

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

0220-05392-0004
C.F. No. 15-0989, 15-0989-S2

Date: May 3, 2019

To: Honorable Members of the Ad Hoc Committee on the 2028 Olympic and Paralympic Games

From: Richard H. Llewellyn, Jr., City Administrative Officer

Sharon M. Tso, Chief Legislative Analyst

Subject: **ANNUAL REPORT AND INDEPENDENT BUDGET REVIEW RELATIVE TO THE 2028 OLYMPIC AND PARALYMPIC GAMES**

RECOMMENDATIONS

That the Council:

1. NOTE and FILE the attached LA 2028 annual report for the year ending December 31, 2018 inasmuch as it is submitted for informational purposes only;
2. NOTE and FILE the attached independent review of the 2028 Olympic and Paralympic Games budget conducted by KPMG inasmuch as it is submitted for informational purposes only; and,
3. DIRECT the City Administrative Officer and the Chief Legislative Analyst, with assistance from the City Attorney and Los Angeles Police Department, to work with LA 2028 and national, State, and local law enforcement agencies to identify and report concerning the timing of the appropriations process and the methods for determining any additional costs of security that might be outside the National Special Security Event designation.

SUMMARY

Pursuant to the terms of the Memorandum of Understanding (MOU) between the City of Los Angeles (City), the Los Angeles Organizing Committee for the Olympic and Paralympic Games 2028 (LA 2028), and the United States Olympic Committee (USOC), LA 2028 has prepared and submitted to the City the LA 2028 Annual Report for 2019 (2019 Annual Report) covering the period from January 1, 2018 through December 31, 2018. The 2019 Annual Report is transmitted as an attachment to this staff report (Attachment A). The 2019 Annual Report provides the City with updates on key issues and presents an overview of the previous year's operations and how LA 2028 performed financially. Included with the 2019 Annual Report are budget and unaudited financial statements. The 2019 Annual Report also transmits the Joint Marketing Program Agreement (JMPA) between LA 2028 and the USOC, as approved by the IOC.

Also transmitted with this report is the LA 2028 Independent Budget Assessment Report (Budget Report) conducted by KPMG (Attachment B). The Budget Report provides an analysis of the 2028 Olympic and Paralympic Games (2028 Games) budget and highlights changes resulting from the International Olympic Committee (IOC) awarding the 2028 Games to the City instead of the 2024 Games. Since KPMG's previous budget review was conducted when the 2024 Games were being pursued, the Budget Report provides a comparison of the 2028 and 2024 Games budgets and identifies budget categories and assumptions with significant changes.

Based on the information presented in the 2019 Annual Report, the various activities LA 2028 has been engaged with, and those it will continue to be involved with, as it works towards the 2028 Games are consistent with preparation work detailed in the Host City Contract (HCC) and MOU with the City. Additionally, with nine years remaining until the 2028 Games, KPMG's Budget Report concludes that the current \$6.88 billion budget prepared by LA 2028 is reasonable and complete for this stage of the Games.

Due to the early stage of program development for the 2028 Games, we anticipate future annual and budget reports to contain more robust and detailed information.

FINDINGS

2019 Annual Report

As specified in the MOU, the 2019 Annual Report provides updates on the following items:

- Management discussion and analysis;
- JMPA with the USOC;
- LA 2028 transition period and board formation;
- Insurance and risk management plan;
- List of contracts with LA 2028 in excess of \$1 million;
- Conflict of interest policies, audited financials, and Form 990; and
- Youth sports

A key highlight from these various sections includes the finalization of the JMPA which sets forth the terms of the joint marketing program between LA 2028 and the USOC, as approved by the IOC. The JMPA is incorporated as an attachment to the 2019 Annual Report. Following the completion of the JMPA, a new commercial joint venture has been formed that will be guided by the JMPA and be responsible for LA 2028's domestic sponsorship, consumer product, hospitality, ticket sales, and fundraising. The JMPA and subsequent joint venture formation are important milestones given the reliance on revenue generation from the JMPA-covered revenue categories and the extended marketing period granted to LA 2028. While the City is not a party to the JMPA, the City has previously reviewed and agreed to terms in the HCC relative to commercial activities conducted in relation to the 2028 Games and these are incorporated into the JMPA.

Another important area of discussion in the 2019 Annual Report involves youth sports. As reported by the Department of Recreation and Parks (RAP) at the March 27, 2019 meeting of the Ad Hoc Committee on the 2028 Olympic and Paralympic Games (Ad Hoc Committee), the support to reach RAP's goals for increased participation and equity requires capital investments and ongoing resources for operation, maintenance, fee subsidies, and staffing. The investment from LA 2028 is an important component of the YSP; however, additional funding beyond the \$160 million from LA 2028 will be necessary to achieve RAP's goals. Finalization of the scope and terms of the YSP will need to be reached as part of the Los Angeles 2028 Games Agreement (Games Agreement) by September 2019.

KPMG Budget Report

In 2016, the City retained KPMG to evaluate the budget proposed by LA24 (the bid committee, which became LA 2028) to deliver the 2024 Olympic and Paralympic Games (2024 Games). The KPMG review determined that the budget for the 2024 Games was substantially reasonable, complete, and adhered to a conservative approach in its projections of forecasted revenues and expenditures. When the City's bid was revised to seek the 2028 Games, the City, the USOC, and LA 2028 agreed to the terms of an MOU that required an updated review of the 2028 Games budget. KPMG was again retained to conduct the review which has been completed and provided in Attachment B to this report.

The KPMG Budget Report is based on a 2028 Games budget as presented by LA 2028 as of January 22, 2019. This 2028 Games budget was compared to the 2024 Games budget as of October 16, 2016 which was reviewed during the candidature process. As they indicate in their report, KPMG's approach in assessing the 2028 Games budget was similar to the one used with the 2024 Games budget with a detailed analysis focused on the budget categories which had changed.

KPMG reports the 2028 Games budget is "reasonable and complete for this stage of the event lifecycle" with the event nine years in the future. Further, KPMG found that there are "reasonable processes in place to mitigate risk of overspending in the additional four years of planning." The 2028 Games budget is \$6.88 billion, which includes a contingency of \$615.9 million, showing an increase in expenses and revenues of \$1.58 billion each. Of this amount, inflation (calculated at 1.912 percent) is identified by KPMG as the cause for 86 percent or \$1.36 billion of the total increase for expenses. The remaining expense increases of \$219 million are attributed to support of the \$160 million YSP, sustainability initiatives, costs for secondary ceremony event(s), and costs for an additional four years of operations.

In the revenue category, KPMG identifies inflation as the cause of \$1.07 billion increase in revenues. The remaining increase of \$505.7 million is attributed to additional IOC funding, ticketing revenue, sponsorship revenue, licensing and merchandising, commissions, and interest income.

While there are no issues of concern raised by KPMG with regard to the 2028 Games budget, the Budget Report does identify factors for the City's consideration that may impact future expenditures for the 2028 Games and the City. The two factors with the most potential impact to the City are security and municipal services.

On the subject of security, KPMG states that costs outside of security activities in and around the venues are usually not accounted for in the Games budget because an entity like LA 2028 would not have control over national-level decisions that may impact the cost of security during the Games due to elevated threat levels. Also, while the 2028 Games are identified as a National Special Security Event (NSSE), NSSE specific resources are not available this far in advance of the Games. Additionally, funding for operational planning and for providing security is subject to a separate process of appropriations from the federal government. As such, KPMG recommends that the City and LA 2028 work with national, State, and local enforcement agencies to clearly understand the timing of the appropriations process and the methods for determining any additional costs of security that might be outside the NSSE designation. Our Offices concur with this recommendation.

Relative to municipal services, KPMG states that planning and hosting of the 2028 Games may require a further commitment on the part of the City based on the City's vision of the Games. These costs may not be included in the 2028 Games budget. KPMG recommends that the City work with LA 2028 to fully develop its vision for hosting the 2028 Games to allow for appropriate resource planning and help ensure that the City's broader policy objectives in such areas as tourism and economic development are captured in a mutually supportive manner. Similar to the YSP, finalization of the municipal services scope and terms will need to be reached as part of the Games Agreement by September 2019.

NEXT STEPS

As reported by our Offices at the March 27, 2019 meeting of the Ad Hoc Committee, a working group comprised of our Offices, the Mayor, and the City Attorney have initiated discussions with LA 2028 regarding development of a Games Agreement which will include:

- Terms of an enhanced municipal services agreement to reimburse costs incurred by the City to support the 2028 Games;
- Terms of support for the YSP; and,
- All provisions included in the MOU, including a risk management strategy, contingency program, and reporting schedule.

FISCAL IMPACT STATEMENT

There is no fiscal impact resulting from the recommendations in this report.

RHL:SMT:rr 11190061

ATTACHMENT A
LA 2028 Annual Report for 2019

ATTACHMENT B
KPMG 2028 INDEPENDENT BUDGET
ASSESSMENT REPORT



ATTACHMENT A
LA 2028 Annual Report for 2019



April 29, 2019

Eric Garcetti
Los Angeles Mayor
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Los Angeles, CA 90012

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Los Angeles City Attorney
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Los Angeles, CA 90012-4137

Richard H. Llewellyn, Jr.
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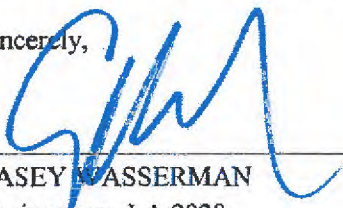
Sharon M. Tso
Chief Legislative Analyst
200 N. Spring Street, Room 255
Los Angeles, CA 90012-4137

Holly L. Wolcott
City Clerk
200 N. Spring Street, Room 360
Los Angeles, CA 90012

Dear Mayor Garcetti, City Attorney Feuer, City Administrative Officer Llewellyn, Chief Legislative Analyst Tso, and City Clerk Wolcott:

Pursuant to Sections (9)(b) and 12(a) of the Memorandum of Understanding made and entered by and among the City of Los Angeles, the United States Olympic Committee, and the Los Angeles Organizing Committee for the Olympic and Paralympic Games 2028 ("LA 2028"), please find attached as Appendix A, the LA 2028 Annual Report for 2019.

