

C.H. JOHNSON CONSULTING, INC.

EXPERTS IN CONVENTION, SPORT AND REAL ESTATE CONSULTING

August 11, 2004

Mr. Bill Dutton
Director of Development
Arena Management & Construction
3131 East Camelback Road, Suite 105
Phoenix, AZ 85016

Dear Mr. Dutton:

Pursuant to our engagement letter, C.H. Johnson Consulting, Inc. (Johnson Consulting) has prepared an independent market analysis for the proposed arena in Albuquerque, New Mexico. This analysis includes an economic and demographic analysis, demand projections and projections of the facility's projected financial performance. The attached report explains the methods used to develop the estimates and discusses the results of the analysis.

Johnson Consulting has no responsibility to update this report for events and circumstances that occur after the last day substantial analysis was completed. The findings presented herein reflect analysis of primary and secondary sources of information. Johnson Consulting utilized sources deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis presented in this report are based on trends and assumptions, which usually result in differences between the projected results and actual results. Because events and circumstances frequently do not occur as expected, those differences may be material.

We have enjoyed serving you on this engagement and look forward to providing you with continuing service.

Sincerely yours,

DRAFT

C.H. JOHNSON CONSULTING, INC.

Attachment

INTRODUCTION

Albuquerque, New Mexico is considering development of a new mid-sized arena for its downtown. The development area already contains the Albuquerque Convention Center and the development site is adjacent to a number of downtown amenities, such as movie theaters, the historic La Posada de Albuquerque hotel, and several major downtown residential developments, the Albuquerque High School project and the Gold Avenue Lofts. The development would serve as the eastern anchor to downtown's Arts and Entertainment District, straddling historic Route 66, bars, restaurants, theaters and art galleries. The arena would likely host minor league hockey and will target an af2 (arena football) franchise, and accommodate other events such as concerts, family shows, and other community-oriented events. The site has excellent accessibility and is proposed to be an "event location" within the region. Its presence next to the convention center will also help the convention center and arena complex to host more religious and "SMERF" (Social, Military, Education, Religious and Fraternal) events.

C.H. Johnson Consulting, Inc. (Johnson Consulting) was engaged to provide a market analysis of the proposed facilities and project their operating and financial results. Johnson Consulting is a real estate consulting firm with specialized experience in arenas, stadiums, hotels, and other real estate development projects.

This report presents the results of our analysis in the following order:

- Section 3 of the report includes an economic and demographic overview of the local market, as well as a review of the various facilities in the Greater Albuquerque marketplace.
- Section 4 presents a discussion of the arena sports and entertainment industry and possible tenants that should be considered for a new arena, as well as a summary of our interviews with concert and entertainment event promoters.
- Section 5 presents profiles of comparable facilities in other like markets.
- Section 6 presents the demand and financial projections for the arena.

Summary Description of the Project

Arena Management & Construction (the Developer) is planning to build and operate a themed multi-purpose sports and entertainment complex located in downtown Albuquerque, with a general attendance capacity of between 8,000 and 10,000 seats depending upon the configuration requirements for a given event. According to the Developer, the Albuquerque Downtown Sports and Entertainment

Arena (the "Arena") will be an approximate 200,000-square foot fully enclosed structure located at 1st Avenue and Central Avenue, across from the Century Theatre and connected to a shared garage with the Albuquerque Convention Center.

The Arena will be utilized for minor league hockey, arena football, boxing as well as a variety of other sporting and entertainment events, including Broadway plays (utilizing a "half-house" configuration - featuring a Broadway-type stage, with a capacity of 4,600 seats), symphony orchestras and family shows (e.g., ice shows, circuses, and religious gatherings) and community events (e.g., graduations, tournaments and festivals). A proposed new rapid transit bus line running east/west down Central Avenue and a new commuter rail system running north/south on an existing rail line will provide mass-transportation service to the Arena. It is anticipated that in addition to local patrons the Arena will accommodate statewide audiences for many events.

Project Background

In May, 2000, the City of Albuquerque's Planning Department and the Downtown Action Team jointly created and adopted a long-term plan called the Downtown 2010 Sector Development Plan ("2010 Plan"). The primary objective of the 2010 Plan is to revitalize downtown Albuquerque through new development and capital improvements projects. The 2010 Plan identifies specific goals and objectives and outlines actions that are required to reach those goals.

Since the 2010 Plan's Implementation, certain commercial developments have been completed and others are under construction. For example, four of ten parking structures have been completed and another is near completion, and 54 new businesses have opened in the downtown 2010 Plan area. According to the 2010 Plan, the development of a critical mass of activity in downtown will help support area restaurants and retail businesses as well as increases property tax revenues in surrounding areas.

The 2010 Plan identifies catalytic projects and classifies them by priority based on the level of impact those projects will have on the downtown area. Of the three priority levels indicated, the proposed Arena is a "first priority" project. Further, through discussions between the Developer and city officials, the proposed Arena has the unanimous support of the city government as well as most of the Albuquerque citizenry.

The location of the proposed Arena is contiguous to the Albuquerque Convention Center ("Convention Center"). The Executive Director of Albuquerque Convention and Visitors Bureau, Dale Lockett, as well as the Convention Center manager, Tom Morton of SMG, believe that the arena will allow for significant new advantages in

bringing large events to the Convention Center, such as religious events that require large assemblies.

Potential benefits of the Arena to the Convention Center may include:

- Accommodation of large groups of up to 10,000 people, which is important for convention-related meetings and keynote presentations. Currently, there is not a comparable facility for such purposes in downtown Albuquerque.
- Enhanced sports and entertainment options will be available for downtown visitors, including convention participants, within walking distance of downtown hotels.
- Enhanced prominence for Albuquerque as a convention destination.
- Increased convention center event days and building utilization. The Convention and Visitors Bureau has estimated that the new Arena would enable Albuquerque to bid on as many as 75 major conventions with attendance between 3,000 and 15,000 that the City cannot currently bid on due to the lack of required facilities. This forecast has not included any additional event days or revenue from this source due to the uncertainty of scheduling and availability, but such use is reasonable to consider as a net income source and enhancement to the economic impact of the Project.

Scheduled to open in the fall, 2006, the Arena is forecast to host over 100 events per year, including minor league hockey and af2 football games, concerts, dance/Broadway shows, family/circus events, wrestling/boxing matches and ice shows. The Arena will be owned by a newly formed 501(c)(3) tax-exempt corporation, the Albuquerque Sports and Entertainment Development Agency, ("ASEDA"), and, upon retirement of Revenue Bonds, the Arena will become City property.

Based in Phoenix, Arena Management & Construction, LLC ("AM&C") was founded in 2002 to develop "turn-key" multipurpose arenas in mid-market cities, such as Albuquerque. AM&C is coordinating this project with and through the following entities:

- Hunt Construction Inc., founded in 1944, is one of the nation's leading sports construction companies. Ranked number two by *ENR* magazine in sports construction, Hunt has constructed over 75 arenas and stadiums throughout the US including major venues such as the United Center in Chicago, IL and America West Arena in Phoenix, AZ. Hunt has also completed projects similar to the Arena, including the Mark of the Quad Cities, Van Andel Arena in Grand Rapids, MI, and the Pepsi Arena in Albany, NY.
- Global Spectrum, is a subsidiary of Comcast-Spectacor, which is in turn, a subsidiary of Comcast, Inc. Based in Philadelphia, Global Spectrum is one of

the nation's leading private facility management companies. Global Spectrum provides facility management services across the US at 20 arenas, 5 stadiums, 13 convention/exposition centers, 4 ice rinks and one theater. Management services include: administration and finance; booking and scheduling events; operations and engineering; ticketing services and box office management; and ancillary services. In addition to providing management and facility related consulting services, Global Spectrum also has operating divisions that are a significant part of this Project:

- Ovation Food Services, LP provides food and beverage services. Ovation is currently in 28 locations nationwide serving over 7 million customers and generating over \$50 million in annual sales.
- Front-Row Marketing provides marketing for premium/box seating, naming rights consulting and sales services, venue team sponsorship and advertising and sponsorship evaluation analysis.
- Patron Solutions will provide ticketing services for all events.
- The Historic District Improvement Co. of Albuquerque, a nonprofit downtown property owner, which has served as the catalytic developer, in partnership with the City, in the 2010 downtown revitalization effort.
- Rossetti Architects is an architectural firm with extensive experience designing sports related venues. Rossetti has recently designed similar facilities to the Arena including Van Andel Arena in Grand Rapids, MI and Centennial Garden in Bakersfield, CA, as well as larger, marquee facilities such as Ford Field Stadium, and the Palace, both in Detroit.
- Kutak Rock, LLP is a national firm of approximately 325 lawyers with offices across the U.S. Kutak has over 100 attorneys dedicated to the areas of public and private finance, real estate finance and secured lending.
- Piper Jaffray (the "Underwriter"). Piper Jaffray is a prominent investment bank with extensive experience in the underwriting of public issuances, especially ones that use bonds issued by tax-exempt corporations.

METHODOLOGY

In order to complete its analysis and projections concerning the facilities, Johnson Consulting performed the following tasks:

- Reviewed prior reports by KPMG and BDO Seidman,
- Interviewed Global Spectrum and SMG to gain their insights on the market, and to obtain operating information on comparable facilities,

- Interviewed management of the Isotopes to determine the operating profile of the stadium, and to see what impacts a new facility has had on the market,
- Met with local stakeholders active in economic development,
- Met with assembly facility representative and local tourism officials,
- Toured the local area as well as the planned site and its surroundings,
- Researched local sports franchises to better understand the project's viability and potential demand,
- Analyzed relevant economic and demographic characteristics of the area, such as population, employment, and income,
- Researched and analyzed current arena and sports complex development in other markets throughout the country,
- Developed an understanding of the existing facilities in the Albuquerque area and the surrounding area,
- Interviewed event promoters active in the Southwest market,
- Analyzed past, current, and expected future trends in the event and sports industries,
- Analyzed historical trends in demand and growth in minor league hockey and the East Coast Hockey League (ECHL), the Central Hockey League (CHL), as well as Arena football/af2 ,
- Analyzed operating results of comparable facilities, as well as characteristics of the facilities' markets,
- Compiled statistics on the economic and demographic attributes of other Albuquerque peer markets and analyzed the capacity of the market to absorb more sports and arena seats,
- Analyzed several comparable projects and analyzed the market's ability to support various facilities relative to other facilities,
- Prepared demand and financial projections for the facility, and
- Summarized our findings in this written report.

EXECUTIVE SUMMARY

The Albuquerque market continues to grow as a destination. It has continued to support existing and new destination venues, such as Isotopes Park, the Journal Pavilion, and downtown movie theaters. Its corporate, military and high-tech government presence is solid and growing. The market has a very low ratio of

professional sports facility seats on a per-capita basis, meaning it should be able to demographically support the proposed arena with little stress on market entertainment spending capacity. The market strongly supports its existing professional and college sports teams. The market has also shown it is willing to purchase premium seating in minor league venues, as there is a waiting list of 40 for suites at Isotopes Park.

The proposed arena is to be located adjacent to the Albuquerque Convention Center on the east side of downtown. There are new residential, retail, theater and other developments within one block of the arena site, providing continuing momentum for the whole entertainment district. With the arena, downtown will have the critical mass of attractions, easy access off of I-40 and I-25, and proximity to all of the MSA to create a destination district anchored by the Arena. Other sections in this report will investigate the sports and event market to determine the feasibility of the proposed Arena's physical programming, and will make projections of demand and financial results.

While the MSA currently has a number of facilities that host entertainment and recreational, amateur, and professional sporting events, these facilities have flaws that keep potential entertainment and sports from occurring in the 715,000-person market. Tingley Coliseum is 51 years old and does not have most of the features or amenities of a newer arena and is too large for most minor-league tenants. It also is located outside of downtown at the State Fairgrounds and exudes an air of animal shows and agriculture that limits its appeal for promoters and other event producers. The Journal Pavilion can only handle concerts during warm weather and even then has major logistical problems related to traffic that hurt its ability to maximize crowds and profit for producers. The Pit at the University of New Mexico is one of the premier venues for viewing college basketball but is thirty-eight years old, has no modern amenities such as luxury suites or club seating, and is not configured to host concerts, shows, or other modern events. It also has physical limitations that preclude it from hanging rigging or anything else from the ceiling.

The Albuquerque market has a relatively low number of arena sports seats in comparison to other similar sized cities analyzed in the study, and the obsolescence of Tingley makes this situation worse. A new arena that is built with the amenities often found in modern arenas would likely provide better services to patrons and tenants, and attract new events to the area.

Currently, there is a national trend towards upgrading, expanding, and improving public assembly facilities such as arenas and sports complexes. This has led to the development of new and renovated facilities throughout the country, not only in major professional sports but also in minor leagues such as the Central Hockey League and East Coast Hockey League. Arena football has also been a strong, positive force for arena use and upgrades. This development is a response to

increased demand by the sports and entertainment markets, which have grown in recent years. Also, the construction of new facilities has led to a great deal of franchise movement, as teams are moving to markets with newer venues that offer better opportunities. The addition of new facilities will likely allow Albuquerque to bring more events into the area, as well as provide area citizens with better public facilities, and increased entertainment options.

It is determined that a multipurpose arena with approximately 8,545 fixed seats is appropriate for the market. Additionally, approximately 38 sellable suites and six other suites (including two party suites) and 700 club seats are appropriate. This type of facility will be able to host a wide range of events, such as sporting events, concerts, family shows, community events, some conventions, trade shows, and consumer shows, as well as festivals and certain theatrical productions. The facility is assumed to have two permanent tenants, the CHL Scorpions franchise (or a relocated ECHL team) and an af2 franchise, which will provide a consistent level of event demand throughout the year. A number of other facilities in markets similar to Albuquerque have successful facilities, such as the one recommended in this report.

How Much Business Will the Arena Generate?

Based on these assumptions, a total of 124 arena events are projected in its first year of operation in 2007, and this number is projected to increase to 130 in 2010. Total facility attendance is projected to range from 682,000 to more than 689,000 a year.

MARKET OVERVIEW

In order to evaluate the demand for an additional entertainment and sporting facility in downtown Albuquerque, Johnson Consulting undertook a comprehensive review of market conditions and characteristics in the Albuquerque Metropolitan Statistical Area (MSA). While characteristics such as population, employment, and income are not strict predictors of performance for entertainment or sports facilities, they provide insight into the capacity of a market to support facilities or activities. In addition, the size and role of a marketplace, recent or historical development trends, as well as competing or complementary attractions and venues all affect the scale or quality of facilities developed for a particular market. The key observations from the review and analysis are described below.

Economic and Demographic Observations

The city of Albuquerque, part of Bernalillo County, is a rapidly evolving urban market. Over the last century, the economic base in Albuquerque was constantly changing from agriculture and mining to transportation and healthcare to technology and research. The impact of the Kirtland Air Force Base and Sandia National Laboratories have proved to be a population generator for the area as urban sprawl has now consumed 120 square miles of land. The Albuquerque metro area remains a relatively fluid marketplace, with consistent interaction between sub-markets and limited barriers between the suburbs and the city. The fluidity of this market allows venues such as the Journal Pavilion and Tingley Coliseum or sport franchises such as the Isotopes and Scorpions to be perceived as regional assets.

Key Characteristics

The Albuquerque metro area has more than 752,000 people encompassing a three county area in central New Mexico; Bernalillo County, Sandoval County, and Valencia County. The two largest cities within the metro area are Albuquerque (Bernalillo County) and Rio Rancho (Sandoval County), with a host of smaller towns and suburbs making up the remainder of the metro area. Rio Rancho has grown rapidly since its incorporation in 1981, and today is home to more than 55,000 persons. The city of Albuquerque provides a central downtown district, a well maintained historical area, an international airport, and the great majority of the industrial, commercial, and residential development. Figure 3-1 shows a map of the counties within the MSA.

Figure 3-1



In 2000, the MSA had approximately 713,000 residents, with approximately 557,000 people living in Bernalillo County. Table 3-1 shows the population trends of the counties that comprise the MSA.

Table 3-1

Albuquerque MSA County Populations					
	1990		2000		Annual Population Growth Rate
	Population	% MSA	Population	% MSA	
Bernalillo	480,577	81.6%	556,678	78.1%	1.5%
Sandoval	63,319	10.7%	89,908	12.6%	3.6%
Valencia	45,235	7.7%	66,152	9.3%	3.9%
Albuquerque, NM MSA	589,131	100.0%	712,738	100.0%	1.9%

Source: US Census Bureau, Johnson Consulting

As the table shows, between 1990 and 2000, the MSA grew at an annual rate of 1.9 percent, which is above the national average. More importantly, each of the jurisdictions within the metro area showed population growth, underscoring the fact that Albuquerque is an expansion market. While Bernalillo County experienced

a lower annual growth rate than its counterparts, the County still contains more than 78 percent of the metro area population and is effectively positioned in proximity to these other robust sub-markets.

According to the Bureau of Economic Analysis, over the next 20 years, the metro area is projected to continuing growing. Table 3-2 displays the Bureau of Economic Analysis' population projections for the Albuquerque MSA (the BEA does not project population growth on a county-by-county basis).

Table 3-2

Albuquerque, NM MSA Population Projections		
Year	Population (000)	Annual % Change
2005	761.5	-
2010	810.2	1.2%
2015	858.7	1.2%
2025	951.7	1.0%
Compounded Annual Percent Growth		
2005-2025		1.1%
<i>Source: Bureau of Economic Analysis</i>		

As the table shows, by 2025, the total population of the MSA is expected to reach approximately 952,000. As the nexus of several sub-markets, including the aforementioned counties, the city of Albuquerque is well situated to attract much of this growth. Among the indications are the following considerations:

- Albuquerque already enjoys an identity as an event location and is easily accessible from other sub-markets, as evidenced by the presence of major venues such as the Journal Pavilion and the Tingley Coliseum.
- The County possesses a combination of development sites and an events support infrastructure that makes it a logical location for an arena due to its ability to absorb activity and attract users from both the north and south parts of the MSA. Strong local support and population base will be important to the success of the arena because it will depend on a large share of attendees living within a comparatively short distance of the facility.
- The recent management conversion of the Albuquerque Convention Center to private management, as well as the hiring of a new President/CEO of the Albuquerque Convention and Visitors Bureau, signals the desire of the city to attract a higher degree of visitation and confirm the ability of the government to execute high-profile projects.

Population Characteristics

The success of an arena or any public assembly facility lies in its ability to develop a programming strategy that appeals to a broad cross-section in the marketplace. Nonetheless, the composition of the local population base must also display appealing characteristics at various segments such as age and income. For instance, attendees for many types of athletic events, such as professional sports teams and recreational sports activities, tend to be relatively young:

- According to various fan surveys compiled by the National Hockey League (NHL) and minor leagues across the country, more than 60 percent of hockey fans are between 25 and 44, and more than 80 percent are between 18 and 44.
- In addition, a recent survey by the Holmes Report found that young people are much more likely to be hockey fans, as 40 percent of 18 to 29-year olds consider themselves to be fans, compared to just 19 percent of those 65 and older.

However, certain event types have various characteristics that appeal to different age groups. Concerts target teenagers and more mature adults, while family shows are primarily aimed at adults with younger children.

In order to evaluate the appeal of the Albuquerque marketplace, Johnson Consulting reviewed the MSA's characteristics in various market segments. The key findings of this analysis appear below:

Age - Table 3-3 summarizes the Albuquerque MSA's age composition by group from 2001 through 2002.

