

MANAGEMENT AGREEMENT

BETWEEN

THE CITY OF LAREDO, TEXAS

AND

SMG

MANAGEMENT AGREEMENT

THIS MANAGEMENT AGREEMENT (this "Agreement") is dated effective as of the 1st day of December, 2014, by and between the City of Laredo, Texas, an incorporated Home Rule Municipality ("Owner"), and SMG, a Pennsylvania general partnership ("SMG").

BACKGROUND

The Owner is the owner of an arena located in the City of Laredo, Texas, commonly known as the Laredo Energy Arena ("Facility").

It is the Owner's intention that the Facility shall be operated in a professional manner with the objectives of providing a vehicle for the presentation of a variety of cultural, educational, entertainment, sporting, social and other activities; stimulating the economy of the Owner, providing exhibition and meeting facilities for local and other organizations; and, in general, maximizing the utilization of the Facility for the benefit of the Owner, while minimizing, to the extent practicable, the net cost to the Owner.

The Owner has determined that it is in the best interests of the Owner that the management and operating of the Facility be delegated to a private management company with experience and expertise in the management, operation, and marketing of public assembly facilities.

SMG is engaged, among other things, in the business of providing management services, including operations, food and beverage, and marketing services, for public assembly facilities.

The Owner desires to engage SMG, and SMG desires to accept such engagement, to provide management services for the Facility on the terms and conditions set forth herein. The Owner intends to work in mutual accord with SMG in order to ensure provision of high quality management services, thereby enhancing the use and enjoyment of the Facility.

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises, covenants and agreements herein contained, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Definitions

In addition to the capitalized terms defined elsewhere in this Agreement, the following terms have the meanings referred to in this Section 1:

"Affiliate" — a person that directly or indirectly controls or is controlled by, or is under common control with, a specified person. For purposes of this definition, "control" means ownership of equity securities or other ownership interests that represent more than 50% of the voting power in the controlled person.

"Approved Budget" - any budget submitted by SMG, as approved by Owner pursuant to Section 5 hereof.

“Capital Equipment” and “Capital Improvements” - any and all furniture, fixtures, machinery or equipment, either additional or replacement, and any and all building additions, alterations, renovations, repairs or improvements.

“Food and Beverage Revenues” - Operating Revenues derived from the provision of food and beverage concession and catering services at the Facility, less applicable sales taxes.

“Fiscal Year” - a one-year period beginning October 1 and ending September 30.

“Laws” - all federal, state, local and municipal regulations, ordinances, statutes, rules, laws and constitutional provisions.

“Losses” - any and all losses, liabilities, claims, damages and expenses (including reasonable attorneys fees).

“Management Term” - as defined in Section 3.1 hereof.

“Net Operating Loss/Profit” - with respect to a Fiscal Year, the excess, if any, of Operating Expenses for such Fiscal Year over Operating Revenues for such Fiscal Year, in the case of a loss, and the excess, if any, of Operating Revenues for such Fiscal Year over Operating Expenses for such Fiscal Year, in the case of a profit.

“Operating Expenses” — any and all expenses and expenditures of whatever kind or nature incurred, directly or indirectly, in promoting, operating, maintaining and managing the Facility, all as determined in accordance with generally accepted accounting principles, consistently applied, and incurred in accordance with Owner’s policies and procedures in respect of which SMG has received written notice from Owner and which SMG has not disputed in good faith; provided that Operating Expenses shall not include expenses or expenditures in connection with Capital Equipment and Capital Improvements purchases. In addition, in connection with calculating Net Operating Loss/Profit and SMG’s incentive fee hereunder, Operating Expenses shall exclude all emergency and extraordinary expenses and all interest, income tax, depreciation and amortization expenses.

“Operating Revenues” — any and all revenues of every kind or nature derived, directly or indirectly, from owning, operating, managing or promoting the Facility, all as determined in accordance with generally accepted accounting principles, consistently applied.

“Renewal Term(s)” - the additional period for which this Agreement may be renewed in accordance with Section 3.2 hereof beyond the Management Term.

