

**To:** Cornwell, K. Don (IBD)[don.cornwell@morganstanley.com]  
**Cc:** Hill, Alex (IBD)[alex.m.hill@morganstanley.com]; Kwak, Paul (IBD)[paul.kwak@morganstanley.com]  
**From:** Barzach, Daniel (IBD)  
**Sent:** Tue 9/9/2014 9:17:25 PM  
**Subject:** Lakes - Fairness Materials  
Lakes Fairness Materials - 2014.9.9 4.pdf

Don,

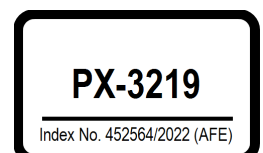
Please find attached the latest draft of the fairness materials. Please note that we are still in the process of discussing WACC with Tomer. Let us know of any comments.

Thanks,  
Dan

**Daniel Barzach**

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**Project Lakes**

# Fairness Committee Materials

September 10, 2014

**Morgan Stanley**

## Executive Summary

- Ralph C. Wilson, Jr., the founding owner of the Buffalo Bills, passed away at the age of 95 on March 25, 2014
  - Before his passing, Mr. Wilson stated that his family would not run the Bills after his death and a process would be established for the sale of the Team
- Ralph C. Wilson, Jr. Irrevocable Trust UAD March 25, 2014, which currently owns 100% of the Bills, does not plan on having ongoing ownership of or exposure to the Bills following the closing of the Transaction
- Morgan Stanley was retained as the financial advisor for the sale of 100% of the Buffalo Bills franchise and related assets, Proskauer Rose was retained as legal advisor
  - Advisors announced in a press release on May 21, 2014 from the Buffalo Bills
- The sale of the Buffalo Bills was conducted as a full auction process with multiple parties expressing interest and submitting proposals
- The proposed transaction structured as an asset sale for cash

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- The sale of the Buffalo Bills was conducted as a full auction process with multiple parties expressing interest and submitting proposals

## Summary of Key Transaction Terms

### Key Terms

<b>Transaction</b>	<ul style="list-style-type: none"> <li>• Sale of the Buffalo Bills NFL franchise (the “Bills”) by the Ralph C. Wilson, Jr. Estate (“Seller”) to Fourth Quarter, LLC (“Purchaser”) and Terrence M. Pegula (“Principal”) and Kim S. Pegula</li> </ul>
<b>Purchase Price</b>	<ul style="list-style-type: none"> <li>• Cash purchase price of \$1,400MM</li> <li>• Implied Offer Multiples:                             <ul style="list-style-type: none"> <li>– FY2014A <sup>(1)</sup> Revenue: 5.7x</li> <li>– FY2014A <sup>(1)</sup> EBITDA: 47.3x</li> <li>– FY2015E <sup>(1)</sup> EBITDA: 35.3x</li> </ul> </li> </ul>
<b>Purchaser</b>	<ul style="list-style-type: none"> <li>• Terrence M. and Kim S. Pegula, founder of East Resources, an oil and gas exploration company, and owners of the Buffalo Sabres (NHL), Buffalo Bandits (NLL) and Rochester Americans (AHL)</li> </ul>
<b>Financing</b>	<ul style="list-style-type: none"> <li>• No financing condition</li> <li>• \$200MM debt financing from NFL League-Wide Credit Facility</li> <li>• Equity financing from available cash</li> </ul>
<b>Asset Purchase Agreement</b>	<ul style="list-style-type: none"> <li>• Transaction structured as an asset purchase, with all assets and pre- and post-closing liabilities (with limited, enumerated exceptions in each case) being transferred to Purchaser</li> <li>• Purchaser is obligated to make an earnest money deposit of \$125M, which will be forfeited to the Bills if the Asset Purchase Agreement (“APA”) is terminated for (i) a breach by Purchaser or Principal, (ii) the failure of Closing to occur by December 19, 2014 (if due to the failure of Principal or Purchaser to perform their obligations), (iii) the failure of NFL Approval to be obtained by December 15, 2014 (only if due to the failure of Purchaser or Principal to perform their obligations with respect to such approval) or (iv) Purchaser’s refusal to close if all closing conditions have been met</li> <li>• Seller’s representations are generally limited by materiality or Material Adverse Effect and “as of the date hereof” qualifiers. The majority of Seller’s representations terminate at the Closing, with a specified number surviving for 12 months following the Closing. Purchaser’s recovery for Seller’s breach of such representations is subject to a \$15 million deductible and a \$75 million cap (which decreases to \$50 million six months after closing)</li> <li>• Purchaser covenants to take all actions necessary or requested by the NFL to dispose of its interest in an NFL player agency</li> </ul>

Note  
1. Fiscal year ends March 31

# Evolution of Participants

Contact Summary (1)		
	Buyers Contacted	CA Signed / OM Sent
Local Buyers	15	3
Other U.S. Buyers	59	20
Other Canadian Buyers	8	3
Other International Buyers	1	0
<b>Total</b>	<b>83</b>	<b>26</b>

