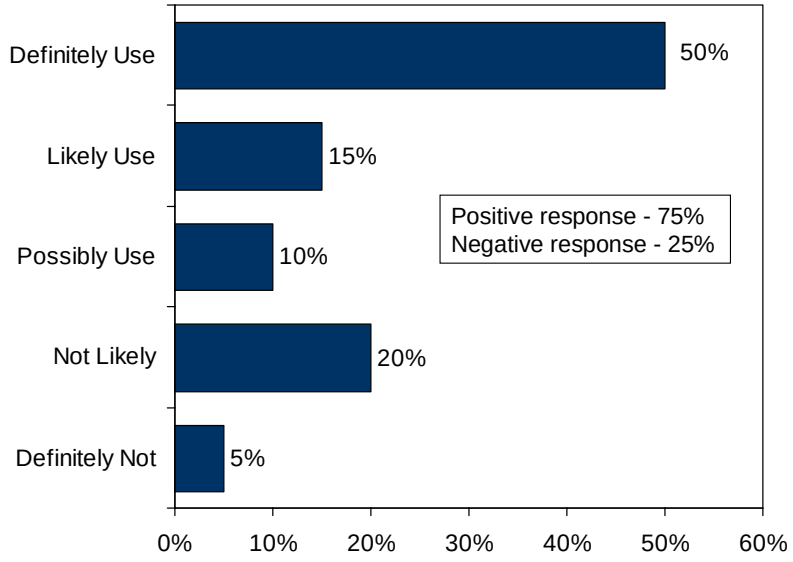
In CSL's 2004 feasibility analysis, approximately 150 detailed surveys (potentially representing more than 250 individual events) were completed with meeting planners representing various event segments that could potentially utilize convention facilities in Lincoln. Targeted *national organization* planners, given various options of indicating interest in holding an event in Lincoln, indicated a moderate interest in using Lincoln facilities, assuming the convention package met the needs of their respective organization(s). In particular, specific responses from planners indicating that they would either "not likely" or "definitely not" utilize Lincoln facilities noted the lack of sufficient air access to/from the Lincoln market, a lack of attendee interest in the Lincoln area and a general lack of local delegates.

However, when *state and regional organization* respondents were asked the same question, the cumulative positive response was much more favorable. Approximately 85 percent of state and regional respondents indicated that they would either "definitely", "likely" or "possibly" use a new convention center in Lincoln, assuming the facility and supporting visitor amenities sufficiently accommodated their group's needs. This analysis, along with other measures of event space demand, hotel demand and other specific market requirements of both state and regional event planners as compared to national organizations indicated that, while national events represent potential for a Lincoln convention facility, the larger events will likely consider Omaha as a first choice. Further, although smaller national events may represent five to seven events annually for

a new Lincoln convention facility, the primary market for a potential new convention center in Lincoln would be within the local, state and regional event sectors.

In order to begin to validate these past assessments, CSL conducted approximately 20 individual Internet-based interviews (potentially representing more than 50 individual events) of state, regional and national event planners as part of our research process. A similar Internet-based questionnaire was distributed to meeting and event planners of national tradeshows and conventions, which derived a limited response, further indicating a general lack of interest from national organizations. Responses related to interest levels among state and regional groups surveyed are presented in Exhibit IV-11.

Exhibit IV-11
Likelihood of Using a New Lincoln Convention Center
State and Regional Organizations



Note: Data represented includes all organizations interviewed
Source: CSL Interviews, 2007

State and regional event planners were given various options of indicating interest in holding an event in Lincoln ranging from "definitely" to "definitely not". Overall, interviews indicated a strong interest in using Lincoln facilities, assuming they met their needs. The cumulative positive response ("definitely", "likely" and "possibly" use) totaled 75 percent, with approximately 65 percent indicating that they would "likely" or "definitely" use facilities in Lincoln.

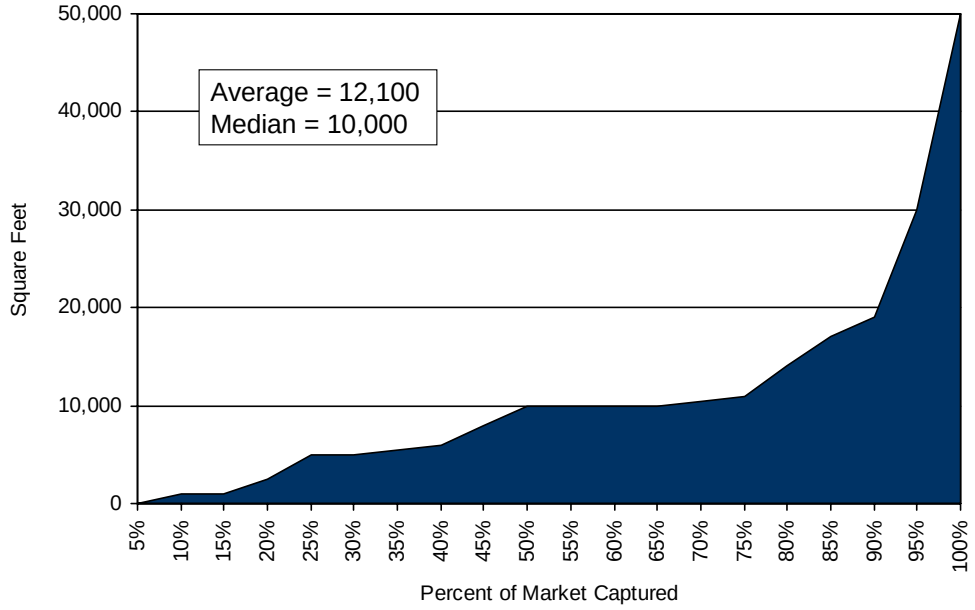
Additionally, approximately 74 percent of total respondents indicated having previously held a meeting in Lincoln. Planners not interested in Lincoln as an event destination noted that Lincoln is not a convenient location for their delegates, that Lincoln is not a part of their region, or the relatively high prices charged for visitor industry-related goods and services, as compared to smaller Nebraska markets.

This data compares to an approximate 84 percent overall positive response rate in our 2004 analysis, which included telephone interviews with more approximately 75 state and regional event planners.

Event Space Demand

In order to validate and update specific event space requirements, state and regional event planners with a potential interest in Lincoln were asked to estimate the average exhibit space square footage needs associated with their event(s). Responses among groups requiring some level of exhibit space are outlined in Exhibit IV-12.

Exhibit IV-12
Summary of Exhibit Space Demand –
State and Regional Organizations



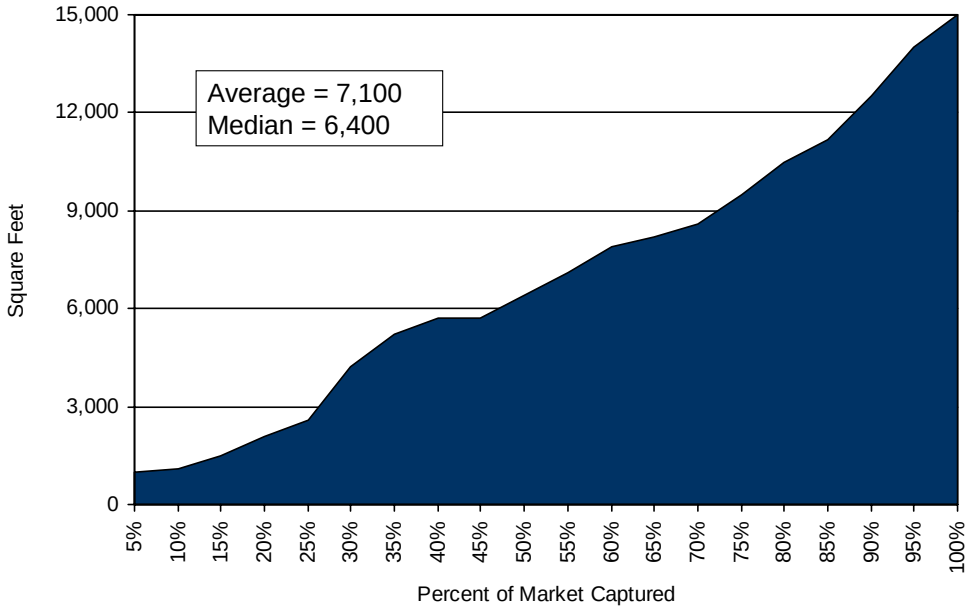
Note: Data represented includes all organizations with a potential interest in Lincoln.
Source: CSL Interviews, 2007

As shown, the average state and regional organization with a positive interest in Lincoln and a need for exhibit space generates usage of approximately 12,100 square feet of exhibit space. It is important to note that approximately 20 percent of the potential market utilizes no exhibit space. Further, it is estimated that 90 percent of the potential market requires 20,000 square feet of exhibit space or less.

Another fundamental component of a "complete" convention center is its level of available breakout meeting space. Because meeting room space can be used for many different purposes, actual square footage requirements can vary considerably. State and regional event planners expressing a potential interest in Lincoln were asked to estimate

the average meeting space levels required for their respective event(s). Exhibit IV-13 summarizes their responses.

Exhibit IV-13
Summary of Meeting Space Demand –
State and Regional Organizations

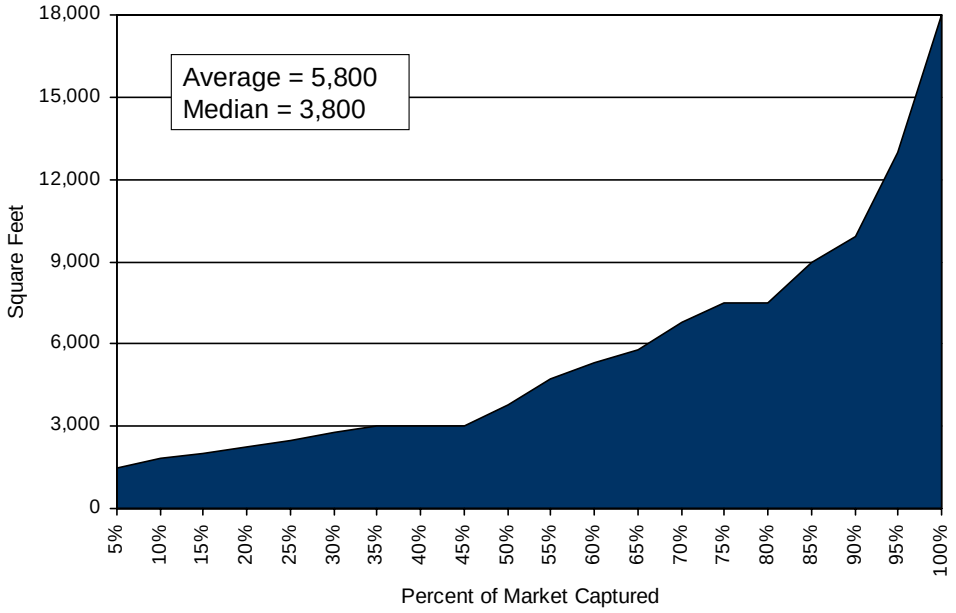


Note: Data represented includes all organizations with a potential interest in Lincoln.
Source: CSL Interviews, 2007

As presented, the average state and regional organization with a potential interest in a new Lincoln convention center utilizes approximately 7,100 square feet of meeting space. Fifty percent of Lincoln's potential state, regional and national organization market consists of events requiring 6,400 or fewer square feet of meeting space. Furthermore, approximately 90 percent of the potential market consists of events occupying approximately 12,500 square feet of meeting space or less.

Additionally, event planners expressing a positive interest in Lincoln were asked to estimate the average amount of ballroom space required by their events. Responses are summarized in Exhibit IV-14.

Exhibit IV-14
Summary of Ballroom Space Demand –
State and Regional Organizations



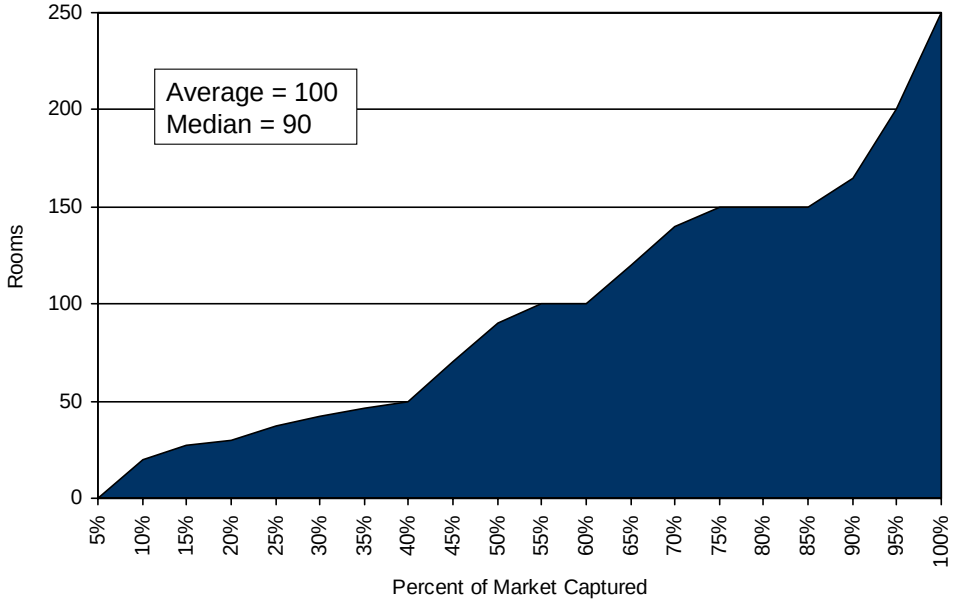
Note: Data represented includes all organizations with a potential interest in Lincoln.
Source: CSL Interviews, 2007

As shown in the exhibit above, the average state and regional organization event with a positive interest in Lincoln generates usage of approximately 5,800 square feet of ballroom space with an average attendance of 385 people. Approximately fifty percent of Lincoln's potential event market consists of events requiring less than 3,800 square feet of ballroom space. Furthermore, 90 percent of the potential state, regional and national event market consists of events occupying approximately 9,900 square feet of ballroom space or less.

Hotel Room Demand

The sellable space offered in a convention center should be tied closely to the current and potential future hotel inventory in the area. As such, targeted state and regional organization event planners with a positive interest in Lincoln were asked to estimate the average hotel room demand, in terms of total number of rooms occupied on the peak night of their event. Exhibit IV-15 presents a summary of these results.