Table 3-3

Albuquerque MSA Population Distribution						
Year	Median Age	Total MSA Population (000s)	% Population by Age Bracket			
			18-24	25-34	35-49	50+
2001	34.6	722.0	8.5%	14.7%	24.3%	25.0%
2002	35.2	723.0	10.0%	13.5%	23.5%	26.7%
U.S. Average 1998-02	35.5	na	9.2%	14.3%	23.4%	27.5%

Source: Sales and Marketing Management

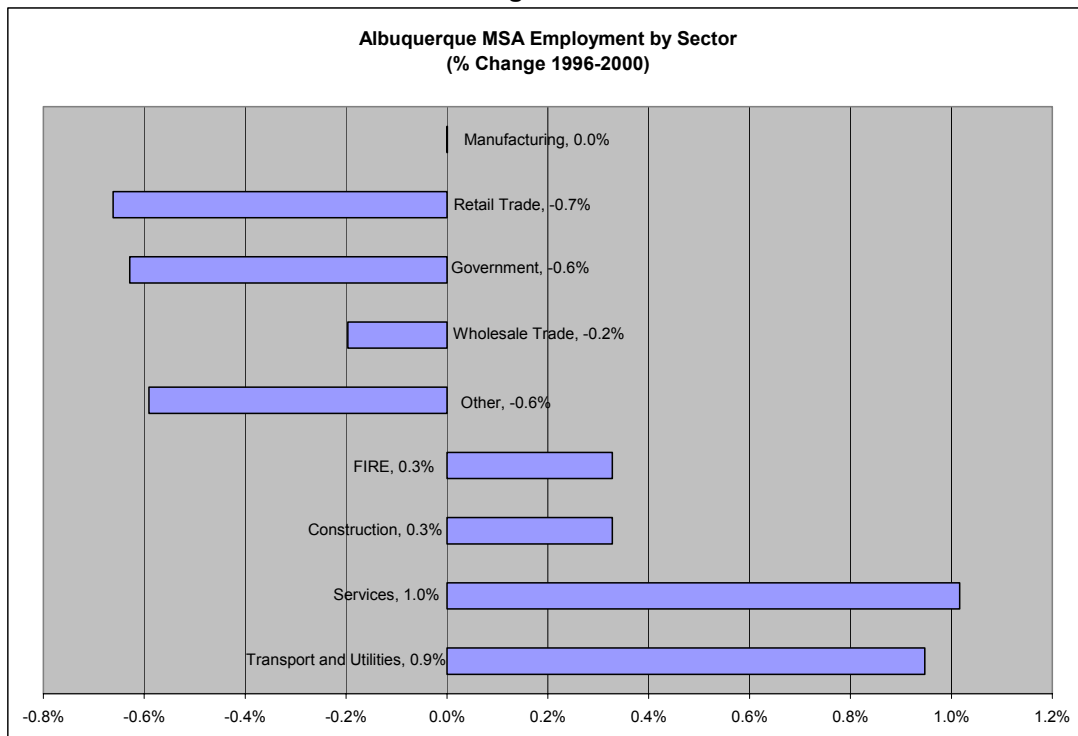
- In 2002, the median age of the MSA was 35.5, which parallels the country's median age of 35.5. The market's share of permanent residents that are 34 and younger also mirrors that of the US as a whole. While the US has a larger

share of older residents, the MSA has younger residents. However, the age composition of the MSA is quite similar to that of the rest of the country, and this does not appear to help or inhibit the potential demand for a potential arena.

Employment - The strength of a market's employment base can be a strong indicator of its potential ability to support an arena. A healthy and diversified economy provides not only employment and disposable income for residents, but also helps to insulate an area from economic downturns.

- The services sector is by far the largest contributor to non-farm employment in the MSA, contributing 34.2 percent of the total in 2000. The presence of tourism related activities in the MSA contributes 17.6 percent of the jobs in the retail trade sector, making it the second largest contributor to the MSA's employment in 2000. The government sector represents the third largest employment sector within the MSA (16.4 percent).
- Figure 3-2 displays gains and losses in employment by sector in the MSA from 1996 to 2000.

Figure 3-2



- As the table shows, the services sector is the driving force in job growth in the MSA and had the largest increase in its share of employment, with 1.0

percent growth from 1996 to 2000. This is consistent with most of the US, where the services sector generally experienced the largest job growth. The transportation and utilities sector has also shown a large increase in the share of employment within the MSA, with 0.9 percent growth from 1996 to 2000. Other sectors that have experienced an increase in their share of the employment base are construction (0.3 percent) and finance, insurance, and real estate (0.3 percent). Wholesale trade, government, and retail trade experienced decreases in their share of employment in the MSA.

- The MSA's unemployment rate decreased from 5.4 percent in 1990 to an eventual low of 3.3 percent in 2000, and an average of 4.8 percent through 2003. From 1990 through 2003, unemployment in the US as a whole averaged 5.6 percent.

Income – In addition to employment, the level of income in a community can serve as an indicator of the appetite and price point for various types of entertainment and sporting activity. In general, higher income levels lead to greater amounts of disposable income, which can be spent on non-essential items such as recreation and entertainment. Less affluent markets will have less disposable income available to spend on athletic and/or concert and family events, for example, and would generally be expected to provide a lower level of attendee demand.

- From 1975 through 2000, non-farm income in the MSA grew at an annual average rate of 8.4 percent, with the strongest increases occurring from the late 1970's through the early 1980's. From 1991 through 2000, non-farm income grew at an annual rate of 6.4 percent. Non-farm employment grew at an annual rate of 3.3 percent since 1975, and reached a high of approximately 440,000 in 2000. The MSA's annual growth rates for non-farm income and non-farm employment are higher than the national annual growth rates.
- The services sector is the largest contributor to income in the MSA, with 32.1 percent of the total in 2000. Government (21.5 percent), manufacturing (11.1 percent), and retail trade (10.0 percent) comprise the second, third, and fourth largest shares of income in the MSA. Increases in the share of manufacturing indicate diversification into sectors that contain relatively well-paying jobs.
- In 2002, the MSA's per capita income was approximately \$28,471, which was slightly lower than the U.S.'s per capita income of approximately \$30,906. From 1990 through 2002, the MSA's per capita income grew at an annual rate of 4.4 percent, which was substantially higher than the national growth rate of 3.9 percent. While the county's per capita income is relatively low, minor league sports are an affordable entertainment option for less affluent families and individuals.

- Residents' effective buying income (EBI), which is a measure of disposable income that is available to spend on items such as entertainment and recreation, also helps to demonstrate the amount of disposable income that is available locally. This data is shown in Table 3-4, which also compares counties within the MSA.

Table 3-4

Albuquerque, NM MSA Effective Buying Income (EBI) 2002					
	Total EBI (000's)	Median Hsld EBI	% of Hslds by EBI Group		
			\$20,000 - \$34,999	\$35,000 - \$49,999	\$50,000 +
Bernalillo	\$10,662	\$38,772	24.9%	19.5%	35.0%
Sandoval	\$1,391	\$37,492	26.0%	25.0%	29.0%
Valencia	\$900	\$32,330	28.0%	21.1%	24.1%
MSA	\$12,952	\$37,977	25.3%	20.3%	33.4%
U.S.	\$5,303,481	\$38,365	25.3%	20.8%	38.0%

Source: Sales and Marketing Management

- As the table shows, the MSA had a total EBI of approximately \$13 million and an average median household EBI of approximately \$38,000 in 2002. The median household EBI of the MSA was approximately the same as that of the entire US. The MSA had a slightly lower percentage of households with an EBI of \$50,000 or more compared to the country as a whole (33.4 percent to 38 percent). This indicates that residents in the MSA have a slightly lower amount of income available to spend on non-essential items such as recreation and entertainment. However, this is a very insignificant amount. The EBI of the Bernalillo County is higher than the other counties within the MSA. From an economic development standpoint, if Albuquerque does build the arena, it is positioned to generate spending from within Bernalillo County, but also transfer spending from these surrounding counties as well.

Transportation

Albuquerque is a very accessible city, not only does it have an international airport but also excellent road and rail links. It is located in central New Mexico along the Rio Grande River and the junction of Interstates 25 and 40. Interstate 25 serves as the main north-south highway through Colorado into New Mexico. Interstate 40 is a major east-west freeway, spanning eight states across the country, including California, Arizona, New Mexico, Texas, Oklahoma, Arkansas, Tennessee, and North Carolina.

The Albuquerque International Sunport is located approximately four (4) miles south of the central business district, east of Interstate 25. The Sunport served more

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than 6.1 million passengers in 2003, which has more than doubled over the past 10 years. The facility's terminal, which was expanded to its present size in the late 1980s and again in 1996, encompasses 574,000 sq. ft. of space and has 23 gates in two concourses. Albuquerque International Sunport is served by eight major commercial carriers: American, America West, Continental, Delta, Frontier, Northwest, Southwest and United. It also receives regular service from commuter airlines: Air Midwest, Continental Express, Horizon Air, Mesa, Rio Grande Air and Skywest. The Sunport offers nonstop service to 27 cities.

Albuquerque is also served by Amtrak's Southwest Chief, which runs from Chicago to Los Angeles. The train makes two stops daily in Albuquerque.

Corporate Presence

A strong corporate and business presence is an important factor in the financial success of arenas and entertainment facilities, because local businesses are the single largest source of luxury suite, naming rights, and sponsorship revenue.

Several significant major employers have located operations within the Albuquerque MSA, many of which are government based. This is positive for long-term stability. The major employers include: Kirtland Air Force Base, University of New Mexico, Albuquerque Public Schools and Sandia National Laboratories. Table 3-5 displays the largest private employers in the Albuquerque MSA.

Table 3-5

Major Employers in the Albuquerque MSA		
Name	Industry	# of Employees
Kirtland Air Force Base (civilian)	Military	17,046
University of New Mexico	Education	15,560
Albuquerque Public Schools	Education	11,500
Sandia National Labs	Government	7,800
City of Albuquerque	Government	7,035
State of New Mexico	Government	6,300
Presbyterian	Healthcare	5,800
Kirtland Air Force Base (military)	Military	5,532
Lovelace Sandia Health Systems	Healthcare	5,500
Intel Corporation	Semiconductor Manufacturing	5,200
UNM Hospital	Healthcare	4,330
US Post Office	Government	2,200
Bernalillo County	Government	1,855
Albuquerque Technical Vocational Institute	Education	1,810
Veterans Affairs Medical Center	Healthcare	1,710
Qwest Communications	Telecommunications	1,500
T-Mobile	Telecommunications	1,450
Sandia Casino	Entertainment	1,400
Citicard	Financial	1,300
Los Lunas Public Schools	Education	1,300
Isleta Gaming Palace	Entertainment	1,200
Rio Rancho Public Schools	Education	1,180
Honeywell Defense Avionics System	Aircraft Avionics	1,150
Citibank	Finance	1,300
Bank of America	Finance	1,100
America Online	Technology	1,000
Sprint PCS	Telecommunications	830
Blue Cross/Blue Shield	Insurance	815

Source: Albuquerque Economic Development

As the table shows, the largest employer in the area is Kirtland Air force Base, which is home to the 377th Air Base Wing. The mission of the wing is to provide world-class munitions maintenance, readiness and training, and base operating support to approximately 76 Federal government and 384 private sector tenants and associate units. Other large employers include a majority of education and government enterprises such as the University of New Mexico, Albuquerque Public Schools, Sandia Labs, the City of Albuquerque, and the State of New Mexico.

Higher Education

The presence of colleges, universities, and educational institutions can serve not only as a demand base for arenas, but also as a source of event demand for an arena.

The number of college students in the area is important because it represents a target audience for some of the non-family arena events such as concerts. Minor league sports franchises often target universities and their students with advertising and promotions. The other contribution that local academic institutions can make to the market potential of arenas is to provide some off-campus events, such as assemblies, graduations, performances, and sporting events such as tournaments, regional playoffs, and others. Although most colleges and universities with intercollegiate athletic programs have their own sports facilities, it is possible for an institution to become a tenant or host an occasional special event in a new arena.

Albuquerque ranks consistently high in the percentage of college graduates per capita due to the University of New Mexico, Sandia National Laboratories, and the presence of local technology and research and development facilities. More than 23 percent of adults are college graduates, and over 30 percent have some college experience. Table 3-6 displays the colleges and universities in the Albuquerque area and their respective student enrollment.

Table 3-6

Academic Institutions in the Albuquerque Area	
Institution	Enrollment
University of New Mexico	24,760
Albuquerque TVI	21,000
SW Indian Polytechnic Institute	750
Highlands University Branch	750
Total Enrollment	47,260

Source: Albuquerque Economic Development

There are a limited number of schools in the area that provide a total of 47,000 students. The largest schools are the University of New Mexico with 24,800 students and Albuquerque's Technical and Vocation Institute with 21,000 students. The existence of these schools provides a vibrant market for concerts and possibilities for college-related events such as graduations.

Arts, Culture, Tourism Events and Facilities

Albuquerque is a center for tourism, attracting skiers, museum-goers, balloonists, and adventure-seekers of all kinds. Albuquerque's temperate climate, large number of sunny days, proximity to both mountains and rivers and central location along both old Route 66, and later Interstate 40, have been drawing people to Albuquerque for years.

The narrative below describes some of the more prominent attractions and facilities:

- ***Old Town*** - Old Town is the heart of Albuquerque's long and rich history and heritage. The center of the original Villa of Albuquerque, Old Town's quaint streets now house a variety of southwestern shops, restaurants and art galleries. The village was formed in the traditional Spanish pattern where a central plaza is surrounded by a church, homes, and government buildings. Some of the old homes are still standing and many have been renovated into businesses.
- ***The District*** - With the Central Corridor at its core, the District offers new restaurants, upscale retail, a 14-screen movie theater, and dynamic arts and music scene. The District features the KiMo Theatre and Art Gallery. This historic theater, which recently underwent an extensive renovation, was originally built to house vaudeville acts. It is famous for its Pueblo Deco architecture, particularly in its murals and plaster ceilings. The District is also home to Magnifico, Albuquerque's premier contemporary arts organization and public arts space.
- ***Sandia Peak Tram*** - The Sandia Peak Tram is the world's longest aerial tramway, climbing 2.7 miles to the peak of the Sandia Mountains. The Tram passes through four of the Earth's seven life zones on the way. An 11,000-square mile panoramic view is can be experienced from the 10,000 foot peak.
- ***The Rio Grande Nature Center State Park*** - The Nature Center State Park offers a 270-acre riverside preserve that is threaded with two miles of trails that wind through partially wooded areas to open sand flats alongside the Rio Grande. In addition, the facility offers 260 species of birds that rest during migration or nest in stands of cottonwoods, tamarisk, and Russian olive trees.
- ***Albuquerque Aquarium, Rio Grande Botanic Garden, and Rio Grande Zoo*** - The Albuquerque BioPark, as it is known, includes the Albuquerque Aquarium, Rio Grande Botanic Garden, and Rio Grande Zoo each showcasing different elements of natural science. The Aquarium offers a 285,000-gallon shark tank. The botanic garden provides a natural environment of the Rio Grande Valley through specialty gardens and desert and Mediterranean conservatories. The zoo, currently offers more than 1,000 animals in habitats such as the African savanna, tropical rain forest, the primate island, wolf woods, and birds of prey aviary.
- ***New Mexico Museum of Natural History and Science*** - The New Mexico Museum of Natural History and Science provides life-size sculptures of dinosaurs "Spike" and "Alberta," an ice cave, a live volcano, and an exhibit called "Evolator" that illustrates the age of the dinosaur. In addition, the museum houses the Dynamax Theater, featuring large-format films every

hour on the hour. It is also home to the LodeStar Astronomy Center, a high-tech planetarium with astronomy exhibits, an observatory, and Virtual Voyages motion simulator.

- ***Albuquerque Museum of Art and History*** - The Museum features art of the Southwest, Albuquerque history over the past four hundred years, traveling exhibitions, a sculpture garden, and various special programs. The Museum is presently undergoing a major expansion.
- ***Explora!*** - Albuquerque's newly completed children's museum features hundreds of hands on exhibits to entertain visitors of all ages and encourages them to think in new ways through experiments in science, math, technology and art.
- ***National Atomic Museum*** - The National Atomic Museum offers displays and movies on the development of atomic energy and weapons, as well as the latest advances in energy research. Exhibits present history, science applications and future developments of nuclear energy. A ZOOMzone allows visitors try their hands at science activities or develop their own experiments.
- ***Casinos*** -Albuquerque offers a variety of gaming opportunities through six different venues that include: Isleta Casino & Resort, Route 66 Casino, San Felipe's Casino Hollywood, Sandia Casino, Santa Ana Star Hotel Casino, and the Downs at Albuquerque Racetrack & Casino.
- ***Outdoor activities*** - Albuquerque's nearness to the mountains and climate makes it a year-round destination for outdoor activities. The city offers activities that include, hiking, biking, horseback riding, rafting, and skiing In addition, more than 14 public and private golf courses exist in the area. Albuquerque is also the hot air ballooning capital of the world, with the annual Albuquerque International Balloon Fiesta held in October.

Sports, Convention, and Entertainment Facilities

Albuquerque has a strong heritage as a regional center for event and sporting activity, but the market has not experienced the degree of facility development that has occurred in many of its peer cities over the last few decades. While the market remains well represented in the range of facilities, it does not possess modern or specialized event centers that are typical in a metro areas of its size. The text below describes the major sporting and events facilities that currently exist in the MSA.

Journal Pavilion

The \$7 million Journal Pavilion opened in 2000, then known as the Mesa del Sol Amphitheatre. The facility features a seating capacity of 8,400. The venue is a part of

the Mesa del Sol master-planned community located on 12,400 acres of state trust land south of Albuquerque. The land is in trust primarily for the University of New Mexico and other state public schools. The amphitheater was funded jointly by Bernalillo County and Clear Channel Communications. However, when the construction estimates doubled, the company agreed to cover the costs, but withhold the county's revenue share until its portion of the construction cost was paid. The Albuquerque Journal bought the naming rights to the venue for \$3 million over nine years, or about \$333,000 annually.

The County-owned Journal Pavilion serves as Albuquerque's main concert venue, attracting top acts such Britney Spears, Dave Matthews Band, Tim McGraw, and Kenny Chesney. The facility is operated by ClearChannel and concessions are provided by Aramark.

However, traffic congestion getting into and out of the venue poses major problems for people attending events, sometimes taking two-to-three hours to get home after an event. This hurts Albuquerque's ability to continually attract the concerts that its market can support, as these logistical issues hurt the financial performance of touring acts.

University of New Mexico Facilities

The University of New Mexico currently has several venues that host entertainment, sports, theatrical productions, and other types of events that are similar in nature to those proposed for the new arena in downtown Albuquerque.

- **The Pit**, primarily serving as home to the university's men's and women's basketball programs, was opened in 1966 at a cost of \$1.4 million. The venue underwent a \$2.2 million renovation in 1975 that enlarged the concourses to allow for improved concessions and a more appropriately sized mezzanine level. The facility now seats 18,000 for basketball events. While the Pit is viewed as one of the premier venues for watching college basketball, it has no modern amenities such as luxury suites or club seating. In addition, its configuration below ground makes it very difficult operationally to load-in and load-out other entertainment events. As result, the facility does not host many concerts, family shows, or other entertainment events.
- **The Johnson Center** serves as a multipurpose facility for the university as well as the home to the women's volleyball team. The 2003 season marked the fifth year the volleyball team played within the Johnson Center. The team averaged approximately 500 fans per game. The Johnson features the 5,000-seat main arena, auxiliary gym, south gym, Armond Seidler Natatorium, racquetball courts, and other physical training rooms and areas. In addition to the women's volleyball team, the facility hosts three-to-four

meeting type events (i.e., Jehovah's Witnesses), several camps (i.e., cheerleading, karate, etc.), annual science fairs, university intramural events, and New Mexico State Games. The Johnson Center is also home to the university's Physical Performance and Development Department. This venue is not considered a direct competitor with the proposed arena in downtown Albuquerque.

- **Popejoy Hall** is the premier performing arts center in New Mexico. Seating up to 2,043 patrons, Popejoy is the largest multi-purpose cultural venue in the state. Following a major renovation in 1996, Popejoy hosts touring Broadway shows, symphony concerts, and modern companies. The University of New Mexico Center for the Arts houses Popejoy Hall, three other performance spaces-- Rodey Theatre, Keller Hall, the Experimental Theatre -- and the University Art Museum. Rodey Theatre and Keller Hall also host a few Ovation Series shows. The various theaters host additional events for the Departments of Music and Theatre & Dance in the College of Fine Arts. While the Popejoy is the primary performing arts venue in the area, it lacks a deep enough stage to host some of the high quality touring Broadway shows that could be captured by the proposed arena.

The university owns and operates all of the above facilities.

Isotopes Park

Isotopes Park (formerly Albuquerque Sports Stadium), is now home to the Albuquerque Isotopes Triple-A baseball team. The facility originally opened in the 1960's and was previously used as a Triple-A baseball stadium by the Albuquerque Dukes. In 2003, the City of Albuquerque completed a complete renovation of the existing facility to continue as a baseball-only stadium. The renovation only left ten percent of the original facility in place. The new stadium has approximately 11,100-seats including the suite seating. Isotopes Park features 30 luxury suites that were initially priced at \$28,500 per year and required a three year lease. The luxury suites sold-out in full and now have a 40-member waiting list, which is a positive sign for potential suite sales in the arena. The Park also features 660 club seats that cost \$1,200 per year. The club seats have not sold as well as the suites, based on a lesser perceived value for the club seat area. Season tickets are priced between \$490 and \$1,200 per year. The Isotopes have averaged approximately 7,800 fans per game during the 2004 season, which is amongst the top in the league. While the facility only hosts baseball games at this point, it has been contacted to host other entertainment events such as concerts and boxing.

Isotopes Park is a city-owned facility, managed by the Isotopes team. Concessions are provided by Ovations Food Services, whose founder, Ken Young, also owns the team. Ovations is a partner in the proposed Arena, the subject of this study.