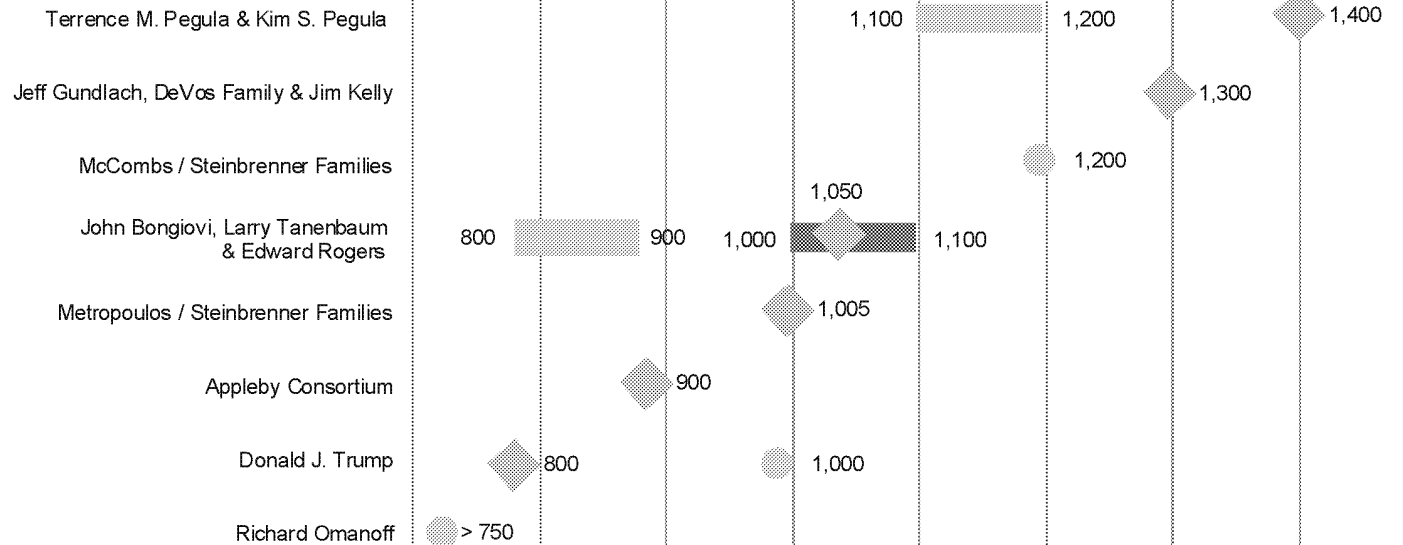
Initial Indications (9)	Management Presentations (5)	Final Offers (6)
<p><b>Full Buyers</b></p> <ul style="list-style-type: none"> <li>• John Bongiovi, Larry Tanenbaum &amp; Edward Rogers</li> <li>• McCombs / Steinbrenner Families</li> <li>• Richard Omanoff</li> <li>• Terrence &amp; Kim Pegula</li> <li>• Donald Trump</li> </ul> <p><b>LP Investors</b></p> <ul style="list-style-type: none"> <li>• John Bitove</li> <li>• Jeff Gundlach &amp; Jim Kelly</li> <li>• Metropoulos Family</li> <li>• Peter Nolan</li> </ul>	<p><b>Full Buyers</b></p> <ul style="list-style-type: none"> <li>• John Bongiovi, Larry Tanenbaum &amp; Edward Rogers</li> <li>• Terrence &amp; Kim Pegula</li> <li>• Donald Trump</li> </ul> <p><b>LP Investors</b></p> <ul style="list-style-type: none"> <li>• Jeff Gundlach &amp; Jim Kelly</li> <li>• Metropoulos Family</li> </ul>	<p><b>Full Buyers</b></p> <ul style="list-style-type: none"> <li>• Appleby Consortium</li> <li>• John Bongiovi, Larry Tanenbaum &amp; Edward Rogers</li> <li>• Jeff Gundlach, DeVos Family &amp; Jim Kelly</li> <li>• Metropoulos / Steinbrenner Families</li> <li>• Terrence &amp; Kim Pegula</li> <li>• Donald Trump</li> </ul>

Note  
1. Buyers listed separately rather than in groups for "Buyers Contacted", then listed in groups for "CA Signed / OM Sent"

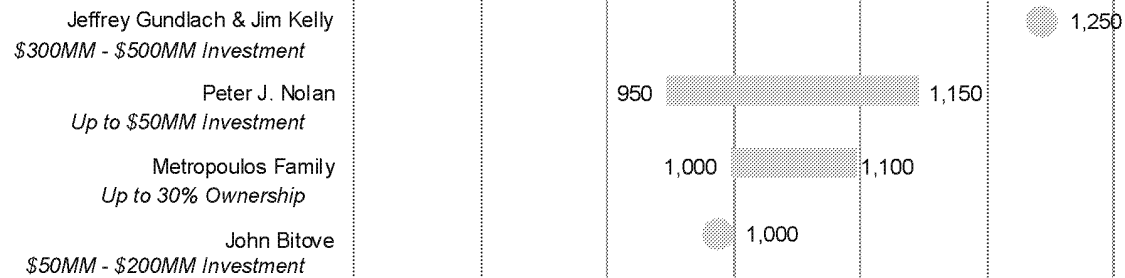
# Summary of Bids

Final Bids Received on September 08, 2014

## Full Buyers



## LP Investors



	\$700	\$800	\$900	\$1,000	\$1,100	\$1,200	\$1,300	\$1,400
AV/FY2014A Revenue:	2.9x	3.3x	3.7x	4.1x	4.5x	4.9x	5.3x	5.7x
AV/FY2015E EBITDA:	17.6x	20.1x	22.7x	25.2x	27.7x	30.2x	32.7x	35.3x

Initial Indications Revised Indications Final Bids

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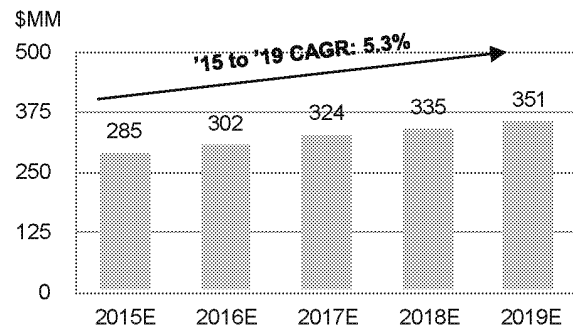
# Summary of Financial Projections

