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New Jersey Economic Development Authority

TELECOPY

DATE: October 26, 1993

FROM: Paul J. St. Onge
609-292-7896

TO:

Gil Sandler	212-775-0222
Alan Aschner	212-775-0222
Bette Renaud	428-0325
Sherrie Gibble	7-3112
Bobby Rand	756-2304
Tom Corcoran	757-9478

Re: **Letter from Brian Becker dated October 26, 1993 regarding financing**

Please call me after you have reviewed the attached.

jb

c. ~~Richard Wright~~ ✓
Caren Franzini
Mike Francois

New Jersey Economic
Development Authority

MEMORANDUM

TO: Distribution

FROM: Paul J. St. Onge
Assistant Director

DATE: October 26, 1993

SUBJECT: **Letter from Brian Becker dated October 26, 1993 regarding financing**

Enclosed herewith you will find a copy of Mr. Becker's response to the proposal we offered by way of my memorandum dated October 21, 1993.

As you will recall, Gil Sandler and Alan Aschner prepared two scenarios whereby Sony Music/PACE would finance a $21.5 million Series A bond issue guaranteed by Sony Music Entertainment and a $3.5 million issue backed by a ticket surcharge and a limited EDA guarantee. Based upon Sony/PACE's projected attendance, the Series B would be paid off in seven (7) years.

Repayment of the $6 million in subordinated UDAG and UDC loans would also be accomplished under this structure. Upon retirement of the Series B issue, all remaining reserves and continuing income are distributed on a 70% (Sony/PACE)-30% (EDA) ratio.

As I recently discussed with Alan Aschner, Mr. Becker's current proposal is a step in the wrong direction. Mr. Becker proposes that interest and principal be paid on the UDC loan, UDAG and the $3.5 million construction shortfall beginning in year 11 using a surcharge of $1.50 per paid admission capped at $650,000 paid tickets annually. Alan Aschner advises that no lender will accept a deferral of principal and interest on the Series B bond ($3.5 million) for that length of time. In fact, interest only payments or a partial interest only payment would not leave enough cash flow in the remaining twenty (20) years of the term to amortize the debt.

As you will note, Mr. Becker is seeking to enhance his cash flow for a minimum of ten years. We have done everything we can to minimize the impact of repaying the UDC and UDAG monies. Without an intervening third party willing to assume repayment obligations during years 1-10, we are unable to provide additional relief to Mr. Becker on the repayment of the $3.5 million Series B bond.

I intend to convey this message to Mr. Becker by the end of today. Please let me know if you have any comments or suggestions regarding this matter.

jlc
Enclosures

DISTRIBUTION:

Gil Sandler
Alan Aschner
Bette Renaud
Sherrie Gibble
Bobby Rand
Tom Corcoran
Richard Wright
Caren Franzini
Mike Francois
Bette Renaud

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October 26, 1993

Mr. Paul St.Onge
N.J. Economic Development Authority
200 S. Warren
CN 990
Trenton, NJ 08625

Dear Paul:

In accordance with our conversations, outlined below please find elements I propose to move our negotiations to completion:

1. I reviewed the new areas of debt which need to be covered from our revenues; namely, UDC, UDAG, and the $3.5 million construction shortfall. I assumed that the UDAG requires no servicing until year 11; the UDC requires no servicing until year eight, and the $3.5 million requires immediate servicing;

2. I took the $3.5 million shortfall; amortized it over 31 years; accrued the first ten years and NPV'd it; the total reamortized over the remaining 21 years. I did the same for years eight, nine and ten of the UDC monies;

3. Taking the UDAG payment per year starting in year 11, and adding to it the payments for the UDC and $3.5 million shortfall (including accrued balances for years eight - ten and one - ten respectively), I determined that approximately $900,000 or so would be required in years 11 through 31 to satisfy the debts. I am prepared to add a ticket surcharge for every paid ticket, including SJPAC tickets, of $1.50 per paid admission, starting in year 11 to accomplish this task. The charges would be capped at 650,000 paid tickets per year. All of the monies would be earmarked to the three debts;

4. In addition to this, I want to accrue $350,000 per year in years one - five, and $425,000 per year in years six - ten of the $21.5 million bond/guaranteed lease. The net present value of this is approximately $2.5 million, which would be added to the lease payments in years 11 through 21 and guaranteed as we have discussed (the surcharges are not to be guaranteed, as we have also discussed);

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Mr. Paul St.Onge
October 26, 1993

5. Lastly, we will have the right to prepay the lease. It is our intent to substantially do so in years one through ten, possibly in the range of $13.0 million - $19.5 million.

Paul, I think that this should provide us a way to get to where we both need to be. Gil will have to be creative, but that is why he gets paid the big bucks. It is essential that I have ten good years of cash flow to satisfy our risks, as well as substantially prepay the lease. There are other points that we have yet to discuss (riparian rights, festival rights, development rights for the adjacent property, etc.), but these can be done in the next phase of our negotiations. <u>Finally, it is absolute essential that you deal with Holt, and anything else which gets us open by mid-July.</u>

I look forward to hearing from you at your earliest convenience.

Best regards,

Brian E. Becker abg

Brian E. Becker
Vice Chairman
PACE Entertainment Corporation

BEB:abg

cc: Mr. Jeff Lewis
Mr. Lew Katz

Via Fax

Dictated but not read.

(stonge.ltr)