

**TERM SHEET
DC UNITED SOCCER STADIUM PROJECT**

THIS TERM SHEET ("Term Sheet") is made and entered into on this ^{25th} day of July, 2013, by and among (i) the **DISTRICT OF COLUMBIA** ("District"), a municipal corporation, and (ii) **DC SOCCER, LLC** ("DC United"), a Delaware limited liability company (each individually, a "Party", or, collectively, the "Parties").

RECITALS

A. The District believes that it is in the best interests of the District and its residents for a new, state-of-the-art, LEED certified approximately twenty to twenty-five thousand (20,000 - 25,000) seat outdoor soccer stadium (which shall also be used as an entertainment venue) ("Stadium") to be constructed in the District of Columbia. The District believes that the Stadium will leverage other District investments such as the South Capitol Street Bridge project, the parking facilities for Nationals Ballpark, and the proposed Streetcar project, to accelerate and promote the economic vitality in the Buzzard Point and Capitol Riverfront neighborhoods.

B. Under the terms and conditions set forth in this Term Sheet as the same shall be superseded by more comprehensive transaction agreements, the District is prepared to assemble the privately owned real property in Squares 605, 607 and 661 and the northern portion of Square 665 and groundlease to DC United the real property marked on Exhibit A (the "Stadium Site").

C. In order to facilitate development of the Stadium, the District is also prepared to undertake certain work in connection with the Stadium Site before DC United commences the construction of the Stadium.

D. DC United is prepared to develop, construct, manage and operate the Stadium on the Stadium Site under the terms and conditions set forth in this Term Sheet as the same shall be superseded by more comprehensive transaction agreements.

E. Although the Parties intend to negotiate and enter into more detailed definitive transaction agreements governing the development, construction, management and operation of the Stadium (the "Transaction Agreements"), that once executed will supersede this Term Sheet, the Parties nonetheless wish to delineate certain terms and conditions in connection with the development, construction, management and operation of the Stadium that will be incorporated into such Transaction Agreements.

NOW, THEREFORE, in consideration of the foregoing, the mutual covenants herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. FINANCIAL AND OTHER COMMITMENTS OF THE PARTIES.

- A. District Contribution:** Subject to the terms and conditions set forth in this Term Sheet, the District will assemble the Stadium Site, assume the cost of environmental remediation of existing conditions on the Stadium Site and perform demolition and infrastructure work in connection with the Stadium and the ancillary development on the Stadium Site (collectively, the “Stadium Project”). At present, the District estimates that this contribution will have a total value of approximately \$140 million (approximately \$100 million associated with the assemblage of the real property in Squares 605, 607 and 661 and the northern portion of Square 665 for the Stadium Site and approximately \$40 million for the work specified in this Section 1.A in connection with the Stadium Project). The District’s obligations to assemble the privately owned real property in Squares 605, 607 and 661 and the northern portion of Square 665 for the Stadium Site are contingent on the District’s ability to negotiate land swaps or other transactional structures that are acceptable to the District with the owners of the real property in question on terms and conditions that are acceptable to the District. For the avoidance of doubt, other than incidental transaction costs including title work and environmental site assessments, the District will not be required to fund the assemblage of the Stadium Site with cash. Notwithstanding anything to the contrary in this Term Sheet, the District shall have no obligation to fund work in connection with the Stadium Project in an amount in excess of \$50 million. The Transaction Agreements will contain such language as is deemed necessary by the Office of the Attorney General to assure that any financial commitments do not become District obligations until authorized in a District budget approved by the Congress.
- B. Groundlease Structure:** The District will groundlease the Stadium Site to DC United for an annual base rent of \$1.00. The term of the groundlease will be negotiated but will be approximately equal to the estimated useful life of the Stadium.
- C. DC United Contribution:** Other than the costs the District has explicitly agreed to fund or the real estate the District has agreed to contribute to the Stadium Project, DC United will be required to fund all other development costs of the Stadium Project. These costs shall include, but are not necessarily limited to,

architectural and engineering fees; land use and zoning costs (such as the cost of zoning attorneys, traffic consultants, the cost of any required environmental impact statement or similar analyses); construction costs for the Stadium, any associated parking structures and any landscaping or hardscaping work within the Stadium Site footprint; development or program management fees; and construction interest. The Transaction Agreements shall be structured in such a way so that the District shall bear the costs of all fees, proffers or deposits customarily levied by District agencies or departments during the course of entitlement, permitting and construction of development projects, which include, but are not limited to: fees assessed by the Department of Consumer and Regulatory Affairs, the Department of Transportation, the Department of the Environment, and the Office of Zoning for hearings, reviews and inspections; proffers related to street and alley closings, planned unit developments and other zoning actions and alcohol licenses; and construction completion related deposits.

