

Tufton Professional Baseball LLC
873 Long Drive, Aberdeen, MD 21001

Mayor McGrady and Members of the Aberdeen City Council,

We write to you today to share our appreciation for the extensive time and energy you have spent in working towards an extension of the present License Agreement. The License Agreement structure, through Tufton Professional Baseball LLC's management of non-IronBirds events at Leidos Field at Ripken Stadium has afforded opportunities for Aberdeen residents to use the stadium and has freed the City from managing non-IronBirds events.

Before discussing the License Agreement in further detail, we felt it important to provide some historic perspective on the City of Aberdeen's relationship with Tufton. Sometimes context gets lost over time, so it's helpful for all of us to look back and remember how this started. Our roots are firmly in Aberdeen and we both have benefitted from our baseball upbringing in this wonderful community. It was important for us to try and create a baseball destination here in Aberdeen and we wanted to bring back something special to be enjoyed by generations for years to come. Leidos Field at Ripken Stadium, along with the Ripken Experience-Aberdeen, have become that special venue and we're invested in the success of both facilities.

You may or may not be aware that we personally invested \$6,000,000 of our own money towards the ballpark's construction costs, have invested nearly \$2,000,000 more in capital costs over the last fifteen years and continue to maintain and operate the ballpark to the tune of almost \$400,000 annually. Our group was also instrumental in working with both Harford County and the State of Maryland to lobby for the hotel tax in the county that last year alone produced approximately \$600,000 for the City of Aberdeen.

When the City and Tufton entered into a relationship early in the millennium, the relationship was, and continues to be, governed by a Concession Agreement. The Concession Agreement dictates all terms and conditions between the City of Aberdeen, the owners of the stadium, and Tufton, the Franchisor. Originally written to allow the City to operate non-IronBirds events, Aberdeen approached Tufton about taking over that portion of the Concession Agreement in exchange for a flat-fee 'buyout' of its rights. Tufton agreed and worked with the City government to create a series of License Agreements, the last of which will expire on December 31, 2017. During 2016, Tufton paid the City of Aberdeen a License Agreement fee of \$67,500 and in 2017, \$95,000. 2017's payment of \$95,000 represented an increase of 41%, year over year.

When we met with City Manager Robertson and Mayor McGrady in November, 2016, we let both know that if City officials felt it could operate events in a way that was better for the city, or if negotiations were going to be extended or tedious, we were willing to give back the rights we had received through the License Agreement. We were told that City officials were going to hire a third-party group to work with us to negotiate a new license agreement and we agreed to wait for that group to come on board in 2017.

As you're aware, this City Council engaged SMG to negotiate a new License Agreement with Tufton for 2018 and beyond. From day one, the negotiations led by SMG could only be described as hostile and, as the owner of one of Aberdeen's most visible businesses, we felt like officials running the City of Aberdeen, the town we were raised in and care so much about, didn't value our existence. In one of the first negotiating sessions with SMG, their lead negotiator said, "We strongly encourage you to take this deal because the Mayor has a nuclear weapon he wants to throw your way if you don't." This type of

rhetoric is hardly the type that brings groups together but, nevertheless, we tried to reach an agreement with SMG.

Since the City dismissed SMG, we have provided this City Council with two follow-up proposals. The first proposal did not meet the City of Aberdeen's stated needs and was rejected. The second and most recent proposal was delivered to City Manager Robertson on August 22, 2017 and to the Mayor and the City Council on August 24, 2017.

The terms of that proposal were as follows:

- **2018 calendar year – Tufton agrees to pay the COA 10% of all non-IronBirds event rental fees (Tufton to provide COA with a copy of all signed event agreements)**
- **2019 calendar year – Tufton agrees to pay a license fee of \$125,000**
- **2020 calendar year – Tufton agrees to pay a license fee of \$150,000**
- **2021 calendar year – Tufton agrees to pay a license fee of \$175,000**
- **2022 calendar year – Tufton agrees to pay a license fee of \$200,000**

As with all proposals that have gone back and forth between both parties, 100% of funds will be contributed to the COA's stadium fund to assist in funding capital repairs and improvements. Tufton and the COA will meet each year, prior to each group's respective budgeting cycle, to mutually agree on capital improvements to take place the following calendar year.

Additionally, Tufton and the COA agree to reinstate the Facility Maintenance Agreement, after discussing mutual modifications based upon present facility conditions, and commit to a minimum of one (1) full working day each month, during the entire life of the License Agreement, performing a facility walkthrough attended by both a Tufton representative and a COA representative.

