

Farnsworth Hall Lease Proposal Discussion with T2

----- Original message from T2 -----

From: Sonya Flaherty <Sonya@entertainmentevents.com>

Date: 11/25/22 6:00 PM (GMT-07:00)

To: smalone48@gmail.com

Cc: terry@tadshows.com, Tim Flaherty <tpf@entertainmentevents.com>

Subject: Lease Proposal

Hello Steve, I hope you all had a fantastic Thanksgiving! Here is the initial lease proposal. Please review this and let me know if you have any questions or suggested edits. If you feel like this is in good shape

please forward this to those that need to see the proposal before our Monday meeting.

Terms of new lease:

10-year lease renewed every three years at renters' discretion—up to 10 years.

Leasee responsible for:

1. General Liability insurance of building parking lot. (Comparable to Arizona Group coverage currently held by Dreamland for 6159 hall and parking lot)
2. Liquor license liability insurance.
3. T2 will be responsible for all Building Maintenance and repairs, including the parking lot.
4. T2 will pay **\$1.00 per ticket** sold to Dreamland. The current projection is to double the number of shows for 2023 with an increase in paid attendees.
5. **\$1750.00** monthly rent, increased by 4% at every 3-year renewal.
6. Water, Trash, and Electric Utilities for Hall and Parking lot

Leasor responsible for:

1. All necessary insurance, maintenance, and repairs for the Pool and Pool house.
2. Property Taxes for the 6159 location.

Additional terms:

1. T2 will purchase Dreamland's two containers and all chairs for \$750.00. Containers must be emptied for the units to be moved to another location on site; T2 will pay for moving units once containers are emptied.
2. T2 will allow three outdoor (bandshell concerts) for Dreamland events. Dates and Times are to be approved by T2 each year.
3. T2 will have the option to increase the lease term by one year for each capital investment over \$50,000.00 to have time to recoup the expense cost.

Investments by T2:

The Venue 2022 - As of Oct 2022	
Directly to Dreamland	\$42,698.87
Show Expenses	\$229,670.00
Building Payroll	\$33,832.00
Other Building Exps	\$38,441.34
Liquor License	\$75,000.00
Liquor Liability Ins (annual)	\$95,844.00
Equipment Enhancements	\$495,000.99

Total	\$1,010,487.20
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Projected Enhancements:

- Beer Garden
- Covered outside seating
- Indoor Artwork
- Outdoor Festivals
- Events – Resident and Public
- Residents Loyalty program (Members joining now, launch of program Jan 2023)
- Fencing (starting this week 15k investment)
- Enhanced Security
- Enhanced Food and Beverage offerings
- Bathrooms

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Response from Steve Malone December 2

Sonya, Tim & Terry

Thank you for taking the time with us on Monday afternoon to lay out your position on a triple net lease and for addressing our specific questions. The Dreamland Villa Board of Directors believes that a partnership with T2 can be beneficial to both parties as we progress in the future.

The Board has tried to assess all the possible scenarios regarding the reduction in the monthly payment and the ticket sale projections you have provided to us. We certainly understand your optimism with respect to your objective of doubling your ticket sales in 2023, in which we calculate to be approximately 12,000 tickets.

With the Venue having the ability to serve alcohol, will most certainly increase your attendance and revenue.

In weighing our options, we have considered the benefits of a triple net lease with respect to the maintenance of our facility and grounds. The Board must weigh these factors along with our financial gain and our members’ sentiment with respect to Farnsworth Hall in making our decisions. With all these factors in mind, we have concluded that DVRC would be best served by continuing the current contract for the next year without adjustment. This will give us an opportunity to evaluate T2’s ability to build the customer base that will be needed to be successful now and in the future.