D. Project Financing and Revenue Sharing Plan:

During and as part of the negotiations related to the Transaction Agreements, the Parties shall develop a mutually agreed upon financial analysis that models all of the revenues collected by DC United, including, but not limited to: (i) stadium revenues generated from ticket sales, concessions, parking and merchandise (“Annual Stadium Revenue”); (ii) net revenue from ancillary development (referred to in Section 5, below); and (iii) all other sources of revenue generated by DC United such as advertising, sponsorships and league revenues (collectively, the “Annual DC United Revenue”) as well as the annual costs and expenses incurred by DC United to operate the team and the Stadium Project. To the extent that the Annual DC United Revenue would not be sufficient to fully fund the following cost elements (i) the team’s operating expenses, (ii) the Stadium Project’s operating expenses, (iii) debt service related to the Stadium Project, (iv) real estate taxes and other similar taxes or fees, and (v) a reasonable profit for DC United (collectively, the “Annual DC United Expenses”), the District will make the tax revenue related to the Annual Stadium Revenue available in order to facilitate the funding of the Stadium Project.

If the Annual DC United Revenue and the annual tax

revenues generated from Annual Stadium Revenue are collectively greater than the Annual DC United Expenses, then the District and DC United shall provide the District with a portion of the excess amount (the terms of which will be finalized in the Transaction Agreements).

The Parties expect that the operation of the Stadium Project will break even or yield modest returns in the short term and yield more significant returns in the long term. The Parties shall develop and include in the Transaction Agreements a structure for sharing these short and long term returns, based primarily on the value of the contributions of each Party to the Stadium Project. For example, DC United's contributions shall include, among other items, the value of the team and any operating losses it has sustained in a specified time range, and the District's contributions shall include, among other items, the value of the land and the infrastructure that it is contributing to the Stadium Project. It is contemplated that the agreed upon structure will allow DC United a modest return on its current investment prior to sharing revenue with the District but that once such return has been earned in a given year, revenues in excess of such earnings shall be shared by the Parties.

E. Other Revenue:

DC United shall be entitled to retain all revenues derived from the operation of the Stadium Project related to promotional activities such as, but not limited to, ticket sales, concessions, parking, merchandise, advertising, licensing, franchising and sponsorships; and naming and signage rights of any portion of the project site; provided, however, that all such revenues shall be considered when calculating the Annual DC United Revenue.

F. Real Estate Taxes:

DC United's leasehold estate in the Stadium Site shall be subject to real estate or possessory interest taxes, as applicable, which will be a component of Annual DC United Expenses (see Section 1.D., Project Financing and Revenue Sharing Plan, above). If, as a result of the financial analysis referenced in Section 1.D., the Parties determine that the Annual DC United Revenue would otherwise be insufficient to fully fund the Annual DC United Expenses, DC United shall pay a phased-in, negotiated amount in lieu of taxes on the fully assessed value of the leasehold estate for the first 25 years of the groundlease, after which time the leasehold estate shall be

taxed on its fully assessed value.

- G. Governmental Costs on Game Day:** In general, DC United shall be required to reimburse the District for the cost of additional services that are required on game days, including, but not necessarily limited to, police (both on-site and off-site), traffic control officers, Emergency Medical Service personnel, and any additional fees charged by Metro.
- H. Completion Guarantee:** DC United's obligations under the Transaction Agreements governing the development and construction of the Stadium shall be guaranteed by an investment grade entity reasonably acceptable to the District.
- I. Assistance to DC United:** The District shall provide DC United with reasonable assistance with respect to applications for building permits, and any permits or approvals required from any agency or department of the District, whenever reasonably requested to do so; provided that all applications for such permits and approvals are in compliance with all applicable ordinances, regulations and codes. Subject to applicable law and sound regulatory practice, the District will use reasonable efforts to ensure that each applicable subordinate District agency prioritizes and expedites all zoning applications, plan reviews and other District approvals.