Exhibit IV-15
Summary of Peak Night Hotel Room Blocks –
State and Regional Organizations



Note: Data represented includes all organizations with a potential interest in Lincoln.
Source: CSL Interviews, 2007

As shown, the average state and regional organization with a potential interest in rotating future events to Lincoln requires approximately 100 hotel rooms on the peak night of the respective event. Fifty percent of the Lincoln market's potential event market consists of organizations that require approximately 90 or fewer rooms.

Together, the Cornhusker, Embassy Suites and Holiday Inn offer a total of 779 rooms. However, it is important to note that the number of committable rooms in a hotel property generally averages 70 percent. Therefore, the potential market that can be accommodated in these existing local hotel properties may approximate 540 rooms. Based on this analysis, the existing room inventory appears to be sufficient to accommodate the demand of organizations expressing an interest in Lincoln.

That being said, the location of rooms adjacent to any convention facility is of utmost importance to planners of events with a large non-local attendee base. Based on our 2004 analysis, an estimated 56 percent of state and regional organization event planners require a headquarters hotel when selecting a destination. As such, given the proposed location of a new Lincoln convention center (in the Haymarket District), the development of a new headquarters hotel facility should also be considered. This concept will be further discussed in a later section of this report.

V. Building Program Analysis

Based on the results of the analysis of local market conditions, competitive and comparable facilities and markets, industry trends and characteristics and market demand, an evaluation of the supportable facility program components was performed. The purpose of this section of the report is to identify market supportable building program options for both arena space and convention/conference facility needs. Each of these building components is addressed below.

Arena Program Recommendations

Based on our analysis of existing local event facilities, in-person interviews with Pershing Center and other Lincoln event facility management, surveys of event promoters and industry trend assessments, the following key findings have been developed.

- The condition of the existing Perishing Auditorium is well below industry standards in terms of functionality, convenience, aesthetics and other features.
- Similar sized communities (and indeed many smaller markets) have developed first-class arena and entertainment venues to accommodate community needs. The facility is in many ways seen as an important quality of life asset.
- To provide residents with access to music, sporting, entertainment and related events, a new arena in Lincoln would be necessary. It is fair to say that simply from a quality of life perspective, the development of a new arena is supportable in order to retain and enhance the music, entertainment and sports event character of the community. As noted below, various cost and benefit assessments will be necessary to further refine the decision making process.
- Penetration analysis provides indication of market support for new arena capacity in the 13,000 to 16,000-seat range, assuming the presence of Division I sports. A facility sized at this level would accommodate State High School tournaments, and would be positioned to exceed the capacity at the Council Bluffs facility. Without participation by the University of Nebraska, supportable arena capacity would likely be lower. The development of a new arena was cited by event promoters as an important element in attracting music and entertainment events to Lincoln. Research indicates that even with a larger capacity, competition from Omaha and other regional venues will impact the ability of a new venue to attract significant numbers of added concert and entertainment events.
- Given the potential for a state-wide university draw, planning efforts should focus on at least 600 club seats.

- Corporate data suggest a potential market for up to 20 arena suites in a new Lincoln Arena.
- Several important issues need to be considered when selecting an appropriate arena size, including:
  - University participation in a project of this size is important. Seating capacities at the lower range would suffice without University events.
  - Participation in the project by the University would enhance the event profile of a larger arena. Discussions with University officials should continue to take place to assess their program needs and long-term plans.
  - Minor league sports tenants can help enhance facility utilization. Discussion with league representatives should be undertaken to assess potential future location at a new arena.
  - The costs of a larger venue can be significant. For example, construction costs for recently opened, similar-sized arenas has ranged from $75 million to $130 million.

Convention Center Program Recommendations

The analysis presented herein supports the findings of our previous study indicating that, while national events represent potential for a Lincoln convention facility, the larger events will likely consider Omaha as a first choice. Further, a smaller, targeted national event segment may represent as many as five to seven events annually for improved Lincoln convention facility offerings.

State and regional organization demand is generally met by the existing Lincoln facilities (i.e., Cornhusker Hotel and Embassy Suites, etc.); however, some larger events and incremental smaller events during peak demand periods could be attracted. Other events that could be housed in a convention center, such as consumer shows, banquets, meetings and receptions of more a local nature, are generally accommodated at existing Lincoln area venues.

Given these characteristics, it does not appear that sufficient demand exists for a new stand-alone convention center in the downtown Lincoln area. However, consideration of a public/private hotel and conference center project should be pursued. Such a project would limit the up-front public sector capital costs, and would offer developers a cost-effective means of accessing large amounts of exhibit, meeting and ballroom space.

Facility Type

To maximize utilization and limit development and operational costs, a very flexible, state-of-the-industry, multipurpose convention/conference facility would allow for the accommodation of the widest variety of events, typical in communities of a similar size and nature to Lincoln. To accommodate a sufficient level of unmet event demand and to minimize the duplication of existing space in the market, the market supportable components of a potential new conference center would include:

Facility Components:

- Approximately 30,000 square feet of sub-divisible, column-free, multipurpose space with durable, upscale flooring and ceiling heights of at least 28 feet. This space should be sub-divisible and should have a relatively high level of finish in terms of floor covering, wall treatment and ceiling fixtures. This space would then be suitable for hosting exhibits, banquets, general sessions or a combination of all three uses.
- Approximately 10,000 square feet of breakout meeting space. This space typically has lower ceilings, moderate to upscale finish and is very flexible in terms of sub-divisibility.
- Approximately 20,000 square feet of sub-divisible, upscale ballroom space.
- A headquarters hotel property attached or adjacent to the Center. A minimum of 250 rooms will be critical to the success of a potential new convention center in Lincoln.

The facility components and hotel requirements outlined above would be required to accommodate a significant share of the identified potential event demand in Lincoln, without the low occupancy levels associated with overbuilding. Analysis results indicate that a facility sized in such a manner would generate moderate utilization relative to comparable centers in other similar communities, particularly in the start-up years. The recommended facility will tend to attract several new events to the community and function both as an economic generator and as a local community resource in hosting local events.

Development Options:

It is quite possible that the development, operation and marketing of a public sector-owned conference center project could be deemed by the community to be cost prohibitive. As such, alternate development options could be considered. These could include a (1) stand-alone convention center, or (2) a public/private partnership with a hotel.

1. *Traditional, publicly-led, stand-alone convention center development*. Normally, these types of facilities are owned and overwhelmingly funded by the public sector (i.e., 95 percent or more of total development and ongoing operating costs are funded by the public sector). The facility is assumed to be of the size indicated in this chapter and located next to an appropriate quality headquarters hotel (as outlined herein). The facility would either be operated/managed by the public sector or a private third-party.

2. *Public/private partnership with a hotel developer*. This option can reduce the overall costs to develop a community's convention facility. In this case, development of a convention/conference center would not likely be supportable without this type of development arrangement. Sharing costs and control can be accomplished in a variety of ways:

   - Public sector could assemble and provide land and infrastructure improvements.
   - Public sector could fund development of a portion of the conference facility (i.e., exhibit hall component, ballroom component, etc.).
   - Private developer could build appropriate hotel, meeting space and service areas to support the conference facility.
   - Public sector or hotel operator could manage the overall meeting facility. An operating situation where two entities control pieces of the overall "conference center" (i.e., public sector operates exhibit space and hotel operates meeting and banquet space) can prove problematic in booking and coordinating events.

Significant further research as to the particular financing mechanisms, public/private partnerships and other development issues will need to be conducted if the City wishes to pursue the project.

VI. Financial Operations Analysis

The purpose of this chapter is to provide an analysis of the potential financial operating results that could be generated by the development of arena and convention center facilities in Lincoln.

Analysis of Arena Financial Operations

The intent of this section is to provide a preliminary estimate of the potential financial operating results that could be achieved by a new arena in Lincoln. Two operational scenarios have been developed to illustrate the potential financial results associated with an arena in downtown Lincoln. The first scenario depicts a low revenue/low expense situation, while the second projects a high revenue/high expense scenario. Our estimates are based on interviews with facility management, event and attendance levels at comparable facilities, an updated demand analysis specific to the Lincoln market and other relevant information. The following primary assumptions have been made related to the potential tenants of the proposed arena:

- The arena will host UNL basketball and other large University events.
- The arena will host concerts, family shows and other touring spectator events consistent with similar facilities.
- The arena may host a professional basketball, football, hockey or other franchise, with attendance levels consistent with league levels.
- The arena will host a variety of other events, including community events, commencements, meetings and other such events at levels similar to comparable facilities.
- Lease and rental terms for all events will be consistent with terms achieved by comparable facilities.

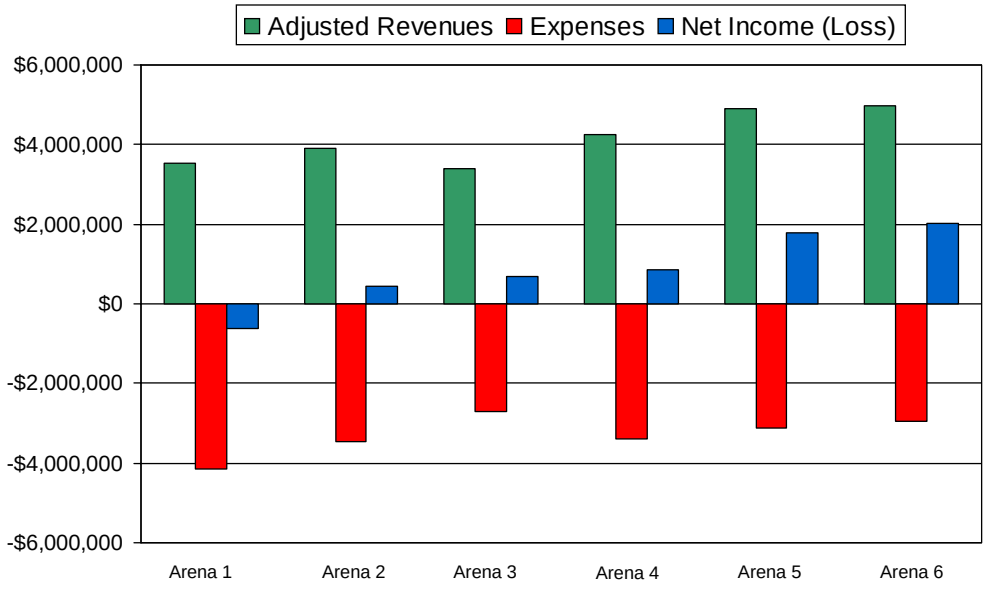
As discussed previously, the estimates used to develop this preliminary financial analysis are largely based on comparable facility operations and market research data. Similarly, the lease terms, ticket prices, per capita spending, advertising and naming rights levels and other assumptions have been based on comparable facility experiences. As the arena planning and development processes continue forward, it will be important to update financial analysis, particularly as the final lease terms are negotiated.

In an effort to provide an estimate of the potential operating results for arena development in Lincoln, we have first evaluated the financial operations of a number of comparable arenas throughout the United States.

Exhibit VI-1 summarizes the financial operations at a set of six comparable arena venues in mid-sized markets offering seating capacities of between 11,500 and 18,100. The data presented herein reflect the most recent figures available to CSL for the following venues:

- **BOK Center**, Tulsa, Oklahoma
- **Century Tel Center**, Bossier City, Louisiana
- **Save Mart Center**, Fresno, California
- **Van Andel Arena**, Grand Rapids, Michigan
- **Verizon Wireless Arena**, Manchester, New Hampshire
- **Wells Fargo Arena**, Des Moines, Iowa

Exhibit VI-1
Summary of Financial Operations – Comparable Arenas



Note: F&B revenue is presented in terms of net proceeds to the facility. Parking and various non-operating items are not considered in this analysis.
Source: CSL, facility management

It is important to note that, since not all venues receive parking revenue, we have excluded this item from the revenue and expense analysis. We have also excluded non-operating items such as third party management fees, etc. from all results. As presented above, operating revenues (i.e., rental income, services income, food and beverage, merchandise/novelties, advertising, ticket rebates/incentives, etc.) within the comparable facility set averaged nearly $4.2 million, ranging from approximately $3.4 million to nearly $5.0 million. Operating expenses (i.e., salaries, wages, benefits and taxes,

contracted services/professional fees, general and administrative, repairs and maintenance, supplies, utilities, insurance, etc.) averaged nearly $3.3 million, ranging from a low of approximately $2.7 million, to a high of more than $4.1 million.

Overall, the majority of the venues considered in this analysis generate operating surpluses (ranging from nearly $500,000 to more than $2,000,000). In contrast, one of the six facilities operated with an annual deficit (approximately $600,000) in a recent year, due in large part to higher than average utilities expenses.

Key factors in determining financial performance include the number and quality of primary tenants, the lease agreement between a primary tenant and the venue, the level of seating amenities (suites and club seats) and the portion of this revenue retained by the arena, and other factors such as how various services such as food service are provided (in-house versus private vendor).

Factors influencing financial performance for a Lincoln arena include the competitive market for major concert/entertainment events and the resulting likelihood that rental agreements structured to attract event promoters would have to be offered.

Based on conversations with facility management and applying various elements of past facility operations, event demand characteristics, industry trends, facility pricing, cost structures, assumed development scenarios and related elements, the projected operating revenues and expenses under two scenarios are estimated as follows in Exhibit 2. As discussed earlier, the first scenario depicts a low revenue/low expense situation, while the second projects a high revenue/high expense scenario. Data is presented in terms of a stabilized year of operations, assumed to occur in year three, in 2007 dollars.

Exhibit VI-2
Summary of Potential Financial Operations –
Proposed Lincoln Arena

	Low Revenue/ Expense Scenario	High Revenue/ Expense Scenario
Potential Revenues		
Gross Revenue	$4,500,000	$5,000,000
Less Parking (1)	(400,000)	(500,000)
Less Premium Seating (1)	(1,000,000)	(1,400,000)
Net Revenue	$3,100,000	$3,100,000
Potential Expenses	$3,500,000	$4,000,000
Net Operating Income (Loss)	**($400,000)**	**($900,000)**

(1) Estimates are based on previous estimates from the Mayor's Facility Task Force and CSL assumptions. Revenues are assumed to be used for debt service and are therefore deducted from the operational analysis.
Sources: CSL International, Mayor's Facility Task Force, 2007

Arena Revenues

A significant portion of the arena's revenues will be generated by event specific revenue streams, including facility rent, concessions, catering and merchandise/novelty sales. Non-event revenues will include premium seating sales, naming rights, advertising and other miscellaneous revenues.