Albuquerque Convention Center/Kiva Auditorium

Located in the center of downtown Albuquerque, and adjacent to the site for the proposed arena, the city-owned and SMG-operated Albuquerque Convention Center features approximately 166,500 total square feet of exhibit space, the 2,600-seat Kiva Auditorium, and 30 meeting rooms. The Convention Center opened in 1972, underwent a \$60 million expansion in the early 1990s and is still a somewhat outdated facility. The Convention Center is owned by the city, but privately managed by SMG. SMG took over the management of the facility in February 2004 in order to re-energize the under-used venue that failed to live up to its billing as a key to Downtown's revitalization. Over the past few years the Convention Center was only booked at 20 to 30 percent of its total capacity. In addition, the Albuquerque Convention and Visitors Bureau recently hired a new President/CEO that will combine with SMG to help market and sell Albuquerque as a destination.

Tingley Coliseum

Located on the New Mexico State Fairgrounds, known as Expo New Mexico, the state-owned and operated 11,600-seat Tingley Coliseum opened in 1957 and is owned by State. The facility has no luxury suites. It most recently underwent a \$9 million renovation in 2001, which included a new roof covering, a reconfigured entranceway, expanded restrooms, and additional concourse reconfiguration for concession stands. Tingley is the current home of the Central Hockey League's New Mexico Scorpions. In addition, the venue hosts a variety of entertainment events throughout the year, but has experienced an inconsistent event demand over the last few years. According to facility management, Tingley's concert history has been as follows

- 2000 - 5
- 2001 - 2
- 2002 - 8
- 2003 - 5
- 2004 YTD - 2

The facility also hosts a variety of other events such as horse shows and rodeos, family shows (Sesame Street Live), Shrine Circus, Monster Jam, and both Stars on Ice and Champions on Ice.

Tingley represents the most competitive facility for the proposed arena in terms of programming. However, the facility is very old, lacks modern day facility amenities, has a dirt floor, and limited sightlines. As early as 2002, arena officials expressed concern over the amount entertainment events lost to the Indian casinos and the Journal Pavilion. At the time, the officials predicted the venue would close down within five years. The decline in horse racing revenue at the fairgrounds required the state step in to subsidize the arena's debt. The Fair had been self-supporting, but could not afford to fund the facility's operating shortfalls. The facility asserts that it needs 150 bookings per year to meet their overhead, due to the reliance on ticket sales and concessions, as opposed to premium seating and advertising revenues.

Sandia Casino Amphitheater

The Indiana-owned Sandia Casino is an outdoor concert venue located on the north side of Albuquerque near I-25 and Tramway. The amphitheater opened Memorial Day weekend 2001, and has hosted mid-level entertainment and arts festivals. Sandia management quickly learned that the theater had many expensive flaws. The festival-style complex was not intended to hold large performances. In 2002, the facility underwent a \$3.6 million renovation that basically demolished the existing amphitheater and build a new one, increasing the seating from 3,200 to 4,000. The venue's limited capacity does not make it a major threat to the proposed arena.

Implications for a Multipurpose Arena in Albuquerque

The Albuquerque area is growing at a steady pace and appears to be a well-balanced market not affected severely by changes in one industry. Migration and growth patterns within the metropolitan area make downtown Albuquerque an excellent location for a new arena as it provides accessibility to residents of the entire metro area, as it is at the intersection of primary north-south and east-west interstates. Arenas by their nature draw from a large geographic area, depending upon their size and type of event, and so accessibility is often as important as the immediate-area demographics. For example, many primary arenas are located in major city central business districts, which often lack any residential activity at all, but are located centrally within their region.

The Albuquerque area has a number of event facilities that serve the entertainment, sports, and meeting needs of citizens and visitors. A mid-market like Albuquerque is generally able to support at least one major and one older minor venue for various types of events, and it does (Journal Pavilion and Tingley Coliseum). However, growing markets are developing modern mid-sized event facilities in addition to these other primary facilities. While the convention and baseball markets have evolved and upgraded or expanded offerings, the arena offerings

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have not evolved with the Albuquerque event or sport market. The Albuquerque market simply does not offer a modern arena.

The Tingley Coliseum is an aged venue that offers no modern day amenities. While it hosts the CHL New Mexico Scorpions and other limited entertainment events, the venue should be dedicated to fairgrounds use. Tingley, as it exists today, must compete for every arena event and generate other events on site in order to have any success. An additional medium sized, modern arena, if constructed, will compete for the largest concert and entertainment activities, as well as minor league sports.

The Albuquerque market continues to grow as a destination. It has begun to expand and support multiple destination venues. The proposed arena is located in Albuquerque's Arts and Entertainment District, which is the site of the 14-screen movie theater, transportation hub, art galleries, restaurants and an emerging residential market. The site has easy access off of I-25 and I-40, and proximity to most of the MSA to support a mid-sized arena. The following section will investigate the sports and event market to determine how the proposed arena should be programmed. Later in this report, we will provide assumptions and projections of financial performance of the project.

ARENA INDUSTRY OVERVIEW

The nationwide trend to build new arenas and stadiums in the last decade has not been limited to core urban areas with major professional sports franchises. Over this time period, suburban and mid-sized metropolitan areas have also developed new facilities. In these markets, the facilities have been layered in to serve an expanding market segment populated by family shows, emerging professional sports, and entertainment products. These facilities, which are carefully positioned in terms of size and amenities, address the event demand in sub-markets and secondary population centers by providing a more readily accessible and, often, cost effective alternative for entertainment and sporting activity. In contrast, new arena construction in large markets has mainly served to replace existing facilities that have become functionally obsolete.

Among the numerous examples of mid-sized markets that have cultivated their events market through the development of mid-sized arena facilities are Fort Collins-Loveland, Colorado; Everett, Washington; Hidalgo, Texas; Beaumont-Port Arthur, Texas; Sioux City, Iowa; Corpus Christi, Texas; and planned arenas in Tucson, Arizona and El Paso, Texas. Global Spectrum, the selected management company, manages several of these facilities. Their roster of facilities includes medium and large arenas:

- Everett Events Center; Everett, Washington
- American Royal Center; Kansas City
- Budweiser Events Center at The Ranch; Loveland, Colorado
- Dodge Arena; Hidalgo, Texas
- FargoDome; Fargo, North Dakota
- IKON Center; Cheyenne, Wyoming
- James L. Knight International Center; Miami, Florida
- John Labatt Centre; London, Ontario
- Sovereign Bank Arena; Trenton, New Jersey
- Wachovia Center; Philadelphia, Pennsylvania
- Wachovia Spectrum; Philadelphia, Pennsylvania

The smaller, more intimate arenas serve as the home to minor-league sports and attract the unmet need for high quality entertainment and concert activity, that may be more family oriented or may otherwise bypass the market due to lack of venues. Specific niche examples include minor-league hockey and indoor football, which have expanded to new markets throughout the country, but need arenas that are

smaller than those found in the NBA and NHL. Emerging musical acts that have a strong following, but are not appropriate for larger venues also appreciate the more intimate sized facilities. While the key to a successful arena (in terms of consistent event demand) is securing an anchor tenant, the presence of these arenas has generally allowed markets to attract other events, such as concerts and family shows.

These arenas have also shown that they can generate revenues that had previously only been found in major event and professional sports venues. Prior to the early 1990s it was rare for a minor-league facility to feature luxury suites, club seats, or patron levels restaurants that are now essentially standard items in new or retrofitted facilities, regardless of market or venue size. In addition, naming rights and sponsorship programs have also become common among minor-league facilities in mid-sized or secondary markets. Whereas in the past, facility development and ownership was primarily the responsibility of the public sector, the availability of these revenue streams has made private ownership a viable option. Given the right circumstances, these facilities can generate an acceptable return on investment to private owners, rather than serving as a public service to a municipality's citizens. Typically, such circumstances include a highly visible site, strong management, effective event programming and multiple anchor tenants, and public-sector investment such as tax rebates, credit enhancements and other funding support for infrastructure and related features such as parking. In the proposed arena in Albuquerque, the public sector will issue bonds to build the facility, but will have private development and management.

Sport Market Demand Analysis

For a mid-sized arena to be successful, it is important to have at least one primary sports tenant, if not two. Otherwise, it is very difficult to book the 100+ event dates that are necessary to generate revenues that can offset operating expenses. In addition, the revenues derived from premium seating, suites, naming rights, and indoor advertising are heavily influenced by the existence of one or more sports tenants. The sports seasons allow corporate stakeholders access to a venue and an annually repeating season-long activity with multiple dates for entertaining clients, rewarding employees, and maintaining a strong local presence. Minor-league hockey is the primary and most-developed minor league arena sport, followed by arena football and indoor soccer. This section will discuss all three, in order to generate assumptions and recommendations for the proposed arena in Albuquerque.

Nationwide, while the number of minor-league hockey teams has grown, due to south- and westward expansion, leagues' average attendance generally peaked in the mid-1990's. For example, the ECHL's average attendance has decreased from

more than 5,000 per game in the mid-'90s to approximately 4,100 in the 2002-03 season. However, stronger leagues such as the AHL have actually experienced attendance increases (from approximately 5,000 per game in the mid-'90's to 5,740 in 2003). Despite overall decreases, minor-league hockey still attracts, on average, two to nine thousand attendees per game, depending on the league and team performance. A number of reasons have been cited for the recent decline in minor-league hockey attendance, including economic uncertainty at the national level, expansion of other professional sports options, the proliferation of sports franchises at the major league level, overexpansion into markets that cannot support the sport, and the maturation, or end of the "novelty" phase of the sport in the Sun Belt region. Despite the recent attendance trends, however, the sport is still performing exceptionally well in strong markets with newer facilities and a lack of major competition (other teams with similar seasons), and this is expected to continue in the future.

Minor League Hockey and Its Arenas

Albuquerque currently has a minor-league (CHL) hockey team, the Scorpions, who play at the Tingley Coliseum. The facility is a 1950's-era state fairgrounds coliseum without the amenities found in new arenas. This report assumes that the Scorpions will move to the new arena from the Tingley Coliseum. The Developer has stated that there is a handshake agreement to move the team. There is also a letter of intent from an undisclosed ECHL team to locate at the proposed arena, if the Scorpions do not move.

Table 4-1 shows critical facts about the Scorpions.

Table 4-1

New Mexico Scorpions	
Venue:	Tingley Coliseum
Built:	1953
Owner:	State of New Mexico
Location:	New Mexico State Fairgrounds
Permanent Concession Stands:	9
Capacity:	10,200
League Average:	8,445
Signage:	56 Priced from \$1,500 to \$12,000
League Average:	82 Priced from \$3,636 to \$14,818
Season tickets:	\$312 to \$768
League Average:	\$314 to \$661
Single Game tickets:	\$9.00 to \$24.00
League Average:	\$10.74 to \$22.90
Luxury Suites:	None
League Average:	23 @ \$33,167 to \$45,500/year
Club Seats:	None
League Average:	1,146 @ \$778 to \$858/year
Attendance	
2001	4,026
2002	4,230
2003	4,862
League Average, 2003	4,520
<i>Source: Revenue from Sports Venues, 2004</i>	

The Scorpions have seen rising attendance since 2001, from 4,000 to nearly 4,900 per game, a 22 percent increase. They now rank above the average for the league in attendance. From a financial standpoint, the teams weaknesses derive from the facility. The lack of luxury suites and club seats is a detriment to income, as is a comparatively low pricing spectrum and low amount of total signage in the facility. If the team moves to the proposed arena and is owned by ASEDA, all revenues from these sources will benefit the combined team and facility. Potential unearned revenue for the team or facility, based on league averages and the number of suites and club seats in the proposed arena is nearly \$1.9 million per year.

Table 4-2 shows the sponsor list for the Scorpions.

Table 4-2

Scorpion Sponsors	
Dodge	Heller Distributing
Blake's Lotaburger	Hooters
Prudential Southwest Realty	Los Cuates Restaurant
Western Warehouse	Midas
Automotive Impressions	Motorsport
Bank of Albuquerque	MVD Express
Camel Rock Casino	New Mexico Lottery
San Felipe's Casino Hollywood	Pelican's Restaurant
Charlies Sporting Goods	PNM
Coach's Sports Grill	Qwest
Comet Cleaners	Rio Grande Brewing
Conservancy Oil	Sara Lee Bakery Group
Contact Wireless - T Mobile	Sonic
Creamland Dairies, Inc.	State Fair
Crystal Springs	The Downs Casino
Danlar Collision	The Newstand
Dillard's	Tires Plus
Dominos Pizza	TLC Plumbing
First State Bank	U.S. Air Force
Giant Industries	Weck's Restaurant
Great Clips	Marriott

Source: New Mexico Scorpions

The Scorpions have a long list of local and regional sponsors, which would be targeted if the team moves to a new facility. If the team does not move and the arena lures a new ECHL team to Albuquerque, these sponsors would most likely be targeted to sponsor the new arena team.

Over the past few seasons, consolidation and expansion have created five primary minor hockey leagues in the US and Canada currently. There is also the Ontario Major Junior Hockey League, which is not profiled due to its primarily Canadian-orientation. The seven primary US/Canadian leagues include:

- American Hockey League
- Central Hockey League
- East Coast Hockey League
- United Hockey League
- Western Hockey League

Table 4-3 shows a summary of the leagues comprising minor-league hockey in the US.

Table 4-3

Summary of Minor League Hockey										
League	Teams	Geography	Average Per Game Attendance	Avg. Arena Capacity	% of Arenas with Luxury Suites	Avg. Number of Luxury Suites	Avg. Number of Club Seats	Number of Ad Signs	Avg. Low Ticket Price	Avg. High Ticket Price
AHL	28	East & Central US & Can	5,744	11,748	64%	42	1,344	73	\$ 12.98	\$ 25.69
CHL	17	Central US	4,520	8,445	35%	23	1,146	82	\$ 10.74	\$ 22.90
ECHL*	32	Eastern & Western US	4,109	9,744	47%	26	1,035	65	\$ 10.29	\$ 20.58
OHL	20	Northeast US & Canada	n/a	5,778	50%	24	812	76	\$ 12.20	\$ 14.18
UHL	10	East & Central US	3,650	6,666	50%	28	384	57	\$ 9.07	\$ 14.78
WHL	20	Western US & Canada	3,925	7,981	70%	22	1,100	63	\$ 12.83	\$ 15.61
Average	21		4,390	8,394	53%	28	970	69	\$ 11.35	\$ 18.96

*Combined with the former WCHL for the 2003-04 season
Source: 2004 Revenues from Sports Venues, Johnson Consulting

The most prominent minor-league operating in the US is AHL, primarily due to its role as the development and farm system for the NHL. The league's 28 teams generate average game attendance of over 5,700, and use the largest average size arenas, at nearly 12,000 seats each. Approximately two-thirds of AHL arenas feature modern amenities such as luxury suites and club seats. Average ticket prices are the highest of the minor leagues, ranging from nearly \$13 to \$26. The AHL gained six teams with the demise of the IHL, expanding its presence throughout the US.

The ECHL has gained prominence over the last several years, growing to 32 teams, attracting average attendance of 4,100 per game. The typical arena size is 9,700, with approximately half containing suites (26) and club seats (1,035). The league's merger with the WCHL and the subsequent addition of two teams, made the ECHL the largest coast-to-coast minor league. The ECHL has little risk of dissolving or weakening.

The CHL is gaining in prominence among minor leagues and has 17 teams currently. The geography of the league has been expanding to serve much of the US and it achieves more attendance per game than the ECHL, at 4,500. The teams are generally located in mid-sized arenas and achieve ticket prices that are affordable and yet are in line with ECHL teams at \$10 to \$23 each. The signage in CHL arenas exceeds any other league, with 82 and there is an average of 23 suites per facility. Overall, the CHL appears to be a good fit for the proposed arena. The East Coast Hockey League would also be a good fit.

The OHL, UHL, and WHL are the other minor leagues and have between 10 and 20 teams each, generating between 3,700 and 3,900 attendees per game.

The narrative below profiles the primary hockey leagues and provides comments regarding their relevance for the Albuquerque market.

AHL

As discussed, the American Hockey League (AHL) is the most prominent and successful of the minor leagues, serving as a development and farm system for the NHL. With 28 current teams playing and one team in limbo, the league would like to expand by one more team to 30. That way, each NHL team would be paired with an AHL team. The Albuquerque market is likely too small to attract an AHL team, as they typically are looking at markets such as Kansas City and Toronto.

In recent discussions with the league, they verified their previous intent to have only 30 total teams in the AHL. There will be 29 teams when the expansion Toronto team begins play this year, leaving one slot open for an expansion. The franchise fee for an expansion team is between \$4 and \$5 million.

ECHL

The East Coast Hockey League (ECHL) currently has 32 franchises and has a nationwide reach after its merger with the former WCHL. The ECHL was formed in 1988 with five franchises, but has consistently expanded since that time. The Florida Everblades led the ECHL in attendance for the third straight year in 2002-03, with an average of approximately 6,250 per game. The franchises with the top four attendance averages all play in facilities that opened in the last four years.

Eight ECHL arenas have secured naming rights contracts, with an average annual value of approximately \$270,000 (two facilities' contracts are for the life of the facility and the value of the US Bank Arena contract has not been disclosed). The average number of suites in an ECHL facility with long-term suites is 26, and the annual lease rates vary based on a number of factors, such as local demand and general market characteristics. Club seating averages 1,035 such seats at an average annual rate of \$3,230. The lack of naming rights, luxury suites, and club seating is often a function of a facility's age, as the league's newer arenas generally have these features.

In September 2002, the ECHL's Board of Governors approved the membership applications of nine West Coast Hockey League (WCHL) franchises, which joined the ECHL in the 2002 - 2004 seasons. WCHL franchises in Anchorage, Bakersfield, Fresno, Boise, Long Beach, and San Diego began ECHL play in 2003-04. Three new franchises will begin play in 2003-04 in Las Vegas, Gwinnett County (GA), and Beaumont (TX). Ontario (CA) and Reno franchises will join the league in 2004-05. Last season, the WCHL's average attendance was approximately 4,700 per game, which was a steady increase from the average of approximately 3,000 per game in the 1995-96 season.

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Table 4-4 shows the ECHL teams after the merger and expansion for the 2003-4 season.