Sincerely,



CASEY WASSERMAN
Chairperson, LA 2028

CC: LA 2028

Brian E. Nelson
Chief Legal Officer
10900 Wilshire Blvd.
Suite 700
Los Angeles, CA 90024

UNITED STATES OLYMPIC COMMITTEE

Chris McCleary
General Counsel
1 Olympic Plaza
Colorado Springs, Colorado 80909

LA 2028

APPENDIX A

LA 2028: Annual Report for 2019

I. Management discussion and analysis

In calendar year 2018, LA 2028 laid the foundation of its organization based on a vision to deliver a transformative Olympic and Paralympic Games that will inspire a new generation and benefit the City of Los Angeles. In 2019, the organizing committee (OCOG) will continue to build by implementing a commercial plan, partnering with the City on youth sports, and maturing the OCOG's operations and planning.

Everything we do is guided by our promise to reimagine what the Games can be, looking through the lens of Los Angeles's optimism and youthful energy while keeping fiscal responsibility top of mind. To this end, LA 2028 has finalized the 2028 Games budget – which is an update from the 2024 Games budget – as described in more detail in the next section.

Commercial: LA 2028, the U.S. Olympic Committee, and the International Olympic Committee finalized the Joint Marketing Programme Agreement (JMPA), which is attached as Appendix B. The JMPA sets forth the joint marketing program between LA 2028 and the U.S. Olympic Committee ahead of the 2028 Games. The completion of this process allowed LA 2028 to establish the U.S. Olympic and Paralympic Properties, LLC – the commercial joint venture between LA 2028 and the U.S. Olympic Committee. Kathy Carter leads the joint venture as the Chief Executive Officer and is also LA 2028's Chief Revenue Officer, overseeing all of the OCOG's domestic sponsorship, consumer product, hospitality, ticket sales, and fundraising.

Youth sports: In 2018, LA 2028 began to lay the groundwork for its substantial investment in youth sports in Los Angeles ahead of the 2028 Games. We were pleased to work with the LA Department of Recreation and Parks (RAP) on a comprehensive analysis of the youth sport programming it offers and on those youth programs offered by other organizations operating in Los Angeles. We were also happy to provide financial support to expand youth enrollment in RAP's successful SwimLA programming last summer. More information about LA 2028's planning in support of youth sports through 2028 can be found below.

Organizational: LA 2028 has fully completed its transition to an organizing committee. LA 2028 is currently governed by a board of directors chaired by Casey Wasserman and organized consistent with federal and state laws, International Olympic Committee requirements, and those requirements contained in Section 7 of the memorandum of understanding (MOU) between the City of Los Angeles, the U.S. Olympic Committee, and LA 2028.

Finally, as discussed in more detail below, LA 2028's operating reserves are healthy, which is due to the International Olympic Committee's quarterly \$9 million payments to the OCOG for a total of \$36 million in payments made to the OCOG in 2018.

LA 2028

II. Budget update & KPMG process

LA 2028 used calendar year 2018 to update the Games Budget for the 2028 Games, building on the strong foundation of the 2024 Games Budget already vetted by KPMG and approved by Council. The 2028 Games Budget is as attached as Appendix C.

A review of the 2028 Games Budget has been performed by KPMG, which has been separately provided to the City.

LA 2028's financial statements for calendar year 2017 are attached as Appendix D. LA 2028 is finalizing its accounting for fiscal year 2018 (which aligns with the 2018 calendar year). The OCOG's primary source of revenue in 2018 is the International Olympic Committee's quarterly payments of \$9 million. The primary categories of expenditures in 2018 are staffing, professional services, office operations, travel and entertainment, and insurance.

With the updates to the overall 2028 Games Budget complete, LA 2028's future annual reports will include forecasts of the annual operating budgets (including forecasted revenues and expenses), any relevant updates on venue infrastructure schedules and budgeting, and, beginning in 2024, bank statements of the Allocated Contingency.

III. Insurance & risk management plan

The OCOG maintains an active Host City Contract 2028 insurance policy as of September 13, 2017, which is the date of the City's signature of the Host City Contract.

LA 2028 is taking a comprehensive approach to risk management, including:

- Best-in-market, customized insurance policies for both typical and unique risks;
- Strict budgeting and insurance guidelines for all contract counter-parties and vendors;
- Shifting risk to other parties wherever possible through contractual agreements; and
- Strong risk management internal controls.

As part of the 2028 Games Budget process, LA 2028 collaborated with insurance-program and risk-management specialists to evaluate further the potential lines of coverage and scope and to update estimate pricing of premiums. The pricing remained stable for many types of coverage, and, accordingly, the premium estimates are largely the same. As of this writing, the following insurance products are in place, in addition to the Host City Contract 2028 insurance policy:

- General Liability (initial coverage of \$14 million, including excess policy)
- Cyber (\$1 million for initial years of OCOG operation)
- Other: Property, automobile, crime/fraud, workers' compensation, and employment practices

LA 2028

IV. List of contracts in excess of \$1M

Contract	Value	Purpose
Lease Agreement	\$9,398,788.63 (10 years)	10-year office lease
AECOM Technical Services, Inc.	\$1,980,000 (10/1/17 to 06/30/19).	Technical consulting and planning related to the development of a masterplan for the Games and legacy strategy, and several technical appraisals and inventory projects
Boston Consulting Group	\$1,101,300 (2018)	Multiple project scopes for the LA youth sports project review and a LA 2028 budget analysis
Environmental Contracting Corporation	\$2,891,031 less a \$1,074,360 reimbursement from landlord (2018)	Management of tenant improvements for our office space, including management of and payment of funds from this contract to numerous sub-contractors
City of Los Angeles	\$1,055,554 (2018)	SwimLA program pilot

V. Conflict of interest policies, audited financials, and Form 990

Per the MOU, we have provided the City with LA 2028's conflict of interest policy as well as the most recently available Form 990 and audited financials.

VI. Youth sport

LA 2028 is committed to investing up to \$160M leading up to 2028 to provide access to quality youth sports across Los Angeles. In partnership with City leaders and subject to further negotiation and modification, the following are the principal terms of LA 2028's youth sport proposal.

- **RAP** will provide quality youth sport programs (see below), focusing first on getting to full enrollment in existing programs (especially in low income neighborhoods), and then on developing and expanding programs that include Olympic sport and adaptive sport.
- **LA 2028** will remove the primary barrier to access by subsidizing participation fees.
 - TBD fee target and qualification
 - TBD amount of LA 2028 subsidy to RAP per participant / per sport
- **Partnership Goal** is to increase participation.
 - Results to be measured and evaluated; RAP program will be regularly reviewed to adjust based on what's working.
- **Definition** of "Quality Programs":
 - the facilities must be safe;

LA 2028

- the facilities must be well maintained;
- the programming must be uniform/standardized across all participating parks;
- the coaches must be “quality” – well sourced, trained and supervised; and
- the programing is built on a “Safe Sport” model.

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APPENDIX B

[JMPA]

LA 2028

JOINT MARKETING PROGRAMME AGREEMENT FOR THE
GAMES OF THE XXXIV OLYMPIAD 2028
AND THE XVIII PARALYMPIC GAMES 2028

BY AND BETWEEN

LOS ANGELES ORGANIZING COMMITTEE FOR THE OLYMPIC AND PARALYMPIC GAMES 2028 d/b/a
LA 2028

AND

THE UNITED STATES OLYMPIC COMMITTEE

DULY APPROVED BY:

THE INTERNATIONAL OLYMPIC COMMITTEE

This Agreement is made as of the 10th day of August, 2018.

PARTIES:

THE UNITED STATES OLYMPIC COMMITTEE (hereinafter, the "USOC")

and

The LOS ANGELES ORGANIZING COMMITTEE FOR THE OLYMPIC AND PARALYMPIC GAMES 2028 d/b/a LA 2028 (hereinafter, "LA 2028")

RECITALS:

- A. WHEREAS, according to the Olympic Charter, the International Olympic Committee (the "IOC") governs the Olympic Movement, and exclusively owns all rights to the Olympic Games, in particular and without limitation, the rights relating to their organisation, exploitation, broadcast and reproduction by any means whatsoever;
- B. WHEREAS, according to the IPC Handbook, the International Paralympic Committee (the "IPC") governs the Paralympic Movement, and exclusively owns all rights to the Paralympic Games, in particular and without limitation, the rights relating to their organization, exploitation, broadcast and reproduction by any means whatsoever;
- C. WHEREAS, the IOC, at its 131st Session in September 2017 in Lima, Peru, voted (the "Games Vote") to elect the Candidate City (defined below) as the host city for the Games of the XXXIV Olympiad 2028 (the "Host City");
- D. WHEREAS, pursuant to the Host City Contract, the XVIII Paralympic Games (hereinafter, the "Paralympic Games") were awarded by the IPC to the Host City simultaneously with the IOC's election of the Host City for the Games of the XXXIV Olympiad 2028 (hereinafter, the "Olympic Games", and together with the Paralympic Games, collectively, the "Games"), with the intent that the Paralympic Games be held following the Olympic Games in the Host City;
- E. WHEREAS, pursuant to agreements between the IOC and IPC (the "IOC-IPC Agreement"), the IPC has transferred (by way of future assignment) to the OCOG (defined below) certain Paralympic Games-related marketing rights in the Host Country (defined below);
- F. WHEREAS, in the Host Country (defined below) the USOC operates as both the NOC and NPC; and
- G. WHEREAS, pursuant to G 2.7 and G 2.8 of the Candidature Questionnaire Olympic Games 2024 (which is the operative document for the Candidate City for 2028), LA 2028 and the USOC have decided to enter into this Joint Marketing Programme Agreement in order to help optimise the value of the Olympic and Paralympic image and maximise the revenue generating possibilities to successfully stage the Games.