As shown, gross revenues could be expected to range from $4.5 to $5.0 million. Based on previous estimates from the Mayor's Facility Task Force and CSL assumptions, parking revenues, which could total $400,000 to 500,000 annually, have been subtracted from the totals, these dollars may be used for facility financing. The same is true with premium seating revenues, which could range from $1.1 million to $1.4 million annually. The resulting revenue available for operations is approximately $3.1 million under both scenarios.

The gross revenue estimates used herein will be impacted by the lease agreement negotiated with the University. The allocation of revenues such as ticket, concessions, premium seating and other sources has yet to be determined. Subsequent to completing these lease negotiations, a review of gross revenue estimates should be made.

Arena Operating Expenses

As shown on the previous page, total operating expenses for a new arena are estimated at between $3.5 million and $4.0 million.

For purposes of this analysis, it is assumed that the arena will be operated by a private management company, which will receive management fee from the arena's owner. The final operating and management structure for the facility will depend on the event priorities of the City, University and other public and private stakeholders and the ability to develop a management contract that is amenable to all related parties.

20-year Revenue and Expense Estimates

Our analysis also includes estimates of operating revenues and expenses for the proposed arena for the first twenty years of operations to illustrate the effects of a start-up period, which is expected to last approximately three years.

Assumptions related to this phenomenon include the following:

- Year three operations are assumed to represent a stabilized year for both revenue and expense estimates.
- Revenue estimates for year one are equal to 80 percent of stabilized year figures.
- Revenue estimates for year two are equal to 90 percent of stabilized year figures.
- Expense estimates for year one are equal to 90 percent of stabilized year figures.
- Expense estimates for year two are equal to 95 percent of stabilized year figures.
- Annual inflation after three years is estimated at three percent for all future years.

Exhibit 3 presents a summary of estimated financial operations for a new arena in Lincoln for the first 20 years of operations for each of the two identified operational scenarios. Data is presented in 2007 dollars for all future years.

Exhibit VI-3
Summary of Estimated Financial Operations –
Proposed Lincoln Arena

Low Revenue/Expense Scenario			
Year	Revenue	Expense	Net
1	$2,480,000	$3,150,000	($670,000)
2	$2,790,000	$3,325,000	($535,000)
3	$3,100,000	$3,500,000	($400,000)
4	$3,193,000	$3,605,000	($412,000)
5	$3,288,790	$3,713,150	($424,360)
6	$3,387,454	$3,824,545	($437,091)
7	$3,489,077	$3,939,281	($450,204)
8	$3,593,750	$4,057,459	($463,710)
9	$3,701,562	$4,179,183	($477,621)
10	$3,812,609	$4,304,559	($491,950)
11	$3,926,987	$4,433,695	($506,708)
12	$4,044,797	$4,566,706	($521,909)
13	$4,166,141	$4,703,707	($537,567)
14	$4,291,125	$4,844,819	($553,694)
15	$4,419,859	$4,990,163	($570,304)
16	$4,552,455	$5,139,868	($587,413)
17	$4,689,028	$5,294,064	($605,036)
18	$4,829,699	$5,452,886	($623,187)
19	$4,974,590	$5,616,473	($641,883)
20	$5,123,828	$5,784,967	($661,139)

High Revenue/Expense Scenario			
Year	Revenue	Expense	Net
1	$2,480,000	$3,600,000	($1,120,000)
2	$2,790,000	$3,800,000	($1,010,000)
3	$3,100,000	$4,000,000	($900,000)
4	$3,193,000	$4,120,000	($927,000)
5	$3,288,790	$4,243,600	($954,810)
6	$3,387,454	$4,370,908	($983,454)
7	$3,489,077	$4,502,035	($1,012,958)
8	$3,593,750	$4,637,096	($1,043,347)
9	$3,701,562	$4,776,209	($1,074,647)
10	$3,812,609	$4,919,495	($1,106,886)
11	$3,926,987	$5,067,080	($1,140,093)
12	$4,044,797	$5,219,093	($1,174,296)
13	$4,166,141	$5,375,666	($1,209,525)
14	$4,291,125	$5,536,935	($1,245,810)
15	$4,419,859	$5,703,044	($1,283,185)
16	$4,552,455	$5,874,135	($1,321,680)
17	$4,689,028	$6,050,359	($1,361,331)
18	$4,829,699	$6,231,870	($1,402,171)
19	$4,974,590	$6,418,826	($1,444,236)
20	$5,123,828	$6,611,391	($1,487,563)

As presented, net financial operations for the proposed arena could result in a loss of as much as $1.1 million in the facility's initial year of operation (excluding premium seat revenues). As discussed earlier, in year three, which is considered to be a stabilized year of operation, the annual loss could approximate between 400,000 and $900,000. Over time, operating revenues and expenses are estimated to increase at an annual rate of three

percent. As such, under the low revenue/expense scenario in year 20, the net facility loss is estimated at $661,000, based on revenues of approximately $5.1 million and expenses of approximately $5.8 million. This compares to a net loss in year 20 of nearly $1.5 million under the high revenue/expense scenario, based on revenues of approximately $5.1 million and expenses of approximately $6.6 million.

Analysis of Convention Center Financial Operations

There are two basic models for convention center development and operation. Under the first model, a community will enter into a development agreement with a private sector entity to construct a headquarters hotel and (with public financial support) convention center space. The private sector entity then operates the entire complex, usually agreeing to cover all operating costs/losses for the center and hotel. There are therefore no on-going conference center financial operating commitments required of the city.

Under the public/private development model with single private management, it is critical that various operating agreements and room block agreements be negotiated. This is to prevent situations whereby the hotel operator seeks to maximize revenue and room nights for the headquarters hotel at the expense of attracting larger events that can benefit the broader hotel and visitor industry. In many cases, room block agreements will stipulate that a local conference marketing agency of convention and visitors bureau has booking control of a large percentage of the rooms in the headquarters hotel to attract events that book several years in advance. As the time frame shortens, the room inventory reverts back to the hotel operator. There are also standards for operating and maintaining the conference center that are included in operating agreements. These agreements can also include provision for complimentary city use of the facility. Careful negotiation of these documents will be critical to achieving the positive impact potential of the center and hotel.

Under the second model, the City would finance, construct and operate the convention center and a private sector entity would finance, construct and operate the adjacent headquarters hotel. The publicly funded model is very common in the industry for larger convention centers such as Omaha's Qwest Convention Center.

Both of these models have been evaluated in the context of future convention center development in Lincoln. The results of this assessment are presented below.

Public/Private Partnership Models

As noted previously, there are numerous conference and convention center projects nationally that have been developed under a public/private partnership model. The private sector developer constructs the hotel and center (with some element of public financing), and operates the entire complex.

There are a number of hotel developers throughout the country that have been aggressive in partnering with municipalities in hotel/conference center projects. Exhibit VI-4 lists examples of such partnerships.

Exhibit VI-4
Comparable Public/Private Partnerships

City, State	Hotel and Conference/Convention Facility	Private Partner
Dubuque, IA	Grand Harbor Resort and Waterpark and Grand River Center	Platinum Holdings
Frisco, TX	Embassy Suites Hotel and Frisco Conference Center	John Q. Hammons
Lewisville, TX	Hilton Garden Inn and Lewisville Convention Center	Second Century Investments
Norfolk, VA	Hilton Hotel and Norfolk Conference Center (1)	RLJ Fulco Development
Salem, OR	Phoenix Grand Hotel and Salem Conference Center	VIP's Motor Inns
San Marcos, TX	Embassy Suites Hotel and San Marcos Conference Center	John Q. Hammons
Sugar Land, TX	Sugar Land Marriott and Sugar Land Conference Center	Stormont Hospitality Group

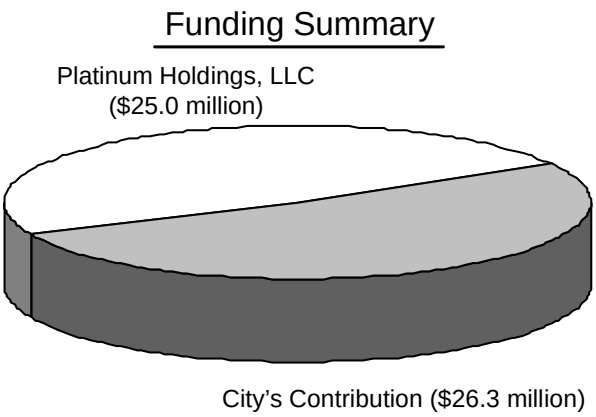
(1) Actual name of hotel and facility to be determined

Each of these cases offers insight into a potential public/private partnership. This section presents case studies highlighting relevant background information for each of the above markets with regard to convention/conference facility offerings, hotel characteristics and relevant partnership deal points.

Dubuque, Iowa

Grand Harbor Resort and Waterpark and Grand River Center

The Grand Harbor Resort and Waterpark ("Resort") and the Grand River Center ("Center") opened in October 2003 with the combined efforts of the City of Dubuque and Platinum Holdings, LLC ("Platinum"). The Resort offers 193 rooms, while the Center offers approximately 54,000 square feet of total sellable space, with an estimated 30,000-sqaure foot exhibit hall, 12,000 square feet of meeting room space (divisible into six separate rooms) and 12,000 square feet of ballroom space (divisible into five separate rooms).



Project Cost:	$51.3 million
Public:	$26.3 million (51%)
Private:	$25.0 million (49%)

The entire project cost approximately $51.3 million to develop and was a part of the $188 million Grand River Center and America's River Project, which included the addition of a museum, a river walk and other relevant infrastructure. Platinum contributed $25 million to fund the construction of the Resort, with the City contributing the remaining $26.3 million to fund the construction of the Center. The City's portion of funding was financed with a combination of state grants, general obligation bonds, sales tax dollars and other general fund dollars.

The City owns the Center and the land upon which the Center and Resort sits. Platinum holds a 50-year lease agreement with the City for the hotel's land and operates the entire facility. As compensation for operating the Center, the City agreed to pay Platinum approximately $640,000 prior to the first year of operation and approximately $251,000 prior to the second year of operation. Further, the City agreed to allocate 50 percent of the hotel/motel tax collections from the Resort to cover operation expenses at the Center for each of the first ten years of operation. Platinum is responsible for any additional expenses and retains all revenues associated with the operation of the Center and Resort.

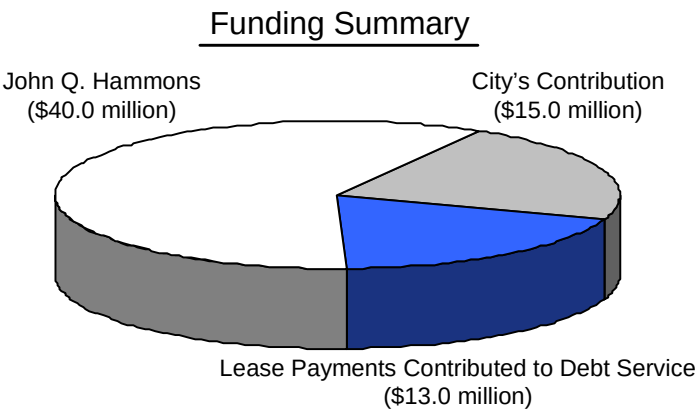
If expenses are in excess of $1,000 for an individual repair or in excess of $15,000 in the aggregate in a given fiscal year they are considered a capital repair, which is paid for by the City. Any expenses less than $1,000 for an individual repair or less than $15,000 in the aggregate in a given fiscal year are considered to be standard operating costs and are the responsibility of Platinum.

During the first two years of the Center's operations, the City is responsible for covering any operational deficits at the Center. The overall contribution included approximately $396,000 in start-up costs, $244,000 in operational deficits after the first year of operations and $251,000 after the second year of operations. However, the City indicated that there was no need to cover any deficit as the Center generated an operating profit in each of its first two years of operation.

Frisco, Texas
Embassy Suites Hotel and Frisco Conference Center

Opening in April 2005, the 330-room Embassy Suites Hotel ("Hotel") and Frisco Conference Center ("Center") is a joint venture between the City of Frisco and developer John Q. Hammons ("JQH"). Located approximately 24 miles northeast of the Dallas/Fort Worth International Airport, the Center offers approximately 41,800 square feet of multipurpose ballroom space (divisible into nine separate rooms) and approximately 9,000 square feet of meeting space (divisible into 14 separate rooms), while the hotel offers approximately 5,400 square feet of additional meeting space throughout eight breakout rooms.

The City owns both the Center and an adjacent 680-car parking garage, which are operated by JQH. Further, JQH purchased the land upon which the hotel sits and owns and operates the Hotel. The City spent approximately $20 million to fund Center development and another $8 million on the parking garage, while JQH spent approximately $40 million to develop the Hotel and to cover any expenses in excess of the guaranteed maximum price of developing the conference center and parking garage.



Project Cost:	$68.0 million
Public:	$15.0 million (22%)
Private:	$53.0 million (78%)

The City leases the Center and parking garage to JQH for an annual lease payment. This payment services both the debt issued by the City to finance 25 percent (approximately $5 million) of the construction cost for the Center and the debt issued by the City to finance the construction of the parking garage. In return, JQH is entitled to retain all revenues generated through the operation of the Center and parking garage.

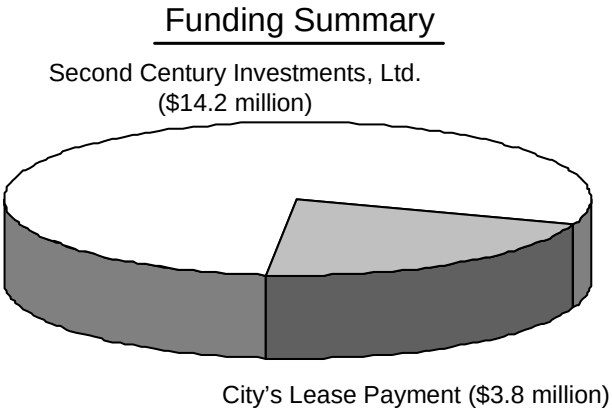
JQH is responsible for all costs associated with the maintenance and operation of the Center and parking garage, including all capital expenditures. However, the City established a capital maintenance reserve account into which the City deposits 50 percent of the hotel/motel tax revenue collected from the Hotel in excess of the amount required to meet the City's debt service payments for the Center. After the repayment in full of any debt issued by the City for the Center, the City will continue to make an annual deposit of either 50 percent of the hotel/motel tax revenue derived from the Hotel or $250,000, whichever is less.