Management Case <sup>(1)</sup>

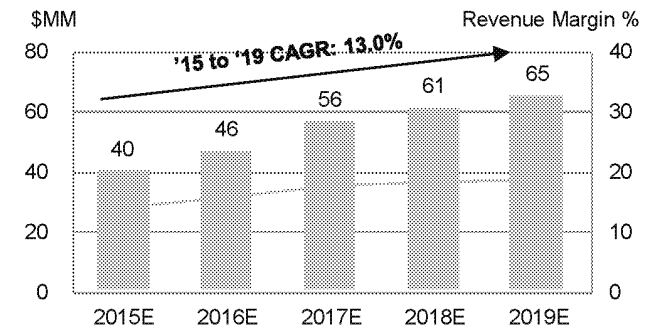
**Primary Assumptions:**

- National revenues are provided by the NFL
- Budget to the cap on player salaries
- Projections include a \$10MM concussion settlement adjustment in FY2016

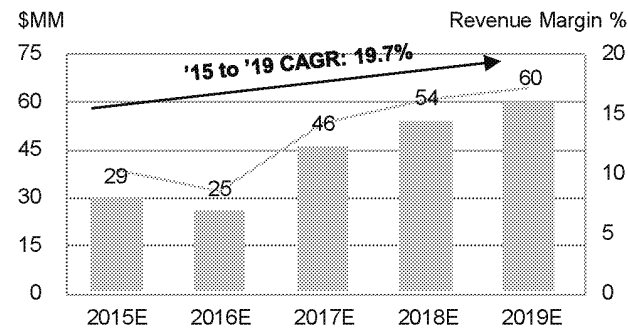
**Revenue**



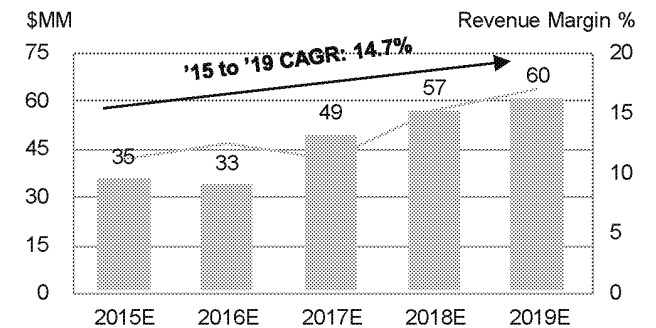
**Adjusted EBITDA**



**Net Income**



**Free Cash Flow <sup>(2)</sup>**



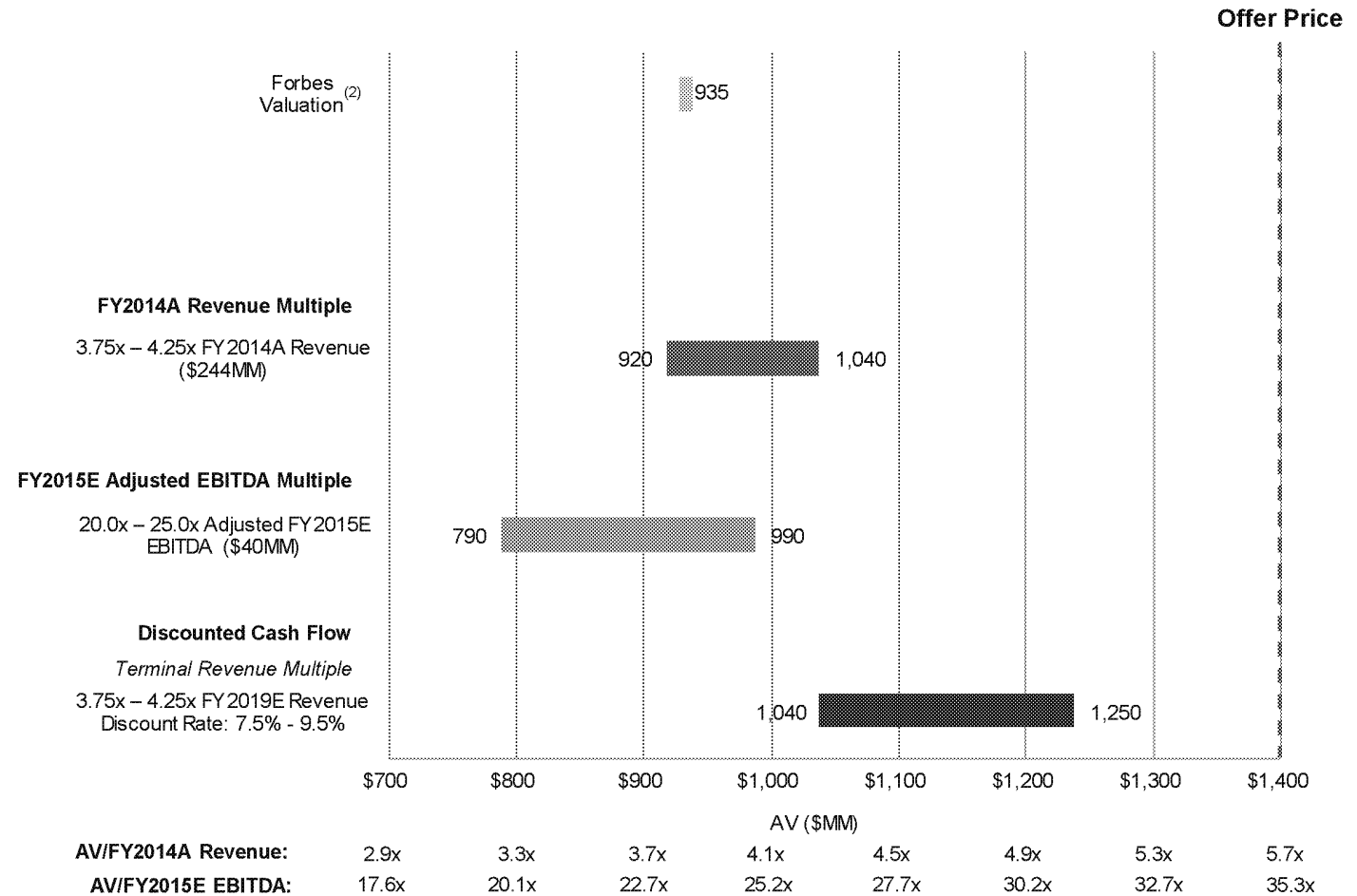
Notes  
 1. Years represent fiscal year ending March 31  
 2. Defined as cash flow from operations less recurring capital expenditures

