

MEMORANDUM

TO: Distribution

FROM: John L. Richardson
Bobby Goldwater

RE: Major League Baseball Initiative -
Summary of DCSEC/WBC Memorandum of Understanding

DATE: January 13, 2002

This will briefly summarize the terms of the Memorandum of Understanding ("MOU") between the District of Columbia Sports and Entertainment Commission ("DCSEC"), Washington Baseball Club, L.L.C. ("WBC"), and WBC's six founding members (the "WBC Founders"). In general, the MOU maps out a "joint action plan" for DCSEC and WBC to work together to restore a Major League Baseball ("MLB") Franchise to the District and, if successful, to then build in the District a new, world-class stadium (the "New Ballpark") to be the permanent home for the MLB franchise after an interim period at RFK.

A backdrop to negotiation of the MOU has been the growing prospect that MLB could relocate a team to the Washington area through some yet to be determined process. It is possible that this subject will be considered by MLB owners during meetings scheduled on January 15-17 or soon thereafter. Therefore, in negotiating the MOU, one of our primary objectives has been to demonstrate to MLB the District's immediate readiness and resolve to host a team in a location and with a combination of resources that are unparalleled. The MOU meets this objective, first by presenting to MLB one choice that it could accept now (i.e. public endorsement of a motivated, well-funded and credentialed ownership group with a public/private partnership to build a new baseball stadium), while at the same time maintaining the District's ability to welcome alternative approaches to bringing a team to the District should MLB so mandate.

The principal terms of the MOU are as follows:

I. Obligations of WBC and WBC Founders

1. *Best Efforts to Acquire MLB Franchise.* The MOU commits WBC to use best efforts to bring a MLB franchise to the District to begin play at RFK Stadium as soon as possible, but in all events by no later than the 2004 MLB season, and thereafter to play permanently at the New Ballpark to be constructed in the District.
2. *WBC Will Work Exclusively for a DC Franchise.* The MOU requires WBC during the "Exclusivity Period" to negotiate exclusively with DCSEC regarding a lease to RFK, development of a New Ballpark, and a long-term lease for the New

Ballpark. WBC and its affiliates are expressly prohibited from seeking or working with anyone else to acquire (i) any MLB franchise to play anywhere other than the District, or (ii) any rights with respect to any stadium other than in the District. The WBC Founders personally guarantee this obligation.

3. Exclusivity Period and Right of DCSEC to Terminate MOU. The Exclusivity Period runs through December 31, 2003, but it may be terminated by DCSEC if an "Existing Owner" expresses a bona fide intent to bring a MLB Franchise to the District. "Existing Owner" means (i) any person mandated by the Commissioner of MLB or MLB owners to own a DC Franchise (no matter how mandated, including if through an auction or other sales process), or (ii) any entity at least 90% owned by persons who are owners of some other MLB franchise on the date of the MOU or after March 1, 2003. The MOU also may be terminated by DCSEC if (1) WBC or any WBC Founder breaches its obligations, (2) any WBC Founder disposes of more than 50% of his current interests in WBC or the WBC Founders collectively cease to control and own at least 50% of WBC, or (3) if due to a material adverse change financial condition, DCSEC determines that WBC is not financially qualified to own a MLB Franchise.
4. Funding of New Ballpark Predevelopment Work. WBC will contribute \$200,000 to pay the first 75% percent of any "predevelopment work" on the New Ballpark, and thereafter will fund 50% of any additional predevelopment expenses. DCSEC must establish a budget for the predevelopment work, subject to WBC's reasonable approval. Predevelopment work is expected to include: (i) selection of a site for the New Ballpark, (ii) preparation of RFPs for each of a principal architect, construction management firm and general contractor for the New Ballpark, (iii) preparation of a comprehensive development and construction schedule targeting completion of the New Ballpark within 3 years of a team beginning play at RFK, and (iv) preparation of a proposed comprehensive financing plan for the New Ballpark.
5. Shared Funding of New Ballpark Construction. Assuming WBC secures a MLB franchise, WBC has agreed conceptually to fund a substantial portion of the costs of development and construction of the New Ballpark, subject to the District also providing substantial funding and other resources along the lines outlined in the Mayor's November 17, 2000 letter to MLB. The amounts, timing and sequencing of any funding are subject to negotiation of definitive plans and agreements and any public funding would be subject to all necessary legislative and governmental approvals.
6. Financial Strength of WBC. WBC and the WBC Founders have warranted to DCSEC that they have a net worth in excess of \$1 billion and that they are ready, willing and able to purchase a MLB franchise and fund their share of the New Ballpark.

7. *Expansion of Minority Ownership and Management.* WBC has committed to recruit additional District-resident and minority equity owners and to develop employment practices and programs that will increase opportunities for minorities at all levels of WBC management.

II. **Obligations of DCSEC**

1. *Exclusive Negotiations with WBC.* DCSEC will negotiate exclusively with WBC during the Exclusivity Period regarding a lease for RFK, development of the New Ballpark, and a long-term lease for the New Ballpark.
2. *Reasonable Best Efforts to Complete Predevelopment Work.* DCSEC will develop a budget for the predevelopment work described in I.4. above, and for itself and in conjunction with other applicable agencies of the District, will use reasonable best efforts to undertake the predevelopment work.
3. *Economic Incentives to Promote WBC as Preferred Local Owner.* In the event that DCSEC terminates the Exclusivity Period to deal with an "Existing Owner," DCSEC will still promote WBC as a potential minority owner through two methods. First, if MLB awards the DC Franchise to the Existing Owner on the condition that such party recruit additional District-area investors, DCSEC will require that the Existing Owner give WBC a right of first refusal on whatever investment is required to satisfy MLB's local ownership requirement. If there is an impasse on this matter, WBC's sole remedy will be arbitration and money damages against the Existing Owner. Second, if DCSEC terminates to deal with an Existing Owner who is a MLB mandated owner, then if WBC or the WBC Founders, despite their best efforts, do not acquire at least a 10% interest in the DC Franchise, in negotiating a lease for RFK and/or a funding agreement for the New Ballpark DCSEC will require the Existing Owner to repay WBC's invested expenses in the pursuit of a MLB franchise up to a cap of \$2 million as well as opportunity costs of \$500,000 escalating every calendar quarter by \$250,000 up to a cap of \$2 million.
4. *Refund of Predevelopment Expenses.* If DCSEC deals with an Existing Owner who brings a DC Franchise and WBC fails to obtain at least a 10% interest in the DC Franchise, DCSEC will repay to WBC without interest the amounts contributed by WBC for the predevelopment work.
5. *Limit on DCSEC Obligations.* DCSEC's obligations are (i) subject to the availability of lawfully appropriated funds, and (ii) any applicable statutory or other limitation on its legal powers including but not limited to any requirement for District Council approval of a contract for the expenditure of \$1 million or more within a 12-month period.