The remaining portion of the City's financing was generated by selling certificates of obligation, which will be paid off over approximately 20 years through tax collections within a tax increment fund ("TIF") district. The facilities are part of the one million square-foot Frisco Sports/Entertainment Complex, which also houses the Stonebriar Centre shopping mall, the Dr. Pepper/Seven-Up Ballpark, home of the Frisco Roughriders (AA affiliate of the Texas Rangers) and the Frisco Dr. Pepper StarCenter, which serves as the training headquarters for the National Hockey League's Dallas Stars.

Lewisville, Texas
Hilton Garden Inn and Lewisville Convention Center

Located approximately 11 miles northeast of the Dallas/Fort Worth International Airport, the 171-room Hilton Garden Inn and attached 30,000-square foot Lewisville Convention Center was completed in August 2007. The City of Lewisville partnered with developer Second Century Investments Lewisville Hotel Ltd. ("SCI") and Gateway Hospitality Group ("Gateway") to construct and manage the estimated $18 million development.

The City will make a one-time up-front lease payment to SCI of $3.75 million which will go toward the construction of the Center. SCI owns the land upon which the development is being constructed and is paying the remaining costs associated with the construction of the Center and hotel. As terms of the management agreement, the City has agreed to allocate all of the Hotel Occupancy Tax collections from the hotel to Gateway on a monthly basis. However, this amount cannot exceed $300,000 per year, in aggregate, for each of the first ten years of operation. In each successive year the City's



Project Cost:	$18.0 million
Public:	$3.8 million (21%)
Private:	$14.2 million (79%)

maximum annual contribution decreases by $50,000 until it reaches zero in the 16th year of operation.

Further, by the end of the sixth full year of operations, SCI will make a payment to the City in the amount of $1.75 million as reimbursement for a portion of the monthly management fees. By the end of the ninth full year of operations, SCI will pay the City another $2 million for a total reimbursement of $3.75 million, or the exact same contribution the City originally made to fund the project. The reimbursement, however, is not adjusted for inflation.

The City has also agreed to annual property tax abatements for the first ten years of operations at the facility. In years one through three of operation 100 percent of taxes are abated; in years four and five 85 percent of taxes are abated; in years six and seven 75 percent of taxes are abated; in year eight 70 percent of taxes are abated; in year nine 55 percent of taxes are abated; and in year ten 50 percent of taxes are abated. After this point, SCI, or the current owner of the property, is responsible for paying 100 percent of property taxes on the facilities. In return for these contributions, the City projects it will generate approximately $5.4 million in revenue from the project over the next 20 years, plus increased occupancy rates at other area hotels.

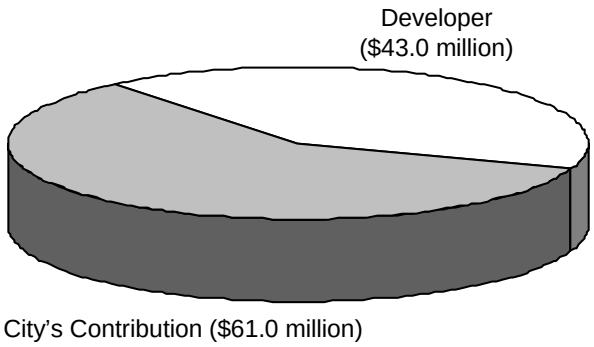
As owner and operator of the facilities, SCI and Gateway retain all revenues associated with operating the Center and hotel, aside from payments discussed previously. However, the City retains the right to sell naming rights to the Center and collect all revenue associated with such a sale. Further, SCI is required to provide up to 50 hotel rooms annually, at the request of the City's Economic Development Director, for the purpose of stimulating development activity in the City that could generate additional convention or meeting activity for the City.

Norfolk, Virginia
Hilton Hotel and Norfolk Conference Center

In November 2005, the City of Norfolk and RLJ-Fulco Development ("RLJ") agreed to construct a 240-room Hilton Hotel, a 70,000-square foot conference facility and an enclosed parking facility estimated to accommodate 500 parking spaces. According to the Norfolk Convention and Visitors Bureau, even though the City currently offers meeting space at the Waterside Convention Center, they are losing business because of an inability to accommodate groups larger than approximately 1,000 attendees. Based on conversations with City officials, the new conference facility, which is currently still in the planning stages, is expected to offer a 23,000-square foot banquet room and is estimated to be large enough to host groups of up to 2,000 attendees.

When the initial master development agreement was signed in 2005, the cost of the venture was expected to total approximately $104 million. The City estimated their contribution to be approximately $61 million, of which $33 million would be allocated for the conference center, $18.5 million for a parking garage and $9.3 million for land acquisition. In addition, the City is expected to extend a performance grant to an upscale restaurant on the first floor of the hotel (in the form of a partial rebate of taxes it generates), which could be worth up to $750,000 over ten years. The developers were expecting to contribute approximately $28 million to build the hotel and at least $15 million to develop 50 to 60 condominiums that would be built on the top five or six floors of the building. According to City officials, the hotel is expected to generate more than $1.8 million in direct taxes in its first year of operation; however, these figures will likely change as the project has yet to begin construction.

Funding Summary



Project Cost:	$104.0 million
Public:	$61.0 million (59%)
Private:	$43.0 million (41%)

The City's portion of development costs will be financed by hotel and restaurant tax increases that were enacted several years earlier with the intention of funding a new conference facility. According to City Management, these taxes generate nearly $5 million each year, which is nearly twice the estimated amount required for debt service. Further, it is estimated that the parking ramp will generate enough annual revenue to service its debt without assistance.

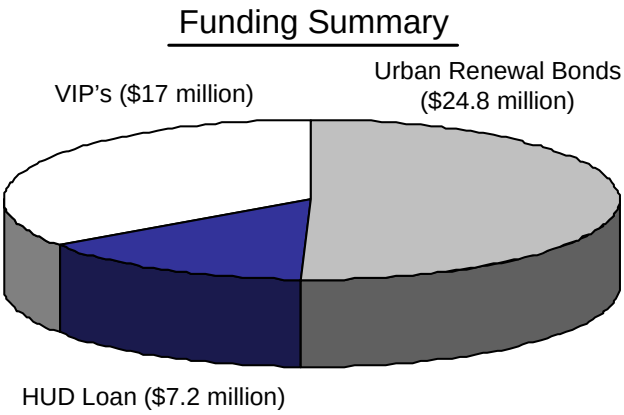
The developer will establish an interest bearing reserve account to cover maintenance, repairs and replacements related to the Center. The reserve account will be funded quarterly with four percent of gross revenues of the Center. If major structural repairs are necessary the City is responsible for covering any expense above what is available in the reserve account.

While the developer will be responsible for marketing the Center, the Norfolk Convention and Visitor's Bureau may also market the Center to attract visitors to the City. Events booking 12 months or fewer in advance are subject to the discretion of the developer in terms of room rates and room availability. For events requiring blocks of 400 or more citywide rooms booking between 12 and 24 months in advance, the developer is required to make available 50 percent of the Hotel's rooms. For events of a similar size booking more than 24 months in advance, the developer is required to make available 75 percent of the Hotel's rooms. Further, the rates charged by the developer for these larger events cannot exceed 110 percent of the hotel's average daily rate.

Salem, Oregon
Phoenix Grand Hotel and Salem Conference Center

Developer VIP's Motor Inns, Inc. ("VIP's) and the City of Salem opened the $17 million Phoenix Grand Hotel and attached $32 million Salem Conference Center in March 2005. Located approximately 48 miles south of Portland, the Center offers approximately 24,300 square feet of total sellable space, with 12,900 square feet of meeting space throughout ten breakout rooms, an 11,400-square foot ballroom (divisible into four separate rooms), and a 190-space underground parking garage. The Hotel is Salem's largest hotel, offering 193 total guestrooms.

The conference center and parking garage portion of the project was publicly financed through the sale of urban renewal bonds and a $7.2 million loan from the U.S. Department of Housing and Urban Development ("HUD"). The renewal bonds are being repaid by TIF generated within the urban renewal district, while the federal HUD loan will be repaid by a combination of proceeds generated from loans previously made by the City.



Project Cost:	$49.0 million
Public:	$32.0 million (65%)
Private:	$17.0 million (35%)

All expenses associated with operating the Center and parking facility are paid out of revenues from these respective facilities. There is no management fee paid to VIP's in consideration for operating the Center and parking garage; however, if their operating expenses exceed operating revenues, VIP's will pay a maximum of $100,000 of the operating loss in each of the first three years, and up to $300,000 of the operating loss in all subsequent years. The City is responsible for covering any additional operating losses.

Further, if operating revenues exceed expenses, VIP's will receive 75 percent of the profits, with the remaining 25 percent going to the City, until all of VIP's past operational losses are recovered. Upon VIP's reclamation of past losses, any realized profit will be split equally, with the City's portion allocated to a gain-loss reserve, which is used to cover operational losses and to upgrade and maintain the facilities.

VIP's originally owned the land upon which the facilities were built and, upon the completion of the project, sold to the City the portion of land upon which the conference center and parking structure were built. This purchase price ($1.5 million) was contributed immediately to the gain-loss reserve. The City will also contribute $300,000 per year from room tax revenues to the reserve until it has accumulated $4 million. Further, the City is responsible for funding future capital replacements to the Center and parking garage while VIP's is responsible for funding capital replacements for the hotel.

VIP's expressed the desire to allocate responsibility and cost of marketing the conference center. Therefore, VIP's has agreed to pay $50,000 annually to the Salem Convention and Visitor Association, or the City's current contractor, to help cover facility sales and marketing costs. Insurance for the Center (estimated at $25,000 for fiscal year 2005-06) is paid by the City.

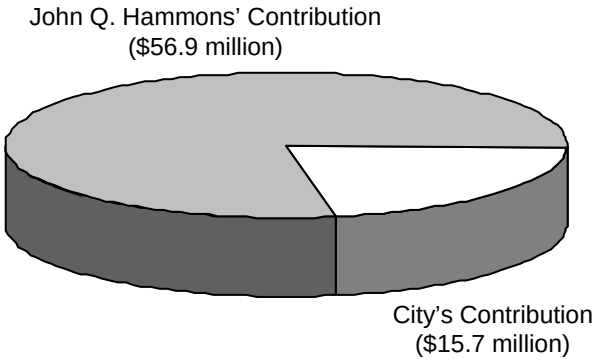
The public/private partnership between the City and VIP's has already provided some profitable synergies. According to audited operational statements, over the first 16 months of operation, the Center generated operating income of over $200,000 with gross revenues of nearly $2.7 million. This is, in part, due to the public-private partnership in which the Center's marketing funds (approximately $193,000 for fiscal year 2005-06) are supplemented by a hotel tax levied on guests.

San Marcos, Texas
Embassy Suites Hotel and San Marcos Conference Center

The City of San Marcos (located approximately 49 miles northeast of San Antonio) and JQH broke ground in January 2007 on an estimated $22.6 million conference center and an estimated $50 million, 283-room Embassy Suites Hotel. The Center, expected to open in October 2008, will offer approximately 40,000 square feet of total sellable space, including a 28,000-square foot multipurpose ballroom and 19 breakout meeting rooms.

The City owns the property upon which the Center sits and will lease it to JQH for a period of 20 years. JQH owns the property upon which the hotel sits and will operate both facilities. All revenue generated from and associated with the operation of the Center is retained by JQH, except for revenue generated through the sale of naming rights of the facility or any or the components located therein. JQH is also responsible for operation and maintenance expenses associated with the Center; however, the City is responsible for certain capital repair expenses such as roof, foundation, HVAC and interior load-bearing wall repairs.

Funding Summary



Project Cost:	$72.6 million
Public:	$15.7 million (22%)
Private:	$56.9 million (78%)

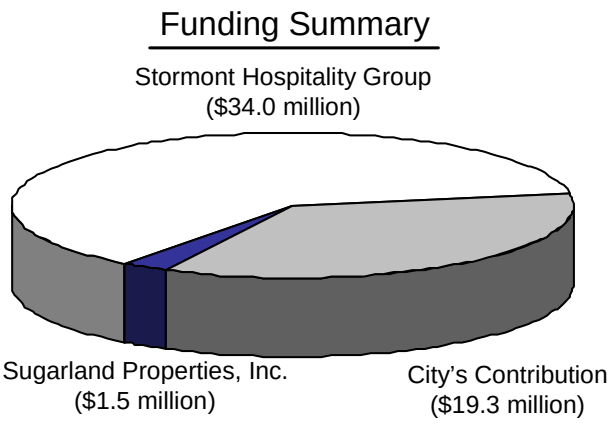
The San Marcos City Council sold $22.6 million in revenue bonds to finance the construction of the Center. These included approximately $15.7 million in tax-exempt bonds and revenue certificates of obligation, for which the City is responsible for repaying. The approximately $6.9 million of remaining certificates of obligation are taxable and will be repaid by JQH in the form of bi-annual rent payments. The City created a Tax Increment Reinvestment Zone in March 2006 to pledge sals tax revenue generated within the Zone to reimburse construction cost of the conference center and repay the bonds. JQH is responsible for the entire estimated $50 million cost to construct the adjacent hotel.

Sugar Land, Texas
Sugar Land Marriott and Sugar Land Conference Center

Since opening in October 2003, the 300-room Sugar Land Marriott, Sugar Land Conference Center and 600-space parking garage have been key components to the Sugar Land Town Square development. Located approximately 24 miles southwest of Houston, the Center offers approximately 26,600 of total sellable space, with approximately 15,500 square feet of ballroom space and 11,100 square feet of meeting space (divisible into 13 separate rooms). The City's intention with the Town Square project was to create downtown Sugar Land and a central business district which

features upscale shops, dining, residential space, office facilities, the Sugar Land City Hall and other amenities providing economic, quality-of-life and other benefits to the community.

The land upon which the Center, hotel and parking garage were built was originally owned by Sugarland Properties Inc. ("SPI"). SPI is also the owner and master developer of the rest of the Town Square project property. SPI agreed to sell to the City the land upon which the Center and parking garage would sit for approximately $769,000 and $294,000, respectively. The land upon which the hotel would sit was sold to Stormont Hospitality Group, LLC ("SHG") for approximately $330,000. These prices were figured at $10 per-square-foot with a generally agreed upon estimate for total square footage purchased by each respective entity.



