



CONFIDENTIAL

July 7, 2023

Clay County Missouri
1 Courthouse Square
Liberty, MO 64068
Attention: Jerry Nolte, Presiding Commissioner
jnolte@claycountymo.gov

Clay County Missouri
1 Courthouse Square
Liberty, MO 64068
Attention: Dianna Wright, County Administrator
dwright@claycountymo.gov

Re: Initial Term Sheet for Proposed Lease of New Kansas City Royals Baseball Stadium

On behalf of the Kansas City Royals Baseball Club LLC (the “**Royals**” or “**Tenant**”), we are pleased to present to Clay County (the “**County**”) the following initial term sheet for a proposed lease (the “**Lease**”) of a new, first-class baseball stadium (the “**Stadium**”) that we anticipate would be entered into with the to be formed Clay County Sports Complex Authority (the “**Sports Authority**”). The Stadium is to be constructed at the direction of the Royals on land acquired by the Royals in Clay County (the “**Land**”) which the Royals will convey to the County and/or the Sports Authority, at nominal value, prior to construction of the Stadium. Together the Land and Stadium will be leased back to the Royals (as more particularly described below, the “**Premises**”). The Stadium will be financed with both public and private funds including (A) bond proceeds made available pursuant to a new series of bonds to be secured, at least in part, by a proposed forty (40) year \$0.01 Clay County Sales Tax (the “**County Sales Tax**”), (B) certain contributions and tax incentives made available by the City of North Kansas City, Missouri (the “**City**”) or statutory agencies enabled by the City (the “**City Contribution**”) and (C) certain contributions and tax incentives (“**State Contributions**”) made available by the State of Missouri or statutory agencies enabled by the State (the “**State**”); each of which will be factored into the future cash flows (collectively, the County Contribution, the City Contribution and the State Contribution shall hereafter be referred to as the “**Public Contributions**”). The Royals propose that the proceeds of the bonds, which are secured by the Public Contributions (the “**2024 Bonds**”), will be dedicated to funding the construction of the Stadium.

KANSAS CITY ROYALS

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1985 AND 2015 WORLD CHAMPIONS | 1980, 1985, 2014 AND 2015 AMERICAN LEAGUE CHAMPIONS

2015 AMERICAN LEAGUE CENTRAL DIVISION CHAMPIONS | 1976, 1977, 1978, 1980, 1984 AND 1985 AMERICAN LEAGUE WESTERN DIVISION CHAMPIONS

The Royals' primary objective is to create a first-class facility that enables the Royals to compete at the highest level in Major League Baseball ("MLB") while growing the economy of the County, the City and the State by providing a world class experience for visitors that extends beyond game day by fostering connectivity with the broader Kansas City region. Sustainability, equity and inclusivity will all be at the forefront of the Royals' vision for both the Stadium and the Broader Development.

Your prompt attention to this initial term sheet is appreciated. Your response, as well as any questions, should be directed to Brooks Sherman (rb.sherman@royals.com) and Wesley Fields (wofields@bclplaw.com). We request that the County please provide contact information for the appropriate persons that will lead negotiations with respect to this term sheet and the Lease.

1. **Tenant** Kansas City Royals Baseball Club LLC
2. **Landlord** Sports Authority
3. **Premises** A proposed site plan for the Land on which the Stadium would be located is set forth on Attachment A. The attachment depicts both the approximate anticipated boundaries of the Land as well as additional property in which the Royals (or Royals' affiliate) intend to invest alongside Armour District, LLC as part of a broader mixed use ballpark district (the "**Broader Development**"). The leased premises would include all Land as well as the Stadium and all related facilities constructed on the Land in connection with construction of the Stadium (the construction project pursuant to which the Stadium and such related facilities will be constructed shall constitute the "**Project**"). The parties acknowledge that the land on which the Broader Development will be located will not be conveyed to the County other than with respect to the Stadium parcels. Without limiting the generality of the foregoing, the leased premises shall also include the exclusive right to use any parking facility(ies) constructed on the Land as well as all driveways, entrances, exits etc.) (collectively, the "**Premises**").
4. **Form of Lease** Form of lease to be prepared by Royals based upon the Royals' existing lease and management contract for Kauffman Stadium in Jackson County, Missouri (collectively, the "**Existing Lease**"), with modifications to reflect the provisions of this term sheet and consolidations appropriate to reflect the fact that the Stadium will not be part of a complex also including a football stadium.
5. **Rent** "**Rent**" of \$3,500,000 per year in 2028 increasing annually thereafter in accordance with the CPI increase factor identified in the Existing Lease.
6. **Term** 40 year(s) – the intent being that the Lease will be coterminous with the 2024 Bonds. The term will be subject to extension in the event there are disruptions in operation due to force majeure.
7. **Renewal Rights** Two (2) options to renew for five (5) years each upon the same terms and conditions applicable during the initial term, including the same annual Rent escalations.
8. **Rent Commencement** The target date for commencement of baseball operations is March 1, 2028; in any event, rent commencement will not occur until the pre-commencement work