NOW, THEREFORE, THE PARTIES HAVE AGREED AS FOLLOWS:

1. DEFINITIONS

In this Agreement (and in addition to capitalised terms defined elsewhere), the following capitalised words and phrases have the following respective meanings:

"Act" means the Ted Stevens Olympic and Amateur Sports Act, 36 U.S.C. §220501 et seq.

"Business Day" means a day other than Saturday or Sunday on which banks are open for business in the Host Country.

"Candidate City" means the City of Los Angeles, which submitted an application to host the Games pursuant to the Candidature Process.

"Candidature Process" means the process conducted by the IOC for the selection of the successful Host City for the Games according to the rules established in the Candidature for the Olympic Games 2028 documents, which are the operative documents for the candidature to host the Games in 2028.

"Commencement Date" has the meaning set out in Clause 2.1.

"Host City Contract" means the agreement entitled "Host City Contract for the Games of the XXXIV Olympiad 2028" (including the Host City Contract 2028 – Principles (and its appendices) and the Host City Contract - Operational Requirements) executed by the IOC, the City of Los Angeles and the USOC following the election of the City of Los Angeles as the Host City, and in respect of which the OCOG will be bound.

"Host Country" means the territory for which the USOC is recognised by the IOC as NOC, and in its capacity as NPC, by the IPC.

"IOC/USOC Definitive Agreement" means that certain Definitive Agreement entered into between the IOC and the USOC as of May 25, 2012.

"IPC Handbook" means the IPC Handbook as published on the IPC Website, which includes without limitation the IPC's constitution, bye-laws, regulations and Paralympic Games requirements.

"IPC/USOC Trademark Protocol" means that certain Paralympic Trademark Model agreement entered into between the IPC and USOC as of February 28, 2006.

"Joinder Agreement(s)" means the written documents signed by the Joint Venture in the form set out in Appendix 2, in which the Joint Venture intervenes as a Party to this Agreement and the JVLA and agrees to adhere to the terms hereof and thereof.

"Joint Marketing Period" means the period starting on 1 January 2021 until 31 December 2028.

"Joint Marketing Programme" means the marketing programme (including all sponsorship, licensing and any other commercial activities) consolidating Olympic- and Paralympic-related properties within the Host Country during the Joint Marketing Period.

"Joint Marketing Programme Revenue" has the meaning specified in Clause 6.1.

"Joint Venture" shall mean the legal entity that will be formed by the USOC and the OCOG following the Games Vote.

"Joint Venture Marks" means all Marketing JV Marks (defined in the JVLA) licensed to the Joint Venture for purposes of the Joint Marketing Programme.

"Joint Venture Sponsor" means any person or entity selected by the Joint Venture to acquire and exercise Games and USOC sponsorship, marketing, supply or licensing rights in the Host Country pursuant to the Joint Marketing Programme.

"JVLA" shall mean the Joint Venture Letter Agreement to be executed by the USOC and LA 2028 concurrently with this Agreement, which sets forth the material terms of the formation and operation of the Joint Venture.

"Marketing Plan Agreement" means the agreement to be entered into by and between the IOC, OCOG and the Joint Venture related to the marketing plan for the 2028 Games, as further detailed in Clause 5.3.

"NOC" means National Olympic Committee.

"NPC" means National Paralympic Committee.

"NPC Emblem" means the emblem owned by the NPC in the Host Country, as approved by the IPC and as illustrated in Appendix 1 to this Agreement.

"OCOG" means the "Organising Committee for the Olympic Games", an entity endowed with legal personality under the laws of the Host Country and established pursuant to the terms of the Host City Contract.

"Olympic Charter" means the Olympic Charter (including its Rules and Bye-laws) in force upon conclusion of the 131st IOC Session in Lima, Peru, and as may be amended from time to time.

"Olympic Movement" means the organisations, athletes and other persons who agree to be guided by the Olympic Charter, under the supreme authority and leadership of the IOC. The goal of the Olympic Movement is to contribute to building a peaceful and better world by educating youth through sport practised in accordance with Olympism and its values.

"Paralympic Movement" means all athletes and officials belonging to the NPC, the International Organizations of Sport for the Disabled (IOSDs), the International Federations (IFs), the Regional Organizations (ROs), the IPC Regional Committees, the IOSD Sports, the IPC Sports Technical Committees, IPC Councils, IPC Standing Committees, other IPC bodies and any other persons or organizations who agree to be guided by the IPC Constitution and Bye-laws.

"Parties" means LA 2028, the OCOG, the USOC and, upon execution of the Joinder Agreement, the Joint Venture.

"TOP Partners" means the group of companies participating in the TOP Programme (or its successor) as highest level international Olympic sponsors, including sponsors of the "International Programme" as referred to in §24.4 of the Host City Contract 2028 - Principles.

"TOP Programme" means the highest level of international Olympic sponsorship managed by the IOC and currently known as "The Olympic Partners Programme" or "TOP".

"TOP IX Programme" means the TOP Programme for the period commencing 1 January 2017 and concluding 31 December 2020.

"TOP X Programme" means the TOP Programme conducted by the IOC for the period commencing 1 January 2021 and concluding 31 December 2024.

"TOP XI Programme" means the TOP Programme conducted by the IOC for the period commencing 1 January 2025 and concluding 31 December 2028.

"TOP XII Programme" means the TOP Programme conducted by the IOC for the period commencing 1 January 2029 and concluding 31 December 2032.

"USD" means United States dollars.

"USOC Emblem" means the Olympic emblem owned by the USOC in the Host Country, as approved by the IOC and as illustrated in Appendix 1 to this Agreement.

"USOC Property" means all USOC Marks (defined in the JVLA), which for the avoidance of doubt, includes the USOC Emblem (including any future version thereof), the NPC Emblem (including any future version thereof) and any other intellectual property owned or used by the USOC (as identified in the JVLA), at any time, and related to the USOC's role and mission as the National Olympic Committee and/or National Paralympic Committee for the Host Country, including without limitation the authority to grant any rights to claim a sponsorship, association or affiliation of or with the USOC or the US Olympic or Paralympic team. For the avoidance of doubt, for purposes of this Agreement, the term "USOC Property" does not include any intellectual property owned or used by the USOC in its capacity as the National Federation for any Paralympic sport in the Host Country.

"USOC Sponsor" means any person that has been selected by the USOC to acquire and exercise Olympic and/or Paralympic sponsorship, marketing, supply or licensing rights in the Host Country (other than TOP Partners).

2. ENTRY INTO FORCE AND OLYMPIC CHARTER

2.1 Entry into Force: LA 2028 and the USOC acknowledge and agree that this Agreement shall become effective upon the counter-signature of this Agreement by the IOC to indicate its acknowledgement of the terms agreed between the Parties hereunder (the "Commencement Date").

2.2 Olympic Charter: All provisions of this Agreement shall be subject to the Olympic Charter, the IPC Handbook, and the Host City Contract, and, if any inconsistency between the provisions of this Agreement and the Olympic Charter, the IPC Handbook and/or the Host City Contract arises, the provisions of the Olympic Charter, the IPC Handbook, and the Host City Contract shall prevail; provided, that the Parties expressly agree that no such conflict is intended or believed to exist, and all provisions of this Agreement shall be interpreted to the greatest extent possible in such a manner as to avoid any such conflict with the Olympic Charter, the IPC Handbook and the Host City Contract; provided further, that the IOC reserves the right to amend the Olympic Charter with respect to governance of the Olympic Movement in accordance with the terms set out in the Host City Contract.

3. ACKNOWLEDGEMENTS AND UNDERTAKINGS

3.1 OCOG and Joint Venture as Parties: LA 2028 and the USOC hereby undertake to cause the Joint Venture, immediately after constitution, to intervene as a Party and adhere to this Agreement by means of the Joinder Agreement, to the effect that all of the terms and conditions of this Agreement relating to the Joint Venture, and all of the rights, guarantees, representations, statements, covenants, other commitments and obligations of the Joint Venture provided for in this Agreement shall be and become legally binding upon the Joint Venture, as if the Joint Venture were an original Party hereto. The Joint Venture shall forward an original copy of its Joinder Agreement to the USOC and IOC shortly after its formation. By no later than April 30, 2018, LA 2028 will amend its Articles of Incorporation to change its corporate name to "Los Angeles Organizing Committee for the Olympic and Paralympic Games 2028" (or words of similar import, as may be mutually agreed among between LA 2028, the USOC, and the IOC) and to modify its corporate purposes accordingly. Upon the effectiveness of such amendment, LA 2028 will be deemed to be the OCOG for all purposes of this JMPA and the JVLA without further action, and the OCOG will remain responsible for any obligations of LA 2028 hereunder or thereunder. For the avoidance of doubt, the Parties shall comply with Section 3 of the Host City Contract, and seek the IOC's prior written approval of the formation and governance documents of LA 2028 and the Joint Venture.

3.2 Goodwill: The Parties acknowledge that it is of great significance to the IOC, IPC, the Olympic Movement, and the Paralympic Movement that this Agreement, the JVLA and the Marketing Plan Agreement be developed and conducted in such a manner as to protect and preserve the integrity of the Olympic Movement and Paralympic Movement, and to enhance the goodwill of the IOC, IPC, the USOC, the organising committees of future Olympic Games and Olympic Winter Games and/or future

Paralympic Games and Paralympic Winter Games, and to enhance the value and promote the understanding of Olympism and enhance the value of the Olympic and Paralympic brand.

- 3.3 Reducing Market Clutter: The Parties acknowledge that Games marketing-related programmes are based on partnerships with a limited number of commercial partners and brands, providing more value to the Olympic Movement and/or Paralympic Movement in return for exclusive rights and greater protection of those rights, thereby reducing clutter in the marketplace and increasing the general public's identification of the companies having an official association with the Olympic Movement and/or Paralympic Movement.