2. Engagement of SMG.

2.1 Subject to the terms and conditions set forth in this Agreement, Owner hereby engages SMG, on an exclusive basis, and as an independent contractor, to manage, operate, and promote the Facility during the Management Term and the Renewal Term(s), if any, and SMG hereby accepts such engagement. In such capacity, SMG shall have exclusive authority over the day-to-day operation of the Facility and all activities therein, including the provision of food and beverage concession and catering services at the Facility. Without limiting the generality of the

foregoing, the services to be provided by SMG shall include those described on Exhibit "A" attached hereto.

2.2 Representatives of the Owner shall have the right to enter all portions of the Facility to inspect same, to observe the performance of SMG of its obligations under this Agreement, to install, remove, adjust, repair, replace or otherwise handle any equipment, utility lines, or other matters in, on, or about the premises, or to do any act or thing which the Owner may be obligated or have the right to do under this Agreement or otherwise. In connection with the exercise of such rights, the Owner will endeavor to provide (but is not obligated to provide) advance notice to SMG for security purposes and to minimize any interference with or disruption of SMG's work under this Agreement. Nothing contained in this Section (i) is intended or shall be construed to limit any other rights of the Owner under this Agreement nor (ii) shall impose or be construed to impose upon the Owner any independent obligation to construct or maintain or make repairs, replacements, alterations, additions or improvements or create any independent liability for any failure to do so.

3. Management Term and Renewal Term(s).

3.1 The Management Term of this Agreement shall commence on December 1, 2014 and end at midnight on November 30, 2019, unless earlier terminated pursuant to the provisions of this Agreement

3.2 This Agreement shall be extended for at least two additional five-year periods (each, a "Renewal Period") commencing at the end of the Management Term, unless either party shall give notice of non-extension at least 180 days prior to the end of the Management Term. In the event of such extension, the Management Term shall be increased to include the Renewal Period and shall be subject to further extension pursuant to the first sentence of this paragraph.

4. SMG's Compensation.

4.1 Management Fees.

(a) As base compensation, SMG shall receive an annual fixed fee of One Hundred Twenty Three Thousand Two Hundred Forty Dollars (\$123,240.00) per Fiscal Year during the Management Term and any Renewal Term(s), subject to the upward movement in the Consumer Price Index – All Urban Consumers (CPI-U) – Selected Arenas (for the region in which the facility resides) – All items, as published by the Bureau of Labor Statistics of the U.S. Department of Labor, effective at the beginning of each year of the contract term.

(b) In consideration of SMG's provision of the food and beverage concession and catering services hereunder, SMG shall be entitled to a fee equal to four percent (4%) of the Food and Beverage Revenues, provided that such services generate a 30% operating margin on an annual basis. In connection with SMG's monthly report under Section 6.3 hereof, SMG will provide a report to the Owner showing such revenues for the immediately preceding month and the calculation of such fee, and SMG shall be paid such fee within five (5) days after its receipt of such report, with a reconciliation performed on an annual basis.

4.2 Incentive Fee.

(a) In addition to the fees described in Section 4.1 above, SMG shall be entitled to an annual quantitative incentive fee with respect to each Fiscal Year hereunder during the Management Term and Renewal Term(s), if any, equal to thirty percent (30%) of the Net Operating Profit, if any, for such Fiscal Year.

(b) The incentive fee determined pursuant to Section 4.2(a) above shall be payable to SMG within 30 days after the Owner's receipt of an invoice from SMG setting forth the Operating Revenues, Operating Expenses and Net Operating Profit/Loss for the previous Fiscal Year and showing the calculation of the incentive fee payable with respect to such Fiscal Year. If the Owner exercises its right to audit the annual financial statement as provided in Section 6.1 hereof for any Fiscal Year, SMG shall recalculate the incentive fee payable for that Fiscal Year based upon such audited numbers. In the event that the amount of the incentive fee which was paid based on SMG's invoice differs from such recalculated amount, SMG shall promptly remit to the Owner any excess amount which was paid, or the Owner shall promptly pay the shortfall, as the case may be.

4.3 Fee Structure. In the event that bond counsel for the Owner has determined that the compensation structure hereunder fails to meet the requirements of Rev. Proc. 97-13 under the Internal Revenue Code of 1986, as amended, the parties shall negotiate in good faith an alternative fee structure designed to meet such requirements, which structure shall be agreed upon in writing by the parties.