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# Preliminary Valuation Overview <sup>(1)</sup>

Valuation Date as of 9/30/2014

- The valuation metrics set forth indicate values representative of a controlling interest in the franchise



Notes  
 1. Values rounded to nearest \$10MM, except for Forbes valuation  
 2. Forbes valuation as of August 2014



Appendix A

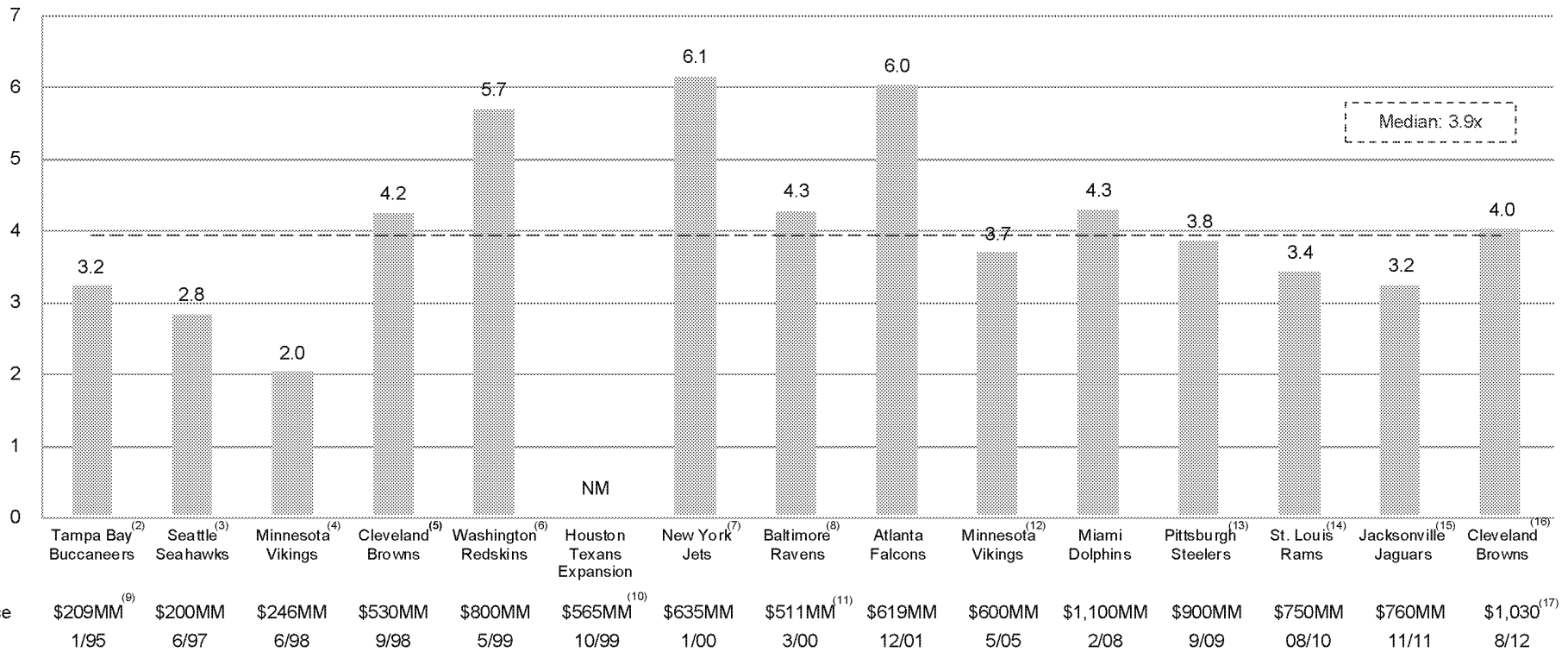
Supplemental Materials

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# NFL Precedent Transactions

Revenue Multiple <sup>(1)</sup>

- Since 1995, the median revenue multiple for NFL franchises is 3.9x



Team	Purchase Price	Date
Tampa Bay Buccaneers	\$209MM <sup>(9)</sup>	1/95
Seattle Seahawks	\$200MM	6/97
Minnesota Vikings	\$246MM	6/98
Cleveland Browns	\$530MM	9/98
Washington Redskins	\$800MM	5/99
Houston Texans Expansion	\$565MM <sup>(10)</sup>	10/99
New York Jets	\$635MM	1/00
Baltimore Ravens	\$511MM <sup>(11)</sup>	3/00
Atlanta Falcons	\$619MM	12/01
Minnesota Vikings	\$600MM	5/05
Miami Dolphins	\$1,100MM	2/08
Pittsburgh Steelers	\$900MM	9/09
St. Louis Rams	\$750MM	08/10
Jacksonville Jaguars	\$760MM	11/11
Cleveland Browns	\$1,030 <sup>(17)</sup>	8/12