Project Cost:	$54.8 million
Public:	$19.3 million (35%)
Private:	$35.5 million (65%)

The entire Center, hotel and parking garage project cost an estimated $54.8 million to develop. The City's $19.3 million portion of the funding was generated by $10 million in certificates of obligation, $1 million generated by a 0.25 cent sales tax targeted toward economic and community development programs and another $8.3 million of issued debt that is to be paid back by continued collections of the aforementioned sales tax. A local hotel occupancy tax will be used to fund the majority of the City's project-related debt.

SHG contributed approximately $34 million to develop the Center and adjacent hotel. SPI contributed approximately $1.5 million to develop the parking garage and an additional $11.5 million toward the construction of infrastructure surrounding the Center and Hotel as part of the Town Square project (which did not figure into the total cost of the Center, hotel and parking garage project). This $11.5 million contribution is being repaid to SPI through funds collected by the TIF and the $11.5 million contribution accrues interest at a rate of five percent annually.

Crestline Hotels and Resorts, Inc. ("Crestline") was contracted by SHG and the City to manage and operate the Center and hotel for a term of 20 years. As compensation, Crestline will receive a base management fee of two percent of gross revenues during the first year of operations and three percent of gross revenues for each successive year. Further, Crestline will receive an incentive fee equal to 15 percent of annual operating profit; however, all routine maintenance expenses for the Center and hotel must be paid out of gross revenues.

All additional profits from the hotel, Center and parking garage go to SHG, which rents the Center and parking garage from the City. SHG agrees to pay all applicable state and local sales or use taxes in connection with the lease agreement, with a minimum rent of $1 per lease year. Further, if the cumulative annual rate of return is greater than 15 percent, SHG will pay the City 36 percent of the net cash flow. If SHG sells the asset and net sale proceeds in excess of the amount of that which is necessary to generate a cumulative annual rate of return of 15 percent.

To cover capital expenditures, Crestline will establish a reserve fund for the Center and a separate account for the hotel. The contribution to the Center's fund will escalate from 0.25 percent of gross revenues after the first year of operation to 1.25 percent of gross revenues annually from the 11th year through the end of the term. The hotel's fund will increase from a 0.75 percent contribution of gross revenues during the first year of operations to a 3.75 percent contribution from the 11th year through the end of the term.

Entirely Publicly Funded Model

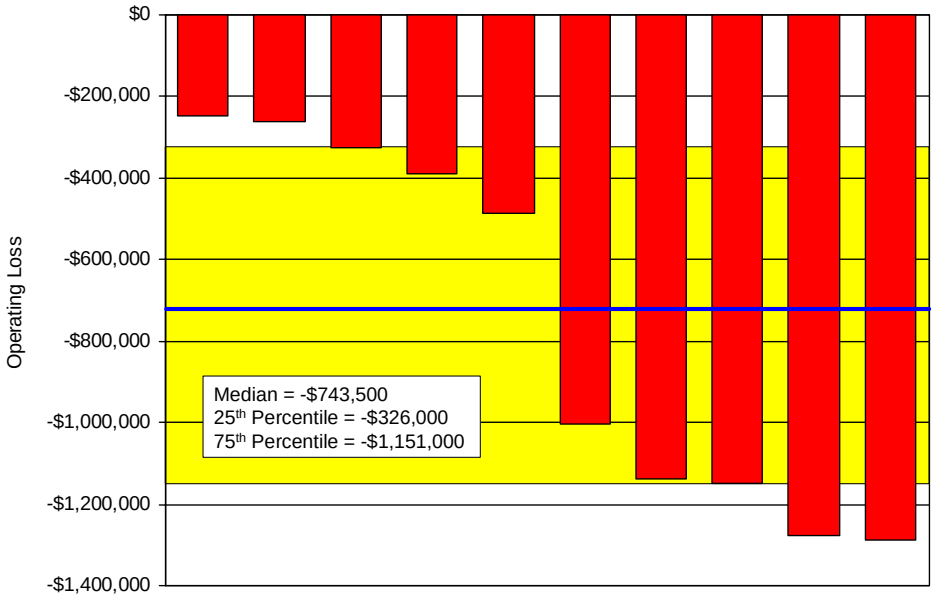
Several conference and convention centers are entirely funded and operated as a stand alone public project. This is very common in the industry, particularly for larger convention centers. In this case, the public is responsible for all developmental and operational expenses, which oftentimes require a significant annual operating subsidy.

For purposes of comparison, we have collected and reviewed recent year financial operating statements for small to mid-sized communities that offer traditional, publicly-owned conference and convention centers. Markets considered in this analysis include the following:

- Buffalo, NY
- Clearwater, FL
- Covington, KY
- Duluth, GA
- Hampton, VA
- Jacksonville, FL
- Pueblo, CO
- Rochester, NY
- South San Francisco, CA
- Saint Paul, MN

Exhibit VI-5 presents a summary of net financial operations for the conference and convention centers within the cities listed above.

Exhibit VI-5
Summary of Net Financial Operations –
Competitive & Comparable Convention/Conference Centers

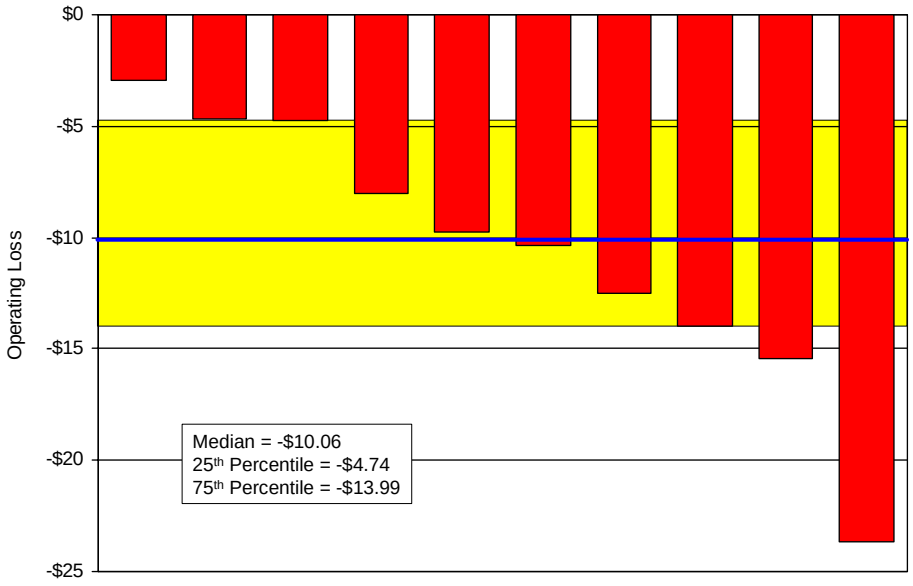


Note: F&B revenue is presented in net proceeds to the facility. Non operating revenues such as parking are not considered in this analysis.
Source: CSL, facility management, 2008

As presented above, convention/conference centers in mid-sized markets typically operate at an annual loss ranging widely from as low as $250,000 to nearly $1.3 million. The median operating loss is approximately $743,500, and approximately half of the centers reviewed experience operating losses between $326,000 and $1.15 million.

Facility operating losses are presented in Exhibit VI-6 on a per-square-foot of total sellable space basis.

Exhibit VI-6
Summary of Financial Operations per Total Sellable Square Feet – Competitive & Comparable Convention/Conference Centers



Note: F&B revenue is presented in net proceeds to the facility. Non operating revenues such as parking are not considered in this analysis.
Source: CSL, facility management, 2008

As shown, on a per square foot of available total sellable space, convention/conference centers in mid-sized markets typically operate at an annual loss ranging from $2.91 per square foot to $23.66 per square foot. The median operating loss is approximately $10.05 per square foot of total sellable space with approximately half of the centers reviewed experiencing operating losses of between $4.74 per square foot and $13.99 per square foot. Communities are often willing to subsidize the operations of such facilities in exchange for the new spending that takes place as a result of drawing thousands of out-of-town event attendees to the area and other resulting economic impacts.

Applying various elements of competitive and comparable facility operations, event demand characteristics particular to Lincoln, industry trends, facility pricing, local cost structures, assumed development scenario and related elements, the projected operations of a publicly-owned and operated conference center in Lincoln could be expected to require between $650,000 and $850,000 in annual operating subsidies.

VII. Facility Funding Analysis

The purpose of this section is to summarize the typical funding sources that have been used to fund public assembly facilities in other communities, as well as to quantify potential sources of funds that could be used for the development of new arena and convention facilities in Lincoln. As issues related to convention center funding were largely addressed in the earlier chapters of this report, this analysis relates primarily to arena funding. As such, this chapter has been divided into the following two sections:

- Comparable Arena Facility Funding Structures and Options
- Funding Issues Specific to Lincoln

Comparable Arena Facility Funding Structures and Options

A review of total project costs and sources of financing for recently-built mid-sized arenas provides an in-depth understanding of the necessary funding levels and the potential funding sources that could be used for construction of a new arena in Lincoln.

Exhibit VII-1 on the following page presents a summary of total project costs and public/private sector funding allocations for a number of recently-developed comparable arena facilities throughout the country. For purposes of this analysis, all funds directly related to the presence of the arena (i.e. lease payments, ticket surcharges, parking revenue, etc.) are considered "private" while those funds purely related to public funds (i.e. tax revenues) are considered "public" funds. The amount of funding participation by both the public and private sectors should be considered together with the revenue allocations set forth in the operating lease agreements to gain a full understanding of the financial responsibilities of each party throughout the term of the lease.

Exhibit VII-1
Construction Costs and Funding Participation
Recently Built Mid-Sized Arenas

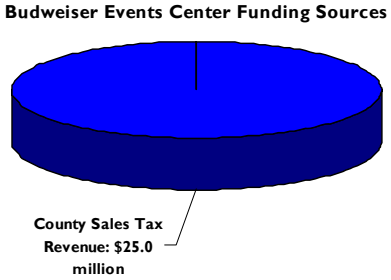
Arena	Location	Opening Year	Total Cost ($millions)	Financing Participation			
				Public %	Private %	Public $	Private $
Wells Fargo Arena	**Des Moines, IA**	**2005**	**$90.7**	**100%**	**0%**	**$90.7**	**$0.0**
Sovereign Bank Arena	Trenton, NJ	1999	47.0	100%	0%	47.0	0.0
Laredo Entertainment Center	Laredo, TX	2002	35.5	100%	0%	35.5	0.0
Ford Arena	Beaumont, TX	2003	32.0	100%	0%	32.0	0.0
Budweiser Events Center	Loveland, CO	2003	25.0	100%	0%	25.0	0.0
Sovereign Center	Reading, PA	2001	36.5	95%	5%	34.6	1.9
Resch Center	Green Bay, WI	2002	50.4	90%	10%	45.3	5.1
Arena at Harbor Yard	Bridgeport, CT	2001	60.0	87%	13%	52.0	8.0
Verizon Wireless Arena	Manchester, NH	2001	65.0	85%	15%	55.0	10.0
Gateway Arena	**Sioux City, IA**	**2003**	**47.4**	**74%**	**26%**	**35.0**	**12.4**
Giant Center	Hershey, PA	2002	85.0	59%	41%	50.0	35.0
Everett Events Center	Everett, WA	2003	71.5	53%	47%	37.6	33.9
CenturyTel Center	Bossier City, LA	2000	60.0	47%	53%	28.0	32.0
Qwest Center	**Omaha, NE**	**2003**	**75.0**	**0%**	**100%**	**0.0**	**75.0**
Average			**$55.8**	**78%**	**22%**	**$40.6**	**$15.2**

Source: Municipal authorities, facility management, public records, and industry publications. Amounts have not been audited or otherwise verified.

As shown, the majority of the facilities analyzed were constructed using a significant level of public funding. Just one facility, the CenturyTel Center in Bossier City, Louisiana, utilized more private than public funding sources. On average, the public sector funded approximately 78 percent of the total project costs for these facilities, compared to approximately 22 percent from private funds.

Budweiser Events Center

The Budweiser Events Center was constructed as part of a larger fairgrounds development in Larimer County, Colorado. Two County-wide referendums were approved prior to development. The first approved the funding of the purchase of the land for the new fairgrounds through a 0.1 percent County sales tax increase for one year. The following year, a second referendum approved a 0.15 County sales tax for 20 years to fund arena construction.



The total cost for Phase I of the project, which included the Events Center as well as a smaller horse arena, several multipurpose pavilions and other such venues was approximately $62.9 million, including land acquisition. The Events

Center accounted for $25.0 million, consisting of $22.0 million in hard costs and $3.0 million in soft costs. The cost specific to the Events Center does not include any land acquisition.

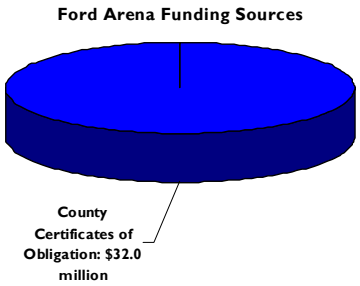
When the sales tax was originally approved, the County board established a requirement that $3.0 million in private funding had to be raised within a one-year period. If this goal was not met, the sales tax would be repealed and tax revenues for that year would be returned to County residents. Through several fundraisers, the goal was met and the tax was allowed to remain in place. However, much of the pledges were in-kind or were for future promises. Approximately $8.0 to $10.0 million was raised on paper, but only about $60,000 materialized during arena construction. This revenue, along with any other promised contributions that materialize are used to help cover operating costs for the Events Center.

The revenues received from the sales tax are enough to cover debt service on the $62.9 million total Phase I development cost, as well as operating reserves, capital reserves and a $750,000 operating subsidy. If sales tax revenues remain at their current levels for the entire 20 year period, it is anticipated that approximately $10.0 to $16.0 million in surplus revenues will exist at the end of that period.

The County plans to complete Phase II of the project in the future. This would include the development of an outdoor rodeo arena, which would also be capable of hosting large concerts that do not currently fit in the arena. The County expects to pay for Phase II through surplus sales tax revenue as well as revenue received from ancillary development on the site, including a recently announced hotel to be constructed in the near future.