4.4 Evaluation. The City has the option to conduct a yearly performance evaluation. Evaluation areas may include, without limitation, number and quality of events; maintenance of Facility; promotional efforts; financial accountability; and, etc.

5. Budgets; Bank Accounts.

5.1 Budgets.

(a) As part of the annual plan described in Section 6.2 herein, SMG will prepare an annual operating budget and annual cash flow budget for the next Fiscal Year to perform the services hereunder and meet the objectives under this Agreement. Such annual budgets shall be reviewed and are subject to approval by Owner. The timing of the submission of such budgets and such annual plan and of Owner's approval thereof will be mutually agreed upon by the parties.

(b) Once approved, the Approved Budgets may be amended by the parties pursuant to procedures mutually agreed upon by the parties.

5.2 Receipts and Disbursements.

SMG shall establish and maintain in one or more depositories one or more operating, payroll and other bank accounts for the promotion, operation and management of the Facility, in the name of Owner, with SMG having signature authority in such employees of SMG

as SMG shall determine. All Operating Revenues collected by SMG shall be deposited into such accounts and Operating Expenses shall be paid by SMG on behalf of Owner from such accounts. The funding of all of the foregoing accounts shall be made by Owner to cover all projected Operating Expenses at the Facility to the extent not covered by the Operating Revenues.

5.3 Capital Equipment; Capital Improvements.

The obligation to pay for, and authority to perform, direct and supervise Capital Equipment and Capital Improvements purchases shall remain with Owner and will not be considered Operating Expenses. The annual plan submitted pursuant to Section 6.2 shall include SMG's recommendation for Capital Equipment and Capital Improvements purchases to be accomplished during the year and shall be accompanied by an estimate of the cost of all such items and projects and a request that Owner budget funds therefor. Owner shall retain the discretion to determine whether and to what level to fund Capital Equipment and Capital Improvements purchases to the Facility.

5.4 Limitation of SMG Liability.

Notwithstanding any provision herein to the contrary and except for SMG's express indemnification undertakings in Section 8.1, SMG shall have no obligation to fund any cost, expense or liability with respect to the design, development, construction, operation, management or promotion of the Facility.

5.5 SMG Contribution.

(a) If the City so chooses, SMG is willing to contribute to the Facility the sum of Three Hundred Thousand Dollars (\$300,000.00), Fifty Thousand Dollars (\$50,000) of which shall be used for the enhancement of Food and Beverage operations at the facility and the remaining Two Hundred Fifty Thousand Dollars (\$250,000) of which may be used for any lawful purpose related to the Facility, as the Owner determines in its sole discretion.

(b) Amortization of the SMG Contribution. The amount of the SMG Contribution shall be amortized over a period of fifteen (15) years commencing as of the date that the Contribution is made, on a straight-line, non-cash, non-interest bearing basis. In the event of the expiration or termination of this Agreement for any reason, the Owner shall pay, or cause any successor management company to pay, to SMG unconditionally and without set-off the unamortized amount of the SMG Contribution existing as of such expiration or termination. The payment of any such unamortized amounts shall be made to SMG no later than thirty (30) days following the effective date of such expiration or termination.

6. **Records, Audits, and Reports.**

6.1 Records and Audits.

SMG shall keep full and accurate accounting records relating to its activities at the Facility and shall provide to the Owner monthly financial statements in a format similar to that used in other SMG-managed facilities. SMG shall give the Owner's authorized representatives access to such books and records maintained at the Facility during reasonable

business hours and upon reasonable advance notice. SMG shall keep and preserve for at least five (5) years (or such other time as may be required by law) following each Fiscal Year all sales slips, rental agreements, purchase order, sales books, credit card invoices, bank books or duplicate deposit slips, and other evidence of Operating Revenues and Operating Expenses for such period. Additionally, SMG shall deliver to the Owner annual financial statements within ninety (90) days after the close of each Fiscal Year with a statement that they were prepared in accordance with generally accepted accounting principles. The Owner shall have the right to conduct an audit of any annual report delivered in connection with this Section 6.1 and/or any monthly report delivered hereunder. In the event additional costs and expenses relating to field visits to the Facility by auditors are incurred due to errors and/or omissions in the financial statements prepared and delivered by SMG hereunder, SMG shall be liable for such additional costs and expenses.