The District shall provide DC United with a dedicated DC Approvals Liaison to assist with all aspects of obtaining the required approvals with any District agencies. The DC Approvals Liaison shall inform the appropriate District agencies that, per the terms of this agreement, the Stadium Project approvals shall be prioritized and expedited. The District makes no representations or warranties that its assistance will assure the issuance of any permits or approvals. Nothing in this section shall be construed as a waiver or reduction of any governmental requirement applicable to the Stadium. Nothing in this section shall be construed to obligate the District to engage a third party inspector or plan reviewer to assist DC United.

2. MILESTONE DATES/APPROVALS.

The Parties agree that the following milestone dates for the Stadium Project will be incorporated into the Transaction Agreements:

- A. Land Assembly/Project** The District will have until January 1, 2014, to: (i) obtain

Approval Milestone:

site control of the Stadium Site (other than the operational portions of the Pepco Substation defined in Section 3.A below); and (ii) obtain the necessary legal approvals from the Council of the District of Columbia and, if required, the United States Congress to proceed with the transaction. For purposes of this milestone, the District will be deemed to have obtained site control if it has entered into binding agreements to acquire title to the real property within the Stadium Site that the District does not own (other than the operational portions of the Pepco Substation) and such agreements do not provide a right to terminate other than in the event of customary defaults by the District. However, fee title to all the lots that make up Stadium Site need not have vested in the District by January 1, 2014.

In the event that the District has not achieved both of these objectives by January 1, 2014, DC United may exit the transaction in accordance with the terms of the Transaction Agreements by providing written notice to the District.

Within thirty (30) days of the District's notice to DC United that both of the objectives in this Section 2.A have been achieved, DC United shall provide the District with such documentation as may be set forth in the Transaction Agreements to reasonably evidence to the District that DC United has the ability to fund the construction of the Stadium.

B. Infrastructure Milestone Date:

By March 1, 2015 (the "Infrastructure Milestone Date"), the District shall have: (i) completed the necessary infrastructure work and utility relocation; (ii) demolished all existing structures on the Stadium Site (excluding, however, the necessary elements of the Pepco substation); and (iii) completed its environmental remediation obligations; and (iv) obtained approvals to close any alleys or streets, as necessary, on the Stadium Site (collectively, the "District Infrastructure Obligations").

In the event the District fails to accomplish the District Infrastructure Obligations by the Infrastructure Milestone Date, the District shall seek to have the Washington Convention and Sports Authority waive the Facility Fee currently being paid by DC United for its use of Robert F. Kennedy Memorial Stadium until the District Infrastructure Obligations have been accomplished by the District or DC United has exited the transaction.

In the event the District fails to accomplish these objectives

by December 31, 2015, both DC United and the District shall have the right to exit the transaction in accordance with the terms of the Transaction Agreements by providing written notice to the other Party. The Parties may continue the transaction upon mutual written agreement.

C. Design and Land Use Approval Milestone Date:

By March 1, 2015, DC United shall have: (i) obtained all necessary Zoning Commission and Board of Zoning Adjustment approvals to construct the Stadium Project; and (ii) advanced the design to at least the design development completion level. Further, by July 1, 2015, DC United shall have entered into a definitive construction contract for the Stadium (collectively, with C(i) and C(ii), the “DC United Pre-Construction Obligations”).

In the event DC United fails to accomplish the DC United Pre-Construction Obligations by March 1, 2017, the District shall have the right to exit the transaction in accordance with the terms of the Transaction Agreements. In addition, the District shall have the right to exit the transaction in the event DC United is not making good faith efforts to accomplish its objectives and fails to remedy such failure within six (6) months of receiving notice of such failure.

There will be no monetary penalties for DC United’s failure to meet the Design and Land Use Approval Milestone Date.

D. Substantial Completion Milestone Date:

By no later than January 1, 2017, the Stadium shall be substantially complete and ready for commercial operation; provided, however, the Parties will endeavor and use reasonable efforts to complete the Stadium by March 1, 2016, or in time for the start of the 2016 MLS season (the obligation of the District to use reasonable efforts is not intended to increase or expand the other obligations of the District set forth in this Term Sheet).