Ford Arena

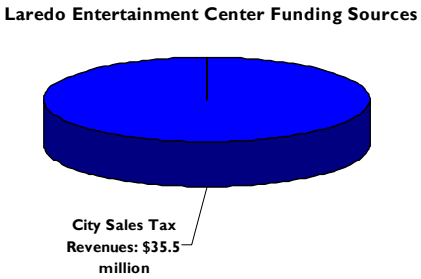
Ford Arena in Beaumont, Texas was developed as part of Ford Park, a $55.0 million sports and entertainment complex, which also includes an amphitheatre, festival grounds and a softball/baseball field complex. Arena construction accounted for approximately $32.0 million of the total development cost. The entire project was funded by Certificates of Obligation issued by Jefferson County. The Certificates are backed by general County revenue, not by a specific tax or revenue stream. County representatives indicated that, while a referendum would have been required to issued general obligations bonds, they did not need a referendum to approve the COO issuance.



Laredo Entertainment Center

The Laredo Entertainment Center opened in 2002 and was constructed at a cost of $35.5 million. A private entity known as Arena Ventures originally considered building a privately funded arena and bringing a tenant hockey franchise to Laredo. However, they lacked the capital to build the arena, so a public/private partnership was established to build the facility.

The land for the arena was donated to the City by the land owners in exchange for the City building some additional roads in the area. The City then issued bonds backed by a 0.25 percent City sales tax to fund arena construction. The tax was implemented solely for arena construction and was approved through a City-wide referendum. The total bond issue approximated $40.0 million, with additional funds used on street improvements and other such projects.

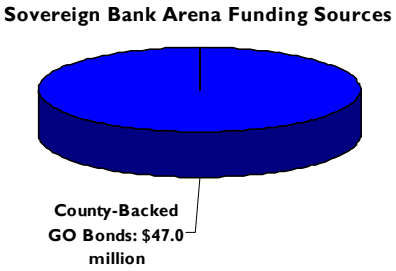


Ten percent of all parking revenue as well as revenue generated by a 25-cent seat use fee for all paid tickets goes to an account shared by the City and Arena Ventures. Arena Ventures must match any revenues raised by these sources up to $125,000 per year and deposit it in the same fund. This fund can only be used for capital repairs and other such expenses at the arena. Both the City and Arena Ventures must agree to any withdrawals from this account.

Sovereign Bank Arena

Sovereign Bank Arena in Trenton, New Jersey opened in 1999 and was built at a cost of $47 million, which included $38 million for arena construction, $3.0 million for land acquisition and site preparation, including the demolition and removal of several buildings, and $6.0 million for engineering and other soft costs.

The Mercer County Improvement Authority issued $52 million in tax exempt, County-backed general obligation bonds to fund arena construction. The bonds are not backed by a specific revenue stream. The bonds paid the entire cost of arena construction, as well as $3.0 million in capitalized interest and $2.0 million for renovation of a building located near the arena site. A separate bond issue of approximately $7.0 million was also issued to cover the costs of acquiring and creating surface parking lots in the area.

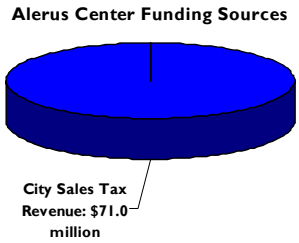


While the State did not contribute capital toward the project, it provided some relief on the bonding guarantees through the New Jersey Redevelopment Authority.

The Authority was established through laws and regulations put in place by the State of New Jersey, which allow such Authorities to be established and to issue debt. The Authority is an autonomous organization, but is under the umbrella of the County. The Authority issued the bonds and owns the arena, but the County taxpayers are ultimately responsible for debt service on the bonds. However, no referendum was required to issue the bonds.

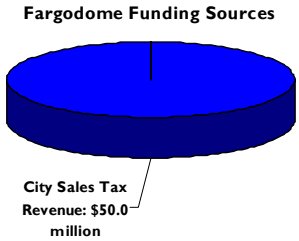
Alerus Center

The Alerus Center in Grand Forks, North Dakota opened in 2001 at a cost of approximately $71.0 million. The arena was built to accommodate a full-size football field and also includes ancillary meeting space. The entire construction cost was funded through City-issued bonds backed by proceeds of a new ¾ percent City-wide sales tax. The City formerly had a one percent sales tax. City voters approved the additional ¾ percent specifically to fund construction of the Alerus Center.



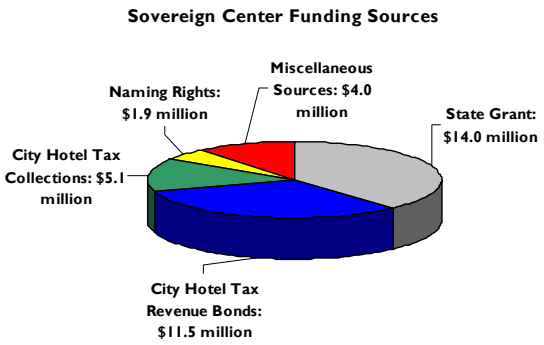
Fargodome

The $50 million Fargodome opened in 1992. The entire construction cost was funded by City-issued bonds backed by a ½-cent sales tax increase. The sales tax was approved by a voter referendum in December 1988, with collections beginning on April 1, 1989. The tax was implemented for a 20-year period, and will expire in 2008. According to City representatives, the tax currently generates approximately $8 million per year, of which approximately $1 million is allocated toward a long term ongoing care fund for future repairs and maintenance, with the remainder allocated toward debt service on the bonds. Sales tax revenues can also be used to cover any financial losses experienced by the Fargodome, but this has not been necessary to date, as the facility has remained profitable. By the time the sales tax expires in 2008, the City anticipates paying off the bonds in full with approximately $15 million in reserves for future repairs and maintenance.



Sovereign Center

The 9,000-seat Sovereign Center is located in Reading, Pennsylvania and opened in 2001. The Center was built at a cost of $36.5 million, which included all site preparation, construction and finishing. The funding plan for the project was combined with a $10.0 million renovation of a local theatre.



A five percent hotel tax was enacted by the City of Reading with the express purpose of funding arena construction and theatre renovation. An allocation of 80 percent of the revenue generated by the tax is used to pay off $13.5 million in City-issued bonds, of which $11.5 million was allocated toward arena construction. An additional $6.0 million was raised prior to and during arena construction, of which $5.1 million was used to fund arena construction. According to City representatives, the revenue generated by the tax has been more than sufficient to pay off the bonds.

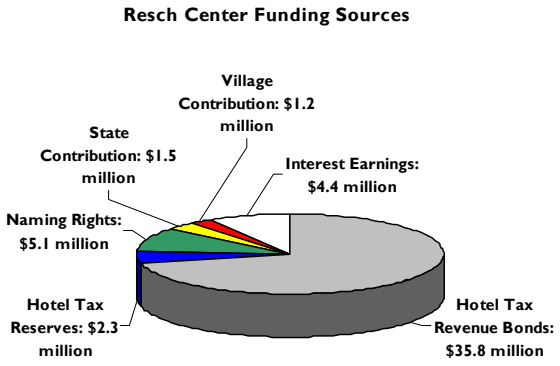
The State of Pennsylvania contributed a $14.0 million grant toward the arena project, with an additional $1.9 million generated by the sale of naming rights for the facility. The final $4.0 million was generated through a variety of smaller funding sources. The naming rights revenue represented the only private sources of funding for the arena.

Resch Center

The 10,000-seat Resch Center is located in Green Bay, Wisconsin and was built at a cost of $50.4 million. Approximately $35.8 million of the project cost is supported through 30-year double exempt revenue bonds issued through the Community Development Authority of the Village of Ashwaubenon, backed by Brown County. The revenue bonds are backed by a room tax on hotels. The room tax was two percent prior to the project but was increased to eight percent to fund construction of the arena, as well as a new convention center in Green Bay.

The entire eight percent room tax is dedicated to the retirement of debt on the arena and convention center bond issues. Prior to the arena and convention center projects, the two percent room tax funded the Visitors and Convention Bureau in Brown County. As the total increased room tax is now dedicated to the bonds, Resch Center management is required to fund the VCB, thus replacing the room tax funding.

Along with the revenue bonds used for arena construction, the hotel tax also generated $2.3 million prior to arena construction. This revenue was contributed toward arena funding. Other funding sources included $5.1 million in naming rights revenue generated by the arena, convention center and adjacent plaza, a $1.5 million State contribution, a $1.2 million contribution from the Village of Ashwaubenon, and $4.4 million in interest earnings.

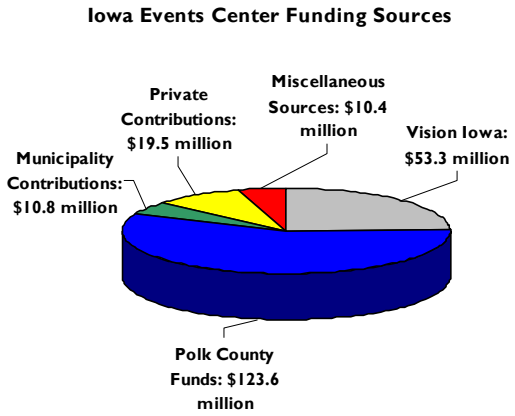


Iowa Events Center

The Iowa Events Center in Des Moines, Iowa will include the 17,170-seat Wells Fargo Arena, along with a new exhibit hall and a renovated Veterans Memorial Auditorium. The total project cost for the complex will be approximately $216.7 million, consisting of the following specific costs:

- $91.7 arena construction
- $45.0 exhibit hall construction
- $2.4 million Auditorium renovation
- $9.4 million land
- $42.1 million soft costs
- $12.3 million soft/infrastructure
- $8.8 million contingency/reserves
- $5.0 million to cover construction cost increases due to construction delays

The majority of project funding was in the form of $153.0 million in general obligation bonds issued by Polk County. $19.5 million of the bonds were backed by naming rights and other private contributions, while $10.8 million of the bonds were backed by contributions from local municipalities, including $7.5 million from the City of Des Moines, $1.3 million from the City of West Des Moines and less than $1.0 million from each of 12 other municipalities. The remainder of the bonds were backed by general County funds.

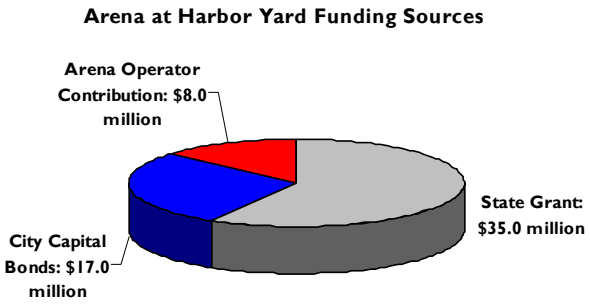


In addition to the County general obligation bonds, other revenue sources included a $53.3 million grant from the Vision Iowa program, a state program that contributes to economic development projects throughout the state, and $10.4 million from miscellaneous sources such as sales tax reimbursements and utilities rebates.

Arena at Harbor Yard

The 10,000-seat Arena at Harbor Yard in Bridgeport, Connecticut opened in 2001 at a cost of $60 million, including approximately $2.0 million in land acquisition costs. The largest source of funding for the project was a $35.0 million allocation of a State grant approved specifically for development within the City of Bridgeport.

The original cost estimate for the Arena was $47.0 million, with the City agreeing to contribute $4.0 million and cover any cost overrun, which amounted to approximately an additional $13.0 million by the time the project was completed. The City's $17.0 million contribution came in the form of a general obligation bond issuance for capital projects. The bonds were not issued specifically for the arena. A portion of the overall City-wide bond issue was allocated toward arena construction.



The final source of funds came in the form of an $8.0 million upfront contribution from Centerplate, which operates the Arena. The operator contribution was the only private source of funds for the project.

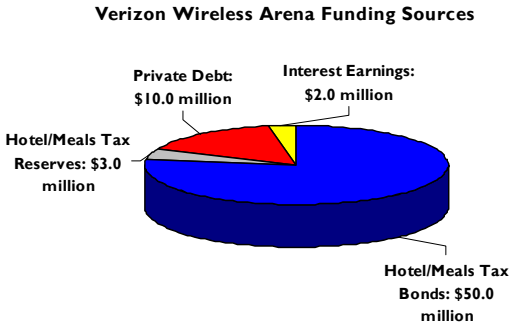
Verizon Wireless Arena

The Verizon Wireless Arena in Manchester, New Hampshire has a capacity of 11,000 and opened in 2001. The Arena was constructed at a cost of $65.0 million, including $2.8 million in land acquisition. The majority of funding for the project consisted of $50 million in bonds issued by the Manchester Housing Authority on behalf of the City. The City leases the arena from the Authority, with the bonds backed by the City's lease payments to the Authority.

The City's lease payments are derived from the City's share of a state-wide tax on hotel/motel rooms and prepared meals. These taxes had been in place for years prior to arena construction. However, due to changes in the way the State allocates the tax revenues back to local municipalities, the City of Manchester experienced an increase

in its annual allocation. The City decided to use this incremental tax revenue to fund arena construction. The City's annual rent payment is based on the anticipated incremental revenue that will be received in each year of the lease, starting with $1.8 million in year one and increasing by approximately $450,000 per year thereafter, eventually peaking at $5.6 million per year. Along with these annual rent payments, an additional $3.0 million in cash from tax collections prior to and during the construction period and $2.0 million in interest earnings were also contributed toward arena funding.

Private funding for the arena consisted of $10 million in private debt issued by four local banks and backed exclusively by arena cash flows. The arena's management company, SMG, receives all revenues from arena operations but also pays all event and operating costs. SMG has guaranteed there will be no operating losses, or it will be responsible for those losses and will not receive its management fee. The management fee was $600,000 plus $150,000 in potential incentives in year one of the management agreement, increasing at an annual rate of two percent in subsequent years. After the management fee has been paid, the remaining revenue goes to pay off the private bank debt. If there is money left over after the debt payment, it goes to a capital reserve fund or to additional debt payments. This agreement allowed the City protected itself from operating losses, as ultimately the operator and the banks supplying the private loans assume the risk if the arena is not profitable.