Table 4-4

Summary of Newly formed ECHL Arenas and Markets (with merged WCHL)- 2003-04 Season											
Team	Location	Arena	Built	Capacity	MSA Population (000s)	Naming Rights/Yr	Long-Term Luxury Suites			Club Seats	
							#	Low Price	High Price	#	Price
Alaska Aces	Anchorage, AK	Sullivan Sports Arena	1983	6,500	260	--	--	n/a	n/a	--	n/a
Arkansas RiverBlades	Little Rock, AR	Alltel Arena	1999	16,377	559	\$7M total	28	\$175,000	\$1,000,000	--	n/a
Boardwalk Bullies*	Atlantic City, NJ	Boardwalk Hall	1929	10,500	338	--	--	n/a	n/a	--	n/a
Augusta Lynx	Augusta, GA	Augusta-Richmond Cty. Civic Center	1979	6,780	461	--	--	n/a	n/a	--	n/a
Bakersfield Condors	Bakersfield, CA	Bakersfield Centennial Sports Arena	1998	8,800	662	--	27	\$25,000	\$75,000	1,000	\$810
Texas Wildcatters	Beaumont, TX	Southeast Texas Entertainment Center	2003	8,200	385	--	15	\$35,000	\$35,000	750	\$754
Charlotte Checkers	Charlotte, NC	Cricknet Arena	1955	9,500	1,417	\$150,000	--	n/a	n/a	--	n/a
Cincinnati Cyclones	Cincinnati, OH	US Bank Arena	1948	12,823	1,628	n/a	39	\$45,000	\$60,000	--	n/a
Columbia Inferno	Columbia, SC	Carolina Coliseum	1968	10,430	516	--	--	n/a	n/a	--	n/a
Columbus Cottonmouths	Columbus, GA	Columbus Civic Center Arena	1994	7,604	271	--	--	n/a	n/a	--	n/a
Dayton Bombers	Dayton, OH	Nutter Center	1991	12,000	959	\$2.8M total	18	\$23,500	\$28,000	--	n/a
Florida Everblades	Esterio, FL	TECO Arena	1998	7,082	401	\$350,000	26	\$35,000	\$60,000	980	\$661
Fresno Falcons	Fresno, CA	Save Mart Center	2003	16,000	923	\$40M total	32	\$45,000	\$65,000	2,000	\$20,000
Greensboro Generals	Greensboro, NC	Greensboro Coliseum	1959	20,476	1,179	--	24	\$30,000	\$80,000	1,300	\$3,187
Greenville Grrrowl	Greenville, SC	BI-LO Center	1998	16,000	930	\$300,000	30	\$47,500	\$60,000	840	\$1,500
Gwinnett Gladiators	Duluth, GA	The Arena at Gwinnett Center	2003	11,600	588	--	36	\$50,000	\$70,000	1390	\$1,600
Idaho Steelheads	Boise, ID	Bank of America Center	1997	5,190	432	n/a	38	\$25,000	\$30,000	1,000	\$800
Johnstown Chiefs	Johnstown, PA	Cambria County War Mem. Arena	1950	4,032	234	--	--	n/a	n/a	--	n/a
Las Vegas Wranglers	Las Vegas, NV	Orleans Arena	2003	7,000	1,500	--	22	\$47,500	\$60,000	220	\$1,850
Long Beach Ice Dogs	Long Beach, CA	Long Beach Arena	1962	10,628	462	--	--	n/a	n/a	--	n/a
Louisiana Icegators	Lafayette, LA	Cajundome	1986	11,700	377	--	22	\$22,500	\$50,000	--	n/a
Mississippi Sea Wolves	Biloxi, MS	Mississippi Coast Coliseum	1977	9,150	353	--	--	n/a	n/a	--	n/a
Pee Dee Pride	Florence, SC	Florence Civic Center	1993	8,000	125	--	--	n/a	n/a	--	n/a
Pensacola Ice Pilots	Pensacola, FL	Pensacola Civic Center	1984	8,076	403	--	--	n/a	n/a	--	n/a
Peoria Rivermen	Peoria, IL	Peoria Civic Center	1982	9,500	346	--	--	n/a	n/a	--	n/a
Reading Royals	Reading, PA	Reading Sovereign Center	2001	7,200	358	\$400,000	20	\$34,000	\$37,000	700	\$799
Roanoke Express	Roanoke, VA	Roanoke Civic Center	1971	8,373	228	--	--	n/a	n/a	--	n/a
San Diego Gulls	San Diego, CA	San Diego Sports Arena	1966	13,100	2,814	--	--	n/a	n/a	--	n/a
South Carolina Stingrays	North Charleston, SC	North Charleston Coliseum	1993	10,529	553	--	8	\$37,500	\$37,500	--	n/a
Toledo Storm **	Toledo, OH	Toledo Sports Arena	1947	5,160	609	--	--	n/a	n/a	--	n/a
Trenton Titans	Trenton, NJ	Sovereign Bank Arena	1999	8,100	334	\$267,500	34	\$45,000	\$60,000	1,150	\$999
Wheeling Nailers	Wheeling, WV	Wheeling Civic Center	1976	5,406	154	--	--	n/a	n/a	--	n/a
Average			1981	9,744	649	293,500	26	45,156	112,969	1,030	2,996

* \$90 Million renovation completed in 2001

**A new arena has been approved by local voters.

Source: 2004 Revenues from Sports Venues, Johnson Consulting

The table shows 32 teams in venues that opened in 2003 and as long ago as 1947, with an average age of 23 years. This average will continue to decrease as new teams with new arenas are added and old arenas, such as Toledo, are replaced. Seating capacities range from 4,000 to 20,000 with an average of 9,700. Depending upon how population is measured, the ECHL is in markets as small as 125,000 (Florence, SC) and as large as 2.8 million (San Diego.) The average population base for the league in 2003-4 is 649,000, based on 2000 census data. This is similar to the market average for the CHL and is smaller than Albuquerque's market size.

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Sixteen of the arenas have suites and 11 have club seats. The average number of suites is 26 per arena, with an average annual price range between \$45,000 and \$113,000. The average number of club seats is nearly 1,030 and the average price per seat is \$3,000.

Considering its nationwide reach and continued expansion plans, the proposed arena in Albuquerque would be a suitable home for an ECHL expansion or relocated team.

CHL (and WPHL)

The Central Hockey League (CHL) originally began in 1963 and had a 21-year history, playing in 25 cities in 17 different states. The new CHL began play in 1992 with six teams. In its first season, the CHL averaged nearly 5,500 fans per game, and has attracted more than one million fans each season since. During the 1996-97 season, the Western Professional Hockey League (WPHL) began play in six locations. A merger between the two officially took place on May 30th, 2001. The new CHL combined sixteen of the CHL and WPHL's most successful organizations under the CHL banner. There are two expansion clubs (Larimer County, Colorado Eagles and Rio Grande Valley, Texas Killer Bees) in the 2003-04 season. The New Mexico Scorpions, as discussed previously, would be a natural fit for the proposed arena.

UHL

The United Hockey League (UHL) was founded in 1991 as the Colonial Hockey League (CHL) with five teams in Michigan and Canada. It changed its name to the UHL in 1997 and grew to a peak of 15 teams in 2000. Since then, the number of teams has decreased to ten, but the league now exists in a larger geographic area throughout the Midwest and Canada.

Table 4-5 shows a comparison of the CHL and UHL markets.

Table 4-5

CHL and UHL Host Markets					
CHL			UHL		
City	Team	Market Size	City	Team	Market Size
Amarillo	Gorillas	218,000	Adirondack (Glen Falls)	Ice Hawks	324,000
Austin	Ice Bats	1,250,000	Elmira	Jackals	91,000
Bossier-Shreveport	Mudbugs	392,000	Flint	Generals	436,000
Colorado (Windsor)	Eagles	251,494	Fort Wayne	Komets	502,000
Corpus Christi	Rayz	381,000	Kalamazoo	Wings	453,000
Fort Worth	Brahmas	1,446,000	Missouri (St. Charles)	River Otters	284,000
Indianapolis	Ice	1,607,000	Muskegon	Fury	170,000
Laredo (TX)	Bucks	193,117	Port Huron	Beacons	164,000
Lubbock	Cotton Kings	243,000	Quad City	Mallards	359,000
Memphis	RiverKings	1,136,000	Rockford	Ice Hogs	371,000
New Mexico (Albuquerque)	Scorpions	713,000	Average		315,400
Odessa	Jackalopes	237,000			
Oklahoma City	Blazers	1,083,000			
Rio Grande Valley (Hidalgo, TX)	Killer Bees	335,227			
San Angelo (TX)	Saints	104,000			
Tulsa	Oilers	803,000			
Wichita	Thunder	545,000			
Average		643,402			

Source: 2004 Revenues from Sports Venues, Johnson Consulting

The CHL is hosted in markets as small as 104,000 people, and as large as Indianapolis at 1.6 million. The average market size is approximately 643,000, slightly smaller than the Albuquerque market. The UHL is clearly located in smaller markets, and the league’s average population is approximately 315,000.

WHL

The Western Hockey League consists primarily of Canadian teams, yet also includes several teams from the Pacific Northwest in the US. The league currently has 20 teams and average attendance per game is under 4,000. This league fits with Albuquerque’s location but is not considered premiere hockey in the US, even though the WHL has a distinguished past.

Implications

The arena developers currently have opportunities to either relocated the CHL Scorpions from the Tingley Coliseum or could move a struggling ECHL team. The Scorpions, with a local following and strong corporate relationships appears to be the best option for a team in the new arena. Bringing an ECHL team to Albuquerque would dilute the market and one of the teams could fail. Even if the Scorpions were the failing team, the performance of the ECHL team would be hindered for several years.

The size implications for a new arena, however, should not only consider the primary tenant, but other tenants and events as well. Using the two most likely hockey league's newest facilities as a guide, we note the following statistics as presented in Table 4-6.

Table 4-6

Arena Size Considerations for Hockey						
League Statistics						
League	Notes	Avg. Per Game Attendance	Avg. Arena Capacity	Number of Luxury Suites	Avg. Number of Club Seats	
ECHL	Expanding to 40 teams	4,109	9,744	26	1,035	
CHL	Continued Expansion	4,520	8,445	23	1,146	
Average		4,315	9,095	25	1,091	
New Arenas						
League	Venue/Team	Year	Seats	Suites	Club Seats	
ECHL	Save Mart Center/ Fresno Falcons	2003	16,000	32	2,000	
ECHL	Arena at Gwinnett Center/ Gwinnett Gladiators	2003	11,600	36	1,390	
ECHL	Ford Arena/ Texas Wildcatters	2003	7,500	15	750	
ECHL	Orleans Arena/ Las Vegas Wranglers	2003	7,000	22	220	
CHL	Corpus Christi Arena/Corpus Christi Rayz	2004	6,000	11	302	
CHL	Dodge Arena/ R. Grande Valley Killer Bees	2003	5,500	25	500	
CHL	Budweiser Event Center/Colorado Eagles	2003	5,211	24	777	
Average			8,402	24	848	

Source: 2004 Revenues from Sports Venues, Johnson Consulting

The two hockey leagues average 4,300 per game and have capacity averaging 9,100, with 25 suites and nearly 1,100 club suites. The new arenas are slightly smaller, averaging 8,400 seats and have an average of 24 suites and 848 club seats. Based on interviews in the market, especially in regard to the Isotopes, there appears to be a very strong demand for suites in Albuquerque but a lower acceptance of the value of club seats. Based on this, the proposed number of sellable suites at 36 and club seats at 700 appears very appropriate for the market.

Arena Football and Arenafootball2

Indoor football in general, has seen solid performance and growth since the introduction of the Arena Football League (AFL) in 1987, with exceptional performance upon first entering a market. The 16-team league currently has several expansion franchises approved for the next three years, and team ownership includes owners of the NFL and other major professional sports teams. The emergence of the AFL as a proving ground for potential NFL players received a strong boost with the success of the Rams' Kurt Warner, who spent time in the AFL before playing in the World League of American Football. A new television deal has helped boost team value and the viability of the league in general. The most recent

expansion team sold for \$14 million and the most recent existing team sold for \$16 million.

Building on the AFL's popularity, the arenafootball2 (af2) sister league is expected to continue to create a fan base in its new markets, although its expansion and growth will eventually plateau. The AFL's average attendance over the years has had inconsistent increases and decreases, but its average per game attendance has increased the last two years to 11,400. The AFL prefers large arenas and has been able to fill them. The top five teams averaged over 13,000 per game in 2003. Based on the AFL's needs and the market situation in Albuquerque, the proposed arena should not be increased in size just to accommodate a potential AFL team.

An af2 franchise is, however, another potential anchor tenant in the arena. The af2 recently completed its fifth season as a minor-league of the Arena Football League. Target af2 markets are mid-sized cities or suburbs of large cities, with many initial franchises located in the southeast and Midwest, with arenas of 6,000 to 12,000 seats. Many af2 franchises share arenas with ECHL teams, and the 18-week af2 season runs from April through August, which is largely during hockey's off-season. This helps to maintain a consistent base of event demand at an arena throughout the year and avoids scheduling competition between the hockey and football teams.

Since its inception, af2 has pursued an aggressive growth and expansion plan. In 2000, the league's first year, 15 teams competed and 13 franchises were added in 2001. In 2002, a total of 34 teams were in the af2, and geographical expansion has extended west to California and Hawaii and to Connecticut in the northeast. However, expansion may have come too rapidly as nine young teams folded after the 2002 season. However, the league added three teams in 2003 that were strong performers (Cincinnati, Green Bay, and Lafayette), for a net loss of six teams.

Table 4-7 shows historical AFL attendance, as well as the four-year history of af2 attendance.

Table 4-7

Historical AFL and af2 Average Attendance				
	AFL		af2	
	Average Attendance	% Change	Average Attendance	% Change
1987	11,279	--		
1988	8,513	-25%		
1989	5,706	-33%		
1990	8,875	56%		
1991	12,813	44%		
1992	12,270	-4%		
1993	11,524	-6%		
1994	10,757	-7%		
1995	12,233	14%		
1996	10,788	-12%		
1997	10,928	1%		
1998	10,586	-3%		
1999	10,047	-5%		
2000	9,846	-2%	7,239	--
2001	9,827	0%	5,342	-26%
2002	9,957	1%	4,994	-7%
2003	11,397	14%	4,982	0%

Source: Arena Football League, 2004 Revenues from Sports Venues

Arena Football attendance, with the exception of 1989, has averaged between 8,500 and 12,800 each year since 1987. This league is too large for a mid-sized arena. Af2 has seen attendance fall from 7,200 to approximately 5,000 in its four years, but appeared to stabilize in 2002 and 2003, following a similar pattern for the AFL during its first years. Af2 attendance is expected to continue to be less than AFL attendance because it generally plays in smaller markets and/or in smaller venues. In addition, af2 is a minor-league of the AFL and in general, a minor-league team will not draw as many fans as its major league counterpart. We believe that the af2 is settling into a longer-term pattern of approximately 5,000 per game after a period of high-attendance 'novelty affect' and team repositioning amongst venues and cities for the first few years.

Albuquerque is a logical expansion point for the af2. Its average market size is 681,000, which is smaller than the Albuquerque market.

The Entertainment Market

Over the last two decades, there has been a proliferation of arena-sized entertainment events. This growth in product has proceeded in tandem with the development of new arenas in mid-sized and suburban markets. Where this

segment of the arena demand once consisted primarily of the occasional circus event or the appearance of the Harlem Globetrotters, now can be broken down by circuit and categorized according to the target audience segment.

The circuits consist of touring shows which move from one large market arena to another large market arena, making fewer stops, but seeking to place product in environments with the highest yield. An example of this would be a Rolling Stones tour, which might move from the United Center in Chicago to the Savvis Center in St. Louis to the Pepsi Center in Denver. In each case, the promoter is seeking to draw an audience from a large geographic area, while the arena owner offers a newer facility that allows for maximum revenue capture based on merchandising opportunities, suite rental, and corporate sponsorship. Over the last decade, a clear second-tier circuit has emerged that targets suburban and mid-sized markets. In this instance, an act such as Disney on Ice may circulate from mid-market to other smaller markets in order to be accessible to families; or an act may make a second stop in an area at the backend of a tour, as has been the case with the current Cher "Farewell" tour in which she toured major arena's first and is now touring to markets such as Des Moines; or an act adds a stop in a facility such as that under consideration in Albuquerque as it moves from Phoenix to Denver or cities in Texas. In each case, market coverage, geographic location, economic characteristics, and ticket price support are the critical factors.

Arena-based entertainment events can roughly be categorized as concerts, family shows, and non-franchise sports. Concerts represent everything from touring musical acts to highly-stylized, large-scale theatrical productions to comedy acts. Family shows consist of event such as Disney on Ice, Sesame Street Live, and Bear in the Blue House. Non-franchise sports are professional wrestling, monster-trucks, and emerging sports festivals such as the highly successful "Tony Hawk's Boom Boom Huck Jam," which paired skateboarding, freestyle BMX, and moto-cross in a festival atmosphere.

According to statistics reported by *Amusement Business*, events such as these, in facilities between 5,000 and 10,000-seats can often achieve gross per show revenues in excess \$1 million, which underscore their economic appeal and makes a strong statement about the contribution of the operating environment of a mid-sized venue.

As part of this analysis, Johnson Consulting interviewed event promoters and presenters that are active in each of the circuits and categories described above to solicit their impression and interest in the Albuquerque market. The overall impression of the interviewees was that Albuquerque is an appealing market based on a strong demographic profile and its geographic location. Also, the existing facilities in the market have major flaws that hurt an act's ability to generate

revenue. The Tingley Coliseum only attracts a handful of concerts per year due to its dated features, livestock/state fair setting, and lack of revenue-generating potential. The Journal Pavilion suffers from bad access (a two-lane road) that makes entering and exiting concerts a several-hour affair. This hurts its reputation and causes lower turnout for concerts. It has been reported that the fire marshal actually has reduced the capacity of the facility because of this issue. Despite these limitations, the market and facility is attracting top entertainment. The following are concerts yet to be performed at the Pavilion this season:

- Britney Spears
- Chicago with Earth, Wind & Fire
- Toby Keith with Terri Clark
- Dave Matthews Band
- The Bob Marley Roots Rock Reggae Festival
- Projekt Revolution Tour with Linkin Park / KORN

Taken as a whole, the market is strong for the concert market at 700,000+ people and could support a top-quality facility that offers ease of access, parking, and modern amenities. It would likely take many non-fair based concerts from the Tingley Coliseum and would compete effectively for mid-sized concerts with the Journal Pavilion, particularly in light of its seasonal nature.

Other Events

Other events for the market include boxing, family shows, and Broadway spectacles that cannot currently fit in any local venue. The region has a very strong boxing heritage and local facilities have produced large boxing events that often will sell out. This is expected to be a favorable market niche for the arena. The Broadway tours will typically play in the Popejoy Arts Center, but some shows are too large, such as *The Lion King*. Due to high costs to mount such productions in an arena setting, these shows will be few and far between. The facility will get its fair share of family shows; however, it is possible that one large format show will use the arena each year for several dates.

Conclusions

Based on a new mid-sized arena and the existing sports market, there is ample opportunity to bring either the CHL franchise to the arena or gain one from an ECHL city, lure an af2 team, and generate strong concert and family show business.

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The existing event facilities in the Albuquerque market are typical for a market its size. Yet there is no indoor facility able to host mid-sized events in an efficient and profitable manner. Tingley is outmoded and the local theaters are too small. The concert season, while competitive in the summer due to the existence of the Journal Pavilion, continues throughout the year. Without an appropriately-sized venue, many mid-sized concerts will pass a market or limit dates. These events will now have a home.

QUALITATIVE AND QUANTITATIVE ANALYSIS

Methodology

Demand analysis for arenas is both qualitative and quantitative, and in this section we consider both categories. From a big picture perspective, judgment is important. Johnson Consulting has worked on arena projects in over thirty markets, which provides an understanding of the factors at play in various markets nationally, as well as the intangibles that impact facility positioning, business planning, and their competitive profile. As such, interpretation of qualitative issues is a critical component in the projection of market potential.

From a quantitative perspective, the most common approach is the use of comparables and adjustments to comparable demand for market conditions in the subject market. The review of facilities that have performed exceptionally well, even if they are in markets that do not compare statistically, can provide instructive lessons. As such, a group of comparable arenas is profiled. Factors such as population and income are not necessarily strict predictors of performance. Nonetheless, an evaluation of entertainment and arena seats on a per media market capita basis can provide a benchmark on whether a market is over or under built.

Qualitative Considerations

Arena Success Factors

There are a number of considerations that affect the feasibility of an arena. They include:

- Tenants – Target tenants must match the market. In addition, rent and other revenue sharing opportunities must be provided so the team can survive. Tenant deal structure affects their ability to operate a team, promote events, and merchandise the team properly. New arenas provide the revenue opportunities that help fund a franchise. Arenas that struggle financially and sap the resources of the team and do not offer revenue generating capacity are destined to struggle. Multiple tenants in a well-designed building provide the best scenario for arena success.
- Amenities – Teams can be successful in older arenas without modern amenities if their rent deals are beneficial to them and if the arena is well located. Older arenas will have difficulty remaining financially “feasible” if the tenants do not make money and the standard for “feasibility” is a positive net operating income. In addition, attendance will suffer if there are

too few bathrooms, lack of convenient parking, poor food service options, bad sight lines, or a concern for safety in and around the facility.

- Location and Site Profile - Arena event attendance depends on location and visibility. A central location on good traffic arteries is essential in order to provide access to the entire MSA. While a difficult to reach or undesirable location (due to embedded community skepticism of a neighborhood) can still succeed, it presents a greater marketing hurdle for ownership and management. Also, as has been seen in both major and minor league markets, a location that is easy to park in and exit from, or that offer an attractive adjacent urban setting where patrons can linger after the event have proven popular. A poor departure pattern combined with a blighted neighborhood hurts attendance.
- Management - Building management talent influences the success of a facility. General managers and management companies that negotiate fair tenant agreements, have promoter relationships and will drive business at their facilities first before looking for alternate venues. The primary market maker in this category is ClearChannel Entertainment, owner and operator of more venues than any other in the nation. They have the ability to create tours and move them through their owned and operated facilities across the country and can do so with economies of scale. There are also professional management companies who are not integrated entertainment companies. These firms also have some ability to drive a supply of events. Firms such as Global Spectrum, SMG, and House of Blues manage enough facilities in the US that they can negotiate a tour schedule that favors their facilities.
- Team Ownership - Innovation by team ownership is also a consideration. Attracting a marquee player, courtside antics, and unique promotional ploys done by innovative owners add color and drawing power.

Based upon our assessment of the qualitative factors, we observe the following:

- Albuquerque is ripe for downtown arena development.
- The structure of team ownership combined with the arena facility is positive.
- The team of high-quality developers, managers and event promoters is compelling based on their experience, history of success and commitment to best practices.

Statistical Analysis

Johnson Consulting compiled arena statistics for five US markets larger than Albuquerque and four smaller US markets and presented them in Table 5-1. The comparison population markets range in size from Oklahoma City at 1.1 million to Wichita at 550,000. Table 5-1 presents demographic and economic characteristics for

these markets, including MSA population, media market size, total business establishments, households with effective buying income of more than \$150,000, and large firms (those with over 100 employees or \$10 million or more in sales annually).

