

The first issue has to do with the guarantees provided by the owners. Our guarantees are collateralized by the net worth of the individual owners. The net worth of the individual owners is represented to us by a certification that their net worth is equivalent or greater than the amounts specified in the contract. What we do not know is what other pledges are levied against assets composing their net worth. We also do not know to what degree the value of the owner's interest in the Predators is utilized in the net worth certification.

One way around these issues could be a requirement that the amount be backed up by an equity certification that is free of contingent liabilities and does not include the ownership interest in the team. With this type of equity certification, we are at least assured that the owners have equivalent unpledged assets to meet their guarantee obligations.

Another way around the shaky guarantee situation would be to require that the owners' guarantees be modified to a "joint and several" liability. I could be wrong but it seems that in one of the earlier versions of our agreement, the concept of "joint and several" was included in terms of our guarantees. The final version did not utilize this method of insuring our interest. Given the difficulties of protecting the city's interests within the changing financial conditions of at least some of the owners (Del Biaggio and Freeman), the requirement of a "joint and several" guarantee would put the responsibility upon the ownership group to sort out how they would come up with the necessary equity to respond to a claim. In my quick overview of the guarantee required by the NHL, I believe that the use of a "joint and several" liability is in place.

Another issue is the condition of the loan with CIT. Although it was requested by Steve North @ an earlier Sports Authority meeting, I don't believe that we have received a assurance letter from CIT that we would be immediately notified if a default condition occurs (or has occurred) with respect to the CIT loan. When asked at our executive session if the Predators could possibly be in default with CIT, Larry responded by saying that they very well could be. I don't think that this is something that we can ignore. We need to know if our partner is in default with their senior lender. I hope that you will address this issue in your meeting.

In connection with the financial viability of the team, we need to have a sense of where the team is in terms of the "20 million dollar cumulative operating loss". Although their recorded attendance is over 14,000/game, do we know what their paid attendance numbers are??? That attendance number combined with the cumulative operating loss should become our "stability index" for the Predators. As much as they might want to continue in Nashville, those numbers could produce a situation in which they are just not able to remain. An understanding of their financial condition could become a type of "early warning" system for us...so that, if necessary, we could put some type of contingency planning in place.