

## NBA LEASE SUMMARIES

**TEAM: Oklahoma City Thunder**

**Team Owner:** Clayton Bennett

**Team Website:** <http://www.nba.com/thunder/>

**FACILITY: Chesapeake Energy Arena**

**Facility Website:** <http://www.chesapeakearena.com/>

**Year Built:** 2002

**TITLE OF AGREEMENT:** Arena Use License Agreement

**Lessor:** City of Oklahoma; SMG

**Lessee:** The Professional Basketball Club (PBC) LLC

### **Financing Information**

As the premier project of MAPS, Oklahoma City's visionary capital improvement program to finance new and upgraded sports, entertainment, cultural and convention facilities, the Chesapeake Energy Arena was publicly financed by a temporary one-cent sales tax.

### **Term**

The initial lease term is a fifteen (15) year term that is subject to satisfactory resolution of litigation relating to Seattle Agreement and enactment by the State of Oklahoma regarding financial incentives upon the Thunder's (then SuperSonics) relocation. – Sect. 2.3.2, pg. 22

### Options to Extend

The Thunder have the option to renew for five additional renewal terms of three years each. – Sect. 2.3.3, pg. 23

### **Rent**

The Thunder pay \$1,640,000 in annual Arena Rent (\$40,000 per game) for forty-one (41) regular season NBA home games. Additional Rent of \$40,000 is to be paid for each preseason and postseason home game. Rent is subject to periodic CPI adjustments, capped at 3% annually. The Thunder also pay an annual Practice Facility Rent of \$100,000. – Sect. 2(a)(i) & (iii), pg. 2

The Thunder pay game expenses to the amount of \$28,000 per home game no later than fifteen (15) days after the end of the calendar month. The Thunder also remit naming rights revenues to SMG in the amount of \$409,000 in quarterly installments. – Sect. 4.1, pg. 29–30

### License Fee

The Thunder will remit to SMG \$12,000 as a license fee for each home game played. – Sect. 4.1.3, pg. 29–30

### Parking Charge

The per usage rates to be billed to the Thunder for parking are \$3 for years one (1) through five (5), \$4 for years six (6) and seven (7), \$5 for years eight (8) through ten (10) and \$8 for years ten (10) through fifteen (15). – Sect. 6(b), pg. 4

## **Team Use of the Facility**

The Thunder have the exclusive right to use team spaces at all times during the license term and have access to the Arena other than Team Arena Offices and Team Store during other events subject to SMG's control. On a day where a Thunder team event is not scheduled, the Thunder have a non-exclusive right to use the facility upon reasonable prior notice to SMG. – Sect. 2.1.3, pg. 19

## **Operators Use of the Facility**

SMG has control of the Licensed Premises, excluding Team Spaces, but can access Team Spaces with one (1) day notice to the Thunder. – Sect. 2.1.5, pg. 20

## **Revenue Sources**

### Tickets

Thunder receive game day revenues attributable to home games of net revenues from ticket sales. – Sect. 1(a), pg. 2

### Concessions

For Team Events the Thunder receive: 40% of sales of the first \$2.5 million; 42.5% of sales between \$2.5 million to \$5 million; and 45% of sales exceeding \$5 million in any Operating Year. – Sect. 1(c)(i), pg. 2

For Clubs and Restaurants, including Courtside Seating for Team Events only, the Thunder receive 10% of sales and 15% of sales from bars. – Sect. 1(c)(iii), pg. 2

### Advertising

Thunder receive game day revenues attributable to home games of net revenues from advertising. – Sect. 8.1, pg. 40

### Naming Rights

Thunder will have the exclusive right to sell naming rights and permanent advertising for the Arena less annual payments to the City that replace existing revenues the City receives from Arena naming Rights. The Thunder will also have the exclusive right to sell naming rights and advertising for the Practice Facility. – Sect. 8.3, pg. 41

### Luxury/Premium Seating

For All Events the Thunder receive: 25% of sales for the first \$1.25 million; 27.5% of sales between \$1.25 million to \$1.75 million; and 30% of sales exceeding \$1.75 million in any Operating Year. – Sect. 1(c)(ii), pg. 2

### Novelty and Merchandising Items

Thunder receive game day revenues attributable to home games of net revenues from merchandising and sponsorships.

## **Maintenance**

The Thunder is responsible for team office and practice facility routine maintenance and utilities. – Sect. 1(c)(v) & (vi), pg. 2

## **Operating Expenses**

### Staffing

The Team endures the cost of all basketball operations-related staffing. – Sect. 6.4, pg. 34

### Other

The team is responsible for costs related to replacement signage in the Arena. – Sect. 1(b), pg. 2

### **Capital Improvements**

The Team shall notify the Operator if in need of any capital improvements. – Sect. 6.7, pg. 36

### **Insurance**

The Team is insured by the following policies: workers' compensation, general liability, business auto liability, crime and fidelity coverage for Team's employees, excess umbrella policy, and property insurance. – Sect. 16.1, pg. 53–55

### **Escape, Default or Termination Clauses**

#### Termination

The Team may terminate the Agreements at the sixth (6th), ninth (9th) and twelfth (12th) years following substantial completion of the Arena renovations if local revenues for the prior two Operating Years are less than 85% of the Benchmark. In the event the Agreements are terminated under this provision, the Team will: Pay the City the Adjusted Book Value of the NBA Improvements made to the Arena and purchase the Practice Facility from the City at fair market value. – Sect. 20.4, pg. 66; Sect. 4(b), pg. 3

### **Retention Methods**

#### Non Relocation

The Team is to play all home games at the arena, and defaults by relocating, allowing the Operator and City to obtain an injunction or damages. – Sect. 20.1, pg. 63; Sect. 20.3, pg. 65–66