required by the Development Agreement (described below) is completed and the Royals commence baseball operations at the Stadium.

9. **Construction Costs**

The County/Landlord will be required to contribute the County Contribution towards the cost of construction of the Project, which may be combined with certain portions of the State Contribution and City Contribution. All applicable bond proceeds will be used only for purposes of Landlord's contribution to the cost of the Project and cost of bond issuance. The Royals will be responsible for costs of construction of the Project in excess of the Landlord's capped contribution and any amounts received from the State and City that are dedicated to the costs of construction of the Project.

Landlord, or any other issuer approved by the Landlord, upon consultation with the Royals, shall issue 2024 Bonds in such amount, and upon such terms mutually agreeable to the Royals, in light of all available information provided to Landlord, including a written analysis of revenue projections performed by the Landlord's underwriter or financial advisor. Landlord, with the consent of the Royals, shall have the right to select the designated bond counsel, financial advisor and underwriter (and such additional consultants as the Landlord deems necessary for the issuance of the 2024 Bonds).

The Royals' share of costs of construction of the Project will be partially financed with private equity and debt. The lender(s) issuing private debt will have the right to put in place a leasehold mortgage with respect to the Lease.

10. **Development Agreement**

The County and the Royals will agree on a development agreement for the construction of the Project (the "***Development Agreement***") which will include the following provisions / requirements:

- Compliance with Americans with Disabilities Act
- MBE/WBE/DBE requirements (as the case may be)
- Identification of a contractor and architect selected by the Royals
- Missouri's prevailing wage law applicability/requirements
- The Royals' responsibility for any cost overruns
- Rights of the Royals to change scope (with quality at least comparable to initially approved plans)
- Clear timelines for any required approvals, including language pursuant to which the County / Landlord will agree (i) not to unreasonably withhold, condition or delay any consent; (ii) to accompany any non-approval with written suggestions for revision; and (iii) that if written disapproval is not delivered by the County/Landlord within 14 days then the applicable request will be deemed approved.
- County / Landlord shall be required to reimburse the Royals for advance development costs incurred (but County / Landlord shall not be required

to reimburse the Royals for costs associated with advancement of legislation or costs incurred in connection with the election pertaining to sales tax). Any such reimbursements to constitute "Construction Costs" subject to the limitations set forth above.

11. **Permitted Uses / Civic / Charitable Use** The Premises shall be under the exclusive management and control of the Royals. In addition to the right to utilize the Premises for the playing of the home games of the Kansas City Royals MLB baseball team, the Royals shall have the right to use the Premises for all lawful purposes and to allow others to use the Premises for all lawful purposes.

Subject to the terms of the MLB Collective Bargaining Agreement and other MLB rules, the Royals will agree to play at least 90% of all the Royals' regular season "home" baseball games in the Stadium, including the Royals' annual regular season home opening series; however, a designated Royals regular season "home" opener not played in the Stadium will be permitted if played outside of the continental United States.

The Royals agree to negotiate in good faith with the County / Landlord with respect to civic and charitable uses of the Premises. Landlord to be solely responsible for cleaning and related costs associated with civic or charitable uses.