6.2 Annual Plan.

During the Management Term and the Renewal Term(s), if any, SMG shall provide to Owner an annual management plan, which shall include the annual operating budget and annual cash flow budget described in Section 5.1 for the next Fiscal Year. The annual plan shall include information regarding SMG's anticipated operations for such Fiscal Year and requested Capital Equipment and Capital Improvements purchases, and anticipated budgets therefor. The annual plan shall be subject to review, revision and approval by Owner.

6.3 Monthly Reports.

By the twentieth (20th) day of each month during the Management Term, SMG shall provide to Owner a written monthly report in a form approved by Owner setting out the Facility's anticipated activities and financial condition for the upcoming month and reporting on the prior month's activities and finances.

7. **SMG Employees.**

7.1 During the Management Term and the Renewal Term(s), if any, SMG shall select, train and employ at the Facility such number of employee(s) as SMG deems necessary or appropriate to satisfy its responsibilities hereunder, and SMG shall have authority to hire, terminate and discipline any and all personnel working at the Facility. SMG shall assign to the Facility a competent general manager and prior to SMG's appointment of such general manager, SMG shall consult with the Owner with respect to the qualifications of the general manager proposed by SMG..

7.2 SMG employees at the Facility shall not for any purpose be considered to be employees of Owner, and SMG shall be solely responsible for their supervision and daily direction and control and for setting, and paying as an Operating Expense, their compensation (including federal, state and local income tax withholding) and any employee benefits, and all costs related to their employment shall be an Operating Expense.

7.3 During the period commencing on the date hereof and ending one (1) year after the expiration or termination of this Agreement, except with SMG's prior written consent, the Owner will not, for any reason, directly or indirectly, solicit for employment, or hire, any of the

senior management personnel employed by SMG at the Facility, including, without limitation, the general manager, director-level employees and department heads. In addition to any other remedies which SMG may have, specific performance in the form of injunctive relief shall be available for the enforcement of this provision.

8. Indemnification and Insurance.

8.1 Indemnification.

(a) SMG shall indemnify, defend and hold harmless the Owner, its officers, agents and employees from and against any and all Losses arising from any material default or breach by SMG of its obligations specified herein; provided, however, that the foregoing indemnification shall not extend to Losses to the extent such Losses (i) arise from any breach or default by the Owner of its obligations under Section 8.1(b) below, (ii) are of the type that are or would normally be covered by commercial insurance covering (A) the Facility and its premises and the Owner's personal property located therein for physical damage or other Loss, and (B) business interruption and extra expenses, irrespective of the decision of the Owner to carry or not to carry such insurance, (iii) are caused by or arise out of the services provided by the architects, engineers and other agents (other than SMG) retained by the Owner in connection with Capital Improvements or Capital Equipment purchases at the Facility, or (iv) relate to or arise from occupational related diseases of any Owner employees who provide any services at the Facility (whether as an employee of the Owner or as a part-time employee of SMG). Notwithstanding the foregoing, to the extent that such occupational disease described in clause (iv) above is demonstrated to be directly related to the work of any such Owner employee at the Facility, then the provisions of clause (iv) shall not apply to the extent thereof.

(b) The Owner shall indemnify, defend and hold harmless SMG, its partners, officers, agents and employees from and against any and all Losses arising from (i) any material default or breach by the Owner of its obligations specified herein, (ii) the fact that at any time prior to, as of, or after the commencement of the Management Term hereunder the Facility has not been operated, or the Facility and its premises are not or have not been, in compliance with all Laws, including, but not limited to, the ADA, (iii) the fact that prior to, as of, or after the commencement of the Management Term hereunder there is any condition on, above, beneath or arising from the premises occupied by the Facility which might, under any Law, give rise to liability or which would or may require any "response," "removal" or "remedial action" (as such terms are defined under CERCLA), (iv) any structural defect or unsound operating condition with respect to the Facility or the premises occupied by the Facility prior to, as of or after the commencement of the Management Term hereunder, (v) any obligation or liability for physical damage or other Loss to any real property and personal property assets located at the Facility or intended to be incorporated therein, whether such assets are insured by the Owner or whether the Owner decides not to insure for such damage and Losses (including without limitation damages or Losses falling within any insurance deductible), (vi) any non-compliance with any Pre-Existing Agreement on or prior to the commencement of the Management Term, or (vii) any act or omission carried out by SMG at or pursuant to the direction or instruction of the Owner, its agents or employees; provided, however, that the foregoing indemnification under clauses (i) and (ii) above shall not extend to Losses to the extent such Losses arise from any default or breach by SMG of its obligations specified herein.