- 3.4 Consolidation of Rights in Host Country: In order to maintain the principles set out in Clause 3.2 and Clause 3.3 above, the Parties undertake to consolidate certain key Olympic- and Paralympic-related properties and equities in the Host Country in connection with the Games in the Joint Venture during the Joint Marketing Period as described herein and as detailed in the JVLA. As a general matter and subject to the terms of the JVLA, activities or properties shall be consolidated in the Joint Venture where they are created and/or operated in direct furtherance of the staging and organization of the Games and/or the U.S. teams' participation in the Olympic, Paralympic, Pan American, ParaPan American and/or Youth Olympic Games during the Joint Marketing Period. The Joint Venture will develop a marketing plan for the Joint Marketing Programme pursuant to the requirements set out in Clause 5 below.

- 3.5 Candidature Marks: The Parties shall immediately refrain from and discontinue the use of any marks, logos, emblems and slogans created for the purpose of the Candidature Process as from the Games Vote, except as expressly approved by the IOC.

4. **ROC/NPC LOCAL MARKETING PROGRAMME**

- 4.1 Existing Rights: The USOC undertakes to refrain from soliciting, selling and entering into agreements for the grant of USOC Property and USOC-related marketing rights in the Host Country at any time after January 1, 2021, except as expressly authorized herein and/or in the JVLA.
- 4.2 USOC Local Marketing Programme; Rights Prior to Joint Marketing Period: In order to protect the successful development of the Joint Marketing Programme during the Joint Marketing Period:

(a) The USOC hereby represents and warrants to the other Parties and the IOC, the USOC has not, will not and did not prior to the Games Vote, without the approval of LA 2028, enter into any sponsorship or licensing agreement that expires after December 31, 2020 or amend, extend or otherwise modify any such agreement such that it would be in effect at any time after such date, and

(b) Prior to December 31, 2018, LA 2028 and the USOC shall explore in good faith whether there are any product or service categories for which it would be mutually beneficial for the USOC, LA 2028, the OCOG and/or the Joint Venture to sell together (i.e., for both the 2020 Olympic and Paralympic Games and the 2022-2028 Olympic and Paralympic Games) and, upon the mutual agreement of LA 2028 (or the OCOG, as applicable) and the USOC that such product or service categories exist, then to the extent the IOC approves such joint and early sale under the terms of the Marketing Plan Agreement or otherwise, (i) the USOC and the Joint Venture shall cooperate with respect to the sale of marketing, sponsorship and similar rights for such categories for a period that includes both the 2020 Olympic and Paralympic Games and the Joint Marketing Period, and (ii) any revenues arising from such categories for such period shall be allocated between the Joint Venture and the USOC by such mutual agreement in accordance with the Fundamental Principles (as defined in the JVLA).

- 4.3 Contractual Restrictions: As a precautionary measure, the USOC warrants and undertakes that it has (with respect to 4.3.1 and 4.3.2 hereof only), and will, include appropriate contractual clauses in its USOC sponsorship agreements to the effect that the USOC Sponsors acknowledge that the following principles will apply:

- 4.3.1. the USOC sponsorship agreements shall terminate no later than 31 December 2020, such that USOC Sponsors shall have no right to a commercial association with the Games, the OCOG, the Joint Venture, the USOC or any US Olympic or Paralympic team beyond 31 December 2020;
- 4.3.2. USOC Sponsors will be afforded a 60-day right of first negotiation by the Joint Venture to become a Joint Venture Sponsor for the Joint Marketing Period as provided in the JVLA; provided that upon the expiration of such 60-day period, the OCOG and the Joint Venture shall have no further obligations to any USOC Sponsor (e.g., such right of first negotiation shall not include any right to match any subsequent proposal or agreement). The USOC will work collaboratively with the OCOG and the Joint Venture to promptly commence these negotiations as soon as possible following the IOC's approval of the Marketing Plan Agreement, and the Joint Venture will collaborate in good faith with the USOC to determine the terms to be proposed to each USOC Sponsor; and
- 4.3.3. Subject to Clause 4.3.2, from and after the later date of the IOC's approval of the Marketing Plan Agreement and January 1, 2019, the Joint Venture may solicit, sell and announce Joint Venture Sponsors in the same categories as USOC Sponsors with companies that may be competitors to USOC Sponsors, it being understood that (a) except as otherwise specified in the JVLA, only Joint Venture Sponsors shall enjoy rights in connection with the Games, the OCOG, the Joint Venture, the USOC, and the 2022, 2024, 2026 and 2028 US Olympic and/or Paralympic Teams, and to the extent granted under Clause 4.2 above, the 2020 US Olympic and/or Paralympic team, and (b) except as otherwise agreed by the USOC and IOC, Joint Venture Sponsors may not activate any rights prior to January 1, 2021. For the avoidance of doubt, the Joint Venture may not grant any rights to Joint Venture Sponsors which would conflict with the Olympic Charter, the IPC Handbook, the Host City Contract or the Marketing Plan Agreement.
- 4.4 Revenue from USOC Domestic Marketing Programme: The USOC shall retain any and all revenues generated by its domestic marketing programme and agreements with USOC Sponsors for the grant of USOC Property and USOC-related marketing rights in the Host Country prior to the start of the Joint Marketing Period.
- 5. JOINT MARKETING PROGRAMME**
- 5.1 Purpose: The Parties understand and agree that the purpose of the Joint Marketing Programme is to create a unified marketing structure for Olympic and Paralympic marketing within the Host Country for the Games. It serves to combine certain key marketing and commercial rights of the USOC and the OCOG in the Joint Venture during the Joint Marketing Period, unencumbered by any option or prior grant (save as provided for in Clause 4.3.2) in order to safeguard the OCOG's revenue generating ability for the successful organisation and staging of the Games whilst preserving the "U.S. Host City – Joint Marketing Programme Guidelines" set forth in Schedule 6 to the IOC/USOC Definitive Agreement.
- 5.2 Joint Venture Management: The Parties agree that the Joint Venture will act as the only entity responsible for management of the Joint Marketing Programme in the Host Country during the Joint Marketing Period, subject to and in accordance with the terms of the Host City Contract, the Marketing Plan Agreement, this Agreement and the JVLA. The Joint Venture will not solicit, sell or enter into agreements that grant third parties the right to use Joint Venture Marks in the Host Country before the start of the Joint Marketing Period and subject always to execution of the Marketing Plan Agreement. Upon the later of approval by the IOC of the Marketing Plan Agreement and January 1, 2019, the Joint Venture may immediately begin to sell all sponsor, supplier and licensee categories pursuant to the terms of the Marketing Plan Agreement, and subject to the right of first negotiation described in Clause 4.3.2. The Joint Venture shall be permitted to announce, on a one-time basis upon execution, any and all sponsor, marketing or license agreements signed in accordance with the Marketing Plan Agreement

and may authorize Joint Venture Sponsors to utilize Joint Venture Marks beginning on the date the Joint Marketing Period commences.

- 5.3 Marketing Plan: The OCOG and Joint Venture will sign the Marketing Plan Agreement with the IOC and the Joint Venture will develop a marketing plan that will detail all aspects of sponsorship, licensing and other marketing activities in connection with the Games by no later than 31 December 2018. The Marketing Plan Agreement will clearly establish the marketing structure and objectives for the Games and elaborate the framework for developing and implementing the marketing plan for the Games.
- 5.4 USOC Support: The USOC acknowledges and agrees that it will fully respect, support and implement all of the terms and commitments established in this Agreement and the JVLA regarding the marketing efforts to be undertaken by the Joint Venture in the Host Country during the Joint Marketing Period and, unless expressly provided otherwise herein or in the JVLA, it will not conduct any marketing or other commercial activities that could create or imply an Olympic or Paralympic association during the Joint Marketing Period. Further, during the Joint Marketing Period and unless expressly provided otherwise herein or in the JVLA, the USOC undertakes to:
- 5.4.1. refrain from using or exploiting the USOC Property, or granting any rights of use or exploitation of the USOC Property to any third party;
 - 5.4.2. refrain from developing, using or exploiting its present or future marks or logos, which are not currently USOC Property, in a manner that could create or imply an Olympic or Paralympic association;
 - 5.4.3. use the products and services of any TOP Partner in accordance with terms of any contract or agreement entered into between such entity and USOC; and use the products and services of any Joint Venture Sponsor in accordance with the terms of any contract or agreement entered into between such Joint Venture Sponsor and the Joint Venture;
 - 5.4.4. ensure that all goods or services supplied to the USOC are supplied on the condition that the supplier first executes an acknowledgement, in such form as the Joint Venture may determine, stating that such supplier has no rights to use any USOC Property during the Joint Marketing Period and will not attempt to gain any Olympic or Paralympic association without the prior written consent of the Joint Venture. The USOC will use its best efforts to ensure that any supplier of goods or services complies with the terms of such acknowledgement; and
 - 5.4.5. refrain from entering into any negotiations or agreements with any broadcaster (audio or audio-visual) within the Host Country concerning rights to the Paralympic Games, other than ordinary course negotiations involving both the IPC and a Host Country Broadcaster.
- 5.5 Grant of USOC Rights: For the purpose of implementing the Joint Marketing Programme and pursuant to Bye-Law 4.10.2 to Rules 7-14 of the Olympic Charter, the USOC grants to the Joint Venture an irrevocable and exclusive licence during the Joint Marketing Period to:
- 5.5.1. use, reproduce and exploit the whole or any part of the USOC Property in accordance with this Agreement and the JVLA;
 - 5.5.2. approve the use of the Olympic emblem, the Paralympic emblem, as well as any other Olympic- or Paralympic- related symbols, emblems, marks or designations in the Host Country in accordance with this Agreement and the JVLA; and
 - 5.5.3. sub-license the USOC Property to Joint Venture Sponsors and to negotiate and enter into contracts, arrangements or understanding with Joint Venture Sponsors or any other third parties in respect of the use, reproduction and exploitation of the whole or any part of the USOC Property in accordance with this Agreement and the JVLA.

The USOC acknowledges that during the period between the date of formation of the Joint Venture and the conclusion of the Joint Marketing Period, the OCOG and Joint Venture may develop various graphic designs, trademarks, taglines, brands and word marks in connection with the Games for the benefit of the Joint Venture, and that during such period, the Joint Venture shall be entitled to use, reproduce, exploit and sub-license the use of such Joint Venture Marks in the Host Country, subject to the IOC's approval and the terms of this Agreement, the JVLA and Marketing Plan Agreement.