There was much discussion on Monday regarding your beer garden location, I found it necessary to review the Lease Agreement. The paragraph “Premises” states: “The landlord in consideration of the lease payments provided in this Lease, leases to Tenants Farnsworth Hall Theater and Band Shell (the “Premises”) located at 6159 E university Dr Mesa AZ 85205”. The use of the term “premises” would indicate that the area projected out from the Band Shell would be included as part of the lease.

However, the areas South of the two containers are clearly not part of the Band Shell projection as there is no way one could utilize these areas to view a performance. This clearly identifies the premises of the Band Shell when the original lease was signed. Thus, we will only approve the fencing off the concrete

area to the stage and extending west to the parking pylons. The beer garden shall not extend South of the current concrete pad in front of the Band Shell.

At this time Dreamland villa will be retaining our two storage containers in their current location. Upon completion of the 2023 calendar year, we can then review the performance of the Venue to determine if we should consider a long-term lease with an amendment for additional access to Farnsworth's footprint.

Steve Malone, President DVRC

On behalf of the Board of Directors

Response from Sonya Flaherty December 2

Steve,

It defies logic that the area from the back doors of the venue to the end of the band shell area and parking lot (regardless of sight line) is not included in the lease. The board's position on this matter is not in the spirit or good faith of the legal agreement between Dreamland and T2 Presents. Leaving those containers where they are is not only an eyesore, but it also allows vagrants to set up and hide overnight and prevents a smooth path for patrons to go from inside to outside for the beer garden. With that said, I will not be moving forward with beer garden enhancements or any others in the building. I will have a removable fence in the back and front for liquor license purposes.

This email is disappointing and very shortsighted for all involved. We have bent over backward to meet, listen and accommodate the board without Dreamland reciprocating while the board continues to move the goalpost. Tim, Terry, and I will discuss canceling the open house with free food and drinks scheduled for Jan 13th since there is nothing new to share with the residents. I was about to approve our ad for your paper, but that is unnecessary given this new information.

Sonya

Response from Terry Davies on December 3

Hi Steve and board members,

It was disappointing, after the numerous meetings and perceived progress, to see this rather large step backward. Your decision clearly expresses your desire to NOT be partners at this time.

I would like to address your email, point-by-point, so as to be clear about where both parties stand at the present time.

My responses are in red below:

- 7. In weighing our options, we have considered the benefits of a triple net lease with respect to the maintenance of our facility and grounds. The Board must weigh these factors along with our financial gain and our members' sentiment with respect to Farnsworth Hall in making our decisions. With all these factors in mind, we have concluded that DVRC would be best served by continuing the current contract for the next year without adjustment. This will give us an***

opportunity to evaluate T2's ability to build the customer base that will be needed to be successful now and in the future.

1. **Our current lease is a 3-year lease with 2 years remaining. Our current lease is not based on T2 performance, so at this time, we will not be providing you with any performance details other than those required under the current lease. This would be the number of sold tickets per performance - the report being due 30 days after the performance.**
8. *The Board has tried to assess all the possible scenarios regarding the reduction in the monthly payment and the ticket sale projections you have provided to us. We certainly understand your optimism with respect to your objective of doubling your ticket sales in 2023, in which we calculate to be approximately 12,000 tickets. With the Venue having the ability to serve alcohol, will most certainly increase your attendance and revenue.*
 1. **With respect, there is no one on the board with the qualifications, skill or experience to determine which "scenarios", including our liquor license, would contribute to our (T2) success.**
9. *There was much discussion on Monday regarding your beer garden location, I found it necessary to review the Lease Agreement. The paragraph "Premises" states: "The landlord in consideration of the lease payments provided in this Lease, leases to Tenants Farnsworth Hall Theater and Band Shell (the "Premises") located at 6159 E university Dr Mesa AZ 85205". The use of the term "premises" would indicate that the area projected out from the Band Shell would be included as part of the lease. However, the areas South of the two containers are clearly not part of the Band Shell projection as there is no way one could utilize these areas to view a performance. This clearly identifies the premises of the Band Shell when the original lease was signed. Thus, we will only approve the fencing off the concrete area to the stage and extending west to the parking pylons. The beer garden shall not extend South of the current concrete pad in front of the Band Shell.*
 1. **When determining the "premises", it is neither accurate or reasonable to assume that "viewing a performance" is the criteria needed to make such an assumption.**
 2. **Your decision regarding this fence and beer garden, after previously discussing and knowing the details, severely impacts our ability to move forward with our plans and effectively eliminates an important revenue center.**
10. *At this time Dreamland villa will be retaining our two storage containers in their current location. Upon completion of the 2023 calendar year, we can then review the performance of the Venue to determine if we should consider a long-term lease with an amendment for additional access to Farnsworth's footprint.*
 1. **As we are making no changes to the current lease, there is no need to make plans to address this at the end of 2023.**