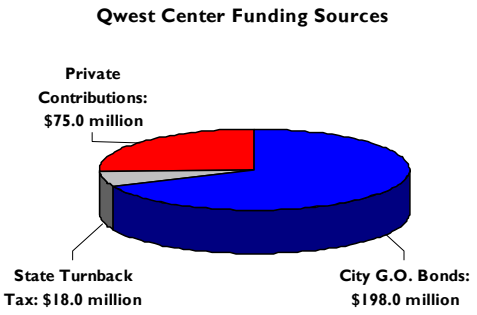


Qwest Center

The Qwest Center in Omaha, Nebraska opened in 2003 and includes a 17,000-seat arena and an adjacent convention center. The construction cost for the complex approximated $291.0 million, including $208.0 million in arena and convention center construction and $83.0 million in infrastructure improvements.

The primary source of funding for the project was $198.0 million in City-issued general obligation bonds. A portion of bonds are being repaid through parking revenue generated by events at the complex, but the majority of debt service is being derived from general city revenues.

The second source of public funding includes $18.0 million from a State turnback tax, which



refunds sales taxes generated by out of state visitors using the complex. Each year, estimates are developed concerning the percentage of out-of-state attendees and the amount each attendee spends in the City. The estimated taxes generated by this spending are then returned to the City.

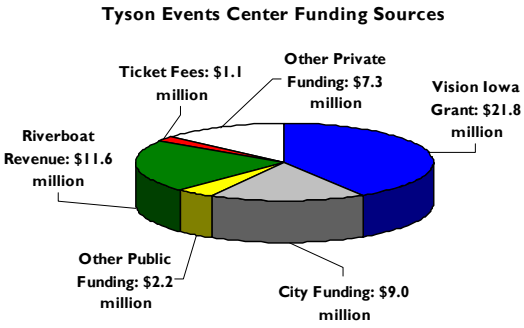
The final funding source consisted of $75.0 million raised from private corporations and individuals in the Omaha area. According to project representatives, the entire $75.0 million was raised within a 60-day period. The private contributions were essentially donations rather than investments in the arena, as the private contributors do not receive any arena revenues or other financial benefits from the facility.

The arena project was approved through a city-wide referendum. Two issues were approved: the issuance of bonds to fund construction and infrastructure, and the development of an authority to build and operate the facility in lieu of City government. As a result of the vote, the Metropolitan Entertainment and Convention Authority (MECA), a 501-C-3 organization, was formed. The MECA has a 99-year lease to operate the facility and receives a $2.0 million annual operating subsidy from the City to cover potential operating losses.

Tyson Events Center

The Tyson Event Center in Sioux City Iowa has a capacity of 10,110 and opened in 2003. The facility's project cost approximated $53.0 million, which included the conversion of an adjacent auditorium into a recreation facility.

The largest contribution toward project funding came in the form of a $21.8 million grant from the Vision Iowa program. The City issued $15.3 million in general obligation bonds to finance additional construction costs, with debt service paid through allocations of a variety of city revenues and private funding sources. The City's total contribution to project funding was approximately $9.0 million, including $3.7 million from an existing capital projects fund, a $3.1 million allocation of existing local option sales tax revenues, $803,000 in sewer and water improvements, a $660,000 grant from a community development fund and $750,000 in tax increment financing revenues derived from existing TIF districts. Additional public funding consisted of $2.0 million in federal historic tax credits and a $250,000 contribution from Woodbury County.



An allocation of the City's share of revenues from a local riverboat casino was the largest private contribution toward project funding, accounting for approximately $11.6 million. Upfront and future revenues from areas such as suite

leases, beverage pouring rights, leases of signage, naming rights and seat license sales totaled approximately $6.8 million, while ticket charges for facility use are anticipated to generate $1.1 million toward project funding. The final source of private funds was a $500,000 contribution from the Missouri River Historical Development Corporation, which receives revenues from riverboat casinos and allocates them to various economic development projects in the region.

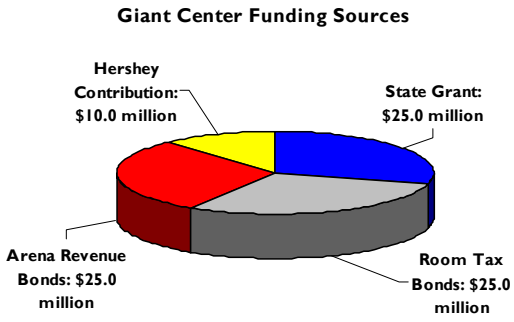
Giant Center

The 10,500-seat Giant Center in Hershey, Pennsylvania opened in 2002 at a cost of $85.0 million. No land acquisition cost was included in the project cost, as the land on which the arena sits is leased from Hershey Entertainment and Resorts by the Township of Derry Industrial and Community Development Authority (TDICDA).

The TDICDA issued $25.0 million in tax-exempt bonds and $25.0 million in taxable bonds to fund arena construction. The tax-exempt bonds were backed by a newly implemented two percent room tax in Dauphin County. Approximately 70 percent of tax revenues are allocated toward debt service on the arena bonds, with the remainder going to other projects in the County. The taxable bonds are non-recourse bonds paid by the operations of the Giant Center. There are no specific revenue streams earmarked to pay the bonds. At the end of the year, the arena's net cash flow is distributed in the following order:

1. Debt service on the taxable bonds
2. Payment of TDICDA's land lease
3. Profit to Hershey through its arena operating company (Regional Arena Management)
4. TDICDA

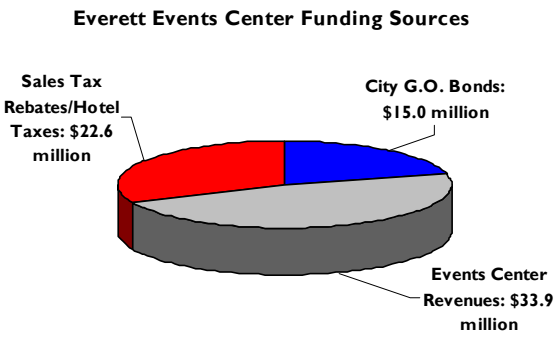
In addition to the bonds, a $25.0 million State grant was contributed toward project funding. The grant was derived from a State-wide bond issue that funded sports facilities throughout the state. The final source of funds came from Hershey Entertainment and Resorts, who contributed $10 million to connect the arena site to Hershey's adjacent theme park as well as the adjacent ballpark and Hershey Park Arena through the construction of various tunnels and pathways.



Everett Events Center

The Everett Events Center includes an 8,200-seat arena with an ancillary practice ice sheet and an adjacent conference center. The complex opened in 2003 and was constructed at a cost of $71.5 million. The project cost did not include any land acquisition, as the City already owned the land on which the complex was constructed.

The City of Everett contributed $15.0 million in general obligation bonds toward facility construction. While the bonds are not backed by a specific source, the City anticipates that it will recoup a significant portion of its contribution through a five percent admissions tax as well as rent received from retail spaces in the Center.

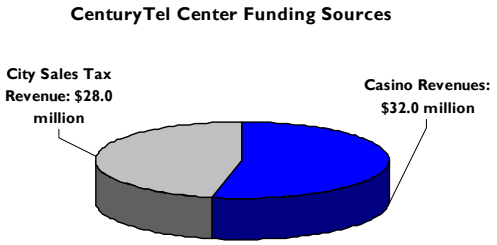


The remaining $56.5 million was financed through bonds issued by the Everett Public Facilities District. Approximately $33.9 million is anticipated to be backed by Events Center revenues. The remaining $22.6 million is backed by sales tax rebates received by the City and County from the State, as well as City and County hotel/motel tax revenues. The State of Washington allows sales tax rebates to be given to cities and counties that form a district and build a public assembly facility meeting certain criteria. Both the City of Everett and Snohomish County established districts, allowing both to receive the sales tax rebate. According to project representatives, the sales tax rebates comprise the majority of the revenue used to pay debt service on the bonds, with local hotel/motel tax contributions representing a relatively insignificant portion of debt payments.

CenturyTel Center

The CenturyTel Center in Bossier City, Louisiana opened in 2000 and has a seating capacity of 13,200. The total project cost for the construction of the arena approximated $60.0 million, which does not include any land acquisition, as the City owned the land on which the Center was constructed.

Approximately $32.0 million in project funding was derived from payments made to the City by three casinos located within the City. The casinos' payments to the City generate a total of approximately $1.0 million per month. The City had $32.0 million in cash from these payments received prior to facility



construction that was used toward the arena project. This portion of the construction cost did not have to be financed.

The remaining $28.0 million was funded through a City bond issuance. The 20-year bonds were issued specifically to raise money for arena construction and are backed by a City-wide 0.5 percent sales tax. This tax had already been in place but was about to be retired before being renewed for the arena project.

Funding Issues Specific to Lincoln

The purpose of this section is to provide an understanding of existing rates, receipts and uses of the primary governmental revenue sources, and to evaluate those sources that may be used to fund new public assembly facilities in Lincoln. As noted herein, in some cases there are significant barriers that exist to their adoption and use. Based on our review of the Mayor's Facility Task Force funding documents, conversations with City and Task Force officials and our past experience with other similar developments, we have reviewed the following potential funding options for new public assembly facilities in Lincoln.

Tax Sources: New Taxes

- City Occupancy Tax - Hotels/Car Rentals
- Occupation Tax - Restaurant & Bar Sales
- G.O. Bond Proceeds

Tax Sources: Existing Taxes/TIF

- Reallocation of County Lodging Tax
- New Hotel LB551 - Turnback Tax
- Tax Exempt Funding for Hotel Project
- New Hotel TIF Property Tax

Direct Revenue

- Arena Parking
- Ticket Fees
- Club/Premium Seating
- Suite/Loge Premiums
- University Rent
- Naming Rights – Exterior
- Naming Rights – Interior

Other Potential Revenue Sources

- Cell Phone Tower
- Retail Space Lease

City Occupancy Tax - Hotels

As presented earlier in this report, Lincoln possesses a total effective tax on hotel room sales of 12.0 percent, ranking slightly below the average of the comparable and competitive/regional markets reviewed (12.55 percent). Within the region, Omaha charges the highest such rate (16.48 percent), while Sioux Falls collects the least (8.9 percent). Omaha has imposed a four percent hotel occupation tax to assist in funding the Qwest Center.

A four percentage point increase would put Lincoln at 16 percent total tax collected on hotel stays, which is similar to what is currently assessed in Omaha. Any further increase (beyond the four percent) would put Lincoln near the highest such rate in the United States and could be looked at negatively industry-wide. Even the 16 percent rate would be at the high end of the comparable market set.

The City of Lincoln has the authority to impose an occupation tax on hotels, which does not require a public vote. The City Council would have to approve the tax. Based on information provided by the City, the County lodging tax in Lincoln yields approximately $425,000 per year per one percent of tax. As such, an additional four percent tax could be expected to generate approximately $1.7 million annually.

City Occupancy Tax - Car Rentals

Automobile rental tax revenues have been increasingly utilized by municipalities for the purpose of public assembly facility financing. As with hotel and motel taxes, the primary advantage of this revenue source is that a large percentage of the revenues generated are obtained from non-residents. Typically, an automobile rental tax places a minimal burden on local citizens. In markets implementing such a tax, the tax is assessed either in the form of a flat fee per car (usually between $2 and $4), or a percentage of total rental charges (typically between four and ten percent).

As with an increase in the occupancy tax on hotel stays, the City of Lincoln has the authority to impose an occupation tax on car rentals, which does not require a public vote. Similarly, the City Council would have to approve the tax. Omaha imposed a four percent car rental occupation tax to assist in funding the Qwest Center.

The level of collections that could be expected in Lincoln with a new occupation tax on car rentals are difficult to estimate, given the fact that there is no separate SIC code for auto rental and because there may not be a directly proportional relationship to Omaha's revenue stream, as many more rentals occur in Omaha than in Lincoln. The Mayor's Facility Task Force presented a preliminary estimate of total locally-based auto rental expenditures of $5 million annually, times a potential four percent rate (the amount in Omaha), which yields an estimated $200,000 annually.

Depending on the rate increase and the actual tax base, the Task Force set a hit end tax revenue estimate of $300,000

While existing tax base data is limited, given the likely auto rental patterns in Lincoln, the lack of a major airport and the fact that many visitors to Lincoln fly into (and rent cars from) Omaha, if such a tax were to be enacted, planning targets should target the low end of the Task Force estimates.

Occupation Tax - Restaurant and Bar Sales

Several communities across the country have utilized community-wide food and beverage tax revenue for public assembly facility debt service purposes.

The City of Lincoln has the authority to impose an occupation tax on prepared food and beverage sales, which does not require a public vote. Based on State Department of Revenue records (of tax collections among 500 local establishments), there was a total of approximately $352 million of taxable sales taking place within Lincoln restaurants, bars and caterers in 2006. $352 million in spending with a one percent tax would generate approximately $3.52 million per year. Assuming these collection levels are accurate and given potential compliance and other issues, the $3 million target per percentage point (estimated by the Task Force) may be appropriate for planning purposes. In comparison, there was a total of approximately $727 million of similar taxable sales in Omaha in 2006, which could generate as much as $14 million annually under a two percent tax.

Consideration should be given to graduated set of fees, with perhaps 1.5 percent charged to establishments with no liquor license and two percent charged to those with a liquor license. Further, since this would not be collected through the Sales tax collection process, a new administrative process would need to be developed to collect these revenues.

Separate from sales generated among restaurants, bars and catering sales, taxes imposed on entertainment spending (which includes movie theaters, bowling alleys, ticketed events, etc.) could be considered. A tax on such expenditures is currently being proposed in Omaha to partially fund the development of a new downtown ballpark. Applying the tax to these businesses would increase the potential collection level in Lincoln.

G.O. Bond Proceeds

General obligation bonds are backed by a pledge of ad valorem taxes of the issuer. This pledge is generally supported by a commitment from the issuer to repay the principal and interest through whatever means may be necessary, including levying additional taxes.

Lincoln voters would have to approve the bond issue, which would require a property tax increase. Based on a $15 billion local tax base (as estimated by City officials), every one-cent levy will yield approximately $1.5 million in additional property tax revenue. When bonded for a 20-year period, the results could generate approximately $15 million of bond proceeds.

According to Task Force officials, the City has many other bond issues that will need to be taken to the voters over the next ten years, which may make this form of fundraising more difficult to pass.

Reallocation of County Lodging Tax

Additional funds for public assembly facility development in Lincoln could potentially be generated by securing one percent of the County's existing five percent lodging tax. Nebraska State Statute 81-1255 authorizes each county to establish a County Visitors Promotion Fund. This fund will receive two percent of the five percent lodging tax.