Notes:

1. Based on current or preceding season, if available, noted otherwise if not
2. Buccaneers 1995 operating statistics based on L.A. Times NFL Quarters
3. Seahawks operating statistics based on "Financial World"; June 17, 1997
4. Vikings 1998 operating statistics based on "Kagan's The Business of Football"; December 1999
5. Browns 1999 operating statistics based on L.A. Times NFL Quarters
6. Based on Redskins projected 1998 operating statistics
7. Jets 1999 operating statistics based on unaudited financial statements
8. Ravens estimate based on Forbes operating statistics dated September 20, 1999
9. Buccaneers purchase price includes \$17MM payment to former owners due to construction of new stadium
10. Texans based on NPV of \$700MM over four years at 8%
11. Ravens based on 49% purchase for \$272MM plus \$325MM option for remaining 51% discounted at 8% for four years
12. Vikings 2004 operating statistics based on Forbes NFL team valuations
13. Steelers 2009 operating statistics based on Forbes NFL team valuations
14. Rams 2010 operating statistics based on Forbes NFL team valuations
15. Jaguars 2011 operating statistics based on Forbes NFL team valuations
16. Browns 2011 operating statistics based on Forbes NFL team valuations
17. Estimate of purchase price based on public information

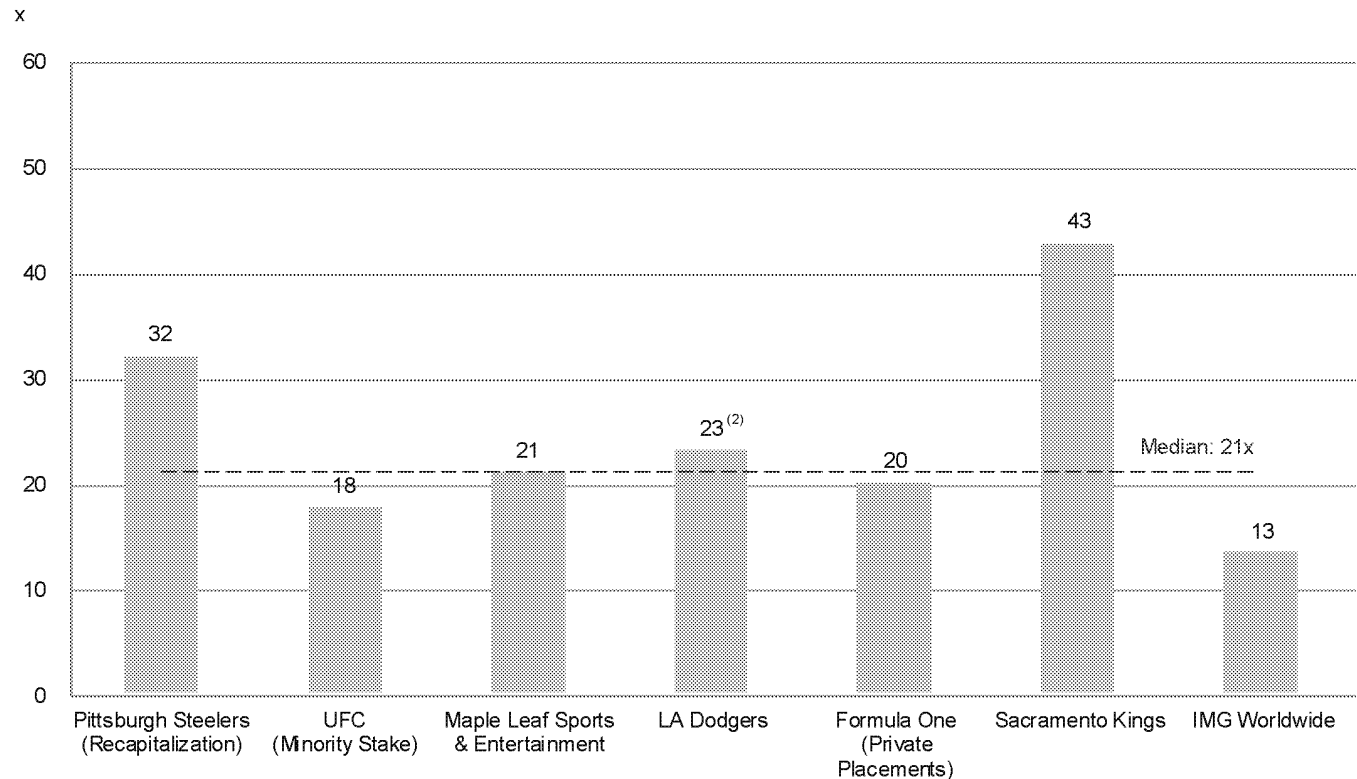
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- Premium sports content has become more valuable than ever
  - Recent private transactions including iconic sports brands have resulted in record valuations which are being driven by upside in media rights values
- Los Angeles Clippers National Basketball Association franchise sale to Steve Ballmer:
  - Value: \$2.0Bn
  - FY2014E EBITDA <sup>(6)</sup>: \$19.3MM
  - LTM AV/EBITDA: 103.6x

## Relevant Precedent Sports Transactions

Forward EBITDA multiple

AV / Fwd EBITDA



Acquiror / Investor	Rooney Family	Flash Entertainment <sup>(1)</sup>	BCE / Rogers	Guggenheim Partners	Investor Group <sup>(3)</sup>	Investor Group <sup>(4)</sup>	SLP & WME <sup>(5)</sup>
Ann. Date	Sep-2009	Jan-2010	Dec-2011	Mar-2012	Mar-2012	Feb-2013	Dec-2013
Trans. Value	\$900MM	\$2,440MM	\$2,100MM	\$2,150MM	\$2,150MM	\$534MM	\$2,400MM