Table 5-1

Comparative Market Statistics

Market	Population	Media Market Size (2002)	Media Market Penetration	Total Business Establishments	HH's with EBI of \$150K+	Business per 100 Capita	\$150K+ per 1,000	Large Firms*	Large Firms per million
Oklahoma City, OK	1,083,346	1,642,300	152%	50,984	6,000	4.7	5.5	194	18
Dayton--Springfield, OH	950,558	1,284,700	135%	36,168	6,300	3.8	6.6	179	19
Albany--Schenectady--Troy, NY	875,583	1,339,500	153%	36,142	5,900	4.1	6.7	170	19
Tulsa, OK	803,235	1,282,800	160%	38,374	6,700	4.8	8.3	207	26
Syracuse, NY	732,117	987,900	135%	30,517	3,500	4.2	4.8	153	21
Albuquerque, NM	712,738	1,707,100	240%	31,946	9,400	4.5	13.2	116	16
Scranton--Wilkes-Barre--Hazleton, PA	624,776	1,484,700	238%	27,749	5,100	4.4	8.2	131	21
Toledo, OH	618,203	1,114,700	180%	24,982	5,500	4.0	8.9	149	24
Little Rock--North Little Rock, AR	583,845	1,339,900	229%	26,553	8,300	4.5	14.2	120	21
Wichita, KS	545,220	1,171,800	215%	21,467	6,600	3.9	12.1	116	21
Minimum	545,220	987,900	135%	21,467	3,500	4	5	116	16
AVERAGE	752,962	1,335,540	184%	32,488	6,330	4	9	154	21
Maximum	1,083,346	1,707,100	240%	50,984	9,400	5	14	207	26

*Businesses w/ 100+ Employees or \$10+ million Sales

Source: 2004 Revenues from Sports Venues, 2002 Sales and Marketing Management, Dun & Bradstreet, 2004 AudArena Stadium Guide, US Census Bureau, Johnson Consulting

Observations regarding Albuquerque in relation to this competitive set are provided below:

- Media market population size ranges from this comparison set range from 1.7 million (Albuquerque) to 1.0 million (Syracuse). Media market size in relation to population is a measure of regionalism for a community. Markets with higher media market penetration can be expected to have a better base of support than their market size would suggest. The average penetration is 184 percent. Albuquerque has a media market over twice as large as its MSA, giving it a similar media market size as Oklahoma City (an MSA with 300,000 more people than Albuquerque). Albuquerque has a higher than average media market penetration, giving it even more advantage in this measure.
- Number of business establishments is important when considering the sale of season tickets, suites, and advertising. Many businesses buy season tickets in order to entertain clients or reward employees. The more businesses, the greater the opportunity to sell not only tickets, but advertising and suites. We measured number of businesses per 100 people and found the average to

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be 4.3 businesses per 100 people. Albuquerque falls just above the average with 4.5 businesses per 100 people. The range is fairly small in their measure, with the high of 4.8 in Tulsa and a low of 3.8 in Dayton/Springfield, OH.

We performed a separate analysis regarding a subset of large firms. Large firms either have over 100 employees or \$10 million in sales. The presence of large companies is very important to the success of sports franchises and their facilities. Large companies are counted on to lease luxury suites, purchase the majority of advertising, rally civic and political support during difficult times, and purchase naming rights. Cities with more large firms can support more teams, suites, and facilities. The city with the most number of large firms is Tulsa, with 207. The city with the least number is Albuquerque and Wichita, with only 116. Their low number of large businesses is one obstacle the city may have to compensate for in order to attract new franchises. However, as has been demonstrated at Isotopes Park, there is a 40-company waiting list for suites there, showing that the market is ready to absorb more suite product.

The proposed theming of the arena, based on Route 66, combined with a compelling downtown location and within an entertainment district should all help in supporting the facility's market penetration. Since the arena will have no onsite parking, an easement granting suite holders preferred parking spots in the adjacent garage will be crucial. ASED A has a parking agreement with the city that allows for parking in five garages totaling 3,500 spaces. One is located adjacent to the convention center and the proposed arena site. Preferred parking in this garage for club seat and suite holders is recommended.

- Households with \$150,000 or more of effective buying income by definition have more disposable income from which to purchase tickets to events. In addition, they have a greater ability to afford season tickets to events. Markets with more high-income households have a greater ability to support sports teams (and other arena events), and those with a greater proportion of these households have a relative advantage over those with a lesser proportion. The market with the most households in this category is Albuquerque with 9,400 and the lowest is Syracuse, with only 3,500. The average for the group is 6,330. On a per capita basis, the average is 4.3 per 1,000 people. Albuquerque has 4.5 high-income households per 1,000 people, or a slightly higher proportion of high-income households than average. Toledo has the highest rate of high-income households in the set, with 4.8 per 1,000, a figure that supports its having three minor league professional sports teams. The lowest rate is 3.8 per 1,000 in Dayton/Springfield, OH. While Albuquerque rates low on large corporations, this high income ratio illustrates that the market has a

powerful entrepreneurial and creative class which should be attracted to the arena.

Table 5-2 shows the total stadium and arena seats per market, and total seats per 1,000 residents.

Table 5-2

Comparative Market Statistics						
Market	Population	Media Market Size (2002)	Pro Stadium & Arena Seats	Rank	Pro Stadium & Arena Seats per 1,000 Media Market pop.	Rank
Oklahoma City, OK	1,083,346	1,642,300	31,800	1	19	1
Dayton--Springfield, OH	950,558	1,284,700	19,500	4	15	4
Albany--Schenectady--Troy, NY	875,583	1,339,500	13,652	9	10	9
Tulsa, OK	803,235	1,282,800	17,955	5	14	5
Syracuse, NY	732,117	987,900	17,400	6	18	2
Albuquerque, NM	712,738	1,707,100	20,710	3	12	8
Scranton--Wilkes-Barre--Hazleton, PA	624,776	1,484,700	8,300	10	6	10
Toledo, OH	618,203	1,114,700	15,160	8	14	6
Little Rock--North Little Rock, AR	583,845	1,339,900	22,141	2	17	3
Wichita, KS	545,220	1,171,800	15,611	7	13	7
Minimum	545,220	987,900	8,300		6	
AVERAGE	752,962	1,335,540	18,223		14	
Maximum	1,083,346	1,707,100	31,800		19	

Source: 2004 Revenues from Sports Venues, 2002 Sales and Marketing Management, Dun & Bradstreet, 2004 AudArena Stadium Guide, US Census Bureau, Johnson Consulting

- When combining statistics for both arenas and stadiums, the average total seats is 18,223 and Albuquerque exceeds this figure with 20,710 seats. Seats per 1,000 people are highest in Oklahoma City. However, when comparing total number of arena and stadium seats per 1,000 people in the media market, Albuquerque ranks 8th out of the 10 comparison cities.

Table 5-3 measures only arena seating and arena sports tickets sold in the comparative markets.

Table 5-3

Comparative Market Statistics											
Market	Population	Media Market Size (2002)	Pro Arena Seats	Rank	Pro Arena Seats per 1,000 Media Market pop.	Rank	Pro Arena Seats Sold	Rank	Pro Arena Seats Sold per 1000 Media Market pop.	Rank	
Oklahoma City, OK	1,083,346	1,642,300	18,500	1	11	2	382,480	1	0.23	1	
Dayton--Springfield, OH	950,558	1,284,700	12,000	4	9	4	124,668	10	0.10	10	
Albany--Schenectady--Troy, NY	875,583	1,339,500	13,652	3	10	3	178,408	6	0.13	7	
Tulsa, OK	803,235	1,282,800	7,000	8	5	9	216,580	3	0.17	4	
Syracuse, NY	732,117	987,900	6,200	9	6	6	184,104	5	0.19	3	
Albuquerque, NM	712,738	1,707,100	10,200	5	6	7	175,032	7	0.10	9	
Scranton--Wilkes-Barre--Hazleton, PA	624,776	1,484,700	8,300	7	6	8	338,744	2	0.23	2	
Toledo, OH	618,203	1,114,700	5,160	10	5	10	153,288	9	0.14	6	
Little Rock--North Little Rock, AR	583,845	1,339,900	16,058	2	12	1	172,936	8	0.13	8	
Wichita, KS	545,220	1,171,800	9,500	6	8	5	193,120	4	0.16	5	
Minimum	545,220	987,900	5,160		5		124,668		0.10		
AVERAGE	752,962	1,335,540	10,657		8		211,936		0.16		
Maximum	1,083,346	1,707,100	18,500		12		382,480		0.23		

Source: 2004 Revenues from Sports Venues, 2002 Sales and Marketing Management, Dun & Bradstreet, 2004 AudArena Stadium Guide, US Census Bureau, Johnson Consulting

In the arena market, Albuquerque is slightly below average in the number of arena seats used by professional sports teams, with 10,200 compared to an average of 10,657, ranking fifth out of 10 markets. Professional sports-related arena seats per 1,000 people averages 8, and Albuquerque is below average with 6. Professional sports-related arena seats sold is an indication of the strength of the existing tenants and facilities. The average number of annual tickets sold is 212,000 and Albuquerque only sells approximately 175,000 sports-related arena seats via the CHL New Mexico Scorpions, placing it 7th out of 10 cities. Professional sports arena seats sold per capita average 0.16 and Albuquerque again ties for lowest, with only 0.10 per capita.

The data from the two tables combined indicate that the Albuquerque market is underutilized when all sports opportunities are considered, due to poor facility quality and locational setting of the arenas. Further the market is undersupplied with minor-league sports opportunities. In addition, the market is substantially underserved in indoor arena entertainment opportunities. As such, affordable, family-based arena events are not being provided in greater Albuquerque, except perhaps at the University of New Mexico basketball games, which are highly popular.

The University of New Mexico's arena is considered by locals to be an entertainment option and it does draw some entertainment spending from the market. Johnson Consulting conducted an analysis of Division I basketball programs within 60 miles of the comparable cities to determine if the University of New Mexico has more or less of an effect in this market than others. In addition to

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locating the Division I schools in a 60-mile radius, we compiled home court size and actual average attendance at home games in the 2002-2003 season. We then assumed, for comparison sake, that each team played 15 home games at their average attendance level. Table 5-4 shows the results of this analysis.

Table 5-4

Comparative Market Statistics											
Market	Population	Media Market Size (2002)	Div. 1 College Arena Seats in Area	Rank	Seats per 1,000 Media Market pop.		Estimated College Basketball Seats Sold		Est. Seats Sold Per 1,000 Media Market pop.		
					Rank	Rank	Rank	Rank			
Oklahoma City, OK	1,083,346	1,642,300	25,000	4	15	5	337,725	4	206	4	
Dayton--Springfield, OH	950,558	1,284,700	56,545	1	44	1	640,155	1	498	1	
Albany--Schenectady--Troy, NY	875,583	1,339,500	20,000	6	15	6	127,950	7	96	8	
Tulsa, OK	803,235	1,282,800	18,885	7	15	7	199,455	6	155	5	
Syracuse, NY	732,117	987,900	40,750	3	41	2	343,395	3	348	2	
Albuquerque, NM	712,738	1,707,100	18,018	8	11	8	227,790	5	133	6	
Scranton--Wilkes-Barre--Hazleton, PA	624,776	1,484,700	9,300	10	6	10	57,735	10	39	10	
Toledo, OH	618,203	1,114,700	44,686	2	40	3	345,555	2	310	3	
Little Rock--North Little Rock, AR	583,845	1,339,900	23,000	5	17	4	69,315	9	52	9	
Wichita, KS	545,220	1,171,800	10,600	9	9	9	122,850	8	105	7	
Minimum	545,220	987,900	9,300	1	6	1	57,735	1	39	1	
AVERAGE	752,962	1,335,540	26,678	6	21	6	247,193	6	194	6	
Maximum	1,083,346	1,707,100	56,545	10	44	10	640,155	10	498	10	

Source: 2004 Revenues from Sports Venues, 2002 Sales and Marketing Management, Dun & Bradstreet, 2004 AudArena Stadium Guide, US Census Bureau, Johnson Consulting

NCAA Division I arena/gym seats in the schools in our comparison cities range from 3,000 at Colgate University to 33,000 at Syracuse University, which plays home games at the Carrier Dome, although three to four games annually are played at Madison Square Garden in New York City. Albuquerque has 18,000 seats, ranking it 8th and well below the average of 27,000. Seats per 1,000 residents are highest in Dayton/Springfield (44) and lowest in Scranton, PA (6). Albuquerque has 11 seats per 1,000 residents, ranking it 8th out of 22 cities.

The truest measure of drawing power of a sport or entertainment option is the total number of seats sold. The average seats sold are 247,000. Albuquerque's market sells approximately 230,000 college basketball tickets per year, ranking it 5th in the competitive set. The four cities with higher attendance are Oklahoma City (338,000), Syracuse (343,000), Toledo (346,000), and Dayton/Springfield (640,000). Estimated seats sold per thousand range from 39 in Scranton to 498 in Dayton/Springfield. Albuquerque ranks 6th with 133 seats sold per thousand.

Therefore, from the college arena standpoint, Albuquerque has fewer facilities, seats, and teams, but the University of New Mexico drives enough ticket sales to rank it fifth. Yet the impact of this entertainment dollar diversion is minimized in college basketball by the fact that a large number of tickets are sold or given to

students. In this regard then, we would consider the existence of the New Mexico basketball program to be a fairly minor factor in determining arena feasibility, especially compared with Dayton and Oklahoma City, which sell more than Albuquerque’s total number of tickets and support multiple arenas.

In order to determine total arena sports seats sold, including college basketball, we assumed one-third of attendance at college games was from the MSA. As many of these schools are outside the MSA, but within 60 miles, the remaining two-thirds are assumed to be students and non-MSA residents. Table 5-5 shows the estimated number of arena sports seats sold when considering the area colleges.

Table 5-5

Comparative Market Statistics						
Market	Population	Media Market Size (2002)	Total Arena Sports Seats Sold	Rank	Total Arena Seats Sold per Media Market	Rank
Oklahoma City, OK	1,083,346	1,642,300	493,929	1	0.30	2
Dayton--Springfield, OH	950,558	1,284,700	335,919	3	0.26	3
Albany--Schenectady--Troy, NY	875,583	1,339,500	220,632	9	0.16	8
Tulsa, OK	803,235	1,282,800	282,400	5	0.22	6
Syracuse, NY	732,117	987,900	297,424	4	0.30	1
Albuquerque, NM	712,738	1,707,100	250,203	7	0.15	9
Scranton--Wilkes-Barre--Hazleton, PA	624,776	1,484,700	357,797	2	0.24	4
Toledo, OH	618,203	1,114,700	267,321	6	0.24	5
Little Rock--North Little Rock, AR	583,845	1,339,900	195,810	10	0.15	10
Wichita, KS	545,220	1,171,800	233,661	8	0.20	7
Minimum	545,220	987,900	195,810		0.15	
AVERAGE	752,962	1,335,540	293,510		0.22	
Maximum	1,083,346	1,707,100	493,929		0.30	

Source: 2004 Revenues from Sports Venues, 2002 Sales and Marketing Management, Dun & Bradstreet, 2004 AudArena Stadium Guide, US Census Bureau, Johnson Consulting

The rankings in this analysis are very similar to those in Table 5-3, with Albuquerque staying at 7th in number of arena seats sold. The Albuquerque market, even when considering college basketball, sells below the number of seats per capita as the average comparable city, and one-half as many as the number one-ranked city. Again, this is attributed to arena quality and location. A compelling facility in a central location should yield much better market penetration.

Based upon our assessment of the quantitative factors, we observe the following:

While Albuquerque has a relatively high number of combined stadium and arena seats in its vicinity, there are some indications that a new mid-sized arena would be appropriate for the market. The indications include:

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- A very low number of professional seats per capita in the media market region of Albuquerque. This statistic details the absorption capability of adding additional pro seats in the area.
- Further, a very low number of arena attendees in total and on a per capita basis. Albuquerque ranks 9th out of 10 with only 0.15 arena seats sold per 1000 media market population capita compared to the comparative average of 0.42 per capita. When considering college basketball, the market appears to participate at an average rate compared to its competitor cities. This indicates a relatively minor number of incremental arena tickets sold to area residents and does little to change the city's rank in arena sports seats sold per capita. The result is that even when factoring in college basketball, Albuquerque's ability to support additional arena sports (and hence an additional arena) remains strong.
- Lack of any quality arena in the market. The market's potential for supporting arena-based events and tenants cannot be reached unless the market has a more modern arena. Currently, the market buys only 250,000 arena sports tickets per year, versus a comparative average of over 293,000.

Putting it all together, Table 5-6 quantifies what we believe could be sold in the set of markets analyzed, and what categories of tenants could be targeted.

Table 5-6

Supportable Arena Sports Attendance Increase and Possible Tenant Leagues					
Market/Venues	Total Arena Sports Seats Sold	Arena Sports		Supportable Attendance Increase	Potential Tenant(s)
		Seats Sold per Media Market pop.	Minor Hockey or Arena Football		
Oklahoma City, OK	382,480	0.23	Both	--	
Dayton--Springfield, OH	124,668	0.10	ECHL	78,365	AFL + NBDL
Albany--Schenectady--Troy, NY	178,408	0.13	Both	33,286	ECHL
Tulsa, OK	216,580	0.17	Both	--	
Syracuse, NY	184,104	0.19	AHL	--	
Albuquerque, NM	175,032	0.10	CHL	94,757	af2
Scranton--Wilkes-Barre--Hazleton, PA	338,744	0.23	Both	--	
Toledo, OH	153,288	0.14	ECHL	22,878	af2
Little Rock--North Little Rock, AR	172,936	0.13	Both	23,581	
Wichita, KS	193,120	0.16	Both	--	
Average	211,936	0.16		50,573	

*Quality is based on age, amenities, attractiveness to sports franchises, and ability to host concerts and family shows
Source: Johnson Consulting, Aud-Arena Stadium Guide 2002

For Albuquerque, we project an upside potential of 95,000 arena seats sold per year. This is not enough to support an NBA or NHL franchise, but it is more than enough to support a minor league hockey franchise and an af2 team. As an example, Oklahoma City is similarly-sized, a market that has three minor league sports

teams, including a minor league baseball franchise, a minor-league hockey franchise and an af2 franchise.

Comparables

Johnson Consulting has analyzed a set of arenas in order to help demonstrate the potential for a mid-sized arena in Albuquerque. Unlike other real estate land uses, there are no perfect comparables for arenas because there are so many exogenous factors that affect their development- ownership, funding, etc. Regarding market size, mid-sized arenas with solid sports tenants have been built in markets as small as 125,000 (Florence Civic Center, South Carolina) and yet performance as measured by events, shown by the chosen comparables below, varies much less than population. Together, these arenas are very useful in terms of illustrating demand levels, revenue potential, and development strategies.

For this analysis, the following case studies are provided.

- The Spokane Arena - Spokane, Washington - The Spokane Arena opened in 1995 at a cost of approximately \$44.8 million and features 11,000 seats, 16 luxury suites, and 1,000 club seats. The Arena is owned and operated by the Spokane Public Facilities District. The Arena is home to the WHL Spokane Chiefs and the Gonzaga basketball program.
- The Peoria Civic Center Arena - Peoria, Illinois - This arena is a multi-venue facility situated in downtown Peoria. The facility features an arena with a capacity of 12,150 seats. The other facilities that are part of the Civic Center include the convention center, with 64,000 square feet of exhibit space and a 2,200-seat theater. The Civic Center is currently debating a proposed \$73.7 million plan to be completed in two phases. Those plans include an exhibit hall expansion, a 15,000-square-foot ballroom on a new third floor, more meeting room space, 12 luxury arena suites, and a new arena food court, among other things.
- TECO Arena - Estero, Florida - This arena is analyzed because it represents the best example of a privately developed arena, considering cost of development versus utilization. The facility was able to keep construction costs to a minimum because it was built in a fairly undeveloped area. In addition, because of the tenants and common ownership between the arena and tenants as proposed in Albuquerque, it has been held up as a model for other markets looking to enter the minor-league markets.
- The Mark of the Quad Cities - Quad Cities, Illinois/Iowa - The Mark of the Quad Cities is a mid-sized arena with an excellent track record in a relatively small market. It annually ranks among the 10 highest grossing venues of its

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size, despite its market liabilities. It is instructive in illustrating the upper end of demand potential.

Table 5-7 summarizes key characteristics of the four comparable arenas and markets described above.

