

LEASE SUMMARY

TEAM: Cleveland CAVALIERS

Team Owners: Dan Gilbert, Usher, Gordon Gund

[Team Website](#)

FACILITY: Quicken Loans Arena

[Facility Website](#)

Year Built: 1994

TITLE OF AGREEMENT: Lease and Management Agreement

Lessor: Gateway Economic Development Corporation of Greater Cleveland

Lessee: Cavaliers Division of Nationwide Advertising Service, INC.

TERM OF AGREEMENT:

“The ‘Initial Term’ of this Lease shall commence on the later of (i) the Completion Date, or (ii) the August 1 following the Completion Date in the event that the Completion Date shall occur after October 1 of any year and the Lessee shall elect to defer commencement of its occupancy until the following August 1, and shall end on the one hundred twentieth (120th) day after the last day of the Season either in the year in which the thirtieth (30th) full Season following the first day of the Initial Term is concluded.” Section 5.1, page 50.

RENT:

“In consideration for the lease of the Arena to the Lessee, the Lessee, on and subject to all of the terms, conditions, and provisions of this Lease, shall pay to Gateway for each Lease Year rent (‘Rent’) at the times and in amounts equal to the following:

- (a) Within forty-five (45) days after the end of each Reporting Period during the Term, the Lessee shall pay the sum of (i) twenty-seven and one-half percent (27.5%) of the Executive Suite Revenue for such Reporting Period, and (ii) forty-eight percent (48%) of the Club Seat Revenue for such Reporting Period.
- (b) Within thirty (30) days after the first Reporting Period following each Lease Year, the Lessee shall pay an amount equal to (i) seventy-five cents (\$.75) for each Paid Attendance Ticket sold during such Lease Year in excess of one million eight hundred fifty thousand (1,850,000) Paid Attendance Tickets, up to two million five hundred thousand (2,500,000) Paid Attendance Tickets, plus (ii) one dollar (\$1.00) for each Paid Attendance Ticket sold during such Lease Year in excess of two million five hundred thousand (2,500,000) Paid Attendance Tickets.
- (c) If, for any Lease Year, Lessee’s Parking Revenue exceeds the sum of One Million Five Hundred Thousand Dollars (\$1,500,000) . . . the Lessee shall pay sixty-seven percent (67%) of the lesser of (i) such excess or (ii) the portion of Lessee’s Parking Revenue for the Lease Year in which such excess occurred which is attributable exclusively to Other Parking which is not located on the Central Market Square Site.”

Section 6.1, page 52.

USE OF THE FACILITY:

“During the Term, the Lessee and its guests and invitees shall have the exclusive right and shall be entitled to the possession and use of the Arena Land and the Arena Improvements for the following purposes:

- (a) to schedule and play Games, to schedule Special Events and to conduct activities related to the playing of Games . . .
- (b) to occupy and conduct day-to-day business operations in the Lessee’s office space within the Arena;
- (c) to construct, operate and display such signs on the exterior of the Arena as the Lessee deems necessary or desirable; and
- (d) to use the Arena for any and all other lawful purposes.”

Section 9.1, pages 63-64.

MAINTENANCE:

“The Lessee shall be responsible for all Maintenance of the Arena.” Section 11.1, page 69.

OPERATING EXPENSES

“The Lessee shall be responsible for all Capital Repairs for the Arena to the extent that there are funds available therefor in the Arena Improvement Fund or otherwise advanced by Gateway for payment of the cost of Capital Routine Repairs. The Lessee shall be responsible for all Maintenance of the Arena.” Section 11.1, page 69.

ESCAPE, DEFAULT OR TERMINATION CLAUSES**Default by the Lessee:**

“The occurrence of any one or more of the following events constitutes a default by the Lessee under this Lease (‘Lessee Default’):

- (a) Failure by the Lessee at any time to pay, when due, any sums payable by the Lessee to Gateway . . . ;
- (b) Failure by the Lessee to observe or perform any other covenant, agreement, condition or provision of this Lease . . . ;
- (c) Admission by the Lessee in writing of its inability to pay its debts as they mature, or making an assignment for the benefit of creditors of all or substantially all of its assets, or applying for or consenting to the appointment of a trustee or receiver for the Lessee or for a major part of its property in an arrangement with its creditors;
- (d) Appointment of a trustee or receiver for the Lessee or for a major part of its property . . . ;
- (e) Institution of bankruptcy, reorganization, receivership, arrangement, insolvency or liquidation proceedings, or other proceedings for relief under any federal or state bankruptcy law.”

Section 14.1, page 75.

INSURANCE:**Gateway’s Insurance:**

“Gateway shall, during the construction period, (i) maintain in full force and effect, at Gateway’s expense, insurance against damage or destruction to the Arena Improvements . . . on an ‘all-risk’ peril basis, including coverage against explosion, collapse and underground conditions, and

resultant damage, flood, sewer backup and earthquake, in the form of builder's risk coverage, including re-engineering of the as-built drawings, and which shall include "Boiler and Machinery Coverage," and (ii) cause all of its architects and engineers to carry professional liability insurance" Section 10.1, page 66.

Lessee's Insurance:

"The Lessee shall, from and after the Completion Date, maintain in full force and effect, at its expense, (a) statutory workers' compensation coverage . . . (b) automobile liability coverage for bodily injury and property damage . . . (c) 'occurrence type' comprehensive general liability insurance against bodily injury and property damage . . . (d) umbrella or excess liability coverage . . . [and (e)] liquor liability insurance." Section 10.2, page 67.