Source: Company Filings, Press Releases  
Notes

- Flash Entertainment is live events company based in the UAE; Flash acquired a 10% stake in the UFC; Based on 2011 EBITDA of \$138MM; Terms of the transaction were undisclosed; net debt as of December 31, 2009 was \$440MM
- Pro forma for the 25-year \$7.0Bn broadcast deal with Time Warner Cable, Inc.
- Includes Waddell & Reed, BlackRock, and Norges Bank
- Includes Vivek Ranadive, Mark Friedman, Paul Jacobs, Mark Mastrov, Ron Burkle, Andy Miller, Chris Kelly, David Roux, and Naren Gupta
- Rumored transaction value and EBITDA
- Fiscal year ending 6/30/14 per BAML valuation considerations presentation publicly filed in Donald Sterling trial

## Project Lakes

## Discounted Cash Flow Analysis

Based on Current 2015E – 2019E Projections; Valuation Date as of 9/30/2014

### Discounted Cash Flow Analysis

\$MM

Exit Forward Revenue Multiple	3.75x			4.00x			4.25x			
	Discount Rate	7.5%	8.5%	9.5%	7.5%	8.5%	9.5%	7.5%	8.5%	9.5%
Present Value of:										
Cash Flows	185	182	178	185	182	178	185	182	178	
Terminal Value	951	912	876	1,015	973	934	1,078	1,034	992	
<b>Aggregate Value</b>	<b>1,137</b>	<b>1,094</b>	<b>1,054</b>	<b>1,200</b>	<b>1,155</b>	<b>1,112</b>	<b>1,263</b>	<b>1,216</b>	<b>1,170</b>	
Net Debt	(18)	(18)	(18)	(18)	(18)	(18)	(18)	(18)	(18)	
<b>Equity Value</b>	<b>1,118</b>	<b>1,076</b>	<b>1,035</b>	<b>1,182</b>	<b>1,137</b>	<b>1,094</b>	<b>1,245</b>	<b>1,198</b>	<b>1,152</b>	
Cash Flow Analysis										
% of Value in Cash Flows	16%	17%	17%	15%	16%	16%	15%	15%	15%	
% of Value in Terminal Value	84%	83%	83%	85%	84%	84%	85%	85%	85%	
Implied Perpetuity Growth Rate	3.3%	4.1%	4.8%	3.5%	4.3%	5.1%	3.8%	4.6%	5.3%	

#### Notes

1. Net Debt figure based on 3/31/14 balance sheet provided by the Team and includes cash, marketable securities, and short term debt

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# WACC Analysis

As of September 10, 2014

[TBU Tomer]

- Manchester United WACC used

## WACC Analysis: CAPM Method

Assumption	Notes	WACC Calculation		
		Base	Low	High
Market Risk Premium (MRP)	Morgan Stanley estimated market risk premium	6.0%	6.0%	6.0%
Risk Free Rate (R <sub>f</sub> )	Spot rate 10-year U.S. Treasury as of 9/8/2014	2.6%	2.6%	2.6%
Predicted Beta	U.S. Local Predicted Beta per Barra	0.81	0.81	0.81
Sensitivity Adjustment	+/- 1.0% from base		(1.0%)	1.0%
<b>Cost of Equity (K<sub>E</sub>)</b>	<b>Calculated using the Capital Asset Pricing Model</b>	<b>7.5%</b>	<b>6.5%</b>	<b>8.5%</b>
Pre-tax Cost of Debt (K <sub>D</sub> )	Blended Rate Based on Current Capital Structure	--	--	--
Tax Rate (t)	Effective tax rate based on filings	--	--	--
<b>Post-tax Cost of Debt (K<sub>D</sub>)</b>		<b>--</b>	<b>--</b>	<b>--</b>
Debt / Total Capitalization	Based on current or expected capital structure	--	--	--
<b>Weighted Average Cost of Capital (WACC)</b>	$K_E * E/(D+E) + K_D * (1-t) * D/(D+E)$	<b>7.5%</b>	<b>6.5%</b>	<b>8.5%</b>