Table 5-7

Summary of Comparable Arenas					
	Spokane Arena	Peoria Civic Center Arena	Teco Arena	The Mark	Comparable Facility Average
Location	Spokane, WA	Peoria, IL	Estero, FL	Moline, IL	
2001 Population (000s)	427	346	470	358	400
Owner	City	City	Private	Quad Cities Civic Center Authority	
Manager	City	SMG	Owner	Owner	
# of Seats - Hockey	11,000	9,500	7,181	10,500	9,545
# of Seats - Concert	12,500	12,150	8,000	12,000	11,163
Year Opened	1994	1982	1998	1992	1992
Tenant(s)	WHL Chiefs	ECHL Rivermen, af2 Pirates	ECHL Everblades, af2 Firecats	UHL Mallards, af2 Steamwheelers	
Premium Seating					
# of Luxury Suites	16	--	26	15	19
Avg. # of Seats/ Suite	11	--	15	14	13
Occupancy Rate	n/a	--	100%	100%	100%
Avg. Annual Lease Rate	\$30,000	--	\$47,500	\$25,000	\$34,167
# of Club Seats	1,000	--	980	--	990
Occupancy Rate	n/a	--	n/a	--	n/a
Annual Rate	\$450	--	\$661	--	\$556
Naming Rights - Base Annual Value	n/a	--	\$350,000	--	\$350,000
Demand - # of Events					
Hockey	36	41	40	38	39
Arena Football	--	9	8	8	8
Indoor Soccer	--	--	--	--	--
Concerts	11	10	8	22	13
Family Shows	17	5	10	26	15
Community Events	3	7	10	33	13
Other Sporting Events	25	25	18	44	28
Other Events	7	3	6	7	6
Total # of Events	99	100	100	178	119
Total Attendance	573,000	573,000	500,000	778,000	606,000

Source: Respective facilities, 2004 Revenues from Sports Venues, 2004 AudArena Guide, 2002 Sales & Marketing Management

Observations from the table include:

- The average population from the comparable markets is approximately 400,000, which is almost 50 percent less than Albuquerque's. This is a positive signal for the success of a mid-sized arena in Albuquerque: if smaller markets can support from 99 to 178 events annually in mid-sized arenas, one in Albuquerque should be able to outperform the 119-event average.

- Outside of TECO Arena, all facilities are publicly owned.
- The average age of the comparable facilities is approximately 12 years old. All venues host hockey tenants and a majority also host arena football teams.
- The average number of seats for a hockey event for the comparable set is approximately 9,500 and 11,200 for concerts.
- Luxury suites are prominent in every arena compared except in Peoria (although they are adding at least 12 to the facility and would add more if the existing facility did not limit this number), and the number of suites range in number from 15 to 26, with an average of 19. The typical suite averages 13 seats and costs \$34,000 per year.
- Only two of the four arenas have club seats, averaging 990. Prices average \$556 per seat per year. Only one of the facilities has sold their naming rights, and receives an average of \$350,000 per year from the corporate partner. Further analysis of naming rights will appear later in this report.
- The average number of events per venue is as follows: Hockey (39), Arena Football (8), concerts (13), family shows (15), community events (13), other sporting events (28) and other events (6), for an average total of 119 events. Total attendance during the year averaged 606,000 among the facilities, for an average per-event attendance of nearly 5,100.

The Spokane Arena, Spokane, WA

The Spokane Arena is located in Spokane, Washington and opened in 1995 at a cost of \$44.8 million. The Spokane metro area has a population of approximately 427,000 people. It is home to one professional sports team, the WHL Spokane Chiefs. In addition, the arena hosts Gonzaga Basketball, concerts, family shows, and conferences. Figure 5-1 shows an exterior view of Spokane Arena.

Figure 5-1



The Spokane Arena has 11,000 permanent seats and 16 luxury suites. The luxury suites range in price from \$25,000 to \$35,000 per year and have capacities that range from 10 to 14 people. The design of the Spokane Arena features a Party Pod that hosts 12 to 20 people on the suite level as well as a Spotlight Landing area that can host groups up to 250 people on the main concourse. Similar to some initial concepts in Albuquerque, Spokane Arena also has the ability to transform into the Star Theatre, a half house capacity setting which provides the Theatre with a unique identity in the entertainment industry. This smaller capacity setting includes 5,900 total seats with large entrance banners, stylish marquee, and special chandeliers. Table 5-8 displays the past years' event usage and attendance at the arena.

Table 5-8

Spokane Arena Demand by Event Type			
Type	Number of Events	Average Attendance/Event	Total Attendance
Hockey	36	6,293	226,550
Football	na	na	na
Basketball	2	7,757	15,514
College Sports	7	7,149	50,045
High School Sports	7	2,844	19,907
Family Shows	8	2,531	20,246
Concerts	11	5,771	63,485
Ice Shows	9	4,670	42,032
Other Sporting Events	9	5,076	45,680
Trade Shows	3	17,408	52,225
Other Events	7	5,330	37,311
Total	99	6,483	572,995

Source: Spokane Public Facilities District, Johnson Consulting

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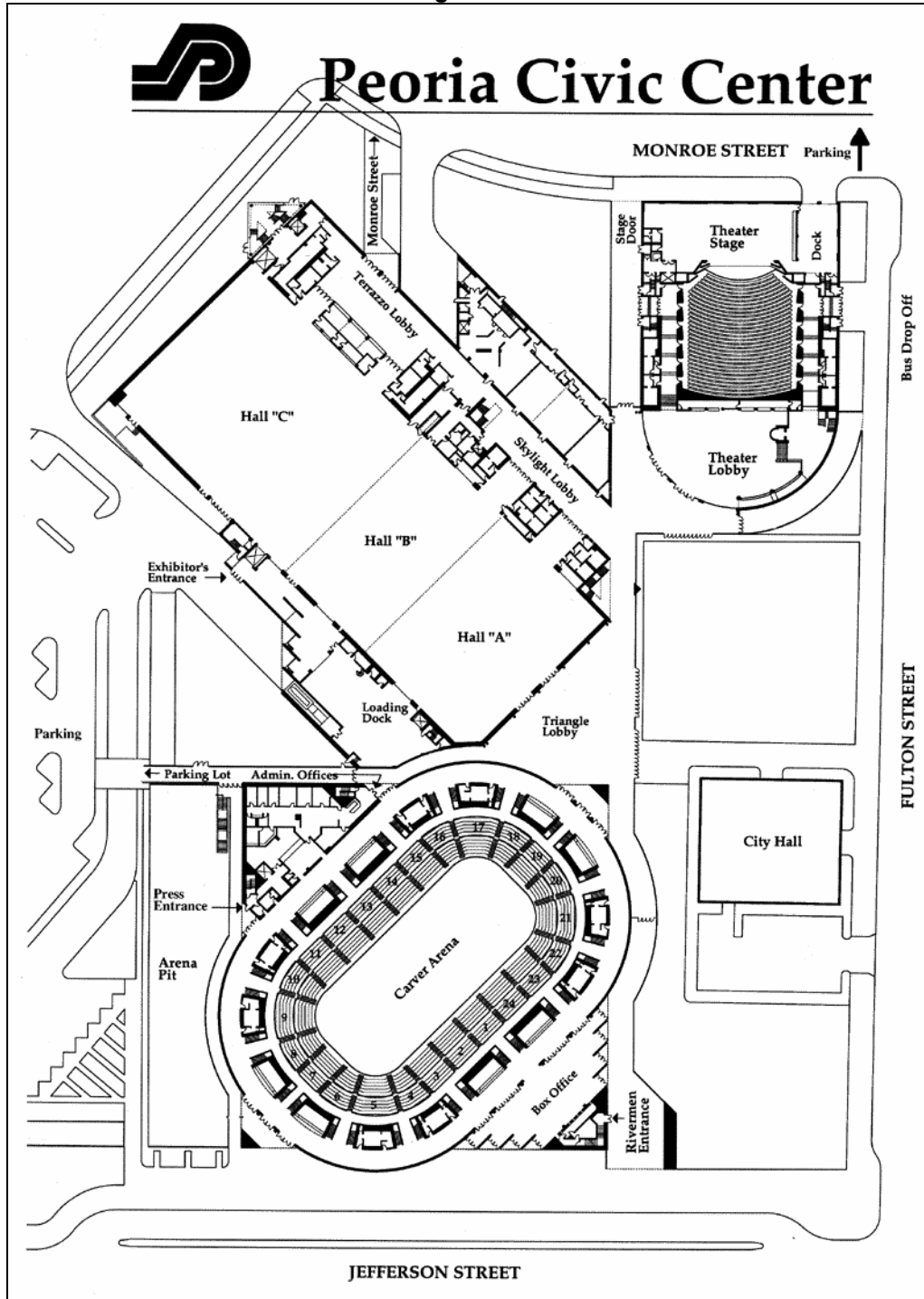
Despite being located in a mid-size market with only one professional sports team tenant, Spokane Arena has established a strong events calendar, with almost 100 calendar dates booked in 2003. If the arena had an af2 team, the number of events would be 107.

Hockey, basketball (NBA exhibition events and college games), and other college sports events have shown to attract the largest crowds, as the overall attendance average for the arena was approximately 6,500 people per event in 2003. Spokane Arena has been relatively successful at attracting a wide range of arena events in order to fill the arena's calendar for as many dates possible.

The Peoria Civic Center, Peoria, IL

The Peoria Civic Center (Civic Center) is located in Peoria, Illinois and opened in 1982. Peoria has a population of approximately 350,000 people. It is home to two professional sports teams, the af2 Peoria Pirates and the ECHL Peoria Rivermen. The Civic Center also plays host to the Bradley University men's basketball team which competes in the Missouri Valley Conference. In addition, the arena hosts concerts, family shows, and conferences. Figure 5-2 shows the layout of the complex including the arena, convention center, and theatre.

Figure 5-2



The Civic Center offers 9,500 permanent seats and currently has no luxury suites. However, the Civic Center is authorized to construct an expansion and upgrade the current arena, which would include adding approximately 12 luxury suites and a new modernized food court. The Peoria Civic Center complex includes a 64,000 square foot exhibit hall and a 2,200 seat theatre which is used to spread operational and overhead expenses to all three facilities. Table 5-9 displays the past years' event usage and attendance for the arena.

Table 5-9

Peoria Civic Center Arena Demand by Event Type			
Type	Number of Events	Average Attendance/Event	Total Attendance
Hockey	41	3,857	158,155
Arena Football	9	3,072	27,650
Basketball	1	3,978	3,978
College Sports	16	6,294	100,710
High School Sports	1	3,276	3,276
Family Shows	4	6,805	27,220
Concerts	10	6,247	62,467
Ice Shows	1	5,195	5,195
Sporting Events	7	4,581	32,065
Trade Shows	2	20,813	41,625
Other Events	8	13,808	110,462
Total	100	7,084	572,803

Source: Peoria Civic Center, Johnson Consulting

Despite being located in a mid-size market, set in between two much larger markets in Chicago and St. Louis, the Civic Center has established a strong events calendar, drawing 100 events in the past 12 months. Half of the events are related to the hockey franchise and arena football franchises, which held 50 events in the arena last year. In addition to the regular season games, the Civic Center hosted the ECHL league's All-Star game, a National Junior Hockey tournament, and coordinated post game concerts performed by top-quality artists.

The Bradley University men's basketball team is also one of the largest attendance draws for the arena averaging almost 6,300 fans per game. The facility averaged 7,100 attendees per event, excluding tradeshow and other events. The Civic Center has been relatively successful at attracting a wide range of large scale trade shows and association meetings in order to fill the arena for as many dates possible.

The Civic Center provides a good example of an arena that exceeds at attracting top events, but struggles financially because it does not have the optimum level of revenue generating enhancement such as luxury suites and club seats.

TECO Arena, Estero, Florida

A group of private investors led by NHL Carolina Hurricanes CEO Peter Karmanos purchased an ECHL expansion franchise and built a low budget, \$22-million arena in Estero, Florida, which is part of the Fort Myers-Cape Coral MSA, with a population of approximately 470,000. In addition to the main ice rink on the arena floor, the facility also includes two other ice rinks that are used by the public and for practice. In 1999, the arena sold its naming rights to The Tampa Energy Company (TECO) as part of a 20-year agreement worth a total of \$7 million.

The arena opened in 1998 and has a capacity of 7,181 for ice events. The Florida Everblades, the ECHL hockey club, originally sold all but about 1,800 of these seats to season ticket holders. The arena's other tenant is the af2 Firecats, who began play in 2001. THE USBL Florida Sea Dragons also called TECO Arena home until the franchise ceased operations prior to the 2003 season. The team may resume operations for the 2004 season.

TECO Arena has 26 luxury suites (with ten to 20 seats each) that are leased for \$35,000 to \$60,000 annually. The suites are all occupied, and there is currently a waiting list. The facility also has approximately 980 club seats, which are the first seven rows surrounding the ice. Club seats include access to the arena's private club and are sold by the Everblades for \$661 per year, which includes hockey season tickets. Everblades season tickets cost between \$286 and \$1,018 per season and single game tickets range from \$8 to \$27 per game. Firecats season tickets range in price from \$72 to \$272 per season and single game tickets cost between \$15 and \$34 per game. According to arena representatives, approximately 85 percent of the club seats are sold for hockey games.

Figure 5-3 shows the arena's hockey configuration.

Figure 5-3

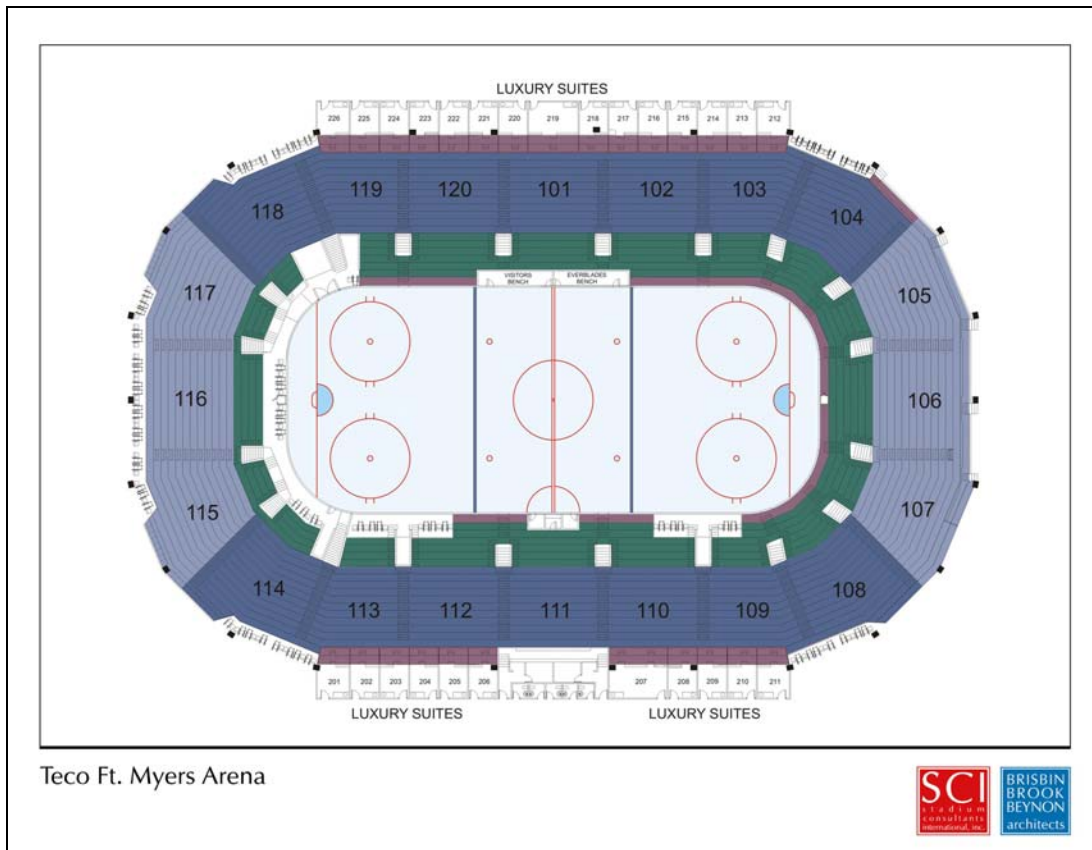


Table 5-10 summarizes the arena's typical annual demand schedule, by type of event.

Table 5-10

Average Annual TECO Arena Event Demand	
Type of Event	# of Events
Minor League Hockey	40
Arena football	8
Minor League Basketball	15
Graduations/Community Events	10
Family Shows	10
Concerts	8
NBA and NHL Exhibitions	3
Other Events	6
Total	100

Source: TECO Arena

As the table shows, the facility hosts approximately 100 arena events per year, which includes the Sea Dragons schedule, but does not include the recreational ice sheets or meeting rooms. The event calendar consists of approximately 40 hockey games (which includes an average of three playoff games per year), eight arena football games, and the 15 USBL games the facility no longer hosts. The arena also has approximately ten community events and family shows, eight concerts, three NBA and NHL exhibition games, and six other events. According to facility management, annual arena attendance is approximately 500,000 people. Assuming the 2001 average attendance of the arena's three tenants, total attendance of the three teams was approximately 335,000, and as a result, average attendance at the arena's other events was approximately 4,400.

The arena has two recreational ice rinks that are used by the public for free skating, competitive hockey, lessons, and other events. Public skating is offered daily for approximately four hours from Monday through Thursday and for six hours on Fridays, Saturdays, and Sundays. Public skating admission is \$6.00 and skate rental is an additional \$3.00. The facility also offers figure skating, general skating, and "Learn to Play Hockey" lessons for various ability levels.

Four types of hockey leagues are available on the two public ice sheets: youth in-house leagues, a youth travel program, adult hockey leagues, and in-line hockey leagues. Hockey clinics, camps, and scrimmages are also offered at the facility. According to facility management, the ice sheets are a profitable operation. Although the number of recreational skaters is not known, other skating demand is as follows: 175 children in the in-house league, 110 children in the travel program, 220 people in adult leagues, and approximately 120 children in every eight-week "Learn to Skate" program. According to the manager of the ice sheets, recreational ice skating demand is decreasing across the country, and in the south, it can be

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expected to do well for a year or two before decreasing sharply after the novelty of participating wears off. However, this has not been the case at TECO Arena, as demand has remained strong.

TECO Arena also includes a 1,300-square foot pro shop that is open daily. In addition, the arena's Big Cypress Room, Olde Florida Room, and Bud Terrace are available for groups of up to 200 people during events or on non-event days.

Because the arena is privately owned, management does not release financial information. However, according to facility management, both the arena and the recreational ice sheets are profitable. Because the number of events and the average attendance at events other than hockey games are not extraordinary, it appears as though much of the facility's financial success lies in its low capital budget, its hockey attendance, and the recreational ice sheet users. Assuming the Everblades' average attendance was the league average of 4,000 rather than its league-leading 6,600, the facility would have 105,000 fewer attendees a year. This would lead to a drastic reduction in revenues from ticket sales, concessions, and other items, particularly because the arena owner is also the team owner and facility concessionaire and does not share these revenues with other parties.

The Mark of the Quad Cities, Quad Cities, Iowa/Illinois

The Mark of the Quad Cities (Mark) is located in Moline, Illinois and opened in 1993 at a cost of \$36 million. Moline is part of the Quad Cities metro area, which includes Rock Island, Illinois and Davenport and Bettendorf, Iowa. The Quad Cities have a population of approximately 360,000 people. It is home to two professional sports teams, the af2 Quad City Steamwheelers and the UHL Quad City Mallards. The Mark had also played host to the CBA Quad City Thunder, prior to its demise. In addition, the arena hosts concerts, family shows, and conferences. Figure 5-4 shows an exterior view of The Mark.

Figure 5-4



The Mark has 10,500 permanent seats and 15 luxury suites all on one level. The luxury suites sell for between \$22,000 and \$28,600 per year and have capacities that range from 19 to 24 people. The U-shaped design features a proscenium space, as well as the ability to hold up to 10,500 attendees for hockey and ice events, 12,000 for concerts, and 10,700 for basketball. It also includes a conference center component with 31,000 square feet of function space, located under the seating bowl. Table 5-11 displays the historical event usage for the arena and conference space.

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Table 5-11

The Mark of the Quad Cities Event History (Fiscal Year)									
	1993	1994	1995	1996	1997	1998	1999	2000	2001 ¹
Arena									
Concerts	31	28	25	30	31	19	18	23	17
Community Events	10	6	5	27	55	51	10	30	18
Convention/Trade Shows	2	6	22	12	4	2	3	12	1
Consumer/Public Shows	9	16	14	6	4	3	0	0	0
Meetings	0	0	0	0	0	0	0	3	2
Family Shows	29	28	21	21	27	14	38	26	27
Sporting Events	35	35	44	85	95	87	108	86	76
Sub-total	116	119	131	181	216	176	177	180	141
Conference Center									
Banquets	268	268	257	113	131	158	127	130	117
Meetings	3	1	117	413	488	594	511	493	587
Receptions	na	40	2	55	66	85	122	112	106
Community Events	8	0	0	0	14	18	14	5	15
Sub-total	279	309	376	581	699	855	774	740	825
Parking Lot									
Outdoor Events	7	2	7	5	6	13	13	14	17
Subtotal	7	2	7	5	6	13	13	14	17
Grand Total	402	430	514	767	921	1044	964	934	983

¹ Through first eight months of 2001
 Source: The Mark Management

Despite being located in a mid-size market with no direct connection to a major metropolitan area, The Mark has established a strong events calendar, averaging approximately 965 events per year after the operations stabilized between 1997 and 1999. The conference center (and ballroom) components are particularly busy, with an average of approximately two events per day, including 268 banquets. The number of arena events has been as low as 116 in 1993 and as high as 216 in 1997. Yet since 1998, total events at the arena have held steady at approximately 180 per year.