- 5.6 USOC Assistance: The USOC shall offer all possible assistance to the OCOG and the Joint Venture in connection with the Joint Marketing Programme and in connection with the organisation and conduct of the Games, including, without limitation, to assist the IOC, the Joint Venture and the OCOG in servicing and supporting the TOP Partners and the Joint Venture Sponsors with the intent that such entities are to be considered marketing partners of the IOC, the USOC, the Joint Venture and the OCOG. To this end, the USOC agrees that:
 - 5.6.1. it shall assist the OCOG and the Joint Venture in gaining access to US Team athletes upon request of a TOP Partner and/or Joint Venture Sponsor; and
 - 5.6.2. servicing and support of the TOP Partners and Joint Venture Sponsors within the Host Country shall be the responsibility of the Joint Venture during the period between 1 January 2021 and the date of dissolution of the Joint Venture, and thereafter shall be the responsibility of the USOC. The Joint Venture and the USOC shall arrange for the servicing of TOP Partners in the Host Country for the TOP X and TOP XI Programme to the entire satisfaction of the IOC and shall coordinate with the OCOG accordingly.
- 5.7 Maintenance of Intellectual Property: In the event of an infringement at any time during the Joint Marketing Period of the intellectual property rights of the USOC, the OCOG or the Joint Venture, or any USOC Sponsor or Joint Venture Sponsor in respect of the USOC Property, the Joint Venture Marks or any use thereof, then:
 - 5.7.1. the USOC, the Joint Venture and/or the OCOG, will institute, conduct and maintain such legal proceedings or take any other actions as such Parties determine are appropriate, regardless of whether such actions are taken in the USOC's, the Joint Venture's and/or the OCOG's name or in the joint names of the USOC, the Joint Venture and/or the OCOG;
 - 5.7.2. the USOC, the Joint Venture and the OCOG will honor the terms of this Agreement and the general intellectual property protection requirements of the Host City Contract, relying as appropriate upon the protections afforded by the Act and/or by other applicable US federal and state intellectual property laws in enforcing applicable intellectual property rights; and
 - 5.7.3. on a case-by-case basis, the USOC, the Joint Venture and the OCOG will mutually agree as to (i) which Party(ies) will perform the actions required by Clauses 5.7.1 and 5.7.2, (ii) which Party(ies) will bear costs in respect of any actions (including legal proceedings) taken to protect the intellectual property rights in the USOC Property or the Joint Venture Marks during the Joint Marketing Period, and (iii) which Party(ies) will receive proceeds of any damages or settlement money in connections therewith. In furtherance of the foregoing, the USOC agrees that it will provide to the Joint Venture all necessary assistance and support in connection with all actions (including legal proceedings) for the protection of the intellectual property rights in the USOC Property.
- 5.8 Ambush Marketing: In accordance with the commitments and undertakings submitted to the IOC as a part of the Candidature Process regarding marketing programmes or activities in the Host Country that may impact the Joint Marketing Programme during the Joint Marketing Period, the Parties (including, for the avoidance of doubt, the Joint Venture after its execution of the Joinder Agreement) shall comply with Section 23 of the Host City Contract and with Section 6.5 of the Host City Contract Operational Requirements.

5.9 Written Undertakings:

5.9.1 LA 2028 and the USOC must obtain a written undertaking from each of the National Federations (and/or any relevant authority exercising control over the National Federations) as set out in Appendix 3, duly signed by the appropriate representatives and submitted to the IOC by 31 March 2019. If the USOC fails to obtain any of the written undertakings required by the forgoing sentence, the USOC shall be fully responsible and accountable for any acts of ambush marketing by the National Federations (and/or any relevant authority exercising control over such National Federations) from which the USOC fails to obtain a written undertaking.

5.9.2 The USOC must obtain written undertakings by 31 June 2020 from each National Para-sport Federation (and/or any relevant authority exercising control over such Para-sport Federations) with the content required by Appendix 4 hereto. If the USOC fails to obtain any of the written undertakings required by the forgoing sentence, the USOC shall be fully responsible and accountable for any acts of ambush marketing by the Paralympic National Federations (and/or any relevant authority exercising control over such Para-sport Federations) from which the USOC fails to obtain a written undertaking.

5.10 Assignment of Intellectual Property Rights: The USOC, the Joint Venture, and/or the OCOG (in each case as applicable) will work with the IOC to timely effect all necessary assignments of intellectual property rights to the IOC, consistent with the principles set out in the Host City Contract and as agreed with the IOC.

5.11 Reservation of rights: In addition to the permitted use of 'Para' specified at 5.12 below, the Joint Venture acknowledges that the USOC (in its capacity as NPC), certain National Para-sport Federations and other members of the Paralympic Movement with relevant rights under the IPC Handbook have obtained approval from the IPC (subject always to the terms of this Agreement and the IOC-IPC Agreement) to execute marketing activities and to procure funds that will be necessary for the NPC/ National Para-sport Federations to dispatch a national team to national and international Para-sport Championships (not including the Paralympic Games) taking place during the term of this Agreement where Paralympic Games rights and emblems are not used. This Agreement therefore will not prevent the USOC from granting rights to an appropriate logo but not the NPC Emblem, and an appropriate designation that identifies the specific Championship being supported, provided that there is no inclusion of a reference to the Paralympic Games. The National Para-sport Federations Undertakings (see Appendix 4) shall be interpreted accordingly.

5.12 Use of the Para Prefix: Per IPC Handbook, the Para-prefix is a proprietary term used in a distinctive way to identify sports within the Paralympic Movement where IPC's system of functional classification applies. The unauthorised use of the Para prefix may amount to an ambush of the OCOG's and the Joint Venture's rights during the Term. However there are many legitimate, authorized and on-going uses of Para that the IPC and USOC (in its capacity as NPC) approve of (including IFs, National Para-sport Federations and other members of the Paralympic Movement with relevant rights under the IPC Handbook) and will not be restricted by the terms of this Agreement. The use of Para in the name and context of official IPC, IPC Regional Organisation, and USOC Games and Championships events, or events owned by an International Federation that is a member of the IPC (or one of its national members), should not be prohibited. None of the sponsors of a Para-sport Games or Championships (or teams) will be permitted to claim any association with the Paralympic Games however, and must not create any threat to the Paralympic Joint Marketing Programme. The undertakings referred to in 5.9.2 above will take these permitted uses of 'Para' into account.

6. TOP PROGRAMME

6.1 The USOC shall participate in the TOP Programme as specified in the IOC/USOC Definitive Agreement. The OCOG shall participate in the TOP Programme as agreed between the OCOG and the IOC pursuant to the Host City Contract and the Marketing Plan Agreement. Consistent with the terms of the Marketing Plan Agreement and JVLA, the Joint Venture will be responsible for executing certain elements of the foregoing OCOG and USOC obligations. Notwithstanding the performance by

the Joint Venture of such elements on behalf of the OCOG or USOC, each of the USOC's and the OCOG's share of such TOP revenues (in whatever form, including, without limitation, the value of any VIK received) shall be excluded from the Joint Marketing Programme Revenue.

- 6.2 Each of the USOC, OCOG and Joint Venture hereby represents and warrants to the other Parties and the IOC that:

- 6.2.1 such Party confirms its support to the TOP Programme and participation as specified in Clause 6.1;
- 6.2.2 such Party undertakes to respect and deliver (or to cause the Joint Venture to deliver on its behalf, as applicable) the rights, opportunities and benefits granted to TOP Partners pursuant to its obligations under the relevant TOP Agreement or Marketing Plan Agreement, as applicable;
- 6.2.3 such Party shall cooperate with the IOC and with the other Parties to ensure that the TOP Partners and the IOC receive the full benefit of their partnerships, each as set out in the agreements pertaining to that party, and
- 6.2.4 such Party shall not seek to interfere with or undermine the TOP partnerships, which are managed by the IOC (together with the USOC in the USA).

7. POST-GAMES MARKETING

- 7.1 **USOC Rights:** Subject to the IOC/USOC Definitive Agreement, from 1 January 2027 the USOC will be free to solicit, sell, enter into, and announce contracts or arrangements for the grant of USOC Property and USOC-related marketing rights exercisable in the Host Country as from 1 January 2029 (i.e. after the end of the Joint Marketing Period), provided that such third parties do not start to activate such rights at any time during the Joint Marketing Period, subject to the understanding the USOC shall be permitted to announce any and all sponsor, marketing or license agreements signed on a one-time basis upon execution.
- 7.2 **Post-Games Revenue:** Any money generated by the USOC for the grant of USOC Property and USOC-related marketing rights in the Host Country under any contract or arrangement entered into pursuant to Clause 7.1 will not be part of the proceeds of the Joint Marketing Programme and will belong absolutely to the USOC (it being acknowledged that the exercise of such rights by the USOC Sponsors is not permissible prior to 1 January 2029 (i.e. during the Joint Marketing Period)).
- 7.3 **Right of First Negotiation:** Prior to entering into any commercial arrangements with prospective USOC Sponsors pursuant to Clause 7.1, the USOC agrees to offer a right of first negotiation to the then existing Joint Venture Sponsors (on the same basis as was offered by the Joint Venture to the USOC's Sponsors for 2017-2020 quadrennium) with the intent that such supporters of the Olympic Movement or Paralympic Movement in the Host Country should be given every possible opportunity of supporting the USOC after the Games.
- 7.4 **Protection to IOC Sponsors:** Pursuant to Section 23 of the Host City Contract, the USOC and the Joint Venture shall ensure that the rights of the IOC's commercial partners that have been granted marketing rights in the Host Country by the USOC (whether existing and/or future partners, including the TOP Partners) are fully protected at all times during the Term.