(c) The indemnity obligations of the parties hereunder shall survive the expiration or termination of this Agreement. IN NO EVENT SHALL EITHER PARTY BE LIABLE OR RESPONSIBLE FOR ANY CONSEQUENTIAL, INDIRECT, INCIDENTAL, PUNITIVE, OR SPECIAL DAMAGES (INCLUDING, WITHOUT LIMITATION, LOST PROFITS), WHETHER BASED UPON BREACH OF CONTRACT OR WARRANTY, NEGLIGENCE, STRICT TORT LIABILITY OR OTHERWISE, AND EACH PARTY'S LIABILITY FOR DAMAGES OR LOSSES HEREUNDER SHALL BE STRICTLY LIMITED TO DIRECT DAMAGES THAT ARE ACTUALLY INCURRED BY THE OTHER PARTY.

8.2 Insurance.

SMG shall secure and deliver to the Owner prior to the commencement of the Management Term hereunder and shall keep in force at all times during the Management Term and the Renewal Term(s), if any, a commercial general liability insurance policy and automobile liability insurance policy and such other insurance policies as are described in Exhibit "B" hereto.

9. **Assignment.**

Neither this Agreement nor any of the rights or obligations hereunder may be assigned by either party hereto without the prior written consent of the other party hereto. For sake of clarity, the parties acknowledge that the foregoing does not preclude the assignment by SMG of its rights to receive its management and incentive fees hereunder to its lender(s) as collateral security for SMG's obligations under any credit facilities provided to it by such lender(s), provided that such collateral assignment shall not in any event cover SMG's rights to manage, promote or operate the Facility hereunder.

10. **Termination.**

10.1 Termination Upon Default.

Either party may terminate this Agreement upon a default by the other party hereunder. A party shall be in default hereunder if (i) such party fails to pay any sum payable hereunder within thirty (30) days after same is due and payable, or (ii) such party fails in any material respect to perform or comply with any of the other terms, covenants, agreements or conditions hereof and such failure continues for more than sixty (60) days after written notice thereof from the other party. In the event that a default (other than a default in the payment of money) is not reasonably susceptible to being cured within the sixty (60) day period, the defaulting party shall not be considered in default if it shall within such sixty (60) day period have commenced with due diligence and dispatch to cure such default and thereafter completes with dispatch and due diligence the curing of such default.

10.2 Effect of Termination or Expiration.

In the event this Agreement expires or is terminated, (i) all Operating Expenses incurred or committed for prior to the date of expiration or termination shall be paid using funds on deposit in the account(s) described in Sections 5.2 and to the extent such funds are not sufficient, Owner shall pay all such Operating Expenses, (ii) Owner shall promptly pay SMG all

fees earned to the date of expiration or termination (the fees and rebate described in Sections 4.1, 4.2 and 4.3 hereof (as applicable) being subject to proration), and (iii) without any further action on the part of SMG or Owner, Owner shall, or shall cause another management company retained by it to, accept the assignment of SMG's rights, and assume and perform all of SMG's obligations, arising after the date of expiration or termination of this Agreement, under any licenses, occupancy agreements, rental agreements, booking commitments, advertising agreements, concession agreements, and any other contracts relating to the Facility which have been executed by SMG hereunder, except (A) to the extent that any such license, agreement, commitment or contract was executed by SMG in violation of any of the restrictions applicable to SMG's right to execute such licenses, agreements, commitments or contracts contained in this Agreement and (B) for any such license, agreement, commitment or contract to which the consent of the other party thereto is required for such assignment and assumption unless such consent is obtained (in the case of any such consent, SMG will use commercially reasonable efforts to obtain such consent and Owner will cooperate in any reasonable manner with SMG to obtain such consent). Upon termination or expiration, all further obligations of the parties hereunder shall terminate except for the obligations that are expressly intended to survive the termination or expiration of this Agreement, including, without limitation, Sections 7.3, 8.1, 10.2 and 10.3.