Table 5-12 shows the attendance at the facility since 1994 for various types of events.

Table 5-12

The Mark of the Quad Cities Attendance								
	1994	1995	1996	1997	1998	1999	2000	2001
Arena								
Concerts	238,659	179,241	173,333	180,112	141,287	142,835	143,984	131,062
Community Events	29,056	7,710	26,161	14,285	13,186	8,289	11,094	13,954
Convention/Trade Shows	2,000	9,546	10,736	1,425	1,708	9,755	5,276	200
Consumer/Public Shows	48,297	33,861	17,173	2,922	10,200	-	-	-
Meetings	-	-	-	-	-	-	36,170	3,335
Family Shows	219,494	158,311	116,324	122,869	116,340	122,736	86,420	82,893
Sporting Events	141,760	181,707	388,243	464,861	513,902	590,669	481,287	435,058
Sub-total	679,266	570,376	731,970	786,474	796,623	874,284	764,231	666,502
Conference Center								
Banquets	na	na	19,619	14,613	19,359	15,400	21,277	13,649
Meetings	na	na	18,766	16,195	22,469	17,991	21,870	29,263
Receptions	na	na	7,538	8,457	9,016	9,078	12,595	8,905
Community Events	na	na	-	7,069	7,307	6,897	1,146	3,837
Sub-total	31,996	27,704	45,923	46,334	58,151	49,366	56,888	55,654
Parking Lot								
Outdoor Events	12,060	49,750	42,800	47,600	84,148	40,389	32,833	7,373
Subtotal	12,060	49,750	42,800	47,600	84,148	40,389	32,833	7,373
Grand Total	723,322	647,830	820,693	880,408	938,922	964,039	853,952	729,529

Source: The Mark Management

Attendance has ranged from 723,322 in 1994 to 964,009 in 1999 and has seen a decline in 2000 and 2001. Much of the decline is due to unusually high sporting event attendance during the 1999 season, which leveled off in subsequent years. Also, the demise of the CBA in 2001 cut the number of sporting events and attendees to the Mark. The number of family shows offered has declined significantly in the last two available years and consumer and outdoor shows have essentially been eliminated from the schedule in 2001, which has affected total attendance.

Additional Comparable Data

In addition to the four venues detailed above, the following represents operating and financial data provided by Global Spectrum for four similarly situated arenas that they currently operate: the Dodge Arena in Hidalgo, TX; Sovereign Bank Arena in Trenton, NJ; Budweiser Event Center in Loveland, CO; and John Labatt Centre in London, Ontario.

- **Dodge Arena** - The \$20-million multi-purpose arena features 5,500-seats for hockey, football, and soccer and a center stage concert capacity of 6,800-seats. Owned by the City of Hidalgo-Texas Municipal Facilities Corporation, the arena features 25 suites that are priced between \$20,000 and \$35,000 per year and 500 club seats, which cost between \$850 and \$955 per year. The

property also includes 2,200 surface parking spaces on site, as well as a 2,000-square-foot lounge with access from outside of the arena. Local Dodge dealers banded together to buy the naming rights for the facility. The facility is home to the af2 Rio Grande Valley Dorados and the CHL Killer Bees.

- ***Sovereign Bank Arena*** - The Sovereign Bank Arena is a \$53-million facility located in downtown Trenton, New Jersey, which is the state capital. The arena opened in October 1999 and is owned by Mercer County. The arena's current tenant is the ECHL Trenton Titans, although in the past, it has been the home of the International Basketball League (IBL) Shooting Stars and the Indoor Professional Football League (IPFL) Lightning. Sovereign Bank Arena has a seating capacity of 8,100 for hockey games and as much as 10,500 for concerts. In 2003-04, the Titans had the fourth highest average attendance in the league (approximately 5,100). The arena has 34 luxury suites and 1,150 club seats. The suites are leased for \$45,000 to \$60,000 per year. The club seats cost \$999 per year. Sovereign Bank bought the arena's naming rights for \$2.7 million over ten years, although the entire amount was paid upfront instead of throughout the term of the contract, so the long-term value in comparison to other deals is higher, approximately \$3.7 million.
- ***Budweiser Event Center*** - The Budweiser Event Center is a multi-use arena and events center completed in September 2003 at a cost of \$26 million. The Event Center is a 250,000-square venue home to the CHL Colorado Eagles and the National Women's Basketball League's Colorado Chill. In addition, the center also hosts concerts, rodeos, ice shows, conventions and trade shows, family shows, and other entertainment and attractions. The facility seats 5,300 for hockey and other ice events, 6,000 for basketball, and 7,200 for end-stage concerts. The facility also offers 777 private club seats that are priced between \$844 and \$1,040 per year, as well as 24 private luxury suites that cost between \$33,000 and \$50,000 per year. The facility sold the naming rights to Eagle Distributing for \$1.5 million over 20 years.
- ***John Labatt Centre*** - Built in 2002 for a cost of CAN\$41.22 million, the 9,000-seat facility is home to the OHL London Knights. The John Labatt Centre offers 38 suites, priced between \$19,500 and \$31,500, which can be leased from three to seven years each. In addition, the facility has 1,000 club seats that are priced between \$980 and \$1,030 per year. Labatt Brewing bought the naming rights to the arena for a price of \$2.9 million over ten years.

Table 5-13 shows the event demand and attendance figures at the four venues. To protect the proprietary interests of the facilities, we have omitted the names of the venues in the table, and refer to them simply as Building A, B, C, and D. It

should be noted that the data represented below does not reflect a full fiscal year, except for Building A.

Table 5-13

Additional Comparable Data - Event Demand/Attendance				
	BLDG A	BLDG B	BLDG C	BLDG D
	Fiscal Year	7 months ended	7 months ended	10 months ended
	2003	Apr-2004	Apr-2004	Apr-2004
Number of Events	181	89	107	110
Paid Attendance	399,516	307,789	270,030	465,488
Paid Suite Attendance	5,076	16,540	3,356	24,759
Paid Groups	-	-	-	75,183
Attendance- General	403,448	323,290	278,685	462,191
Attendance- Club	65,957	0	0	69,907
Attendance- Suites	11,855	24,276	19,761	25,700

Source: Global Spectrum

- As the table shows, the number of events hosted by these four venues ranges from 89 to 181, with an average of 122 events. Building A's 181 events is extremely high based on our industry experience. We do not anticipate the arena in Albuquerque to generate this many annual events. However, as three of the four facilities did not have a full year of operations considered, their number of events is artificially low. For a full year of operations, it is expected the three facilities will show an event range of 105 to 125.
- These buildings were able to generate an average paid attendance of 361,000 during this time period, or an average of 3,000 paid attendees per event. We anticipate the arena in Albuquerque, as a regional hub, to be able to generate a higher average attendance per event.

Additional Qualitative Analysis

The proposed arena management and promotion team will have an additional asset in Zev Buffman, a respected producer and promoter of large assembly facilities, arts and cultural events, movies, and Broadway shows. He was recently brought in to run the Owensboro, Kentucky RiverPark Center, a large performing arts facility in a small market. His success increasing attendance, extending the run of shows, generating new events, and increasing the subscriber base at the facility speak to his ability to enable the proposed arena to prosper in Albuquerque beyond comparable facilities. For this project, Zev will be brought in to provide his expertise at increasing local festivals and events and maximizing sponsorships. The following are the proposed events that most arenas do not have:

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- **Broadway Tour** -- Similar to the recent production of "42nd Street" in Owensboro, KY. Built and produced in Albuquerque, plays five performances in the Broadway configuration (4,600 seats). Projected average ticket price of \$33. Historical occupancy is 70 percent, or 3,200 tickets sold per show.
- **Ice Dancing** -- New, self-produced ice productions with many local skaters and one imported Star for the lead role. Four shows over a 2-3 day period, full ice setup (8,100 seats), projected average ticket price of \$32.50, and a historical occupancy rate of 65 percent, or 5,265 tickets sold per show.
- **Carnivals, Festivals & Zarzuelas** -- Traditional Hispanic dance, song, costume and folk celebration. Self-produced and very popular in the Southwest, California and Mexico. Talent is low-priced and primarily regional or from Mexico. Most successful times are Sunday mid-afternoons into evening. Four shows throughout the year, half-house setup (5,600 seats), average ticket price of \$13.50, and a historical occupancy rate of 65 percent, or 3,640 tickets sold per show.
- **Outdoor Movie Series** -- Thursdays at Dusk, Memorial Day thru Labor Day outside of the arena in the promenade. Movies are free, projected on new screen format. Attendees bring their own seats/lawn chairs. Revenue sources come from title sponsor, single movie company sponsors, food and beverage sales, and parking. Historical attendance ranged from 1,000 - 5,000 with the most recent show in Owensboro drawing nearly 4,000 people to see *Shrek*.
- **Friday after Five** -- An after work, mass 'happy hour' with music, dancing and drinks. A low admission event (\$3.00) with several bands (regional names). These can be held indoors or outdoors depending on event schedule and weather. Generally more successful on Friday's from May through the end of October.
- **Western and Country Music Jamboree** - Mid-Saturday afternoons during summer and certain holiday weekends. Dueling Western and Country singers and bands mixed with intervals of bull riding, trick riding, stunts, shootouts, and bow and arrow competitions. It would include many cash prizes as well as trips to Las Vegas and other prizes. Zev has seen this as a large family attraction with high beverage sales per attendee. Use 6,500-seat set-up, historical occupancy of 65 percent, with ticket prices at \$9.50 for adults and \$5 for children.
- **Winter Wonderland** -- Takes place between early December and January 1st. Includes an outdoor skating rink, ice sculpture competitions, and a

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Christmas tree contest by local schools. Also includes songs, dancing, guest skating stars appearing on a couple nights as well as professional hockey players mingling and giving out autographs. He has seen high concession sales per attendee plus admission of \$4 for adults and \$2 for children and skate rental revenue.

We have assumed that many of these events will be produced in Albuquerque, but have been somewhat conservative in our application of such projections.

Conclusion

While market demographics and competition clearly play a role in the potential success of an arena, the most important factors are management and the tenancy of one or more sports teams as anchor tenants. Both drive the majority of events that an arena depends upon for income. In this case, both a hockey and an af2 tenant are suggested to have been secured and this analysis assumes the existence of these teams in the arena structure throughout the projection period. Zev Buffman as a promotional agent and Global Spectrum are powerful forces that should assist in demand development. Mr. Buffman has been incredibly successful in other markets in generating attendance increases at existing events as well as creating new events to drive revenues.

Attendance is generally event-driven and promoters and team owners will seek the best venue for their show or team. An exception is when the event promoter (such as ClearChannel) controls a less-appropriate facility. However, a good-quality facility will often win the event, as touring acts prefer state-of-the-art facilities and the promoter/manager can still make money, even if not at a venue they control. This is especially the case in Albuquerque because of ClearChannel's presence at the Journal Pavilion. Having ClearChannel in the market is a positive, as the Pavilion's operation is very seasonal.

Economic and demographic comparisons show that the Albuquerque market is approximately average in most categories. However, comparisons of competitive arena seats show the market to be near the lacking in entertainment options of this sort. This indicates a potential opportunity for arena-based teams and events. While Tingley Coliseum and Journal Pavilion will continue to be market players, there are a number of events and sports leagues that prefer indoor mid-size venues with high-end amenities to help generate additional revenues for their event or team. We believe the proposed arena will be easily absorbed into the entertainment marketplace and capture, as well as induce over 100 events per year.

As noted, population is a smaller determinant of arena success than other factors. Based on the comparable mid-sized arenas, event levels vary from 99 to 178 per year, with an average of 119 events. A consistent level of demand can be expected

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by securing sports tenants and developing positive relationships with promoters. It appears this project will have a very strong level of consistent demand from two sports franchises, as well as numerous other events supported by the large media market size. As markets such as Spokane, and the Quad Cities illustrate, mid-sized arenas in mid-sized markets can be successful in terms of the number of events and the volume of attendees. Albuquerque is slightly higher than these cities in terms of population, and as serving as the regional entertainment hub, offering the proposed arena a greater opportunity than seen in the comparative set.

The Albuquerque market does not have a modern, competitive arena and we believe there is opportunity for a successful mid-size arena, assuming the following:

- One or more sports franchises are attained for the facility. There is a handshake agreement with the CHL Scorpions to relocate to the proposed arena and a backup deal is in place for an ECHL team. An af2 franchise has been secured by Arena Management. Other opportunities include basketball teams from the NBDL or CBA (minor league basketball).
- Ensure management targets the appropriate events for this building and this market. Based on initial documents provided, we believe Global Spectrum has a clear understanding of this strategy as well as a proven record in calendar management.

With these two factors in place, a new mid-size arena in the Albuquerque market is expected to provide year-round entertainment and sports opportunities at a level that supports development of the facility.

ARENA DEMAND AND OPERATING PROJECTIONS

Johnson Consulting projected the demand for the arena and also developed financial projections for the arena for a 10 year period. The projection is based on comparable facilities' operations, the proposed development agreement with Arena Management and Construction LLC, and reflects on the unique deal structure and evolving characteristics of the local market area and the expected surrounding development, and trends that are likely to affect the facility in the future. It is assumed that the arena will have a permanent seating capacity of approximately 8,500 people for hockey games, and seating for approximately 10,000 people for end-stage concerts. The projection also assumes that the arena will open in the fall of 2006, and fiscal years therefore will begin in September and end the following August. The first year of the projection is FY 2007, and this fiscal year will accommodate an entire CHL and af2 schedule.

The projection assumed two sports franchises tenants, a CHL team and an af2 team, although an ECHL team may be sought if the CHL purchase does not materialize. Table 6-1 summarizes the projected event demand for the planned arena in Albuquerque.

Table 6-1

Projected Schedule of Events by Category and Year										
Category	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Minor League Hockey	33	33	33	33	33	33	33	33	33	33
Arena Football - af2	8	8	8	8	8	8	8	8	8	8
Family & Ice Shows	24	24	25	25	25	25	25	25	25	25
Concerts & Ethnic Events	22	21	20	20	20	20	20	20	20	20
Other Sporting (Boxing, WWE, Monster, HS)	22	23	24	24	24	24	24	24	24	24
Other Entertainment/Festivals/Broadway	15	16	17	18	18	20	20	20	20	20
Flat-Floor Events	0	0	0	0	0	0	0	0	0	0
Total	124	125	127	128	128	130	130	130	130	130

Source: Johnson Consulting

Table 6-2 summarizes the projected paid attendance at the arena by type of event, from 2007 through 2016.

Table 6-2

Projected Paid Attendance by Category and Year										
Category	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Minor League Hockey	177,700	173,400	169,100	165,000	165,000	165,000	165,000	165,000	165,000	165,000
Arena Football - af2	44,800	43,700	42,600	41,600	41,600	41,600	41,600	41,600	41,600	41,600
Family & Ice Shows	124,800	124,800	130,000	130,000	130,000	130,000	130,000	130,000	130,000	130,000
Concerts & Ethnic Events	154,000	147,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000	140,000
Other Sporting (Boxing, WWE, Monster, HS)	121,000	126,500	132,000	132,000	132,000	132,000	132,000	132,000	132,000	132,000
Other Entertainment/Festivals/Broadway	60,000	64,000	68,000	72,000	72,000	80,000	80,000	80,000	80,000	80,000
Flat-Floor Events	0	0	0	0	0	0	0	0	0	0
Total	682,300	679,400	681,700	680,600	680,600	688,600	688,600	688,600	688,600	688,600

Source: Johnson Consulting

A description of events is provided below.

- **Minor League Hockey** games assume that a CHL franchise is a tenant in the new arena and plays its entire home schedule in the facility. A back up arrangement exists with an ECHL team if the agreement to buy the Scorpions fails. We have assumed the 33 game season for the CHL team, however if the ECHL team comes, instead, a 40 game season would occur. CHL franchises often play one preseason exhibition game. Post season play is not guaranteed. In the 2003-04 season, half of the teams qualified for the playoffs. The first two rounds are best-of-five series, and the semifinals and finals are best-of-seven, and the maximum number of home playoff games is 14. We have assumed that on average, three dates will be played, be they for pre or post season. We have assumed an average game attendance of 5,000 upon stabilization.
- **Arena Football** games assume that an af2 franchise is also a tenant in the facility and plays its entire home schedule in the facility. The af2 schedule consists of 8 regular-season home games. For the purposes of this projection, only regular season games are assumed to be held in the arena. Average paid attendance at af2 games is projected at 5,200 per game upon stabilization.
- **Family and Ice Shows** are ticketed, public events that provide entertainment for a variety of demographic groups. These events include children's themed traveling shows, circus events, ice shows and perhaps a native American Pow Wow. An estimated 23 events are projected for the facility, upon stabilization. Attendance at family shows is projected to average paid attendance of 5,200 per show.
- **Concerts and Ethnic Events.** The projection estimates the arena will attract 22 concerts in 2007, and stabilize at 20 events. This projection is based on a comparison of facilities and the fact that Albuquerque is the largest and only major market in the entire state and should have the ability to attract this level of interest from promoters and concert attendees. Additionally, given the experience of other arenas with strong Latin populations, we are optimistic about the prospects of a "Latin" subscription series, as proposed by the developer. Average paid attendance for all concerts is estimated at 7,000 per event.
- **Other Sporting Events** include boxing matches (very popular in Albuquerque), WWE events, monster truck events, high school and college wrestling, volleyball and basketball tournaments, regional NCAA tournaments, Extreme Games events, and potentially NBA and NHL pre-

season exhibitions. The projections assume a total of 24 events throughout the year, with an average attendance of 5,500. This is based on a weighted average of comparable facility attendance, combined with our judgment of market potential.

- **Other Entertainment** includes, dance performances, theatrical performances, and festivals. Ten major events are projected for the arena, with an average attendance of 4,200. In addition, given AMC's promotional experience as well as the evolution of the retail district around the complex, arena management plans on opening the arena's food establishments and promoting art shows, movie screenings, having food and wine festivals and the like. Patrons would pay an entry fee, be wrist-banded and be able to enjoy the district and special promotions in the arena. We have assumed up to an additional 5 to 10 such event in this category annually.
- **Flat-Floor Events** include consumer shows and trade shows as well as arena based conventions that use the arena floor and/or its meeting rooms. The arena is not expected to attempt to compete with the Albuquerque Convention Center (ACC) for flat-floor conventions and other similar events, but could host a limited number of events oriented to local residents (such as consumer shows) in order to maintain facility occupancy and generate revenue when the arena is not being used for other events. No events in this category have been recognized.

Operating Projection

Described below is our projection for the arena. The analysis is based on comparable facility operations, input from Global Spectrum, the owner of the Isotopes Baseball and Admirals Hockey teams (and whose firm will do food service in the arena) previous studies prepared for this project, including one by BDO Siedman which extensively examined operations of arenas.

Unique to this project and a few others, such as Lambeau Field and the Green Bay Packers and TECO Arena and its tenants and the Sovereign Arena and its tenants, it is proposed that ASEDA will own both the arena and the teams. This provides the complex with a common agenda- maximizing the entertainment pleasure to the community. It also provides potential for substantial economies in operation among the teams, the event promotions entity and arena management, however these have not been recognized.

In order not to commingle revenues of the teams and the arena operation, we have projected revenue for the arena and adjusted up some line items to reflect

incremental revenue typically retained by the team. We then projected the arena's operation and the team's operation separately.

Revenues include all revenues of the facility that can be used for operations and debt service. Expenses are categorized into two groups: 1) *Fixed operating expenses*, which are incurred regardless of the level of activity at the facility, and 2) *Variable operating expenses*, which are expenses related directly to the operation and demand of the facility that vary depending on the volume of activity. Some expenses have both a fixed and variable component. The arena's projection uses inflated dollars and accrual-based accounting, wherein revenues are recognized when they are earned and expenses are recognized when they are incurred. Revenues and expenses are adjusted for inflation at a 2.5 percent annual rate, unless otherwise specified.

The following section describes the assumptions and methodology used to estimate the financial performance of the facility. This projection is shown from the facility's perspective, and includes operating revenues and expenses of the sports tenants, which all fall under the umbrella of ASEDA. Table 6-3 presents the projected operating statement for the first ten full years of operation. We have not projected start up and preopening costs.

