



November 5, 2007

By Hand Delivery

Montgomery County Executive Isiah Leggett
101 Monroe Street
2nd Floor
Rockville, Md. 20850

Dear County Executive Leggett:

We understand that you have plans to move forward with a potential partner to provide a music venue at the former J.C. Penney site in Silver Spring. However, the letter of intent you have is non-binding and does not include any restriction on the County's ability to negotiate with other parties qualified to develop the site as a performing arts facility. We therefore hope you will take a moment to evaluate another choice, offered by It's My Party, Inc., a Maryland corporation doing business as I.M.P.

We believe your reputation as a fair-minded decision maker entrusted with carefully spending taxpayer dollars suggests you would want to be apprised of an industry-leading, locally based company that shares your goals of making that property a luminous destination for music lovers, a magnet for other businesses, and the pride of Montgomery County.

Simply put, I.M.P. can provide a superior music venue at a dramatically reduced cost to the taxpayer.

As background, I am a life-long resident of Montgomery County and formed I.M.P. in 1980. With a history of bringing world-class entertainment to the area, I.M.P. is uniquely positioned to develop the location, as we have a demonstrated understanding of how to balance the needs of local residents, the business community, concertgoers, the music industry and local government. Over the last 27 years, I.M.P. has put on nearly 10,000 events, hosting millions of fans.

Since 2003 we have managed the operations of the Merriweather Post Pavilion, a 19,000-person venue. Just a few years ago, Merriweather Post Pavilion was inches away from closing forever. I.M.P. was entrusted to redevelop the facility, and I'm pleased to report that it has once again earned the respect of concertgoers, artists and government officials as one of the East Coast's most vibrant, cherished and successful music venues. We've received numerous industry awards, and recently the Howard County government honored us for our efforts to protect the environment with our ongoing Green initiatives.

We produce live music concerts at other venues in the Baltimore/Washington area, including the Music Center at Strathmore, and the Lyric Theatre and Meyerhoff Symphony Hall in Baltimore.

We own and operate the 9:30 Club, a 1,200-person venue. It is the most successful club in the nation, selling more tickets per year than any other club venue, according to industry trade institution Pollstar. Selling tickets is one measure, but we also believe that another measure of our success is due to our continuing efforts to partner with minority businesses, vendors, employees and fans.

We are also the company that launched the Virgin Festival in the U.S., which is held at Pimlico, creating one of the most anticipated and successful music events on the East Coast. And we're right here, in Montgomery County, Md.

This proven track record is what we would bring to a partnership with you to create a facility that would be the pride of Montgomery County. If the county works with local business owners, it will strengthen the overall Silver Spring business community, enhance resident support and will ultimately make downtown Silver Spring the jewel of Montgomery County.

We are excited about a new venue as we can explore comedy, jazz, and other genres, which we have previously had limited opportunities to present. I.M.P would look to the community for its input on the type of entertainment programming that it desires. Consistent, best-of-the-genre programming is the hallmark of our history and we will provide the best entertainment that meets the desires of the community here.

With a choice of venues of this size, I.M.P. has the ability to book acts according to local tastes, a flexibility that is unmatched by others. Our other venues have established reputations for providing cream-of-the-crop acts and, with our finger on the pulse of the community, we will create an experience that will make this a destination for entertainment lovers of all varieties.

What follows is a non-binding proposal by I.M.P. for the construction and operation of a performing arts facility at the former J.C. Penney site located at 8656 Colesville Road, Silver Spring. I.M.P. is immediately prepared to enter into negotiations for a binding letter of intent, lease and/or other transaction documents in order to accomplish the opening of the venue by May 2010.

As shown in the attached "Outline of Venue Concepts and Issues," we believe the terms of I.M.P.'s proposal offer a superior musical experience for Montgomery County at far less cost to the County and the State. As a proven and successful locally based operator, I.M.P. will be a desirable, reliable and responsive partner for the County and its citizens in the continuing revitalization of Silver Spring.

I.M.P is certain that the County can only derive benefit from a process that energetically pursues competing proposals for the right to operate this important venue.

With these points in mind, I.M.P. requests that you consider the following as our proposal.

1. **Project Name, Capacity and Uses.** The working name of the venue is the Silver Spring Music Hall. Subject to confirmation following design studies, IMP anticipates a three-story facility with a maximum capacity of 1,400 for music and concert events, with up to the same 32,000 total interior square footage. Flexible seating options would be provided to allow for use of the venue for community, school, and private events and parties. Permitted uses would include sale of food, and the sale of Music Hall concession items and items related to the particular concerts and

Seth Hurwitz, Chairman
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artists. If feasible after design studies and if desired by the residential and business communities, I.M.P. would like to include a full kitchen.

2. Public Amenity and Community Use. In connection with I.M.P.'s lease or acquisition of Silver Spring Music Hall property, I.M.P. would enter into mutually acceptable covenants assuring the adjoining landowner and the County that the Silver Spring Music Hall will continue to be operated as a performing arts facility consistent with anticipated conditions of development for the remaining Colesville/Fenton/Georgia Avenue site. Scheduling permitted, I.M.P. will provide rent-free use of the Music Hall for non-profit community and charitable organizations, on terms where these organizations would only reimburse I.M.P. direct expenses (security, personnel) for the use. In addition, the facility would be designed to accommodate other community, business, charitable and private events on a fair rental basis.

