Pittsburgh Arena Term Sheet

1. The Penguins will enter into a 29.5 year lease for the new arena, commencing upon its opening. The lease will obligate the Penguins to play hockey in the arena for the term of the lease and contain a non-relocation clause.

2. (a) The Penguins will make thirty (30) payments of $3.6M/year throughout the term of the new arena lease.
(b) Upon the opening of the new arena, the SEA will impose a new surcharge on parking. The first $400,000/year of revenue generated from the new parking surcharge will be deposited annually into a capital reserve fund established to maintain and improve the new arena. The balance of the proceeds from the new parking surcharge in excess of $400,000/year shall go to the Penguins.
(c) Upon the opening of the new arena, the SEA, at its expense, shall promptly demolish Mellon Arena and pave, stripe and in all respects prepare the land under Mellon Arena for use as a parking lot. Upon completion of this work, the Penguins shall pay an additional $200,000/year over the life of the lease. This use shall continue until the land under Mellon Arena is developed.

3. The Penguins will manage, operate and maintain the new arena, subject to the terms of its current agreement with SMG, and shall retain all revenues generated from all events at the new arena.

4. Except for the new parking surcharge, all revenue generated from existing surcharges shall go to the Penguins and no new surcharges of any kind shall be imposed without the approval of the Penguins.

5. Prior to redevelopment, the Penguins shall manage, operate, maintain and retain all revenues from all current and future parking lots on the current Mellon arena site.

6. The SEA will provide a 500 space surface lot adjacent to the new arena; the Penguins will manage, operate, maintain and retain all revenues from said lot. Alternatively, the Penguins may elect for the SEA to construct a 500 space structured parking garage adjacent and connected to the new arena in exchange for the Penguins paying an additional $500,000 per year throughout the term of the new arena lease. The parties will agree on a deadline for the Penguins to make such election. If the Penguins inform the SEA of their election to build the garage by May 1, 2007, the SEA will be obligated to complete the garage in time for it to open in conjunction with the opening of the new arena. The Penguins will manage, operate, maintain and retain all revenues from the garage.

7. The arena construction budget will be set at $290M. The budget will cover the following matters:

- Construction
- Design
- Soft Costs
- Eligible pre-development expenses previously incurred by the Penguins in an amount of approximately $6M (Commonwealth and SEA to review and approve the itemized expenses)
- Acceptable design and construction contingencies, including a 5% owner contingency
- Oversight expenses of the SEA, estimated at approximately $2.5M

8. The new arena will be designed with the goal of assuring that all matters listed in Paragraph 7 do not exceed $290M. The Penguins will exercise ultimate control over the design and construction, provided that the Commonwealth and the SEA each shall approve the design.

9. A GMP for the mutually approved arena design will be contracted for at the earliest appropriate time, taking into account the relationship between design certainty and achieving a cost efficient GMP. If the GMP plus the other matters listed in Paragraph 7 ("GMP+") exceed $290M, the Penguins and the Commonwealth agree to split any excess 50/50 up to a GMP+ of $310M. The Penguins will have the right to pay their share of the increase in the GMP+ from $290M to up to $310M in the form of increased annual payments, rather than a lump sum. In the event the GMP+ exceeds $310M, the Penguins shall have the right to terminate their participation in the project without further financial obligation, provided that the parties shall first work together in good faith to redesign and value engineer the arena to lower the GMP+ to a level not exceeding $310M.

10. Once the GMP+ is established, the Penguins shall be responsible for any cost overruns, provided that the Penguins shall have the right to modify the design of the new arena to mitigate such overruns, subject to the reasonable oversight of the Commonwealth and the SEA.

11. The SEA will pay the Penguins $8.5M for the hospital site. The parties recognize that it is essential for the SEA to gain access to the property as soon as possible to begin abatement, demolition and other site work. It is anticipated that the source of the $8.5M will be from bond proceeds over and above the $290M referenced in Paragraph 7. In the event the SEA must access the property to commence its work before the $8.5M is available, the parties will work together to devise an arrangement acceptable to the current mortgage holders of the hospital site to enable conveyance of the hospital site to the SEA as soon as possible.

