Tom McCarron

From: Nick Stone  
Sent: Thursday, October 20, 2016 11:29 AM  
To: Tom McCarron  
Cc: Jon Dunbar  
Subject: Summary of key terms

Tom,

I wanted to start going back and forth on very high level terms for our various deal components to make sure that there is agreement between us at 50,000 feet on economics. Here is what I'm thinking we have largely talked through before just put into very summary terms:

Expenses:
1) 50/50 partners in all work related to securing the site (signature gathering, environmental reports, legal, planning, imagery, etc), designing the stadium and all legal agreements related to stad co/mgmt. co etc.
2) MLS SD to cover MLS expenses (team negotiations, equity raise and documentation etc)
3) SDSU to cover SDSU CEQA and equity fundraising expense if any

Stad Co Financing:
1) Stad Co initially owned 50/50 by MLS SD and SDSU
2) Revenue to stad co based on ensuring minimum debt service coverage ratios for the bonds. Stad Co rental contract from SDSU as part of general obligation financing for the full amount of said rental. SDSU to receive rental contract for 50% of the amount from MLS SD.
3) Debt levels set at roughly 80% LTC of stadium
4) Debt shall be taxable in nature
5) Stad co to cover all debt service expenses
6) Stad co to outsource all management services and revenue to management co in exchange for covering all stadium capex and opex
7) 90% of any excess proceeds left over in Stad Co to flow to Mgmt co as incentive management fee
8) Management co shall cover any shortage in debt service
9) MLS SD to receive 90% of all losses and income (not cash), SDSU to receive 10% of all losses and income (not cash). Both parties will agree to a capital account true up at the end of the entity’s life
10) After 5 years, SDSU shall receive MLS SD’s interest in the stadium as a gift

Rental contract:
1) MLS SD to guarantee rental payment stream to SDSU using the soccer entity as collateral for the contract
2) In the very unlikely event that MLS SD is not allowed to play in the stadium by SDSU, MLS SD shall have the right to acquire Stad Co for its capital account balance and shall honor SDSU’s rental contract

Mgmt Co:
1) Owned 50/50 by MLS SD and SDSU
2) All game day revenue and expenses shall be allocated to the relevant team. Any local broadcast deals shall be cut for each team not for the stadium and all local broadcast shall be treated as game day revenue
3) Shared revenue shall include all full time naming rights (i.e. stadium naming rights, concourse naming rights etc), all full time corporate sponsorship revenue
4) Each entity will have the right to sell partial naming rights for suites (i.e. their games only) in a manner that allows the names to be changed for each game.
5) Stad co incentive fees shall be treated as shared revenue
6) Shared revenue shall cover stadium operations, sales efforts for tickets for all stadium events, capital expenditures necessary to maintain the stadium
7) Any residual cash shall be distributed to the owners. Any capital required shall be funded pro rata by the owners

Any thoughts on the construct above would be appreciated. Many thanks,
Nick