White, et al v. Natl Football League, et al Doc. 524 Att. 7

2. Subsection (x)(2) — PSL Revenues Used For Stadium Construction Or Renovation

Assume the Team sells PSLs on the following terms:

- Gross PSL revenues received in 2006 = $45 million
- Income taxes paid on PSL revenues in 2006 = $12 million
- Legal and marketing costs incurred relating to PSL revenues=$6 million
- Stadium renovation costs = $56 million

The PSL revenues included in TR, subject to the rules in Subsections (x)(3) through (x)(7), would be $45 million.

Assume that only the net PSL revenues of $27 million were used in the renovation project ($45m ($12m + 6m)) and the total stadium renovation costs were $30 million.

The PSL revenues excluded from TR in this example would be limited to $27 million, subject to the rules in Subsections (x)(3) through (x)(7). The PSL Maximum Annual Allocation Amount, however, would be calculated based upon the gross revenues of $45 million.

3. [Omitted]

4. Subsection (x)(3) — PSL Difference Credited To TR

a. Assume that the new stadium is placed in service in June 2008.

2008 increase in TR directly related to new stadium:

Increase in gate receipts	$6 million
Increase in Other TR	$2 million
Total TR increase	$8 million

Cumulative PSL Difference:

Year	PSL Maximum Annual Allocation Amount	First Year TR Increase	PSL Difference
2006	$5.430 million	$8 million (assumed)	$ 0
2007	$8.780 million	$8 million (assumed)	$.780 million
2008	$9.615 million	$8 million	$1.615 million
Cumulative PSL Difference			$2.395 million

For purposes of computing the PSL Difference, we assume that the increase in TR was the same for 2006 and 2007 (years prior to the first full year the new stadium was placed into service) as it is in the first full year in the new stadium was placed into service ($8 million).

Dockets.Justia.com

$2.395 million would be credited into TR in the 2009 League Year.

b. Assume that the new stadium is placed in service in June 2008.

2008 increase in TR directly related to new stadium:

Increase in gate receipts	$ 9 million
Increase in other TR	$16 million
Total TR increase	$25 million

Cumulative PSL Difference:

Year	PSL Maximum Annual Allocation Amount	First Year TR Increase	PSL Difference
2006	$5.430 million	$25 million (assumed)	0
2007	$8.780 million	$25 million (assumed)	0
2008	$9.615 million	$25 million	0
Cumulative PSL Difference			0

Since the increase in TR in the first full year is greater than the PSL Maximum Annual Allocation Amount for each prior year in which such Allocation Amount was used, then there is no PSL Difference in any prior year. No amount would be credited into TR in the 2009 League Year.

5. Subsection (x)(5) Carryover PSL Credit

Assume the following:

New Stadium is placed in service in June 2008.
2009 2002 Maximum Annual Allocation Amount is $9.615 million.
Increases in TR directly related to New Stadium are as follows:

2009	$ 8 million
2010	$ 9 million
2011	$14 million

The Carryover PSL credits are calculated as follows:

2009	$9.615m $8m = $1.615m
2010	$9.615m $9m = $ .615m
2011	(No carryover PSL credits)

Under this scenario, year 2011 has a PSL Excess of $4.385 million ($14m-$9.615m). The Carryover PSL credits of $2.230 million from 2009 and 2010 ($1.615m + $.615m) can be deducted in full from TR in League Year 2011. There would be no remaining Carryover PSL credits to deduct from TR in future League years.

6. Subsection (x)(6) Reduction In Premium Seat And Luxury Box Expenses

Assume that $80 million in PSL revenues are used to fund the New Stadium which has a total construction cost of $200 million. If the annual expenses relating to luxury boxes and premium seats are $5 million, the reduction in such expenses would be $2 million, computed as follows: $5 million x ($80 million/$200 million) = $2 million.