3. Lease of Music Hall Property. I.M.P. would enter into a lease with the County of the Silver Spring Music Hall, subject to the County's acquisition of the property from LDG, Inc., which would provide for the above uses, capacity and covenants, and which would have the following key economic terms:

a. Term. This lease would have a rent commencement date beginning with the date a certificate of occupancy is issued (anticipated May 2010), and ending twenty (20) years thereafter, with two five year renewal options.

b. Construction. Based on published estimates of \$8,000,000 for the design and construction of the building, I.M.P. would contribute \$2,000,000, thereby reducing the State/County financial responsibility for this work from \$8,000,000 to \$6,000,000.¹ The interior fit-up and fixtures, furnishings and equipment, would be I.M.P.'s responsibility.

c. Rent. I.M.P. would pay base rent to the County in the amount of \$15,000 per month commencing on the rent commencement date. Base rent would increase every five years thereafter by 7.5%. I.M.P. would also pay for all insurance, maintenance and repair of the Silver Spring Music Hall, at mutually agreed levels and standards as to be set forth in the lease.

d. Purchase Option. I.M.P. would have an option under the lease to purchase the Silver Spring Music Hall, exercisable anytime after the State's capital investment requirement has expired, at a price equal to the greater of \$10,000,000 or 75% of the fair market value of the property.

e. Naming Rights Royalties. If naming rights for the Silver Spring Music Hall are accorded to any third party in exchange for compensation, the lease would require I.M.P. to share such compensation with the County on a "fifty-fifty" basis, as and when received, as additional rent. Any grant of naming rights would be subject to County approval.

f. Conditions and Contingencies. The lease would contain certain conditions intended to assure that I.M.P. may at all times operate the Silver Spring Music Hall as intended. These conditions would include adequate truck and bus access to the rear or side of the Hall, and

¹ I.M.P.'s traditional architect of choice is the renowned David M. Schwarz/Architectural Services (www.dmsas.com <<http://www.dmsas.com/>>), a company known for creating artful structures which build on and from the context of the area, surrounding buildings and the character of the neighborhood. I.M.P. believes the company would offer particularly suitable solutions for this architecturally-historic area of Silver Spring.

liquor licensing. With respect to liquor licensing, County and I.M.P. construction commitments would be contingent on Maryland enactment of legislation applicable to the Silver Spring Enterprise Zone, similar to the legislation the County is currently promoting to lower the minimum capacity for the so-called "Strathmore Exception" to 1,000. In addition, if the applicable liquor licensing laws change before or during the lease term, and I.M.P. were unable to obtain, retain or renew its liquor license, I.M.P. would have the right to terminate the lease, or to exercise a purchase option to allow I.M.P. to recapture its previous investment.


4. **Alternative Purchase Transaction.** As an alternative to leasing the Silver Spring Music Hall property from the County, I.M.P. is willing to negotiate with the current landowner to acquire the property directly, or through the County, in exchange for I.M.P.'s covenants to construct and operate the Silver Spring Music Hall as a performing arts facility consistent with the foregoing provisions. For the sake of clarity, if this Purchase Alternative is accepted, there would be no requirement of County or State funding in connection with construction, and therefore no rent or naming rights royalties would be accorded to the County. I.M.P. would commit to the same community uses, including rent-free community uses as specified above. Purchase and other above commitments would remain conditional on liquor licensing and truck/bus access as per the above, as well as certain standard real estate purchase contract conditions, including as to adequacy of title and the securing of building permits at the 1,400 person capacity.

5. **Programming Commitment.** I.M.P. has a long history of working with the best national and regional entertainers in the country. I.M.P. would hold regularly scheduled meetings with the community for input on the acts the community wants. I.M.P. would book acts at the Silver Spring Music Hall that would reflect this community input.

6. **Study Period and Project Schedule.** I.M.P. is willing to immediately invest its resources in the study and development of conceptual plans and specifications for the construction of the Silver Spring Music Hall, and the negotiation of transactional documents consistent with this letter, in order that the County can obtain the best deal for its citizens. I.M.P. requests that the County provide it with all available engineering, design, survey and other information concerning the project. I.M.P. believes that by December 31, 2007, it and the County could agree on a binding letter of intent with the County, consistent with this letter; and that a lease agreement could be finalized by March 1, 2008.

We look forward to the opportunity to discuss this proposal with you and the County Government.

Sincerely,



Seth Hurwitz
Chairman

Cc: Montgomery County Council

The Silver Spring Music Hall

I.M.P.'s Outline of Venue Concepts and Issues

Maryland-based I.M.P., our country's most successful small music venue operator, will soon submit an alternative proposal to Montgomery County offering to provide live music amenity for Montgomery County's residents and visitors.

Here are a few key points of comparison between I.M.P.'s plan compared to the County's non-binding letter of intent with Live Nation Worldwide, Inc.

ITEM	I.M.P.	LIVE NATION
Music Acts	National acts specifically selected for the Montgomery County audience	Acts booked will mirror Live Nation national programming/tours
Max. Capacity	1,400	2,000
Food	Yes, a part of our operation. We would like a full kitchen if feasible	No food
Rent to County	\$15,000/month	\$7,500/month
County/State Subsidy*	\$6 million	\$8 million
Purchase Option Price	Higher of \$10 million Or 75% of Market Value	\$8 million
Naming Rights Royalties	50/50 share with County	100% to Live Nation
Rent-Free Community Use	Yes	No
County Ties	Montgomery County corporation for 28 years, owned by lifelong County resident	None
Market History	Merriweather Post Pavilion Virgin Festival at Pimlico 9:30 Club	Nissan Pavilion The Bayou (closed) Nation (closed)
Scheduled Opening	2010	2010

* As an alternative, I.M.P. would build without any subsidy in exchange for full ownership of the Music Hall property.

Unanswered Questions:

How will the County deal with the 50/50 food-to-liquor ratio requirement for liquor licensing?

Based on our experience with a similarly-sized footprint, the maximum capacity should not exceed 1,400. How can a 2,000 person capacity be achieved?

November 2, 2007