10.3 Surrender of Premises.

Upon termination or expiration of this Agreement, SMG shall surrender and vacate the Facility upon the effective date of such termination or expiration. The Facility and all equipment and furnishings shall be returned to Owner in good repair, reasonable wear and tear excepted, to the extent funds were made available therefor by Owner. All reports, records, including financial records, and documents maintained by SMG at the Facility relating to this Agreement other than materials containing SMG's proprietary information or property shall be immediately surrendered to Owner by SMG upon termination or expiration.

11. **Miscellaneous.**

11.1 Certain Representations and Warranties.

(a) Owner represents and warrants to SMG the following: (i) all required approvals have been obtained, and Owner has full legal right, power and authority to enter into and perform its obligations hereunder, (ii) this Agreement has been duly executed and delivered by Owner and constitutes a valid and binding obligation of Owner, enforceable in accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar Laws affecting creditors' rights generally or by general equitable principles, and (iii) the execution and delivery of this Agreement will not violate or cause a breach (with or without notice or the passage of time) under any agreement to which Owner is a party, including, without limitation, the City Agreement

(b) SMG represents and warrants to Owner the following: (i) all required approvals have been obtained, and SMG has full legal right, power and authority to enter into and perform its obligations hereunder, and (ii) this Agreement has been duly executed and delivered by SMG and constitutes a valid and binding obligation of SMG, enforceable in

accordance with its terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar Laws affecting creditors' rights generally or by general equitable principles.

11.2 Certain Other Provisions.

(a) Cooperation. The parties desire to cooperate with each other in the management and operation of the Facility pursuant to the terms hereof. In keeping with this cooperative spirit and intent, any dispute arising hereunder will first be referred to the parties' respective agents or representatives prior to either party initiating a legal suit, who will endeavor in good faith to resolve any such disputes within the limits of their authority and within sixty (60) days after the commencement of such discussions. If and only if any dispute remains unresolved after such sixty day period, then either party may initiate litigation and/or terminate this Agreement.

(b) No Partnership or Joint Venture. Nothing herein contained is intended or shall be construed in any way to create or establish the relationship of partners or a joint venture between Owner and SMG.

(c) Entire Agreement Amendments. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings with respect thereto. No other agreements, representations, warranties or other matters, whether oral or written, will be deemed to bind the parties hereto with respect to the subject matter hereof. This Agreement shall not be altered, modified or amended in whole or in part, except in a writing executed by each of the parties hereto.

(d) Force Majeure. No party will be liable or responsible to the other party for any delay, damage, loss, failure, or inability to perform caused by "Force Majeure" if notice is provided to the other party within ten (10) days of date on which such party gains actual knowledge of the event of "Force Majeure" that such party is unable to perform. The term "Force Majeure" as used in this Agreement means the following: an act of God, strike, war, public rioting, lightning, fire, storm, flood, explosions, inability to obtain materials, supplies, epidemics, landslides, lightning storms, earthquakes, floods, storms, washouts, civil disturbances, explosions, acts of terrorism, breakage or accident to machinery or lines of equipment, temporary failure of equipment, freezing of equipment and any other cause whether of the kinds specifically enumerated above or otherwise which is not reasonably within the control of the party whose performance is to be excused and which by the exercise of due diligence could not be reasonably prevented or overcome.

(e) Binding Upon Successors and Assigns. This Agreement and the rights and obligations set forth herein shall inure to the benefit of, and be binding upon, the parties hereto and each of their respective successors and permitted assigns.

(f) Notices. Any notice, consent or other communication given pursuant to this Agreement will be in writing and will be effective either (a) when delivered personally to the party for whom intended, (b) on the second business day following mailing by an overnight courier service that is generally recognized as reliable, (c) on the fifth day following mailing by

certified or registered mail, return receipt requested, postage prepaid, or (d) on the date transmitted by telecopy as shown on the telecopy confirmation therefor as long as such telecopy transmission is followed by mailing of such notice by certified or registered mail, return receipt requested, postage prepaid, in any case addressed to such party as set forth below or as a party may designate by written notice given to the other party in accordance herewith.