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Table 6-3

Item	Albuquerque Arena Financial Projection (thousands of inflated dollars)									
	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Operating Revenue										
Gate and Rent	\$1,026	\$1,048	\$1,081	\$1,115	\$1,143	\$1,187	\$1,217	\$1,247	\$1,278	\$1,310
Gross Ticket Sales CHL & af2	3,403	3,403	3,403	3,403	3,488	3,575	3,664	3,756	3,850	3,946
Gross Concessions	3,750	3,817	3,905	3,992	4,092	4,245	4,351	4,460	4,571	4,685
Gross Catering	1,609	1,652	1,660	1,708	1,751	1,732	1,776	1,820	1,865	1,912
Gross Novelities & Team Merchandising	2,468	2,497	2,538	2,587	2,636	2,717	2,768	2,821	2,876	2,931
Gross Parking	1,318	1,479	1,532	1,567	1,614	1,663	1,713	1,764	1,817	1,871
Premium Seating	1,768	1,784	1,801	1,817	1,835	2,069	2,085	2,102	2,119	2,136
Gross Advertising & Sponsorship (Building+Teams)	1,212	1,242	1,273	1,305	1,337	1,371	1,405	1,440	1,476	1,513
Gross Naming Rights	300	300	300	300	300	300	300	300	300	300
Facility Service Fee/ Ticket Broker Rebate	512	572	565	561	561	561	561	561	561	561
Other Revenue	485	494	505	517	527	555	567	580	593	606
Total Revenue	\$17,852	\$18,287	\$18,562	\$18,872	\$19,284	\$19,975	\$20,408	\$20,852	\$21,307	\$21,774
Departmental Expenses										
Concessions	2,325	2,366	2,421	2,475	2,537	2,632	2,698	2,765	2,834	2,905
Catering	1,207	1,239	1,245	1,281	1,313	1,299	1,332	1,365	1,399	1,434
Novelties and Merchandising	1,632	1,653	1,681	1,715	1,749	1,805	1,841	1,878	1,916	1,955
Parking	330	370	383	392	404	416	428	441	454	468
Advertising and Sponsorship	97	99	102	104	107	110	112	115	118	121
Naming Rights	58	58	58	58	58	65	65	65	65	65
Total Direct Expense	5,649	5,785	5,889	6,025	6,168	6,326	6,476	6,630	6,787	6,948
Gross Operating Income	\$12,203	\$12,502	\$12,672	\$12,847	\$13,116	\$13,648	\$13,931	\$14,222	\$14,520	\$14,825
Operating Expense										
Fixed										
Salary - Permanent Staff	\$1,350	\$1,384	\$1,418	\$1,454	\$1,490	\$1,527	\$1,566	\$1,605	\$1,645	\$1,686
Benefits - Permanent Staff	432	443	454	465	477	489	501	514	526	540
General and Administrative	510	523	536	549	563	577	591	606	621	637
Utilities	500	513	525	538	552	566	580	594	609	624
Repairs and Maintenance	200	205	210	215	221	226	232	238	244	250
Insurance	175	179	184	188	193	198	203	208	213	219
Communications	80	82	84	86	88	91	93	95	97	100
Advertising	150	154	158	162	166	170	174	178	183	187
Miscellaneous	150	154	158	162	166	170	174	178	183	187
CHL and af2 Operations	3,504	3,592	3,682	3,774	3,868	3,965	4,064	4,166	4,270	4,377
Team and Promotions Fee	625	640	650	661	675	699	714	730	746	762
Variable Expense										
Utilities	267	276	287	297	304	317	325	333	341	350
Hourly Salaries and Benefits	467	483	503	520	533	554	568	582	597	612
Total Fixed & Other Expenses	\$8,411	\$8,627	\$8,848	\$9,071	\$9,189	\$9,440	\$9,673	\$9,913	\$10,158	\$10,410
Management Fee / Incentives	\$350	\$359	\$368	\$377	\$386	\$396	\$406	\$416	\$426	\$437
Net Operating Income (Deficit)	\$3,442	\$3,517	\$3,456	\$3,399	\$3,541	\$3,813	\$3,852	\$3,893	\$3,935	\$3,979
Deposit to Maintenance Reserve Account	\$488	\$500	\$507	\$514	\$525	\$546	\$557	\$569	\$581	\$593
Net Operating Income (Deficit) Avail. for Debt Service	\$2,954	\$3,017	\$2,949	\$2,885	\$3,016	\$3,267	\$3,295	\$3,324	\$3,354	\$3,385
Arena Surcharge	\$2,749	\$2,807	\$2,868	\$2,935	\$3,004	\$3,119	\$3,192	\$3,267	\$3,343	\$3,421

Source: Johnson Consulting

The operating revenue text below also describes the bases for direct departmental expenses associated with the revenue line items.

The following text describes the projections of individual line items in more detail.

Operating Revenue

Gate and Rent; Gross Ticket Sales for Sports Tenants - The first line item displays the net gate receipts and rent for non-sports events. The second line item shows the gross ticket sales for the sports tenants, since the teams financial activities are included in the consolidated financial statement.

Table 6-4 displays the assumptions of daily rental fees and average ticket prices by type of event. The arena will charge either a flat fee or a percent of ticket sales as rent. The specific method used, and the amounts charged, are often negotiable with the event promoter and will likely vary from event to event. However, the amounts listed in the table are assumed to be the average amounts charged for each type of event. Daily rental rates and average ticket prices are inflated for the remainder of the projection.

Table 6-4

Daily Rental Rates and Average Ticket Prices by Type of Event		
Event Type	% of Ticket Sales or Flat Rate	Average Ticket Price
Minor League Hockey	\$3,000	\$14.00
Arena Football - af2	\$3,000	\$15.00
Family & Ice Shows	8.0%	\$21.00
Concerts & Ethnic Events	8.0%	\$30.00
Other Sporting (Boxing, WWE, Monster, HS)	8.0%	\$16.00
Other Entertainment/Festivals/Broadway	8.0%	\$20.00
Flat-Floor Events	\$3,000	\$0.00

Source: Johnson Consulting

Average ticket prices and rents for hockey and football games are based on actual figures from other facilities in the CHL and af2, adjusted by what is believed to be achievable in the market.

Family shows, concerts, and sporting events are projected to pay rents of ranging from nine percent to 30 percent of gross ticket sales. As previously mentioned, these amounts would likely differ from event to event, but the figures listed above are assumed averages and are typical amounts for a host arena to receive from an event promoter. For events such as concerts and family shows, ticket prices will vary depending on the act, but the average

ticket prices listed in the table are overall averages for each event type. This same rent assumption is made for internally produced events, but since the building and internal promoters are the same, higher profits from such events are recognized because middleman profit is eliminated.

- **Concessions** – The facility will contract for its concessions operation through an agreement with Ovations, a national concession services provider (also operator at the Isotopes Stadium). Revenue projections are based on event attendance, and reflect a percentage of gross sales that the concessionaire pays the arena for the rights to be the exclusive provider of concessions. The projected per capita revenues for each type of event are based on actual revenues from other arenas that host similar events. Table 6-5 displays the assumptions of gross per capita sales for each type of event, as well as the arena’s share of gross revenue.

Table 6-5

Per Capita Concessions Assumptions		
Event Type	Gross Amount	Arena Share
Minor League Hockey	\$6.50	38%
Arena Football - af2	\$6.50	38%
Family & Ice Shows	\$3.50	38%
Concerts & Ethnic Events	\$6.00	38%
Other Sporting (Boxing, WWE, Monster, HS)	\$5.00	38%
Other Entertainment/Festivals/Broadway	\$5.50	38%
Flat-Floor Events	\$1.00	38%
<i>Source: Johnson Consulting</i>		

It is assumed that the facility will receive 38 percent of concessions revenue, and this commission commonly ranges from 30 to 40 percent.

The facility is expected to have three food outlets, open to the public, as well as food areas dedicated to suite holders and club seat purchasers. One restaurant is anticipated to be double loaded to both the arena concourse and the street. All outlets will offer patron seating with views to the arena floor. These outlets are anticipated to be used during festivals held in the district, and one restaurant may even be open during non-event periods. We believe that these outlets will be successful and will result in bonus concessions for the facility. This factor also recognizes banquets which will be held in the arena’s club and restaurant areas.

Catering – The arena concessionaire will provide suite and club seat catering services to the facility and the arena receives a percentage of gross sales from each event. Table 6-6 displays the gross per capita spending assumptions for

catering, as well as the arena’s commission. The arena is assumed to receive a commission of 25 percent of gross catering sales, because catering has a higher cost structure than concession services.

Table 6-6

Per Capita Catering Assumptions		
Event Type	Premium Seating	Arena Share
Minor League Hockey	\$15.00	25%
Arena Football - af2	\$15.00	25%
Family & Ice Shows	\$8.00	25%
Concerts & Ethnic Events	\$20.00	25%
Other Sporting (Boxing, WWE, Monster, HS)	\$15.00	25%
Other Entertainment/Festivals/Broadway	\$7.00	25%
Flat-Floor Events	\$0.00	25%

Source: Johnson Consulting

- **Novelties** - The projection assumes that arena management will conduct novelty sales in house for its teams and internally produced events. Novelty revenue is projected to range from 30 to 45 percent of gross novelty sales for all events at the arena. This is a comparatively high percentage, but the team and in house novelty costs will be 50 to 55 percent. The balance will be kept by the arena. Similar to concessions revenue, the per capita projections are based on actual sales at comparable facilities. Table 6-7 displays the gross per capita novelty assumptions by event type, as well as the arena’s share of this revenue.

Table 6-7

Per Capita Novelty Assumptions		
Event Type	Gross Amount	Arena Share
Minor League Hockey	\$1.50	45%
Arena Football - af2	\$1.50	45%
Family & Ice Shows	\$1.00	30%
Concerts & Ethnic Events	\$5.00	30%
Other Sporting (Boxing, WWE, Monster, HS)	\$3.50	30%
Other Entertainment/Festivals/Broadway	\$2.50	30%
Flat-Floor Events	\$0.00	30%

Source: Johnson Consulting

Per capita novelty revenue is generally greater during concerts, family shows, and non-recurring sports events, as compared to tenants’ sports events. Sales at tenants’ games are generally lower because fans often attend multiple games per season and will not make repeat purchases of the same novelty items. In this line item, we have also recognized team merchandise

sales, which may or may not occur in the facility. The Isotopes lead the league in team merchandise sales. For team merchandise, we have assumed sales at a dollar per attendee in the arena, times a 45 percent profit margin.

- **Parking** - The developer has entered into an MOU with the City that allows off-peak use for 3,500 spaces in five local parking garages. According to City sources, there are 3,500 parking spaces (out of a total of 17,000 downtown spaces) at five existing city run parking structures, which are less than four blocks from the Arena. The Albuquerque City Council has approved that the City contribute the use of the existing City parking structures. ACEDA will take control of the garages at 5:00 pm on arena dates and will operate a pay on entry program at the arenas during event days and will keep those funds. Management forecasts that 90% of event attendees will travel to events by car and that 65 percent will utilize the City's parking structures. Average parking per capita is just over \$2 per person. Parking costs and pro rata debt service are estimated at 25 percent of sales.
- **Premium Seating** - The projections assume that the arena has two types of premium seating that are leased to individuals and organizations. Front Row Marketing has done the research to the potential sales in this category. We conclude that generally, their projections are reasonable. A discussion of assumptions is provided below.

Luxury suites - Based on the assumed facility size and the configuration of comparable minor league arenas, the projections assume that the arena will have 38 suites, which will consist of a private box with theater-style seats and a private lounge. The contract for the naming rights sponsor will include the cost of a suite, and that revenue is included in this category (and deducted from the naming rights value). The projections assume that the arena will lease the available 12-seat suites to corporations and individuals for an average of \$34,000 per year for terms of five or ten years. The projections assume all 36 suites are revenue generating and given the waiting list at Isotopes Stadium are 100 percent are leased. There are also two 25 seat party suites. It is assumed that they will achieve 1.5 times the rent as the regular suites.

The licensee of each long-term suite will receive 14 suite tickets for all hockey games. For the purposes of this projection, it is assumed that game tickets for the hockey and football games will not be included in a suite package, and that these tickets must be purchased separately if desired by a suite holder. The arena owner will generally provide the following equipment and services in suites:

- color television,

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- heating, air conditioning, and electricity,
- telephone service,
- wet bar,
- maintenance of suite and fixtures,
- routine cleaning,
- catering services
- parking in the suite holders' reserved parking area.

Suite lease rates are inflated in the first renewal year.

Club Seats - The projections assume that the arena includes a section of 700 club seats that offer certain amenities not available in the general seating areas. These club seats are assumed to lease at a rate of \$1,200 per year, which does not include season tickets. The projections assume 90 percent of club seats are sold.

- **Advertising and Sponsorship** - revenues are generated from the inventory of signage located within the arena, including those located in the arena's concourses and on permanent scoreboards. A tenant, such as a hockey or football team, would retain revenues related to on-ice and on-field, dasher board, and temporary signage during its games. The total value of permanent advertising inventory in the facility (not including team-related inventory) is assumed to be \$600,000, and of this amount, 90 percent is assumed to be sold each year. Many advertising contracts are long-term and for a constant annual amount until renewal, but for the purposes of this projection, advertising revenues are inflated each year. We have assumed an equal amount of advertising sales and sponsorships for the sports teams and the promotional arm for in house events, at approximately \$600,000 in the first year.

It is assumed that expenses related to the procurement of advertising revenue are ten percent of gross revenue sold.

- **Naming Rights** - Based on finalized naming rights contracts in similar markets and facilities, the projections assume that the arena secures a naming rights sponsor that will generate a net annual amount of \$400,000.

Of the \$300,000 projected for a new arena in Albuquerque, the facility is projected to receive a net amount of \$242,000 after an allocation of the \$24,000 fulfillment fee and \$34,000 to premium seating revenue for the portion of the total that relates to the luxury suite that will be included in the

naming rights contract. Annual naming rights fees do not inflate and an eight percent sales commission/marketing cost is assumed.

- **Facility Service Fee and/or Box Office Rebate** - Facility service fees are often found in arenas and other public-assembly facilities as a way to financially support operations and debt service payments, particularly in privately-owned facilities that require a return on investment. In some instances, the team or arena negotiate a rebate from their box office service provider. Such fees are commonly \$0.50 to \$1.50, and appear at numerous major professional, collegiate, and minor league facilities. Additionally, it is common for ticketing agencies to rebate up to 30 percent of their convenience surcharge. It is assumed that the facility places a service fee and earns a box office rebate resulting in a combined total of \$0.75 per ticket sold for all ticketed arena events.
- **Other Revenue** - consists of revenue from box office fees and a share of revenue generated from ticket sales through outside agencies, such as TicketMaster or TicketWeb and/or the facility's web site. However, the actual agreements with a ticket agency, and the facility's related revenue, will be negotiated in the future. It assumed that this revenue will be 1.5 percent of total ticket sales revenue.

Operating Expenses

The bases for the non-departmental operating expenses are described below.

Fixed Expenses

As mentioned previously, fixed expenses are those that do not vary based on the specific number of events or attendees at the arena. These expenses are salaries and benefits, general and administrative, the arena management fee, a portion of utilities, repairs and maintenance, insurance, advertising, communications, and miscellaneous expenses.

- **Salaries** - Salary expense for full-time arena staff members in 2007 is projected to be \$1.35 million, based on the experience of comparable arenas. A full-time staff of approximately 28 people is expected for an arena of this size and scope, especially considering the expanded number of self-produced events planned. The number of employees remains constant throughout the projection period, and total salary expense (an average salary of \$45,000 annually) is inflated for the remainder of the projection.

- ***Salary Benefits*** - Benefits for full-time staff members are projected to be 32 percent of salary expense throughout the projection.
- ***General and Administrative*** - General and administrative expenses include several categories, such as supplies, travel, trash, professional services, and others. In 2007, this expense is projected to be \$510,000, and this amount is inflated in future years.
- ***Utilities*** - the fixed component of utilities expense will not be related to the number of events in the arena, as a certain level of expense will be incurred regardless of event demand. It is assumed that fixed utilities expense will be \$500,000 in 2007, which is two-thirds of total utilities expense. This amount is inflated in future years. The variable portion of utility expense is projected based on facility event activity and totals \$267,000 in 2007.
- ***Repairs and Maintenance*** - This item consists of expenses incurred to repair or maintain the arena and its facilities, such as landscaping, plumbing and electrical work, seat repairs, and exterminating. The projection estimates repairs and maintenance expense to be \$200,000 in 2007.
- ***Insurance*** - Based on insurance expense of arenas of similar size and level of activity, the projection estimates insurance expense to be \$175,000 in 2007.
- ***Communications*** - expense is related to telephone services throughout the arena, as well as television service and Internet access. The projection estimates this expense to be \$80,000 in 2007, and this amount is inflated in future years.
- ***Advertising*** - Advertising expense is primarily related to advertising in industry publications and local media outlets, as well as various promotions. This item does not include fulfillment costs for certain revenue-generating items, such as premium seating, that have been presented earlier in this section. In 2007, the projection estimates advertising expense to be \$150,000, and this amount is inflated in future years.
- ***Miscellaneous Expenses*** - include taxes and licenses, publications, uniforms, and other various expenditures. In 2007, the projection estimates miscellaneous expense to be \$150,000, and this amount is inflated for the remainder of the projection.
- ***Team and Promotions Fee*** - AMC will earn two fees, one for team management and one for event promotions. Each fee is calculated at 1.75 percent of gross revenue, or a total of 3.5 percent of gross revenue.

- Hockey and af2 Operations** - As proposed, the tax exempt corporation will own both of the proposed teams and will dedicate any net income from the team's operations to the project. Most teams are privately owned and profit levels vary greatly. We have analyzed the projections of hockey team and af2 team operations. We have included the specific revenues for the teams in the various revenue line items including ticket sales, concessions, and merchandising. To estimate expenses, we were provided with actual operating data from an ECHL team and an af2 team. We have not recognized any savings due to the combined operation of the teams, nor the shorter season of the CHL, however we have estimated approximately \$300,000 in net profits for the combined teams. The expenses for both teams total approximately \$3.5 million in 2007 and again are based on actual expenses for comparable hockey and af2 teams, as reported by the developer. The owner of the Isotopes also owns the Norfolk Tides. He just purchased the Norfolk Admirals and runs both the Tides and Admirals jointly. In his first year of operations, he reportedly trimmed over \$300,000 in operations for both teams, illustrating that a lower cost of operations for the teams may be achievable.

Variable Expenses

Variable expenses are those that fluctuate based on the usage of the arena. These expenses are utilities (not including the fixed portion) and hourly salaries and benefits. Table 6-8 summarizes the assumed per-event variable expenses for all facility events. "Arena" events are all events that use the arena floor.

Table 6-8

Per Event Variable Expense Assumptions	
Expense Type	Arena Events
Utilities	\$2,000
Hourly Labor and Benefits	\$3,500

Source: Johnson Consulting

- Utilities** - Based on the size of the arena, the projection estimates variable utilities expense to be \$2,000 per event held in the arena. The variable amount is \$267,000 in 2007.
- Hourly Labor and Benefits** - This item is dependent on the number of events held in the arena, as temporary workers are needed for event security, set-up, administration, cleaning, and other tasks. However, much of these

expenses are charged to tenants and reimbursed to the facility owner, and this revenue is accounted for in gate and rent revenue. The projection estimates the per-event charge for this category to be \$3,500 for arena events.

- *Deposit to Maintenance Reserve Account* - The maintenance reserve account funds major planned projects such as carpet, equipment, and roof replacement, as well as other scheduled maintenance programs that are not routine or paid for by the facility's repairs and maintenance account. Although facilities often have unique schedules for funding their maintenance reserve account, the annual amount deposited generally increases as a facility ages. The deposit to the maintenance reserve account is assumed to be four percent of gross revenue.
- *Management Fee* - The projections assume that a professional facility management firm is hired to operate the new arena (Global Spectrum). Management fees paid to this type of firm can vary, with guaranteed fees and/or incentives based on the facility's performance. However, the projections assume a management fee expense of \$350,000 in 2007, and this amount is inflated in future years.
- *Arena Surcharge* - As employed at the Isotopes stadium, all revenues generated at the facility, except for the ticket fee/rebate will have a ten percent fee imposed on them to pay for a bond issued by the State of New Mexico for the project. The state is permitting this surcharge in lieu of sales taxes. The par amount of the bonds is \$23.5 million. The arena surcharge is a ten percent charge on items that would typically be subjected to a sales tax, including:
 - Gross ticket revenue at the arena, including sports,
 - Gross concession revenue,
 - Gross novelty revenue,
 - Gross catering revenue,
 - Gross parking revenue,
 - Gross premium seating revenue,
 - Gross advertising and sponsorship revenue,
 - Gross naming rights revenue, and
 - Other revenue.

It does not apply to the facility charge of \$1.50 per attendee.