Morgan Stanley

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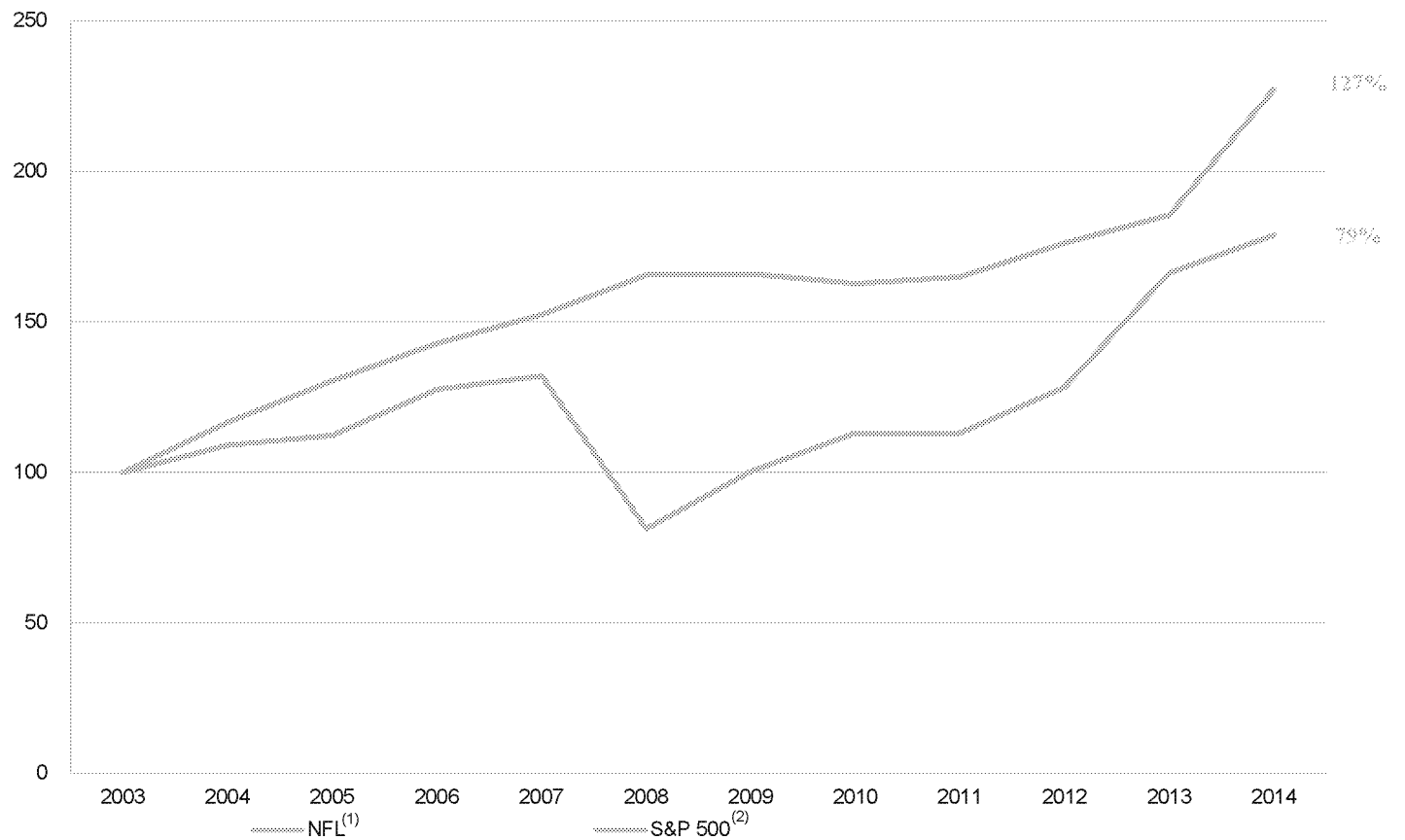
- The median value of NFL franchises in the aggregate has outperformed the S&P 500 since 2003

# Comparison of NFL Franchise Value Appreciation

Since 2003

## NFL Valuation vs. S&P

Indexed to 2003



Source Forbes and Capital IQ

Notes

1. Based on median of all Forbes NFL team valuations
2. 2014 S&P 500 performance as of September 9, 2014

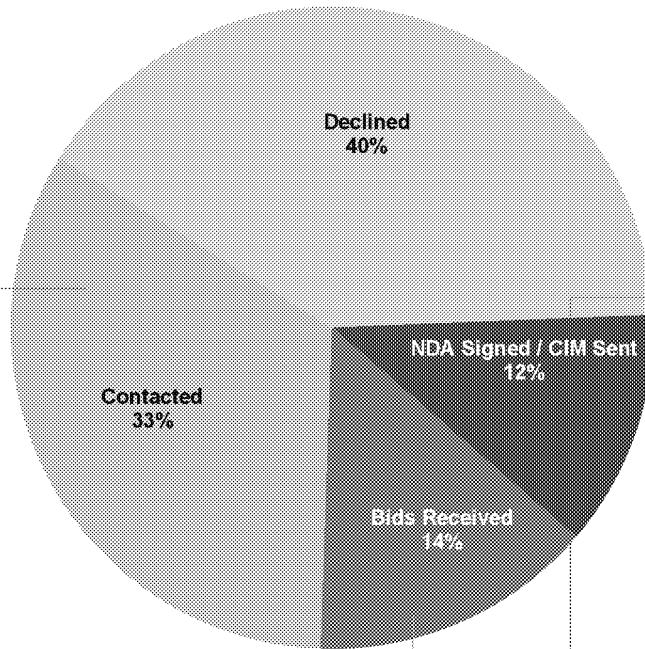
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# Buyer Update

As of September 10, 2014

### Contacted / Limited Response – 28

- Lee Ainslie
- Phil Anschutz (NDA Sent)
- Mark Attanasio
- Gerald Buchheit (NDA Sent)
- Bruce Conder
- Michael S. Dell (NDA Sent)
- Brad Frank
- Brian J. Higgins
- Jayson Family
- Derek Jeter
- Laurene Powell Jobs (with Peter L. Briger, Jr.) (NDA Sent)
- Daniel S. Loeb
- Bill Manning
- Howard Marks
- Howard Milstein
- Jonathan Nelson
- Stephen G. Pagliuca (NDA Sent)
- Paul Family (NDA Sent)
- Kevin Plank
- Edward P. Roski Jr. (NDA Sent)
- Michael G. Rubin
- Sands Family
- Gerry & Heather Schwartz
- Paul E. Singer
- Robert Soros (NDA Sent)
- Charles Sullivan
- David Tepper (NDA Sent)
- Ziff Brothers



### Declined – 34

- David Abrams (after receiving CIM)
- Andrew Barroway
- David Bonderman
- Jim Breyer
- Ronald W. Burkle
- Chinh Chu
- Steve Cohen
- Chase Coleman
- Daniel A. D'Aniello
- Stanley Druckenmiller
- Glenn Dubin
- David Einhorn
- Lawrence J. Ellison
- Kenneth C. Griffin
- Jeremy M Jacobs Jr.
- Jonathon S. Jacobson (after receiving CIM)
- Paul Tudor Jones
- Richard Li
- Alex Meruelo (after receiving CIM)
- Daniel Och
- John Paulson
- Nelson Peltz
- Pritzker Family / Michael Vlock
- J. Christopher Reyes (after receiving CIM)
- Bob Rich
- Larry Robbins
- Haim Saban
- David Sackler
- Jeffrey H. Smulyan (after receiving CIM)
- Patrick Soon-Shiong
- Lawrence S. Stroll & Silas K. F. Chou
- Thomson Family
- Wegman Family
- W. Galen Weston