To Owner:

The City of Laredo, Texas
1110 Houston Street
City Hall
Laredo, Texas 78040
Attention: City Manager
Telecopy: (956) 791-7498

To SMG:

SMG
300 Conshohocken State Road
Suite 400
West Conshohocken, PA 19428
Attention: President
Telecopy: (610) 729-1590

With a copy to:

Stradley, Ronon, Stevens & Young
2600 One Commerce Square
Philadelphia, PA 19103
Attention: William R. Sasso, Esq. Or
Steven A. Scolari Esq.
Telecopy: (215) 564-8120

(g) Governing Law; Counterparts. This Agreement will be governed by and construed in accordance with the internal Laws of the State of Texas, without giving effect to otherwise applicable principles of conflicts of law. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original copy of this Agreement, and all of which, when taken together, shall be deemed to constitute but one and the same agreement.

(h) Severability. The invalidity or unenforceability of any particular provision, or part of any provision, of this Agreement shall not affect the other provisions or parts hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provisions or parts were omitted.

(i) Non-Waiver. A failure by either party to take any action with respect to any default or violation by the other of any of the terms, covenants, or conditions of this Agreement shall not in any respect limit, prejudice, diminish, or constitute a waiver of any rights

of such party to act with respect to any prior, contemporaneous, or subsequent violation or default or with respect to any continuation or repetition of the original violation or default.

(j) Governmental Compliance. Nothing in this Agreement shall require SMG to undertake any of compliance activity to meet requirements under any Law, nor shall SMG have any liability under this Agreement therefor, if such activity requires any Capital Improvements or Capital Equipment purchases, unless Owner provides funds for such Capital Improvements and Capital Equipment purchases. Except for the foregoing and subject to available funding, SMG shall operate the Facility in compliance with all applicable Laws.

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties hereto as of the day and year first above written.

THE CITY OF LAREDO, TEXAS ("Owner")

By: 
Name: Carlos R. Villarreal
Title: City Manager

SMG

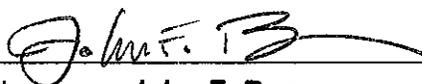
By: 
Name: John F. Burns
Title: Chief Financial Officer

EXHIBIT "A"

Services

Without limiting the generality of Section 2.2 of this Agreement, SMG shall have, without (except as otherwise expressly noted below) any prior approval by Owner, sole right and authority to:

(a) Provide or cause to be provided, through itself and/or one or more of its Affiliates and/or third party subcontractors, booking services, catering and concession services, decorating services, maintenance services, and all other services in connection with the management, promotion and operation of the Facility.

(b) Negotiate, execute in its name, deliver and administer any and all licenses, occupancy agreements, rental agreements, booking commitments, advertising and sponsorship agreements, catering and concession agreements, decorating agreements, supplier agreements, service contracts and all other contracts and agreements in connection with the management, promotion and operation of the Facility, provided that if any such license, agreement, commitment or contract other than those involving the license, lease or rental of any of the Facility (or any portion thereof) in the ordinary course has a term that extends beyond the remaining Management Term, such license, agreement, commitment or contract shall be approved in advance by Owner (which approval shall not be unreasonably withheld). In addition, SMG shall comply with the instructions of Owner in respect of any requirements under the Tex. Loc. G. Code (pertaining to Competitive Bidding Requirements and the Procurement Act). In addition, SMG may rent the Facility or any part thereof to itself in connection with any event in the promotion of which SMG is involved, so long as such rental is on prevailing rates and terms or such other rates and terms as Owner approves. SMG shall use its best efforts and judgment so as not to book an event that it believes will offend the City of Laredo and its immediately surrounding areas;

(c) Establish and adjust prices, rates and rate schedules for the aforesaid licenses, agreements and contracts and any other commitments relating to the Facility to be negotiated by SMG in the course of its management, operation and promotion of the Facility. In determining such prices and rate schedules, SMG shall evaluate comparable charges for similar goods and services at similar and/or competing facilities and shall consult with the Owner about any adjustments to the rate schedules at the Facility to be made by SMG;

(d) To the extent that Operating Revenues or funds supplied by Owner are made available therefor, (i) maintain the Facility in the condition received, reasonable wear and tear excepted, and (ii) rent, lease or purchase all equipment and maintenance supplies necessary or appropriate for the operation and maintenance of the Facility; provided that Owner shall be responsible for undertaking all Capital Improvements and Capital Equipment purchases as provided in Section 5.3;