In the event DC United fails to achieve substantial completion of the Stadium by March 31, 2020, and assuming that the District has met its obligations (i.e. completed its work), the District shall be entitled to terminate the Stadium Site groundlease and to recover liquidated damages that are equal to the sum of the following: (i) the estimated tax revenue attributed to the assumed development of the Stadium Site on a mixed use basis for a three (3) year period; (ii) the assumed ground

rent for a mixed use project for such three (3) year period; and (iii) an estimated development fee on the part of the District of \$4.5 million. The Transaction Agreements will include a definitive number that represents the Parties' best estimate of such amount. Notwithstanding the foregoing, DC United shall be entitled to "safe harbor" and the District shall not be entitled to recover any portion of the liquidated damages set forth in this paragraph if (a) DC United spends \$4.5 million or more in development costs related to the Stadium Project, or (b) DC United suffers an operating loss of \$18.0 million or more during the time period commencing with the execution of this Term Sheet and terminating on March 31, 2020.

E. Extension of Milestone Dates:

All of the milestone dates in this Section 2 may be extended or otherwise modified upon mutual agreement of the Parties. The milestone dates shall also be subject to appropriate force majeure delays as will be delineated in the Transaction Agreements.

3. THE DISTRICT'S LAND ASSEMBLY AND INFRASTRUCTURE OBLIGATIONS.

A. Pepco Substation:

Notwithstanding any other provision of this Term Sheet, the District will not be required to obtain title to the operational portions of the Pepco substation site located between the two generator banks to the north of and including T Street SW (the "Pepco Substation") by either the Land Assembly/Project Approval Milestone Date or the Infrastructure Milestone Date. The Parties acknowledge that acquisition of this portion of the Stadium Site is likely to lag behind the rest of the Stadium Project. In furtherance of this understanding, DC United shall design the Stadium so that the structure can be completed and available for use without obtaining title to the operational portions of the Pepco substation site.

B. Infrastructure:

The District's infrastructure obligations shall be limited to (i) the footprint of the Stadium Site; (ii) the roads and rights-of-way that serve as the perimeter of the Stadium Site (i.e., the roadways and the sidewalks on both sides of such roads within the right-of-way); (iii) the roadway and sidewalks on Potomac Avenue from South Capitol Street to the Stadium Site; and (iv) traffic signals and highway

signage within a reasonable distance from the Stadium. In general, the traffic signal/highway signage area will not extend North of M Street or East of First Street SE.

- C. Parking:** The Parties will work cooperatively together to address parking to serve the Stadium Project. Nothing in this Term Sheet shall obligate the District to guarantee that any offsite parking spaces will be available for the Stadium Project's use.
- D. Streetcar:** The District will pursue (i) re-sequencing options so as to advance construction of the Buzzard Point/Downtown streetcar line, and (ii) the construction of a streetcar stop adjacent to the Stadium Site.
- E. Billboard Signage:** The District shall cooperate with DC United in designating the Stadium Site as a Designated Entertainment Area, as defined and governed by Title 13, Chapter 8 of the District of Columbia Municipal Regulations.
- F. Impact of Surrounding Development on Stadium Operations:** Subject to and in accordance with any applicable laws and regulations, upon DC United's written request to the District DC United shall be provided with any publicly available proposed plans for the development of a mutually agreed area surrounding the Stadium Site that are within the District's possession to permit DC United to provide comments regarding the operational impact that such proposed development may have on the Stadium Project. For the avoidance of doubt, the foregoing is not intended to provide DC United with any right of approval of the development in the area surrounding the Stadium Site.

The District is also willing to examine the creation of an Entertainment/Sports Area that would include the Stadium Site and which would be designed to encourage and harmonize uses and design throughout the Area.