Finally, at any time during the proposed license agreement, should the COA recoup its initial investment in the facility, based on the terms in Section 4.05 of the original Concession Agreement, the proposed License Agreement would become void and the COA/Tufton would revert back to the original Concession Agreement. Except as stated in this proposal, we propose that the terms of our July 1, 2016 License Agreement be included in the License Agreement for 2018-2022.

Since providing this proposal to the group, Tufton has been through three rounds of questioning and discussion, some via e-mail and others in-person. First, City officials were unhappy with Tufton's inability to pay a license fee in 2018. The reasoning for this is simple. Since SMG began negotiating with Tufton, City Manager Robertson let us know that we would not be allowed to book any additional events for the 2018 season until a new License Agreement was agreed upon. SMG shared with Tufton that they 'couldn't understand why' the City would not allow events to be booked during this period and characterized it as a "lost year". Nearly \$200,000 in revenue, that would have directly benefited the City, was turned away. After discussions, we're appreciative of this Council coming to the understanding that in 2018, Tufton would be able to pay the City of Aberdeen 10% of all event rental fees we collect.

Another point of questioning surrounded capital improvements to Leidos Field at Ripken Stadium. Aberdeen, according to its records, has spent \$2,200,000 in capital improvements over the past 15

years. Tufton has also spent nearly \$2,000,000 in capital improvements for the City-owned stadium during this same period. A full listing of Tufton-funded capital improvements is attached to this letter. These capital improvements do not include the average annual repairs and maintenance, performed continuously by Tufton, at an average expense of \$400,000 annually. Tufton and the City both agree that we need to have a defined maintenance plan with monthly reviews and walkthroughs of the facility to stay aligned on needed major repairs and capital improvements. Since we have differing understandings about how major repairs and capital improvements are addressed under the Concession Agreement, if we reach agreement on a 2018-2022 License Agreement, Tufton would agree to refer any differences between the parties to binding arbitration. We're hoping City officials are amenable to those terms.

The final line of questioning centered around Section 4.05 of the Concession Agreement. During the totality of negotiations, Tufton has been steadfast that we were not willing to renegotiate that agreement. In the closed session meeting that our staff attended on August 30, this Council again asked to renegotiate the Concession Agreement by requesting us to guarantee the payments in our proposal, regardless of whether the threshold has been met with the City recouping its original \$3,000,000, per section 4.05 of the Concession Agreement.

We engaged the audit firm of Stout Causey & Horning to perform the necessary calculations required within Section 4.05. Those calculations have determined that, as of August, 2017, there is \$274,203 remaining on the recoupment of Aberdeen's initial investment. You'll recall that once Aberdeen recoups its initial \$3,000,000 investment, non-IronBirds events revert back to Tufton's control, allowing the City of Aberdeen access of the facility for up to fifteen dates for City events.

We chose Aberdeen as the home of these two facilities for one simple reason. It's home. Aberdeen was a great place to grow up, family still lives here, and we wanted to be able to create something uniquely local that could be enjoyed by Aberdeen's citizens for years to come. Thousands of Aberdeen residents have been entertained by IronBirds baseball and events like our newly created series of free community movie nights and thousands more have enjoyed jobs created through IronBirds baseball and the Ripken Experience-Aberdeen.

As home to the Cal Ripken World Series for over a decade, our Ripken Experience-Aberdeen facility brought the world to this community. A labor of love, it cost us personally over \$1,000,000 putting this event on but it was important for us to see the community benefit each year.

We preach to our staff the importance of giving back and since the start of this year alone, the IronBirds have donated nearly \$100,000 in cash and in-kind donations to Harford County not-for-profit organizations, many of which are based in Aberdeen. When this Council declined to accept its 100 IronBirds tickets per game that are provided within the Concession Agreement, Visit Harford! offered to donate those tickets to the local community so Aberdeen's not-for-profit groups, including the Boys & Girls Clubs of Harford County and the Aberdeen Police Department, would be able to continue to enjoy these games that have become part of our town. Together, this community has embraced the IronBirds and we're all better for it.

Enclosed with this letter you'll find the referenced list of Tufton-funded capital over the last fifteen years as well as the calculations done by Stout Causey & Horning that outline the remaining \$274,203 that the City will receive from Tufton prior to the control of events reverting back to Tufton.

We're hopeful this letter has now answered your two remaining questions, regarding capital and Section 4.05, the recoument of funds, from the Concession Agreement, and provides some clarity for the Council. We've maintained throughout this process that we're unable to negotiate the original Concession Agreement and it's our hope that the City of Aberdeen can continue to benefit from having Tufton, the IronBirds and the Ripken Experience-Aberdeen as part of its civic environment. As to next steps, we'll await contact from this Council and are open to again sitting down for responsible discussion.

Sincerely,



Cal Ripken, Jr.



Bill Ripken