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July 19, 2011

Charlie Faas  
Executive Vice President and Chief Financial Officer  
HP Pavilion Management  
525 West Santa Clara Street  
San Jose, CA 95113

Dear Charlie:

This letter is to advise you and representatives of HP Pavilion Management that a series of Arena Fees, as identified in the Amended and Restated Arena Management Agreement Between the City of San Jose and HP Pavilion Management, are due to the City on August 1, 2011. As you know, the payments scheduled for August 1, 2011 are identified as City Related Accounts and are based on the Extended Term provisions of the Management Agreement. For your reference, August 1, 2011 constitutes Term Year 19 with a list of the 19<sup>th</sup> term year fee items listed below:

- Building Rent
- Hockey Rent
- Building Naming Revenue
- Pavilion Club Naming Revenue (due October 10<sup>th</sup> of each year during term)
- Capital Repairs and Replacements Reserve Fund
- Pavilion On-Site Parking (per April 24, 2007 Addendum)

In determining fee payment calculations, Manager is entitled to deduct from the Arena Fees any portion of any possessory interest property tax imposed on Manager (but excluding any possessory interest taxes assessed on the Sharks offices and club) which is allocated to and received by the City or the Redevelopment Agency, less set asides required under state law. Please note that the Arena Fees do not include additional fees to be paid under separate agreements with the City. These include payment to the City for the lease of the Pavilion City Suite (C-11) for certain events, Pavilion Citrix suite naming rights payment, additional rent for Sharks Ice at San Jose, and a revenue sharing payment for Pavilion distilled spirits advertising.

Following HP Pavilion Management's submittal of the August 1, 2011 payment to the City, the Arena Authority will be in contact with you to arrange a meeting with City representatives. As has been the practice in previous years, the purpose of the meeting will be for all parties to review pertinent records and calculations that were applied to determine the annual payments made to the City. Per the terms of the Management Agreement, please provide in advance the necessary supporting documents and financial records to the City for the City Related Accounts in preparation of the annual payment review meeting. If you have any comments or questions relating to the items addressed in this correspondence please feel free to contact me.

Sincerely,



Chris Morrisey  
Executive Director

**Charlie Faas**  
**July 19, 2011**  
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c: Members of the Arena Authority Board of Directors  
Patricia Deignan, City Attorney's Office  
Claudia Kwok Chang, City Manager's Budget Office  
Sharon Winslow Erickson, City Auditor's Office