MEMORANDUM

CITY AND BOROUGH OF JUNEAU
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DATE: November 28, 2022

TO: CBJ Assembly

FROM: Jeff Rogers, Finance Director

SUBJECT: **Proposed Revenue Sharing Agreement with Goldbelt, Inc**

Eaglecrest has been negotiating a Revenue Sharing Agreement (RSA) with Goldbelt, Inc., pursuant to Goldbelt's announcement of its intent to invest in the Eaglecrest Gondola Project. This memo updates the Assembly Finance Committee on the status of those negotiations. The current proposal calls for Goldbelt to contribute $10 million to the Gondola Project in three separate payments, in December 2022, April 2023, and August 2023.

The RSA has a term of 25 years from day the Gondola Project opens, unless it is terminated by either Goldbelt or Eaglecrest. Over the life of the RSA, Goldbelt will repaid a minimum of $20 million in compensation for its initial investment. If that $20 million repayment doesn't happen in 25 years, the term will be extended until the repayment has occurred. The contract sets an opening date of May 31, 2027, and allows Goldbelt to terminate if it hasn't opened by that date. In that event, Goldbelt would be repaid the total amount it has invested plus 5% simple interest, with a cap of 110% of the total investment.

The RSA provides that Goldbelt will receive revenue in two phases according to a progressive schedule of increasing percentages based on visitor numbers. Phase 1 will pay Goldbelt from 10% to 25% of summer operation receipts until Goldbelt has received $20 million. Once the $20 million threshold is passed, Goldbelt will be paid from 10% to 12.5% for the remainder of the term of the RSA. A sample calculation of this phased revenue sharing is attached.

The RSA allows for termination under four circumstances: mutual agreement; by Eaglecrest for convenience; by Eaglecrest for cause; or by Goldbelt for cause, with different fiscal consequences for each scenario. Termination by mutual agreement would presumably include payment terms. If Eaglecrest terminates for convenience during Phase 1, the termination fee would be the total Goldbelt had contributed to date plus 5% interest, less any amount already paid to Goldbelt, the total capped at 110% of the total investment. If this yields a negative sum, the termination fee is what Goldbelt was owed but had not yet been paid. If Eaglecrest terminates for convenience in Phase 2 the termination fee would again be what Goldbelt was owed but had not yet been paid.

Eaglecrest may terminate for cause if Goldbelt fails to make a contribution payment, otherwise breaches the agreement and fails to or cannot cure the breach, becomes insolvent, or has a force majeure event. If Eaglecrest terminates for cause in Phase 1, the termination fee would be the total contribution to date less Goldbelt's share already paid. If the foregoing results in a negative sum, the fee would be only what Goldbelt had earned but hadn't yet been paid. If Eaglecrest terminates for cause in Phase 2 the termination fee would once again be what Goldbelt was owed but had not yet been paid.

Goldbelt may terminate for cause if Eaglecrest fails to pay or breaches and fails to cure a breach of the RSA. The RSA provides that the funds which Eaglecrest will pay Goldbelt will be generated from gross summer operations receipts. It allows recourse to court for either party to seek damages from the other party, with limitations on consequential and indirect damages. Because the fund source is limited, there is a possibility that a future Assembly might not have funds to remit to Goldbelt if the summer operation receipts were insufficient, but the obligation would not be guaranteed by the full faith and credit of CBJ.