8. JOINT MARKETING PROGRAMME REVENUE

- 8.1 **Definition:** For the purposes of calculation of the revenue share to be allocated to the OCOG and the USOC under this Clause 8, "Joint Marketing Programme Revenue" means all gross revenues raised by or otherwise contributed to the Joint Venture pursuant to this Agreement and the JVLA from the Joint Marketing Programme during the Joint Marketing Period in connection with the Games (including without limitation any Games- or OCOG-related cultural or other events), the USOC, the US Olympic and/or Paralympic teams, the US team trials (to the extent specified in the JVLA), the Olympic torch relay, the OCOG or otherwise associated with the Olympic Movement or Paralympic Movement,

including, without limitation, revenue raised from the sales of sponsorships, supplierships and licensed merchandise, but excluding:

- 8.1.1 money or other forms of revenue (including VIK) received by the USOC or the OCOG from: (a) the IOC's financial contribution pursuant to §9 of the Host City Contract 2028 - Principles; (b) philanthropic donations intended for the benefit of the Games; and (c) ticket sales for the Games;
 - 8.1.2 revenues generated by the USOC from (a) its local marketing programme pursuant to agreements relating to the USOC Property and USOC-related marketing rights and extending until 31 December 2020 (it being understood that, except as otherwise set forth in this Agreement or the JVLA, revenues generated following 31 December 2020 shall be contributed to the Joint Venture as Joint Marketing Programme Revenue); and (b) donations to the USOC or its related foundation for USOC support;
 - 8.1.3 revenues allocated to the USOC by the IOC in connection with the IOC's TOP IX and TOP XII Programmes;
 - 8.1.4 revenues generated by the USOC pursuant to Clause 7.1; and
 - 8.1.5 all revenues generated by the USOC, the OCOG, LA 2028 or the Joint Venture from sources that the USOC and LA 2028 agree shall not be included within the Joint Marketing Programme Revenue, including as set forth in Section VI of the JVLA.
- 8.2 Joint Venture Revenue: All Joint Marketing Programme Revenue will belong to the Joint Venture and will be distributed by the Joint Venture to the USOC and the OCOG in accordance with the terms of the JVLA.
- 8.3 USOC Revenue: The USOC revenue share from the Joint Venture is based on the following two fundamental principles of Schedule 6 of the IOC/USOC Definitive Agreement: (1) net revenues received by the USOC during the Joint Marketing Period shall be comparable to what the USOC would have generated from its marketing activities over the same period should the Games not have been held in the United States, and (2) the economic and other arrangements between the USOC and the OCOG shall not be detrimental to the OCOG's ability to successfully organize and stage the Games. As further detailed in the JVLA, the Joint Venture will pay to the USOC (i) Four Hundred Eighty-Eight Million and no/100 Dollars (USD \$488,000,000.00), as such amount may be adjusted up or down in accordance with the JVLA (the "USOC Baseline"), plus (ii) 15% of all Joint Marketing Programme Revenue in excess of Two Billion Seven Hundred Million and no/100 Dollars (USD \$2,700,000,000.00).
- Appendix 5 sets out detailed explanations on how the financial terms of this Agreement have been reached by the Parties.
- 8.4 Payment Schedule: The Joint Venture will make such payments to the USOC in quarterly instalments in accordance with the terms set forth in the JVLA.
- 8.5 Revenue Shortfall. In the event that the Joint Marketing Programme Revenue projected by LA 2028 and the USOC in the Candidature Process (and serving as the basis for the calculation of the USOC's share set forth in Clause 8.3) is not achieved by the Joint Venture for any reason whatsoever, the USOC agrees to receive an actual revenue share to be paid by the Joint Venture proportionate to the actual Joint Marketing Programme Revenue, duly adjusted by such shortfall on a pro rata basis, subject to the understanding that in no event shall the aggregate amount distributed by the Joint Venture to the USOC throughout the Joint Marketing Period be less than the USOC Baseline.

8. JOINT COVENANTS

Each Party respectively represents and warrants to the other Parties as follows:

- 9.1 it has the power to enter into and perform its obligations under this Agreement and the JVLA;
- 9.2 it has taken all necessary action to authorize the entry into and performance of this Agreement and the JVLA;
- 9.3 the execution of this Agreement and the JVLA or the performance of obligations hereunder or thereunder will not violate any provisions of any agreement binding on it;
- 9.4 no third party (including, without limitation, any mortgagee, lessee or licensee) holds rights granted to any other party under this Agreement or the JVLA; and
- 9.5 no event entitling a party to terminate this Agreement or the JVLA has occurred.
- 10. MISCELLANEOUS**
- 10.1 Expiry: This Agreement and the JVLA shall continue in full force and effect until 31 December 2028 or until the date upon which the IOC terminates the Host City Contract and withdraws the Games from the City of Los Angeles, whichever date is earlier, when this Agreement and the JVLA shall automatically expire without notice, except for the terms of this Agreement and the JVLA which expressly survive expiry or termination.
- 10.2 Confidential Information: Each Party acknowledges that it may receive during the course of this Agreement and the JVLA confidential information of any other Parties. The Parties undertake that they will treat all confidential information as confidential and must not use such information or disclose the confidential information to any person (except their employees, independent contractors, marketing agents and professional advisers and then only to such extent as is required to enable them to comply with the provisions of this Agreement or the JVLA) without the prior written consent of the other Parties or as required by law. The provision of this Clause 10.2 will not extend to information which is in the public domain otherwise than as a result of a breach of this Clause 10.2. The obligations as to confidentiality imposed by this Clause 10.2 will survive the expiry or termination of this Agreement and the JVLA.
- 10.3 Waiver: The failure, delay, relaxation or indulgence on the part of any Party in exercising any power or right given to that Party under this Agreement or the JVLA does not operate as a waiver of that power or right, nor does any single exercise of a power or right preclude any other or further exercise of it or the exercise of any other power or right under this Agreement or the JVLA. A power or right may only be waived in writing, signed by the Party to be bound by the waiver.
- 10.4 Amendment: This Agreement and the JVLA may only be amended, modified, or supplemented in writing, signed by the Parties and approved by the IOC.
- 10.5 Severability: Any provision in this Agreement or the JVLA which is invalid or unenforceable in any jurisdiction is to be read down for the purposes of that jurisdiction, if possible, so as to be valid and enforceable, and is otherwise capable of being severed to the extent of the invalidity or unenforceability, without affecting the remaining provisions of this Agreement or the JVLA or affecting the validity or enforceability of that provision in any other jurisdiction.
- 10.6 Entire Agreement: Other than the IOC/USOC Definitive Agreement, the IPC/USOC Trademark Protocol, the Marketing Plan Agreement and any other agreement made or to be made between one or more of the Parties and the IOC and/or IPC, this Agreement and the JVLA constitute the entire agreement among the Parties in relation to the Joint Marketing Programme and a warranty, representation, guarantee or other term or condition of any nature not contained or recorded in this Agreement or the JVLA is of no force or effect. In the event of any conflict or inconsistency between the terms of this Agreement and the terms of the JVLA, the terms of this Agreement shall govern; provided that, the Parties expressly agree that no such conflict is intended or believed to exist, and all

provisions of this Agreement and the JVLA shall be interpreted to the greatest extent possible in such a manner as to avoid any such conflict. For the avoidance of doubt, in no event shall LA 2028, the OCOG, the Joint Venture or the City of Los Angeles be liable or otherwise responsible for any of the USOC's obligations under the IOC/USOC Definitive Agreement, notwithstanding any reference thereto in this Agreement or the JVLA.

- 10.7 Notices: Any notice required or permitted to be given by any Party to any other Party under this Agreement or the JVLA will be in writing and forwarded by prepaid mail, e-mail or hand delivery to the other party at the address for that party set out below or such other address as that party may from time to time given notice of to the other party. Such notices will be deemed to have been given and received:

10.7.1 when delivered (if delivered to a party's address);

10.7.2 on the third Business Day after posting (if sent by pre-paid mail); or

10.7.3 on the following Business Day after transmission (if transmitted by e-mail).

To the USOC:

1 Olympic Plaza
Colorado Springs, Colorado 80909
Attention: Chief Executive Officer & General Counsel
Email: chris.mccleary@usoc.org

To LA 2028 or OCOG:

Los Angeles Organizing Committee for the Olympic and Paralympic Games 2028 d/b/a LA 2028
10960 Wilshire Blvd., Suite 1050
Los Angeles, California 90024
Attention: Chairperson & Chief Executive Officer
Email: cw@LA28.org and gsykes@LA28.org

with a copy (which shall not constitute notice to LA 2028 or OCOG) to:

Proskauer Rose LLP
11 Times Square
New York, NY 10036
Attention: Jon H. Oram, Esq.
Email: joram@proskauer.com

- 10.8 Assignment and Sub-contracting: Except as expressly provided herein or in the JVLA, none of the Parties may, without the consent in writing of the others and the consent of the IOC, subcontract or engage agents to perform its obligations under this Agreement or the JVLA or assign, delegate, charge or otherwise deal with all or any of its rights under this Agreement or the JVLA without the prior written consent of the other Parties.
- 10.9 Relationship of Parties: Nothing in this Agreement or the JVLA may be construed to place the Parties in the relationship of partners nor, save as expressly provided in this Agreement or the JVLA, is any Party able to act as agent of any other Party.
- 10.10 Further Assurance: Each Party agrees to do and execute all documents, acts and things which may be necessary to give full effect to the provisions of this Agreement and the JVLA.
- 10.11 Indemnification: Each of the USOC, LA 2028, the OCOG and the Joint Venture (each, an "Indemnifying Party") indemnifies and will keep indemnified the other Parties and their respective directors, officers, servants and agents ("Indemnified Parties") from and against all and any loss, claims, damages, costs (including legal costs and expenses calculated on a solicitor-client basis) in

respect of any claims, demands, actions, proceedings and/or prosecutions which may be brought or commenced by any third party connected with, arising out of or relating to a breach by such Indemnifying Party of any of the warranties contained in this Agreement, whether as a result of negligence or otherwise. Nothing in this Agreement or the JVLA, express or implied, is intended to or shall confer upon any other person (other than the IOC or any Indemnified Parties) any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement or the JVLA.