### Initial Bids Received (No Final Bids)

- John Bitove
- Jeffrey Gundlach / Jim Kelly
- Metropoulos Family
- Peter J. Nolan
- Richard Omanoff
- McCombs / Steinbrenner Families (No signed NDA before Bid)

### Final Bids Received

- Appleby Consortium
- John Bongiovi, Larry Tanenbaum & Edward Rogers
- Gundlach, DeVos & Kelly
- Metropoulos / Steinbrenner Families
- Terrence M. Pegula & Kim S. Pegula
- Donald J. Trump

### NDA Signed / CIM Sent – 10

- Francesco Aquilini
- John Barrett
- Peter L. Briger, Jr.
- Eli Broad
- Thomas Golisano
- Josh Harris
- Lerner Family
- Antony Ressler
- Barry Sternlicht
- Robert Wilmers

Morgan Stanley

## Project Lakes

## Financial Summary

Financial Summary  
\$MM

	Fiscal Year Ending March 31								
	2011A	2012A	2013A	2014A	2015E	2016E	2017E	2018E	2019E
National	\$149.1	\$155.8	\$162.9	\$171.0	\$207.0	\$219.3	\$236.3	\$246.1	\$260.5
Local	72.3	69.2	77.5	70.4	75.2	79.6	84.7	85.8	87.2
Public Assistance	3.0	3.0	3.0	3.0	3.1	3.2	3.3	3.4	3.5
<b>Total Revenue</b>	<b>\$224.4</b>	<b>\$228.0</b>	<b>\$243.3</b>	<b>\$244.4</b>	<b>\$285.2</b>	<b>\$302.0</b>	<b>\$324.3</b>	<b>\$335.3</b>	<b>\$351.2</b>
<i>% Growth</i>		1.6%	6.7%	0.4%	16.7%	5.9%	7.4%	3.4%	4.7%
Player Costs	136.9	141.6	154.6	143.7	172.3	176.8	186.6	193.1	203.2
Team Costs	24.8	27.2	38.0	31.7	30.6	30.6	32.5	34.4	36.5
Other Expenses	32.3	33.1	42.7	45.9	48.4	57.9	51.4	52.2	54.6
<b>EBITDA</b>	<b>\$30.4</b>	<b>\$26.0</b>	<b>\$8.0</b>	<b>\$23.0</b>	<b>\$33.9</b>	<b>\$36.7</b>	<b>\$53.8</b>	<b>\$55.7</b>	<b>\$57.0</b>
<i>% Growth</i>		(14.3%)	(69.3%)	188.8%	47.2%	8.2%	46.5%	3.6%	2.3%
<i>% Margin</i>	13.5%	11.4%	3.3%	9.4%	11.9%	12.1%	16.6%	16.6%	16.2%
<b>EBITDA Adjustments</b>	<b>\$4.6</b>	<b>\$4.4</b>	<b>\$16.1</b>	<b>\$6.6</b>	<b>\$5.8</b>	<b>\$9.7</b>	<b>\$2.3</b>	<b>\$5.1</b>	<b>\$7.7</b>
<i>State Income Taxes</i>	1.6	1.2	2.7	(0.1)	1.7	1.3	2.4	2.7	2.9
<i>Head Coach / GM Normalization</i>	-	-	-	9.4	1.8	1.2	-	-	-
<i>New Lease Maintenance Expense</i>	-	-	-	0.9	10.3	16.6	11.8	8.4	6.0
<i>Family Office Normalization</i>	3.0	3.2	4.0	4.1	2.3	2.3	2.3	2.4	2.5
<i>CSP Waiver Cancellation</i>	-	-	-	-	-	-	(3.6)	(4.6)	(2.1)
<i>Sport Service Extension Letter of Intent</i>	-	-	-	-	-	-	-	1.0	2.2
<i>NFL Concussion Settlement</i>	-	-	-	-	-	-	9.7	1.1	-
<b>Adjusted EBITDA</b>	<b>\$35.0</b>	<b>\$30.4</b>	<b>\$24.1</b>	<b>\$29.6</b>	<b>\$39.7</b>	<b>\$46.4</b>	<b>\$56.1</b>	<b>\$60.8</b>	<b>\$64.6</b>
<i>% Growth</i>		(13.2%)	(20.7%)	22.8%	34.2%	16.8%	20.9%	8.5%	6.3%
<i>% Margin</i>	15.6%	13.3%	9.9%	12.1%	13.9%	15.4%	17.3%	18.1%	18.4%
<b>Recurring Capital Expenditure</b>	<b>\$1.9</b>	<b>\$2.6</b>	<b>\$3.1</b>	<b>\$2.8</b>	<b>\$2.6</b>	<b>\$2.7</b>	<b>\$2.9</b>	<b>\$3.0</b>	<b>\$3.2</b>
<b>National Revenue Less Player Costs</b>	<b>\$12.3</b>	<b>\$14.1</b>	<b>\$8.3</b>	<b>\$27.2</b>	<b>\$34.7</b>	<b>\$42.4</b>	<b>\$49.7</b>	<b>\$53.0</b>	<b>\$57.3</b>
<i>Cumulative Δ as % of Cumulative Δ in EBITDA (vs. FY2014A)</i>					74%	91%	85%	83%	86%