(e) Pay, when due, on behalf of Owner, all Operating Expenses from accounts established pursuant to Sections 5.2 of this Agreement;

(f) after consultation with the Owner's attorney or his/her designee, institute for the Owner and at the reasonable expense of the City, with counsel selected by SMG, such legal actions or proceedings as SMG shall deem necessary or appropriate in connection with the operation of the Facility, including, without limitation, to collect charges, rents or other revenues due to the Owner or to cancel, terminate or sue for damages under, any license, use, advertisement or concession agreement for the breach thereof or default thereunder by any licensee, user, advertiser, or concessionaire at the Facility; and

(g) Engage in such advertising, solicitation, and promotional activities as SMG deems necessary or appropriate to develop the potential of the Facility and the cultivation of broad community support.

EXHIBIT "B"

Insurance

(a) SMG shall secure and deliver to the Owner prior to the commencement of the Management Term hereunder and shall keep in force at all times during the Management Term and the Renewal Term(s), if any:

(i) a commercial liability insurance policy, including, independent contractors, contractual liability, products and completed operations, liquor liability (as long as SMG is providing the food and beverage and catering services hereunder; otherwise, it should be contingent liquor liability), personal and advertising injury, public liability and property damage, covering the premises, the operations hereunder, in the amount of One Million Dollars (\$1,000,000.00) per occurrence for bodily injury and One Million Dollars (\$1,000,000.00) per occurrence for property damage. The policy shall include medical liability for EMT's if any while working for SMG;

(ii) an umbrella liability insurance policy with a limit of Five Million Dollars (\$5,000,000) in the aggregate;

(iii) a comprehensive automotive bodily injury and property damage insurance policy for business use covering all vehicles operated by SMG officers, employees in connection with the Facility, whether owned by Owner, or otherwise, with a combined single limit of not less than One Million Dollars (\$1,000,000.00) per occurrence (including an extension of hired and non-owned coverage);

(iv) worker's compensation insurance (including occupational disease hazards) with an authorized insurance company or through the Texas State Compensation Insurance Fund;

(v) fidelity/crime insurance covering SMG's employees,

(b) Owner shall cause SMG to be named as an additional insured under all of the Owner's property and hazard insurance policies covering or relating to the Facility. Nothing in this Agreement is intended to require SMG to maintain property and hazard insurance covering the premises at the Facility or business interruption insurance covering the interruption of operations by or for whatever cause at the Facility.

(c) The terms of all insurance policies referred to in Section 8.2 of the Agreement and on this Exhibit "B" shall preclude subrogation claims against SMG, the Owner and their respective partners, members, officers, directors, employees and agents.

(d) SMG shall be the named insured(s) under all of the liability described in paragraph (a) above. The Owner shall be an additional insured under the insurance described in paragraph (a)(i), (ii) and through (iii) above. The insurance maintained by each party hereunder shall contain a provision covering the parties' SMG's indemnification liabilities to each other.

(e) Certificates evidencing the existence of the above policies shall be delivered by each party to the other prior to the commencement of the Management Term. Notwithstanding the provisions of Section 8.2 and this Exhibit "B", the parties hereto acknowledge that the above insurance may contain exclusions from coverage which are reasonable and customary for insurance of such type. Each such policy or certificate shall contain a valid provision or endorsement stating, "This policy will not be canceled or materially changed or altered without first giving thirty (30) days' written notice thereof, sent by certified mail, return receipt requested, to (i) in the case of SMG's policies, the City of Laredo, Texas, at 1110 Houston Street, City Hall, Laredo, Texas 78042, Attention: City Manager, and the City of Laredo, Texas, at 5512 Thomas Street, Laredo, Texas 78042, Attention: Risk Management, and (ii) in the case of the City of Laredo's policies, SMG, 300 Conshohocken State Road, Suite 400, West Conshohocken, PA 19428, Attention; Vice President of Risk Management."

(f) A renewal binder of coverage shall be delivered by the named insured to the other party at least twenty (20) days after a policy's expiration date, with a complete copy of such renewal insurances to follow.