4. ECONOMIC INCLUSION.

- A. Development Contracts:** With respect to development related contracts associated with or for the Stadium Project (i.e., design, construction, etc.), DC United shall use best efforts to achieve the following: (i) at least fifty percent (50%) by value of all such contracts shall be awarded to businesses that have been certified by the District of Columbia Department of Small and Local Business Development ("DSLBD"); (ii) at

least thirty-five percent (35%) by value of all such contracts shall be awarded to businesses that have been certified as small business enterprises by DSLBD; and (iii) at least twenty percent (20%) by value of all such contracts shall be awarded to businesses that have been certified as disadvantaged business enterprises by DSLBD; provided, that the costs of materials, goods, and supplies shall not be counted towards the foregoing percentage requirements unless such materials, goods, and supplies are purchased from business enterprises in one or more of the required categories.

B. Stadium Employment Requirements:

At least fifty-one percent (51%) of the jobs at the Stadium Project (ticket takers, guest services, ushers, food service, etc.) will go to District residents. In determining the total number of jobs at the Stadium Project, DC United's players, coaches, training staff and front office management shall not be included.

C. Stadium Operational Contracts:

With respect to operational contracts for the Stadium Project (i.e., janitorial, food service, security, etc.) and subject to all applicable First Source regulations, DC United shall use best efforts to achieve the following: at least thirty-five percent (35%) by value of all such contracts shall be awarded to businesses that have been certified by DSLBD.

D. Penalties:

The Transaction Agreements will include meaningful penalties if the workforce and certified business enterprise utilization goals for the Stadium Project are not met, similar to those set forth in Sections 2-219.03(e)(4) and 2-218.48 of the District of Columbia Official Code, respectively. Any monetary penalties shall be excluded from the calculation of the Annual Stadium Revenue and the Annual DC United Expenses.

5. ANCILLARY DEVELOPMENT ON THE STADIUM SITE.

A. Rights:

Subject to the District's approval rights that will be more fully set forth in the Transaction Agreements, DC United shall have the right to undertake ancillary development on the Stadium Site. The primary purpose for ancillary development on the Stadium Site shall be to enhance the game day experience for patrons of the Stadium. Such development shall be designed and programmed with

heights, densities, and uses that do not detract from the Stadium Site's fundamental use as a sports and entertainment facility. In addition, to the greatest extent practical, such ancillary development shall be designed in such a way so as to provide amenities to the surrounding neighborhoods on non-game days.

6. NO RELOCATION / REMEDIES / CHANGE IN CONTROL.

A. No Relocation of Team: DC United will not relocate to a stadium outside the District of Columbia for a period coincident with the full term of the Stadium Site groundlease.

DC United shall also keep its principal offices within the District for the term of the Stadium Site groundlease.

DC United will use reasonable efforts to locate its practice field and any related facilities in the District of Columbia and will keep the District apprised of its efforts to identify and secure a location in the District of Columbia. The District will use reasonable efforts to assist DC United with locating its practice field and any related facilities in the District of Columbia.

B. Injunction: The Transaction Agreements will include meaningful and enforceable remedies necessary for the District to effectively enforce the obligation specified in Section 6.A above; including, but not limited to, an acknowledgement that injunctive relief is an appropriate remedy to enforce these obligations.

C. Bankruptcy Considerations: The remedies in the Transaction Agreements will be structured in such a way that they cannot be discharged or rejected in a bankruptcy proceeding. Among other things, this may require that the District have a security interest in or a pledge of the ownership interests in DC United.

7. MISCELLANEOUS.

A. No Assignment: No Party hereto shall have the right to assign or transfer, or permit the assignment or transfer of, this Term Sheet without the prior written consent of the other Party.

B. Transaction Agreements: This Term Sheet shall be superseded by the various Transaction Agreements which are to be entered into by the

Parties in connection with the construction, development, management and operation of the Stadium Project. The Parties agree to endeavor to enter into Transaction Agreements evidencing all of the understandings set forth in this Term Sheet. Pending the execution and delivery of such Transaction Agreements, except for the agreement regarding exclusive negotiations set forth below, and to proceed in an effort to finalize all of the Transaction Agreements contemplated by this Agreement by not later than October 1, 2013, this Term Sheet solely constitutes an expression of intent and is not binding on the Parties. It is expressly agreed that, until the Transaction Agreements have been executed and delivered by the Parties, this Term Sheet and the negotiations arising therefrom shall not create or give rise to any contractual or other legally enforceable rights, obligations or liabilities of any kind on the part of the District other than as expressly set forth herein. The Transaction Agreements shall provide that any successors and permitted assigns of DC United shall be bound by the Transaction Agreements in their entirety.