In addition to the points made in your email, please see the following points below regarding the use of the facility under the current lease.

3. Dreamland Villas will have access to 4 dates at the Band Shell in the first quarter of each year. These dates are to be determined and agreed upon by T2 Presents.
4. T2 presents will cover the cost of the talent at 1 of these events. The talent/band will be chosen by T2 exclusively. I suggest we lock these dates on the calendar in the next week.
5. The Venue at Farnsworth Hall will not be available for any Dreamland Villas events or meetings. If there is a request from the Dreamland Villa board to use the space, please use the form list below. We will not be able to accept requests via email <https://airtable.com/shreSh7dEVSQWtaJ>
6. The loyalty program that was created for Dreamland Villas members will no longer be available. We will be creating a new loyalty program for all Dreamland Villa residents and will advertise this independently.
7. We have received numerous, independent emails from Cathy Jagelar without any board members copied. We request that any correspondence between Dreamland Villas and T2 Presents be only to all 3 members of T2 presents (Tim, Sonya, Terry) and with the Dreamland Villas board members also copied.
8. The Poker Run event on March 11th will need a separate meeting/conversation as we will not be able to provide support for this event unless agreed upon here on out.
9. We will not require a table at the Holiday Craft event on Dec 10th.
10. We will not require a table at the Activity Fair on Jan 21st.

Finally, I believe we may have one more opportunity to meet in order to discuss things. I can make myself available this coming Monday or Tuesday if you wish to meet. Failing that, I would like to thank you all for your time at these meetings and I look forward to re-visiting the lease at some point in 2024.

Sincerely



Terry Davies

CEO

tel: (877) 526-0069 ext 708

fax: (480) 436-6436

Response from Steve Malone December 6

Terry,

Your statement, "Your decision clearly expresses your desire not to be a partner at this time", is a misinterpretation of the Board's actions. Many members of this board have been in business for themselves and are very aware of what it takes to run a successful operation. As you know, we have a fiduciary responsibility to the members of Dreamland Villa Retirement Community and that is exactly what we are doing. Our current actions have done little to affect your day-to-day operation. I want you to know the Board of Directors of Dreamland Villa has the best interests of our community in hand and the Venue plays an important part in our future success.

I have responses to a few of the points you made in my email. I have asked Cathy Jageler to contact Sonya to lock down the dates for the 2023 calendar.

Your third bullet point seems to be an attempt to punish Dreamland Villa by denying us access to our own building to conduct our non-entertainment events. Item six of the Supplement to Farnsworth Hall Lease literally provides that there is no intent to interfere with the landlord's ability to host and present on the premises, consistent with its historical and customary practices, non-entertainment events. I hope this was just a knee-jerk reaction and not your true sentiment.

Sonya's email implies that the January 13th Meet and Greet sponsored by T2 will be canceled. Can you please confirm if this is correct.

Please note, the contract requires that the tenant obtain written permission to do any type of construction remodeling or fixtures or other changes to the interior without prior approval from the landlord. The contract is silent with respect to the tenant having any right to modify the exterior of the facility. The landlord and tenant must agree upon an amendment to the Supplement to Farnsworth Hall Lease before any type of modifications are made to the exterior premises of the property located at 6159 E University Drive Mesa AZ.