12. **Management Fee** The Royals shall be entitled to a management fee of \$2,000,000 (the "**Management Fee**") in consideration of management of the Stadium. The Management Fee will be increased annually in accordance with the Consumer Price Index in a manner consistent with the Existing Lease.

13. **Stadium RMO Fund** The Royals shall maintain and repair the Stadium in a manner consistent with the level of maintenance required by the Existing Lease. A fund shall be made available to the Royals for the repair, maintenance and operation of the Stadium (the "**Stadium RMO Fund**"), which shall be funded with one hundred percent (100%) of the following items:

- Rent
- Public Contributions in excess of the debt service on the 2024 Bonds and the County Administrative Fee (defined below).

Funds in the Stadium RMO Fund may not be applied towards (i) personnel costs (e.g. wages, benefits) for baseball team members or front office executives (but may be applied to personnel costs for stadium operations staff and employees); (ii) any expense that is not directly related to repair, maintenance, upgrade, management or operation of the Stadium; (iii) any expense the payment of which with public funds would violate the 2024 Bond documents or law (provided that the Royals have been given advance written notice of such non-applicability).

Upon the expiration or earlier termination of the Lease, any remaining funds in the Stadium RMO Fund shall be distributed to Landlord.

Funds shall be invested by Landlord as permitted for government entities with a financial institution reasonably acceptable to the Royals. Interest on the funds shall be deemed earned by Landlord.

14. **County Administrative Fee** The County shall be paid a County administrative fee, which shall initially equal \$500,000 and shall increase annually by three percent (3%) (the “*County Administrative Fee*”).
15. **Utilities** The Royals shall be responsible for all electric, water and gas utility costs with respect to utilities consumed at the Stadium.
16. **Future Improvements** The Royals shall have the right to make future alterations to the Stadium, subject to terms and conditions consistent with the Existing Lease.

The Royals will have the right to make certain capital improvements in the future, utilizing the Management Fee and Stadium RMO funds (as well as any funds otherwise provided by the Royals) for purposes of maintaining the Stadium in a first-class condition consistent with other MLB stadiums.
17. **User Taxes** The Royals will have approval rights over any user, service or similar tax.
18. **Sales Tax Exemption** The parties intend that the Royals shall be able to purchase goods and services for the performance of the Royals’ obligations with respect to construction, maintenance and future improvements as well as payment of utility costs and performance of other obligations under the Lease without payment of any applicable sales and use taxes. The County / Landlord shall cooperate with and provide documentation to the Royals in order to facilitate such sales tax exemption.
19. **Legal Compliance** The Royals shall be required to cause the Stadium to comply with applicable laws, provided that Stadium RMO Funds may be applied to effectuate such compliance with respect to new laws enacted after the initial construction of the Project.
20. **Advertising / Signage / Naming Rights** The Royals are to have sole rights to direct naming rights, sponsorship, advertising and sign placement, size, shape and content on the Premises.

The Royals shall be entitled to all naming rights, sponsorship and advertising revenues and shall not be obligated to share any such revenues with Landlord.
21. **Broadcast Rights** The Royals will have exclusive rights to broadcast all home games and other events at the Stadium (whether through broadcast television, radio, streaming services and/or any other medium) and receive all revenue derived therefrom without any obligation to share such revenues with Landlord.
22. **Ticketing** The Royals shall have the right to set all prices (including, without limitation, ticket prices for ballgames and other events, parking and concessions) with respect to the Stadium, however, such pricing shall be competitive with pricing for similar baseball franchises in similar markets.

Priority plans for County residents and discounts for set games to be set forth in a benefits agreement between the Royals and the County.