If the Transaction Agreements have not been finalized by October 1, 2013, either Party may terminate this Term Sheet by written notice to the other Party, in which event the Parties shall have no further obligations hereunder.

The Transaction Agreements shall be subject to the approval of the Council of the District of Columbia. The Parties also understand that certain provisions of this Term Sheet may require statutory changes including, but not limited to, the phased-in payment in lieu of taxes contemplated by Section 1.F. The obligations of the District under the Transaction Agreements shall be subject to the federal and District Anti-Deficiency Acts.

- C. Waiver:** The failure of a Party to insist upon strict performance of any of the terms or provisions of this Term Sheet shall not be construed as a waiver or as a relinquishment for the future of such term or provision. No waiver by a Party of any term or provision of this Term Sheet shall be deemed to have been made unless expressed in writing and signed by such Party.
- D. Severability:** If any clause or provision of this Term Sheet is or becomes illegal, invalid, or unenforceable because of present or future laws or any rule or regulation of any governmental body or entity, then the remaining parts of this Term Sheet

shall not be affected.

E. Applicable Law:

This Term Sheet shall be governed by and interpreted in accordance with the internal laws of the District of Columbia, without giving effect to conflict of laws provisions.

F. Notices:

All notices or other communications required or desired to be given with respect to this Term Sheet shall be in writing and shall be delivered by hand or by courier service, or sent by registered or certified mail, return receipt requested, bearing adequate postage and properly addressed as provided below. Each notice given by mail shall be deemed to be given by the sender when received or refused by the Party intended to receive such notice: each notice delivered by hand or by courier service shall be deemed to have been given and received when actually received by the Party intended to receive such notice or when such Party refuses to accept delivery of such notice. Upon a change of address by either Party, such Party shall give written notice of such change to the other Party in accordance with the foregoing.

To District:

Allen Y. Lew
City Administrator
John A. Wilson Building
1350 Pennsylvania Avenue, N.W.
Suite 521
Washington, D.C. 20004

with a copy to:

Scott Burrell
Chief Operating Officer
Department of General Services
2000 14th Street, N.W.
8th Floor
Washington, D.C. 20009

with a copy to:

Susan C. Longstreet, Esquire
Deputy Attorney General - Commercial Division
Office of the Attorney General for the District of Columbia
441 4th Street, N.W.
10th Floor
Washington, D.C. 20001

To DC United:
Jason Levien
DC United
2400 East Capitol Street, S.E.
Washington, D.C. 20003

with a copy to:

David Minberg
DC United
2400 East Capitol Street, S.E.
Washington, D.C. 20003

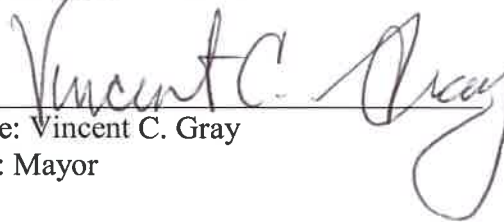
with a copy to:

Jon S. Bouker, Esq.
Arent Fox LLP
1717 K Street, N.W.
Washington, D.C. 20036

- G. Entire Agreement:** This Term Sheet constitutes the entire agreement among the Parties with respect to the subject matter hereof, and there are no agreements among them with respect to the subject matter hereof other than as set forth herein.
- H. Exclusive Negotiations:** DC United agrees that, until January 1, 2014, DC United shall negotiate exclusively and in good faith with the District with respect to the Transaction Agreements and the construction of a new soccer stadium for DC United. During the negotiation period, DC United shall not solicit or entertain offers or proposals from other jurisdictions or parties concerning the construction of a new soccer stadium, and the District shall work diligently to negotiate the Transaction Agreements, acknowledging that time is of the essence to the Parties.

IN WITNESS WHEREOF, the Parties hereto have executed and delivered this Term Sheet as of the year date set forth above.

DISTRICT OF COLUMBIA

By: 
Name: Vincent C. Gray
Title: Mayor

DC SOCCER, LLC

By: 
Name: Jason Levia
Title: Managing Partner

EXHIBIT A

Description of Stadium Site