7. PSL Revenues Not Benefiting The Team Or Any Team Affiliate Except Through A New Or Improved Stadium

In any case where:

(i) PSLs are sold by a Team or by a third party (such as a stadium corporation, a nonprofit private sector entity, or a governmental entity) pursuant to Team authorization; and

(ii) all net proceeds of such PSL sale are used to build a new stadium or construct improvements to an existing stadium in which the Team will play upon completion, or is then playing and will continue to play (net proceeds are all gross proceeds net of (a) taxes and (b) expenses (e.g., legal costs, marketing expenses, or securities registration fees) if such taxes and expenses are directly incurred as the result of the PSL sale, and do not benefit the Team or any of its affiliates, either directly or indirectly, other than through the stadium construction or improvements paid by the PSL revenues); and

(iii) such new or improved stadium is owned by a party not affiliated with the Team, such as a governmental entity or a private sector for-profit or nonprofit entity; and

(iv) the Team (and all Team affiliates) have only a leasehold interest, and no reversionary interest in the stadium (that is, if the Team or any Team affiliate wishes to acquire any title to the stadium, it must do so in a separately negotiated arms'-length transaction); and

(v) neither the Team nor any of its affiliates receives any payments, long-term loans, forgiveness of indebtedness, or other consideration from the Stadium landlord or any of its affiliates, other than payments that are due to the Team pursuant to its lease as consideration for its performance of its obligations under the lease, or are reimbursements for expenses incurred by the Team solely in performing its obligations under the lease;

<u>then</u>, because the Team and its affiliates do not receive any net benefit arising out of the sale of PSLs other than through the stadium construction or improvements paid by the PSL revenues (all PSL revenues being spent on third-party costs and charges directly incurred as a result of the PSL sale, or on stadium construction or improvements), none of the proceeds received from the sale of the PSLs would be included in TR. Each of Example Nos. 1 through 6 above assumes that, for one or more reasons, the example does not qualify for the foregoing treatment.

Nothing in the foregoing shall provide any basis to argue that any amounts other than the PSL proceeds, including but not limited to any expense payments, may be treated as TR or non-TR under this Agreement. Moreover, the Special Master or the Court would have the authority to examine any transaction involving the Club or any of its affiliates and the Stadium landlord or any of its affiliates, to determine if such transaction transfers, in whole or in part, some or all of the economic benefit of any PSL revenues to the Club or any of its affiliates, and any such transferred economic benefits shall be treated as TR.

NOTE: Premium seat revenues (non-shared amounts) discussed in Subsections (xi)(1) through (xi)(6) call for calculations quite similar to those discussed in Example Nos. 1 through 6 above in calculating "Premium Seat Differences," "Carryover Premium Seat Credits," "Premium Seat Excesses," and "Reductions in Expenses Related to Premium Seats and Luxury Boxes."

APPENDIX O
SALARY CAP CALCULATION EXAMPLE

If 2007 Salary Cap: $109 million

If 2008 Projected TR equals $205 million per Club:

57.5% =	$117.875 million
61.68% =	$126.44 million

less assumed Projected Benefits/salary cap deductions of $20 million per Club:

57.5% cap =	$97.875 million
61.68% max =	$106.44 million

then, pursuant to Article X, Section 4(c), the Salary Cap for 2008 is $106.44 million

APPENDIX P
ADJUSTMENT MECHANISM EXAMPLES

Example #1: League Excess at the end of Year 1

Assumptions:
5-Team League
At Year End League-wide Cash Player Costs exceed Trigger by $5M
Dollar amounts in millions

				Adjustment to Team Salary Over Remaining Capped Years				
Club	'06 Trigger	'06 Cash PC	Pro rata Share	'07	'08	'09	'10	'11
A	102.0	101.5						
B	102.0	99.0						
C	102.0	100.5						
D	102.0	109.5	75%	0.75	0.75	0.75	0.75	0.75
E	102.0	104.5	25%	0.25	0.25	0.25	0.25	0.25
League-wide	510.0	515.0	100%	1.0	1.0	1.0	1.0	1.0
Excess/(Shortfall)		5.0						

Example #2: League Shortfall at the end of Year 1

Assumptions:
5-Team League
At Year End League-wide Cash Player Costs fall below Trigger by $9M
Dollar amounts in millions