23. **Assignment; Leasehold Security** The Royals shall not assign or pledge its interest in the Lease without the prior written consent of the County, which consent shall not be unreasonably withheld, conditioned or delayed; provided, however, that (i) the Royals shall have the right to assign without the County's consent (A) to any entity with respect to which the Royals sell, transfer or assign its MLB franchise so long as MLB has approved such assignee; or (B) to an entity with respect to which the Royals may merge or consolidate, provided, that the survivor or successor corporation shall have a net worth at least equal to the Royals prior to such transaction; and (ii) the Royals shall be permitted to secure any private debt issued by the Royals (or special purpose entities controlled by the Royals) with a leasehold mortgage. The prohibition on assignment shall not apply to an assignment or transfer of shares of stock of the Royals and the County's consent shall not be required with respect thereto.
24. **Default Remedies** Events of default and applicable cure periods to reflect language of the Existing Lease.
25. **No Landlord Lien** Landlord will not have lien rights with respect to the Royals' equipment, trade fixtures, and personalty of any kind and nature.
26. **Commissions** No brokers' commissions will be payable in connection with the Lease.
27. **Contingencies** The Lease will be expressly contingent upon:
- The passage of the proposed forty (40) year \$0.01 Clay County Sales Tax to contribute towards the County's capped obligation to pay portions of the construction costs of the Project.
 - Approval by the City and State for their respective (1) contributions toward the cost of the Project and/or Stadium RMO fund and (2) infrastructure funds to be agreed upon with the Royals.
 - Approval of such additional tax incentives and funding sources to be identified by the Royals for both initial construction and ongoing maintenance and improvement of the Stadium and the Broader Development.
 - Execution of a joint venture development agreement for the Broader Development with Armour District, LLC that is satisfactory to the Royals.
 - Executed agreement between the Royals and Jackson County, Missouri and the Jackson County Sports Complex Authority that allows the Royals to terminate the Existing Lease early and enter into the Lease.
 - Execution of a mutually agreeable Development Agreement for construction of the Stadium
 - Acquisition of the Land and conveyance of the Land to the Sports Authority pursuant to a mutually agreeable purchase and sale agreement (which will require the Sports Authority to lease the Premises to the Royals pursuant to the terms of the Lease).

- Approval of the Lease by MLB.
- Approval by the County Commissioners.

In connection with the contingencies, the County / Landlord shall use reasonable efforts to cause / facilitate passage of the taxes and tax incentives referenced in the contingencies.

28. **MLB Requirements** The Lease shall be subordinate to MLB documents and generally subject to requirements of MLB in a manner consistent with the Existing Lease (subject to updates as may be required by MLB).
29. **Miscellaneous** Both parties will represent and warrant their respective authority to execute and perform their respective obligations under the Lease.
30. **Confidentiality** Landlord and the Royals acknowledge that, to the extent permitted by applicable law, this term sheet, the proposed rental structure contained herein and all financial other projections and support delivered in connection therewith (collectively, “*Confidential Information*”) are proprietary and confidential and the County further acknowledges that, pursuant to Section 610.021(2) of the Revised Statutes of Missouri, such Confidential Information shall not be deemed an “open record” subject to public disclosure. To the extent permitted by applicable law, Landlord agrees not to use the Confidential Information for its own use or for any purpose other than in connection with negotiating the Lease between Landlord and the Royals and agrees not to disclose the Confidential Information to anyone other than persons within its organization or advisors who have a need to know in the course of the performance of their duties analyzing or evaluating the Confidential Information and who are bound to protect the Confidential Information. This obligation related to Confidential Information shall continue for two (2) years after the date of the last disclosure of Confidential Information hereunder, at which time such obligation shall terminate.

This non-binding term sheet is for the sole purpose of evidencing the agreement in principle of the parties to the basic terms and conditions of a proposed lease of the Premises. Except with respect to the provision under the heading “Confidentiality” above, the parties do not intend to create any contractual obligations between them with respect to the subject matter of this term sheet until a definitive lease is agreed upon, executed and delivered by both parties. Neither party shall act in reliance on any of the terms hereof, and either party may at any time and for any reason whatsoever, terminate negotiations without liability or obligation to the other. It is understood that future negotiations will be needed and that this term sheet is a broad outline and does not cover all items that will need to be addressed in the Lease.

Sincerely,

Kansas City Royals Baseball Club LLC

By: _____
 Name: _____
 Title: _____

The undersigned hereby acknowledges and agrees to the foregoing as of this _____ day of _____, 2023.

Clay County

By: _____

Name: _____

Title: _____

Attachment A