- 10.12 Interpretation: In this Agreement and the JVLA, unless the context otherwise requires: (a) the singular includes the plural, and vice versa; (b) a reference to an individual or person includes a corporation, partnership, joint venture, association, authority, trust, state or government or vice versa; (c) a reference to any gender includes all genders and the neuter; (d) a reference to a recital, chapter, clause, schedule, annexure or exhibit is to a recital, chapter, clause, schedule, annexure or exhibit of or to this Agreement or the JVLA, as applicable; (e) a recital, schedule, annexure or exhibit forms part of this Agreement or the JVLA, as applicable; (f) headings are for convenience of reference only and do not affect the interpretation of this Agreement or the JVLA; and (g) a reference to any legislation or legislative provision in this Agreement or the JVLA includes any statutory modification or re-enactment of, or legislative provision substituted for, and any subordinate legislation issued under, that legislation or legislative provision.
- 10.13 Prevailing Text: This Agreement and the JVLA have been prepared in English. Should there be any inconsistencies and/or discrepancies and/or doubts as to the meaning and/or interpretation of clauses contained herein, then the English text shall prevail for all purposes.
- 10.14 Governing Law and Dispute Resolution:
- 10.14.1 This Agreement and the JVLA is governed by the laws in force in the Host Country and the State of Colorado, without regard to the principles of conflicts of law.
- 10.14.2 The Parties agree to attempt to settle any claim or controversy arising out of this Agreement or the JVLA, or the interpretation of its provision, through consultation and negotiation in the spirit of mutual cooperation and good faith.
- 10.14.3 In the event of any dispute under this Agreement or the JVLA involving only the Joint Venture, LA 2028, or the OCOG, on the one hand, and the USOC, on the other hand, the parties shall engage in a collaborative dispute resolution process further engaging the respective organizational leaders for a period of 90 days before submitting such dispute to arbitration in the Borough of Manhattan in New York, New York, under the rules of the American Arbitration Association if informal resolution is unsuccessful.
- 10.14.4 If any dispute under this Agreement or the JVLA (other than those subject to Clause 10.14.3) is not resolved by good faith consultation and negotiation within thirty (30) days of first written notification to the respective Parties, then the process shall be determined conclusively by arbitration, to the exclusion of the ordinary courts of Switzerland, of the Host Country or of any other country. It shall be decided by the Court of Arbitration for Sport in accordance with the Code of Sports-Related Arbitration of the said Court. The arbitration shall take place in Lausanne, in the Canton of Vaud, Switzerland. If, for any reason, the Court of Arbitration for Sport denies its competence, the dispute shall then be determined conclusively by the ordinary courts in Lausanne, Switzerland.

IN WITNESS WHEREOF THE PARTIES HERETO HAVE EXECUTED THIS CONTRACT
AT THE PLACE AND ON THE DATE FIRST ABOVE MENTIONED

THE UNITED STATES OLYMPIC COMMITTEE

Per: 

Susanne Lyons
Acting Chief Executive Officer

LOS ANGELES ORGANIZING COMMITTEE FOR
THE OLYMPIC AND PARALYMPIC GAMES 2028
d/b/a LOS ANGELES 2028

Per: 


Casey Wasserman
Chairperson

AND ACKNOWLEDGED BY:

THE INTERNATIONAL OLYMPIC COMMITTEE

Per: 

Thomas BACH
President

Per: 

Ser Miang NG
Chairman, Finance Commission

APPENDIX 1

RCC Emblem and NPC Emblem

APPENDIX 2

Joinder Agreement

Reference is hereby made to (i) the Joint Marketing Programme Agreement dated _____, 2018 (the "JMPA") by and among the United States Olympic Committee, and the Los Angeles 2024 Exploratory Committee d/b/a LA 2028 and as approved by the International Olympic Committee and (ii) the Joint Venture Letter Agreement dated _____, 2018 (the "JVLA" and together with the JMPA, the "Agreements") between the United States Olympic Committee and the Los Angeles 2024 Exploratory Committee d/b/a Los Angeles 2028 and as approved by the International Olympic Committee. The *[insert name of Joint Venture]* ("Joint Venture") hereby agrees that it constitutes the Joint Venture (as defined in the JMPA) and the Marketing JV (as defined in the JVLA) for the purposes of the Agreements and that all the terms and conditions of the Agreements relating to the Joint Venture or Marketing JV (as applicable) and all rights, obligations, warranties and representations of the Joint Venture or Marketing JV (as applicable) provided for in the Agreements shall be legally binding on the Joint Venture as if it were a signatory to the Agreements, and the Joint Venture hereby agrees to adhere to all such terms and conditions.

Further, the Joint Venture shall be jointly and severally liable for all rights, obligations, warranties and representations of the OCOG (as defined in the JMPA) under the JMPA and JVLA.

For purposes of Clause 10.7 of the JMPA, notices to the Joint Venture should be sent to:

[Insert address]

In WITNESS WHEREOF, *[insert full name of the Joint Venture]* has caused this Joinder Agreement to be executed and delivered in its name and on its behalf on _____ *[insert date]*.

THE *[INSERT FULL NAME OF THE JOINT VENTURE]*

By: _____

Approved by the INTERNATIONAL OLYMPIC COMMITTEE

By: _____

By: _____

APPENDIX 3

Sample Undertaking for National Federations

The National Federation of *[insert sport]* (hereafter the "NF") hereby irrevocably undertakes to provide full support to the candidature of the City of Los Angeles to host the Games of the XXXIV Olympiad 2028 (the "Games"). The NF and its commercial partners including but not limited to sponsors, suppliers and licensees, and other entities that fall under the control of the NF (collectively, "NF Sponsors") understand that one of the critical elements necessary for a successful Games marketing programme is to secure an orderly marketplace, with no form of ambush marketing. Ambush marketing means any activity undertaken by an entity, whether public or private, that risks undermining the revenue generating ability of the Organising Committee for the Olympic Games ("OCOG") or the marketing joint venture created by the USOC and the OCOG (the "Joint Venture") by creating, implying or referring to a direct or indirect association with the Games, any Olympic team, the City of Los Angeles or the year of the Games.

Should the City of Los Angeles be elected to host the Games, we hereby irrevocably guarantee that, from the date of election to 31 December 2028:

- the NF will work with the OCOG and the Joint Venture to develop areas of common marketing interests;
- the NF will and will cause the NF Sponsors to refrain from any ambush marketing activities, including, without limitation, the development of marketing activities that may have any connection with the Games, the City of Los Angeles, the year of the Games or any Olympic team; and
- the NF will and will cause NF Sponsors to refrain from using any of the terminology or intellectual property related to the Games, the City of Los Angeles, the year of the Games or any Olympic team.

In the event that the City of Los Angeles is not elected to host the Games, this undertaking shall become null and void.

Signed this *[insert date]* day of *[insert month and year]*, in *[insert city, country]*.

Signed on behalf of the NF

Name

Title

APPENDIX 4

Sample Undertaking for Paralympic Para-sport Federations

The National Para-sport Federations of *[insert sport]* (hereafter the "NPF") hereby irrevocably undertakes to provide full support to the candidature of the City of Los Angeles to host the XVIII Paralympic Games 2028 (the "Paralympic Games"). The NPF and its commercial partners including but not limited to sponsors, suppliers and licensees, and other entities that fall under the control of the NPF (collectively, "NPF Sponsors") understand that one of the critical elements necessary for a successful Paralympic Games marketing programme is to secure an orderly marketplace, with no form of ambush marketing. Ambush marketing means any activity undertaken by an entity, whether public or private, that risks undermining the revenue generating ability of the Organising Committee for the 2028 Olympic and Paralympic Games ("OCOG") or the marketing joint venture created by the USOC and the OCOG (the "Joint Venture") by creating, implying or referring to a direct or indirect association with the Paralympic Games, any Olympic or Paralympic team, the City of Los Angeles or the year of the Paralympic Games.

Should the City of Los Angeles be elected to host the Games, we hereby irrevocably guarantee that, until 31 December 2028:

- the NPF will work with the OCOG and the Joint Venture to develop areas of common marketing interests;
- the NPF will and will cause the NPF Sponsors to refrain from any ambush marketing activities including without limitation the development of marketing activities that may have any connection with the Paralympic Games, the City of Los Angeles, the year of the Paralympic Games or any Olympic or Paralympic team; and
- the NPF will and will cause NPF Sponsors to refrain from using any of the terminology or intellectual property related to the Paralympic Games, the City of Los Angeles, the year of the Paralympic Games or any Olympic or Paralympic team.

In the event that the City of Los Angeles is not elected to host the Paralympic Games, this undertaking shall become null and void.

Signed this *[insert date]* day of *[insert month and year]*, in *[insert city, country]*.

