

NBA LEASE SUMMARIES

TEAM: Charlotte Bobcats

Team Owner: Michael Jordan

Team Website: <http://www.nba.com/bobcats/>

FACILITY: Time Warner Cable Arena

Facility Website: <http://www.timewarnercablearena.com/>

Year Built: 2005

TITLE OF AGREEMENT: Arena Agreement

Lessor: City of Charlotte

Lessee: RLJ Arena Operations, LLC; RLJ Basketball, LLC

TERM OF AGREEMENT:

This Agreement shall commence on the date of substantial completion of the arena or parking facilities (whichever occurs first) and shall expire on the twenty-fifth (25th) anniversary of the date of substantial completion of the arena. – Statement of Purpose

Financing Information

The facility was paid for with two bond issues, backed by revenue from city tourist taxes. Bank of America, Duke Energy and Wachovia are underwriting \$100 million in exchange for approximately \$50 million from the sale of real estate downtown, where the venue is located. \$16.8 million is coming from exclusive food and beverage rights, and there is a 3% seat tax at events in city arenas generating \$15 million.

Term

This Agreement further sets forth the agreement by, between and among the Team, the Authority and the City which obligates the Team to play its Home Games in the Arena for a period of twenty-five (25) years. – Statement of Purpose

Options to Extend:

The Bobcats have the option to extend the lease 5 years. – Statement of Purpose

Rent

Team contribution shall mean a maximum of \$23.2 million to be paid by the team as Rental under the Team Arena Lease. – App. A, A-13

“The Team shall be obligated to pay to the City no later than August 1, 2003, the Team Contribution; provided, however, if the Team for any reason does not close on the financing of the Team Contribution with the Corporate Underwriters by August 1, 2003, then the time for making the Team Contribution to the City shall automatically be extended to December 1, 2003.” – Sect. 3.11.16, pg. 23

Escape, Default or Termination Clauses

Team and Operator Default

Either party defaults if:

1. It fails to perform a material term of the covenant for more than thirty (30) days after being given notice
2. False or inaccurate representations are made

Remedies

Remedies for both parties:

1. Liquidated damages
2. Injunction
3. Terminate agreement – Sects. 8.1–8.2, pg. 42–43

Termination

Team:

1. “At any time beginning in the twentieth (20th) Operating Year, the Team shall have the right to terminate this Agreement” if each of the following conditions are met:

-Team undergoes operating losses for two successive years of more than \$8 million and the operating losses must exceed \$25M in the aggregate.

-Less than 60% of the Premium Seating has been sold in each loss year.

-Team has realized gate receipts less than 65% of the median gate receipts of NBA teams. – Sect. 4.4.5, pg. 35–36

Retention Methods

The Agreement is subject to a future Non-relocation guaranty. – Sect. 4.3.5, pg. 32