12. The Penguins shall be reimbursed for legitimate predevelopment costs of approximately $6M out of the $290M referenced in Paragraph 7. To the extent any such costs are not reimbursable from the bond proceeds contemplated to fund the $290M, the Commonwealth will develop an alternative means of delivering this reimbursement to the Penguins.

13. To fund marketing expenses incurred by the Penguins in promoting the Team and/or the current or new arena, the Commonwealth will provide funds for the direct economic benefit of the Penguins in an amount equal to $2M, which the parties contemplate will be paid in a lump sum.

14. $3M from the bond proceeds (over and above the $290M construction budget referenced in Paragraph 7) shall be deposited into a capital reserve fund for the new arena.

15. In the event the City of Pittsburgh amusement tax rate is increased or a comparable tax on tickets or admissions is created or increased at any time during the term of the new arena lease, the Penguins shall receive a credit against their financial obligations under the new arena lease or be paid an amount equal to the proceeds from any such new or increased tax on tickets or admissions for arena events.

16. The SEA shall be responsible for all site conditions on the new arena site and shall be responsible for making the site available for construction of the new arena in a clean, buildable

condition. Utilities and other infrastructure shall be made available in a manner and in locations consistent with the design of the arena.

17. Development Rights:

- For the value and on the terms set forth in this Paragraph 17, the Penguins shall have development rights to the entire Mellon Arena site, as well as any portion of the hospital site which is available for development following construction of the new arena and the agreed upon surface or structured parking facilities built in connection therewith.
- The development rights may be assigned in whole or in part by the Penguins at any time with SEA approval, which shall not be unreasonably withheld or delayed.
- Following execution of the new arena lease, the Penguins shall negotiate, in good faith, terms for PITG Gaming to potentially participate in development rights.
- The Penguins and the SEA shall work together to develop a comprehensive redevelopment plan for the development site. The parties shall work together in a good faith, collaborative manner to promote a timely and desirable redevelopment process. The final redevelopment plan(s) shall be subject to SEA approval, which shall not be unreasonably withheld or delayed.
- The development site shall have a drawdown period of 10 years, commencing on the first anniversary of the later of: (1) the opening of the new arena and (2) the demolition of Mellon Arena and preparation of the land thereunder for use as a parking lot. Upon the commencement of the drawdown period, the Penguins shall be obligated to develop a pro rata portion of the development site during each succeeding twelve month period. For example, if the overall development site is 28 acres, the drawdown schedule would call for development of 2.8 acres per year.
- Upon the Penguins identifying a parcel they wish to be redevelop, the parties shall have the value of the parcel appraised, taking into account its approved use, on a traditional "1/1/1" appraisal method.
- The Penguins are entitled to $15M of credits from redevelopment. Until the entire $15M credit has been received, these credits may be earned in any combination of three ways: first, in the event the Penguins are developing a parcel, the parcel shall be appraised as described above, and the Penguins shall receive a credit against the purchase price in an amount equal to the appraised value; second, the Penguins shall receive the proceeds from the sale or lease of any parcel to a third party, whether by the Penguins or by the SEA; third, at the conclusion of the ten year drawdown period, to the extent the Penguins have not earned credits totaling $15M, the SEA shall pay the shortfall in cash.
- If, on a cumulative basis, the Penguins fail to perform in a timely fashion on the drawdown schedule, the Penguins shall forfeit their development rights with respect to the corresponding amount of land. For example, if the drawdown schedule calls for development of 2.8 acres per year and, at the end of any drawdown year, the Penguins have failed to develop land at a rate of 2.8 acres per year, the Penguins would forfeit their development rights with respect to the number of acres representing the short fall. In every case, the Penguins shall have the right to designate the location of the land on the development site to which its development rights are forfeited.
- Failure to meet the drawdown schedule and/or forfeiture of development rights with respect to any portion of the development site shall not affect the Penguins' right to operate and retain revenue from the present or future parking lots on the Mellon Arena site prior to any such lot being redeveloped; provided, however, that the Penguins shall forfeit their rights with respect to parking upon the 10th anniversary of the beginning of the drawdown period.

18. The Commonwealth of Pennsylvania, Allegheny County and the City of Pittsburgh shall be responsible for the full and timely performance of all public sector obligations.