				Adjustment to Team Salary Over Remaining Capped Years				
Club	'06 Trigger	'06 Cash PC	Pro rata Share	'07	'08	'09	'10	'11
A	102.0	100.0	20%	(.36)	(.36)	(.36)	(.36)	(.36)
B	102.0	102.0	20%	(.36)	(.36)	(.36)	(.36)	(.36)
C	102.0	99.0	20%	(.36)	(.36)	(.36)	(.36)	(.36)
D	102.0	106.0	20%	(.36)	(.36)	(.36)	(.36)	(.36)
E	102.0	94.0	20%	(.36)	(.36)	(.36)	(.36)	(.36)
League-wide	510.0	501.0	100%	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)
Excess/(Shortfall)		(9.0)						

Example #3: League Excess in Year 1 and League Shortfall in Year 2

Assumptions:
5-Team League
League Excess of $5M at the end of Year 1 (Clubs D & E exceeded Trigger)
League Shortfall of $9M at the end of Year 2
Dollar amounts in millions

				Adjustment to Team Salary Over Remaining Capped Years				
Club		'06 Excess	'07 Shortfall	'07	'08	'09	'10	'11
League-wide		5.0	(9.0)					
A	Year 1							
	Year 2				(0.2)	(0.2)	(0.2)	(0.2)
B	Year 1							
	Year 2				(0.2)	(0.2)	(0.2)	(0.2)
C	Year 1							
	Year 2				(0.2)	(0.2)	(0.2)	(0.2)
D	Year 1			0.75	0.75	0.75	0.75	0.75
	Year 2				(0.2)	(0.2)	(0.2)	(0.2)
E	Year 1			0.25	0.25	0.25	0.25	0.25
	Year 2				(0.2)	(0.2)	(0.2)	(0.2)
League-wide				1.0	0.0	0.0	0.0	0.0

League Year	Excess/ (Shortfall)	
2006	5.0	Allocate charge proportionately among Clubs that exceeded Trigger (D&E)
2007	(9.0)	Shortfall (to be offset by Prior Years' League Excess, then allocated equally among all Clubs)
	(4.0)	Prorata deduction to be allocated to each Club's Team Salary

Example #4: League Excess in Year 1, League Shortfall in Year 2 and League Excess in Year 3

Assumptions:
5-Team League
League Excess of $5M at the end of Year 1 (Clubs D & E exceeded Trigger)
League Shortfall of $9M at the end of Year 2
League Excess of $6M at the end of Year 3 (Clubs A & E exceeded Trigger equally)
Dollar amounts in millions

					Adjustment to Team Salary Over Remaining Capped Years				
Club		'06 Excess	'07 Shortfall	'08 Excess	'07	'08	'09	'10	'11
League-wide		5.0	(9.0)	6.0					
A	Year 1								
	Year 2					(0.2)	~~(0.2)~~	~~(0.2)~~	~~(0.2)~~
	Year 3						1.0	1.0	1.0
B	Year 1								
	Year 2					(0.2)	~~(0.2)~~	~~(0.2)~~	~~(0.2)~~
	Year 3								
C	Year 1								
	Year 2					(0.2)	~~(0.2)~~	~~(0.2)~~	~~(0.2)~~
	Year 3								
D	Year 1				0.75	0.75	0.75	0.75	0.75
	Year 2					(0.2)	~~(0.2)~~	~~(0.2)~~	~~(0.2)~~
	Year 3								
E	Year 1				0.25	0.25	0.25	0.25	0.25
	Year 2					(0.2)	~~(0.2)~~	~~(0.2)~~	~~(0.2)~~
	Year 3						1.0	1.0	1.0
League-wide					1.0	0.0	3.0	3.0	3.0

League Year	Excess/ (Shortfall)	
2006	5.0	Allocate charge proportionately among Clubs that exceeded Trigger (D&E)
2007	(9.0)	Shortfall (to be offset by Prior Years' League Excess, then allocated equally among all Clubs)
	(4.0)	Prorata deduction to be allocated to each Club's Team Salary

2008	6.0	Excess will offset "deductions" from any remaining League Shortfall in Prior Years ($6M-$3M), then allocate total League Excess charge ($6M) proportionately among Clubs that exceeded Trigger (A&E)