I know that you have received an email from Ward Jennings, outlining the position he will present at our Board study session. This is one member's position. The Board believes that our emotions may be guiding us, and we may not be making good decisions on either side. I think we need time to let things settle a bit. It would be best to hold off until after the first of the year before resuming our discussions.

Steve Malone, President DVRC
On behalf of the Board of Directors

Response from Terry Davies December 6

Hi Steve,

Please see my responses below in red:

Your statement, "Your decision clearly expresses your desire not to be a partner at this time", is a misinterpretation of the Board's actions. Many members of this board have been in business for themselves and are very aware of what it takes to run a successful operation. As you know, we have a fiduciary responsibility to the members of Dreamland Villa Retirement Community and that is exactly what we are doing. Our current actions have done little to affect your day-to-day operation. I want you to know the Board of Directors of Dreamland Villa has the best interests of our community in hand and the Venue plays an important part in our future success.

This statement, as was referenced in my email, was based on the mixed message and the decision made by the board following the meeting, which was in direct contrast to what was being stated at the meeting. Our day-to-operations, which include planning and programming for the immediate future, are impacted.

I have responses to a few of the points you made in my email. I have asked Cathy Jageler to contact Sonya to lock down the dates for the 2023 calendar.

Cathy is texting Tammy, the building manager considerably and I would politely request

that all communication be directed in email form to Sonya, Tim and myself.

Your third bullet point seems to be an attempt to punish Dreamland Villa by denying us access to our own building to conduct our non-entertainment events. Item six of the Supplement *to Farnsworth Hall Lease* literally provides *that there is no intent to interfere with the landlord's ability to host and present on the premises, consistent with its historical and customary practices, non-entertainment events. I hope this was just a knee-jerk reaction and not your true sentiment.*

I apologize if this came across the wrong way or if I worded it poorly. The point here is that if/when we are working together as partners, we are able to plan these things out in advance. At the moment, the board seem to have the feeling that access for any time, and any reason is possible. This is an easy fix when we are working together to a solution. To be very clear, we have every intention of working with you and making the building accessible to you whenever you may need it, with the one caveat that it costs us in labor to open the building.

Sonya's email implies that the January 13th Meet and Greet sponsored by T2 will be canceled. Can you please confirm if this is correct.

The meet and greet with the Dreamland Villa residents is very important to us. We are working on a decision regarding the best date for T2 presents and our concerts and hope to have that date available to you soon.

Please note, the contract requires that the tenant obtain written permission to do any type of construction remodeling or fixtures or other changes to the interior without prior approval from the landlord. The contract is silent with respect to the tenant having any right to modify the exterior of the facility. The landlord and tenant must agree upon an amendment to the Supplement to Farnsworth Hall Lease before any type of modifications are made to the exterior premises of the property located at 6159 E University Drive Mesa AZ.

We would both benefit from a discussion on "must agree upon an amendment" before we are able to agree (on either side). Would you agree?

With that said, we have no plans to invest further in the building until we can reach an agreement on the lease extension.

I know that you have received an email from Ward Jennings, outlining the position he will present at our Board study session. This is one member's position. The Board believes that our emotions may be guiding us, and we may not be making good decisions on either side. I think we need time to let things settle a bit. It would be best to hold off until after the first of the year before resuming our discussions.

Ward's email was unfortunate and a big step backward. I do not pontificate. I was showing immense respect for each board member and merely trying to be very honest about the potential of ticket sales and reality of our industry and our economy.

Ward made it clear that he is not interested in any further meetings. Is that also the position of the board as a whole? I think we would both benefit now that both sides have had the opportunity to offer their point of view.

I look forward to hearing from you.

Sincerely



Terry Davies

CEO

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