Based on Task Force estimates, the current lodging tax generates approximately $425,000 annually per one percent of tax. In Lancaster County, these funds are currently being escrowed and are controlled by the Lincoln CVB. For this funding option to materialize, the County would have to provide approval. Further, it is unclear if this money can be utilized directly to fund an arena. It may need to be used to improve an existing area/facility.

The likelihood that an additional hotel will be built as part of the project could conservatively add an extra $25,000 per year per one percent of tax. This results in a calculation of approximately $450,000 annually per one percent of tax. It is also possible that the revenue streams associated with a re-direction of these tax proceeds could be backstopped by general City revenues, creating significant downward pressure on interest rate and increasing the amount of project funding that could be supported.

New Hotel LB 551 - Turnback Tax

Nebraska Legislative Bill 551 (LB 551) allows local governments that have constructed facilities that generate new economic activity to apply to the State for a return of sales tax proceeds generated by the presence of the facility. This legislation applies to the development of any new publicly-funded hotel in Nebraska. However, Lincoln officials are also exploring whether this law can be changed to include privately-owned hotels.

In Lincoln, assuming a 350-room hotel at 70 percent occupancy, gross hotel revenue could range from $8 million to $10 million. Assuming the 5.5 percent State sales tax and the 70 percent cap on rebates, annual State sales tax revenues of between $310,000 and $390,000 could be expected.

Tax Exempt Funding for Hotel Project

A growing number of communities have utilized a unique, relatively new funding mechanism to develop new large hotel properties involving the issuance of tax exempt debt to fund all or a portion of the hotel. Within this process, a public benefit corporation would be established to issue the tax exempt debt. The lower cost of capital could improve the financial feasibility of the project. The resulting public participation would adhere to existing State legislation (LB 551).

To minimize public sector risk in the project, a developer and brand would be selected, with a maximum amount of construction period and long-term financing risk shifted to the developer and brand.

New Hotel TIF Property Tax

The City has the authority to issue tax exempt bonds capitalized by the property tax increment on any public project in which the area of development has been declared blighted. The City has utilized this funding mechanism in the past and should pursue this as an option for this project.

Preliminary Task Force projections of property tax collections generated from the new headquarters hotel property are estimated at $750,000 annually, based on a 15-year estimate in present value terms. According to City officials, this is a conservative estimate—the actual figure may approximate $900,000.

Arena Parking

The development of structured parking facilities will likely accompany any new arena and convention center development in Lincoln. For purposes of this analysis, the development of a new 500-car parking garage has been assumed. Parking proceeds generated among arena patrons, contract parking, UNL football, Haymarket Park baseball, etc. could potentially be utilized to fund the development costs associated with the project.

Preliminary Task Force estimates assume approximately $750,000 in annual parking receipts, based on the following:

- Contract parking of 500 spots at $90/month = $540,000
- Arena parking of 70,000 cars annually at $5/car = $350,000
- Annual operating Expenses = $140,000

Importantly, these estimates do not include revenues generated among surface parking (estimated at up to 4,000 spaces) or usage among UNL football or baseball events taking place at Haymarket Park.

Based on our review, the contract parking estimates seem aggressive, while the estimates of operating expenses may be somewhat low. As such, consideration should be given to reducing the targeted estimate to between $400,000 and $500,000 annually.

Ticket Fees

Nationwide, several arenas assess a ticket tax or building fee on tickets sold for events held at the venue. In some cases, revenue from these fees is used to pay debt service on arena construction, while fees at other facilities may be retained by the facility or the city or other public entity. Such fees are typically generated by adding a fee to each ticket sold for an event held at the arena. In many cases, this fee varies depending on the price of the ticket. Such fees have been utilized by the Pershing Center for a number of years.

The annual cash flows that could be expected by implementing ticket fees at a new arena in Lincoln will depend on the average ticket fee times the number of tickets sold. The initial Task Force estimate is based on annual 500,000 ticket sales per year times an average of $2 per ticket, for a total of $1 million.

Based on conversations with Pershing Center management, an appropriate figure for planning purposes might be $500,000. A reduced amount should be considered for the following reasons:

- $2 per ticket is relatively high within the industry
- Facility fee "sharing" is common within co-promotional agreements
- Difficulty in getting certain events to agree to such fees
- Difficulty in getting UNL to agree to such fees
- Discounted ticket programs (i.e., $1 admission for women's basketball)

Club/Premium Seating

Club and Premium Seating revenues will likely be another funding source for the proposed arena. Key pricing determinates will include location, number of tickets and the level and quality of events that are included in the ticket package.

The initial Task Force revenue estimate (which ranges between a low of $500,000 and a high of up to $750,000 annually) is based on the sale of between 500 and 750 club seats being reserved at an average price of $1,000 per seat, per year. Our preliminary research indicates that approximately 600 club seats are supportable at an average price of $1,000 per seat, for total direct revenue of approximately $600,000. This is within the range of the initial Task Force revenue estimates.

Additional premium seating product possibilities could include club terrace tables and court side seats. There is also an opportunity for premium seat licensing (a one time payment for the right to purchase a seat), which could be explored. Should any of these options be considered, additional facility revenues could likely be captured and applied to facility debt service.

Further research consisting of surveys or focus groups with potential purchasers of premium seating options would be useful in further quantifying appropriate inventory and pricing levels. Additionally, negotiations will have to take place between the City and the University as to how these revenues would be allocated. The results of such negotiations could have significant impacts on the availability of these dollars to fund a portion of facility development.

Suite/Loge Premiums

Similar to the premium seating options discussed above, revenues generated by building and selling private suites and loges could also potentially fund a portion of the facility's development cost. A key determinate in the potential revenue

generating ability of this funding mechanism will depend on what anchor events will utilize the facility.

Existing Task Force estimates are based on the sale of 36 suites at a price of $20,000 each per year, for total direct revenue of $720,000. Our market research indicates that 20 suites at an average price of approximately $30,000 each should be used as a planning target. This would result in total direct revenue of approximately $600,000 (approximately 17 percent less than existing Task Force estimates). As with club/premium seating options, further research with regard to potential purchasers of suite and loge seating options would be useful in further quantifying appropriate inventory and pricing levels. Again, negotiations will have to take place between the City and the University as to how these revenues would be allocated. The results of such negotiations could have significant impacts on the availability of these dollars to fund a portion of facility development.

University Rent

It is likely that the University will retain much of the game day revenues generated by the arena and would pay some form of rent. Negotiations will have to take place between the City and the University as to how the facility rental agreement should be structured. The results of such negotiations could have significant impacts on the availability of these dollars to fund a portion of facility development.

Existing Task Force estimates have initially estimated the annual amount of the rental payment at $500,000 annually. Based on our review of arena lease agreements among comparable public arena facilities with a major university tenant, planning estimates should focus on a range of between $500,000 and $1 million in annual rent or comparable revenue streams from UNL.

Naming Rights - Exterior

Many public assembly facilities have generated significant revenues through the sale of facility naming rights, similar to the arrangement with Qwest Corporation and the Metropolitan Entertainment and Convention Authority in Omaha. Under a naming rights agreement, a corporation typically makes a specified annual payment in exchange for the corporation's name being attached to the facility. In addition, the corporate partner often receives added amenities, such as a private suite, event tickets, arena signage and broadcast advertising.

As with the value of premium seating options, the value of facility naming rights will be determined in part by the level and quality of facility tenants and the resulting local, regional and perhaps national exposure.

Exhibit VII-2 summarizes several recent naming rights agreements at selected mid-sized arenas in markets that are comparable to or competitive with Lincoln.

Exhibit VII-2
Summary of Naming Rights Agreements -
Recently Built Mid-Sized Arenas

Venue	Capacity	Location	Price	Term	Annual Average
Verizon Wireless Arena	11,000	Manchester, NH	$11,000,000	15	$733,333
Wells Fargo Arena	17,170	Des Moines, IA	11,500,000	20	575,000
CenturyTel Center	13,200	Bossier City, LA	5,000,000	10	500,000
Reading Sovereign Center	9,000	Reading, PA	2,000,000	5	400,000
Germain Arena	7,082	Estero, FL	7,000,000	20	350,000
John Labatt Centre	9,000	London, ON	2,900,000	10	290,000
Intrust Bank Arena	15,000	Wichita, KS	$7,000,000	25	280,000
Sovereign Bank Arena	10,500	Trenton, NJ	2,675,000	10	267,500
BancorpSouth Center	10,000	Tupelo, MS	2,500,000	12	208,333
Alerus Center	22,000	Grand Forks, ND	3,000,000	20	150,000
Big Sandy Arena	5,800	Huntington, WV	1,400,000	10	140,000
US Cellular Center	10,000	Cedar Rapids, IA	625,000	5	125,000
Alltel Center	8,100	Mankato, MN	2,200,000	20	110,000
Budweiser Events Center	7,200	Loveland, CO	1,500,000	20	75,000
Tyson Events Center	10,110	Sioux City, IA	4,000,000	n/a	n/a
Average			**$4,287,000**	**14**	**$300,300**

Source: CSL, RSV, 2007

As shown, the average arena naming rights agreement analyzed had a total value of approximately $4.3 million, with the average agreement having a term of 14 years. The average annual revenue resulting from these agreements approximated $300,000.

Existing Task Force estimates assume between $500,000 and $1 million per year in exterior naming rights for a new arena in Lincoln. Based on our analysis of recently-developed mid-sized arena venues and their respective naming rights agreements, Lincoln is more comparable to several markets on high end of the markets listed above. However, somewhat reduced planning targets should be considered, focusing on between $300,000 and $500,000 annually.

Naming Rights - Interior

Naming rights related to various interior facilities can also be sold to one or more corporations for a set number of years and could include naming certain rooms and facilities.

Facility areas that could be considered for such arrangements may include, but not be limited to the following:

- Offices
- Exhibit, Meeting & Ballroom Space
- Locker Rooms
- Officials Rooms
- Equipment Rooms
- Box Office
- Dining/Concessions Areas
- Concourses
- Outdoor Plazas

The market for most of these opportunities are primarily donor driven and are often one time donations, as they are not opportunities that typically provide a direct return on investment for a corporate naming partner.

Existing Task Force estimates assume between $150,000 and $500,000 per year in interior naming rights. Given the opportunities noted above and a review of comparable venues, planning estimates should target the high range of these estimates.

Potential Other Revenues

Cell Phone Tower

Within Lincoln, there is a City ordinance that makes it preferable to locate a cell antenna on City-owned property. The City currently receives approximately $25,000 per year from each cell tower on City-owned property. Assuming two towers could be located atop a new arena in Lincoln, the annual revenue would approximate $50,000. Event Facility Task Force estimates target between $50,000 and $250,000 in annual tower-related revenues.

Retail Space Lease

It is possible that a new arena could generate cash flows from the lease of any retail space that would be built and incorporated into the arena or other public spaces. The Event Facility Task Force has estimated 5,000 square feet leased at $20 per square foot per year, which approximates $100,000 annually. A more aggressive scenario, as indicated by the Task Force, estimates as much as $250,000 annually could be generated in retail lease collections.

Summary of Estimated Project Funding Options

The intent of this analysis has been to provide the City of Lincoln with a preliminary assessment of the potential funding options for the proposed arena development. Based on our review of Task Force estimates, as well as our preliminary assessments, a variety of both public and private funding options have been identified that could potentially be used to help fund the development of new public assembly facilities in Lincoln.

As shown in the following exhibit, a combination of several potential funding options may be required to secure project financing.

Exhibit VII-3
Summary of Estimated Project Funding Options

	Low	High
Tax Sources: New Taxes		
City Occupancy Tax Hotels (4%)	$1,600,000	$1,800,000
City Occupancy Tax Car Rentals (4%)	$200,000	$300,000
Occupation Tax - Restaurant & Bar Sales (1-2%)	3,000,000	6,000,000
G.O. Bond Proceeds (.01 - .02 Levy)	1,500,000	3,000,000
Total Recurring Revenue from new Taxes	$6,300,000	$11,100,000
Tax Sources: Existing Taxes/TIF		
Reallocate County Lodging Tax (1%)	$450,000	$450,000
New Hotel LB551 - Turnback Tax	310,000	390,000
New Hotel TIF Property Tax	750,000	900,000
Total Recurring Revenue from Existing Taxes	$1,510,000	$1,740,000
Direct Revenue		
Arena Parking (500-car garage)	$400,000	$500,000
Ticket Fee ($1-2)	500,000	1,000,000
Club Premiums (600 seats)	500,000	700,000
Suite/loge Premiums (20 suites)	500,000	700,000
University Rent	500,000	1,000,000
Naming Rights Interior	300,000	500,000
Naming Rights Exterior	150,000	500,000
Total Direct Revenues	$2,850,000	$4,900,000
Other Potential Revenue Sources		
Cell Phone Tower	$50,000	$250,000
Retail Space Lease	100,000	250,000
Total Other Revenues	$150,000	$500,000
Total Attainable Revenues	$10,810,000	$18,240,000

Source: Event Facility Task Force, CSL, 2007

We have formulated project funding estimates for both low and high revenue generating ability scenarios. In particular, total attainable revenues associated with the low revenue scenario approximate $10.8 million annually. Under a more aggressive scenario, total attainable revenues could approximate $18.2 million annually—an increase of approximately 69 percent. In addition, it is important to note that several of the public sources identified would require legislative approval or modification prior to their implementation.

Summary of Estimated Project Costs

The following preliminary cost estimates for new arena and convention center development in Lincoln have been provided by the Event Facility Task Force.

Exhibit VII-4
Summary of Estimated Project Costs

	Low	High
Arena and Garage	$150,000,000	$160,000,000
Convention Center	18,000,000	22,000,000
Road Network	15,500,000	15,500,000
Land Acquisition & Site Work	22,500,000	40,000,000
Surface Parking	6,000,000	6,000,000
Soft costs and Contingency	5,000,000	10,000,000
Total Project Costs	$217,000,000	$253,500,000

Note: Cost estimates are based on preliminary Task Force estimates and CSL industry data.

As presented, total estimated project costs range from $217 million to $253.5 million. In particular, costs associated with the development of a new arena and parking garage could be expected to range from $150 million to $160 million (in 2007 dollars). A new convention center, as described earlier, could require an additional $18 million to $22 million in public contributions as part of a public/private development.

In addition to costs related strictly to arena and convention center development, other project costs, such as road and site work, land acquisition, surface parking and other soft costs and contingencies could result in an additional $49 million to $71.5 million in project-related expenses.