Signed on behalf of the NPF

Name

Title

APPENDIX 5

Explanations on Financial Terms

APPENDIX C

LA 2028 Budget

REVENUE	\$M USD (Real \$)
1. International Olympic Committee Contribution	898.0
2a. IOC TOP Sponsorship Program	437.0
2b. Additional Projected IOC TOP Renewal Revenue	200.0
3. Domestic Sponsorship	2,517.7
4. Ticket Sales & Hospitality	1,928.8
5. Licensing & Merchandising	304.9
6. Other Revenues	597.8
Total Revenues	6,884.2

EXPENSES	\$M USD (Real \$)
1. Venue Infrastructure	1,463.7
2. Sport, Games Services & Operations	1,228.7
3. Technology	626.5
4. People Management	913.4
5. Ceremonies	245.0
6. Communications, Marketing & Look	397.3
7. Corporate Administration & Legacy	587.1
8. Other Expenses	806.7
9. Contingency	615.9
Total Expenses	6,884.2

Net Position	--
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LA 2028

APPENDIX D

[2017 Financials]

LA 2028



LA 2028
Statement of Financial Position - Unaudited
As of December 31, 2017

	<u>Total</u>
ASSETS	
Current Assets	
Bank Accounts	
1000 Cash Accounts	\$ 974,102.72
1051 Brokerage Account	11.11
Total Bank Accounts	\$ 974,113.83
Accounts Receivable	
1200 Pledges/Donations Receivable	311,075.18
Total Accounts Receivable	\$ 311,075.18
Other Current Assets	
1300 Prepaids	
1301 Prepaid Insurance	292,062.96
1302 Prepaid Expenses	43,619.39
Total 1300 Prepaids	\$ 335,682.35
Total Other Current Assets	\$ 335,682.35
Total Current Assets	\$ 1,620,871.36
Other Assets	
1500 Security Deposits	99,198.78
Total Other Assets	\$ 99,198.78
TOTAL ASSETS	\$ 1,720,070.14
LIABILITIES AND EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
2200 Accounts Payable (A/P)	579,328.19
Total Accounts Payable	\$ 579,328.19
Other Current Liabilities	
2300 Accrued Liabilities	172,514.50
2350 Other Current Liabilities	2,750,000.00
2351 Accrued Interest	6,374.74
2355 Credit Card Accruals	31,438.07
2360 Payroll Liabilities	49,921.80
Total Other Current Liabilities	\$ 3,010,249.11
Total Current Liabilities	\$ 3,589,577.30
Total Liabilities	\$ 3,589,577.30
Equity	
2900 Retained Earnings	15,681,790.27
Net Revenue	-17,551,297.43
Total Equity	-\$ 1,869,507.16
TOTAL LIABILITIES AND EQUITY	\$ 1,720,070.14



LA 2028 Statement of Activity - Unaudited

	FYE2017 Total
Revenue	
4001 Unrestricted Donations	7,371,292.24
4002 Non-Cash Donations (NCK)	1,200,000.00
4131 Interest Income	1,631.59
Total Revenue	\$ 8,572,923.83
Gross Profit	\$ 8,572,923.83
Expenditures	
6010 Staff Expenses	
6011 Salaries	3,069,744.14
6012 Payroll Taxes	246,561.79
6013 Health Benefits	246,231.69
6014 Bonuses	468,039.00
6016 Life Insurance Benefits	264.96
6017 AD&D Benefits	378.38
Total 6010 Staff Expenses	\$ 4,032,259.96
6100 Professional Services	
6101 Consulting (BCG)	28,483.00
6102 Legal (Proskauer)	821,347.34
6103 Mintz Fees (Insurance)	98,277.80
6104 Film Production (T2nd and Sunny)	1,215,114.63
6105 Creative Services (BMD, MoveWild, T2nd and Sunny)	1,575,545.00
6106 Structural (AECOM)	2,152,139.40
6107 International (Teneo)	900,000.00
6108 Public Relations (JTA)	799,725.93
6110 Social Media (Laundry Service)	678,275.92
6111 Event Management (TBD)	4,040,162.15
6112 Consultant Fees	1,720,403.78
6114 International Relations (TBD)	163,569.30
6115 Tax Services (Dreyer)	18,500.00
6116 Audit Fees	13,535.00
6117 Other Professional Fees	836,569.91
Total 6100 Professional Services	\$ 15,894,786.14
6120 Provider T&E	907,481.67
6200 Media/Outreach Expenses	500,674.04
6210 Media/Outreach Collateral Materials	135,188.71
6400 Insurance	
6401 General Liability	181,888.68
6402 Tower Coverage	315,433.95
Total 6400 Insurance	\$ 497,322.63
6500 Travel & Entertainment	
6501 Airfare	388,858.83
6502 Hotel & Lodging	913,007.06
6503 Auto/Parking	178,467.02
6504 Meals	125,460.62
6506 Entertainment	8,011.20
6508 Other T&E	(5,563.56)
Total 6500 Travel & Entertainment	\$ 1,587,263.18
6650 Charter Aircraft	429,511.34
6800 Office, O&A	
6801 Office Rent Expense	512,307.45
6802 Parking Expense - Validations	20,808.75
6803 Parking Expense - Employees	62,061.00
6805 Shipping Expense	51,027.04
6808 Office Supplies	50,304.85
6807 Telephone	39,592.03
6809 Licenses, Fees & Dues	54,031.75
6810 Bank Fees	1,174.00
6812 Other Operating Expenses	170,680.29
6813 IT Expenses	55,552.38
6814 Interest Expense	12,219.88
Total 6800 Office, O&A	\$ 1,091,001.33
9000 Taxes	
9002 State Income Tax	235.00
Total 9000 Taxes	\$ 235.00
Total Expenditures	\$ 25,981,952.78
Net Operating Revenue	\$ (17,408,738.95)
Other Expenditures	
9101 Depreciation Expense	142,558.46
Total Other Expenditures	\$ 142,558.46
Net Other Revenue	\$ (142,558.46)
Net Revenue	\$ (17,551,297.41)

Unaudited



LA 2028 Statement of Cash Flows - Unaudited

	FYE2017 Total
OPERATING ACTIVITIES	
Net Revenue	(17,551,297.43)
Adjustments to reconcile Net Revenue to Net Cash provided by operations:	
1200 Pledges/Donations Receivable	11,472,258.82
1301 Prepaids:Prepaid Insurance	36,021.52
1302 Prepaids:Prepaid Expenses	354,047.76
1404 Fixed Assets:Accumulated Depreciation	142,558.48
2200 Accounts Payable (A/P)	(451,174.69)
2300 Accrued Liabilities	(678,735.80)
2350 Other Current Liabilities	2,750,000.00
2351 Accrued Interest	6,374.74
2356 Credit Card Accruals	(9,393.69)
2362 Payroll Liabilities:CA PIT / SDI	(8,606.50)
2363 Payroll Liabilities:CA SUI / ETT	17.70
2364 Payroll Liabilities:Federal Taxes (941/944)	(39,703.69)
2365 Payroll Liabilities:MA Income Tax	(2,843.68)
2366 Payroll Liabilities:MA Unemployment Tax	(268.90)
Total Adjustments to reconcile Net Revenue to Net Cash provided by operations:	\$ 13,570,531.57
Net cash provided by operating activities	\$ (3,980,765.66)
INVESTING ACTIVITIES	
1402 Fixed Assets:IT Infrastructure Equipment	(4,641.47)
1403 Fixed Assets:Lease Hold Improvements	(4,049.23)
1600 Security Deposits	300,000.00
Net cash provided by investing activities	\$ 291,309.30
Net cash increase for period	\$ (3,689,456.56)
Cash at beginning of period	4,663,570.39
Cash at end of period	\$ 974,113.83

Unaudited

ATTACHMENT B
KPMG 2028 INDEPENDENT BUDGET
ASSESSMENT REPORT



LA28 independent budget assessment report

City of Los Angeles

April 2019

kpmg.com

Contents

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Executive summary

On July 31, 2017, the International Olympic Committee (IOC) announced its intention to award the 2024 Summer Olympic and Paralympic Games (Games) to Paris and the 2028 Games to Los Angeles. This historic decision was the first time two sets of Games were awarded simultaneously and where a City has been awarded the Games 11-years in advance, rather than the more standard 7-year planning cycle. Subsequent to the decision, the LA28 Organizing Committee (LA28) was established to partner with the City of Los Angeles (City) and the United States Olympic Committee (USOC) in staging the Games.

Pursuant to a Memorandum of Understanding (MOU) signed between the City and LA28, KPMG LLP (KPMG) was engaged to conduct an independent assessment of the 2028 Games budget. KPMG assessed the budget as of January 22, 2019. Since KPMG previously performed an assessment of the proposed 2024 Games budget, the 2028 Games budget was compared to the 2024 Games budget dated October 16, 2016 to identify budget categories and assumptions with significant changes. Similar to the prior assessment, the objective was not to conduct a financial audit, rather to conduct an assessment of how significant changes to the budget and assumptions were determined and supported.

LA28's approach to developing the budget continues to be focused on the following guiding principles:

- Adherence to the Olympic Agenda 2020 by utilizing existing, world-class facilities
- Using a transparent process to produce a credible and balanced budget
- Employing a bottom-up approach to demonstrate rigorous, reasonable, and achievable estimates
- Taking a conservative approach

A key difference between the 2024 Games budget reviewed previously by KPMG and the 2028 Games budget is that the 2024 Games budget was represented in 2016 dollars as was required by the IOC for the Games candidature stage. The 2028 Games budget is represented in real dollars and represents a 3.3% increase over the proposed 2024 Games budget dated October 16, 2016. Eighty-six percent (86%) of the increase in expenses is due to inflation (\$1,358.5 million of a total budget increase of \$1,577.5 million). The remaining increase of \$219 million includes the costs of the youth sport program and other expenses, partially offset by reductions in some expenses.

KPMG found the current \$6.9 billion real dollar budget prepared by LA28 to be reasonable and complete for this stage of the lifecycle given the Games are nine years in the future. The Games' concept (i.e., venue plan) has not changed and there are reasonable processes in place to mitigate the risk of overspending in the additional four years of planning that started upon award.

While no significant findings were identified, the on-going viability of the budget depends on continued adherence to the assumptions and estimates made at this stage in the planning lifecycle. As the 2028 Games budget moves from the planning to operational stage, we recommend the City and LA28 continue to adhere to the assumptions and estimates made at this stage in the planning lifecycle, remain focused on budget and cash management processes, continue to develop alternative mitigation strategies to control changes in budget categories beyond projected levels, and monitor the applicability of IOC New Norm guidelines. Each of these items is described further in the report.

Introduction

Background

On July 31, 2017 the IOC announced its intention to award the 2024 Games to Paris and the 2028 Games to Los Angeles. On September 13, 2017, the decision to award the two sets of Games simultaneously was formally approved by the IOC, which is the first time this has occurred.

The decision to award the Games 11-years in advance as opposed to the standard 7-years has an impact on the planning and staging of the Los Angeles Games, as there will now be an extended lead time for the establishment and operations of the host Organizing Committee for the Olympic Games (OCOG). This impact, on both the planning and budgeting for the 2028 Games, is reflected in the LA28 Games budget.

Scope

Pursuant to the MOU signed between the City and LA28, KPMG was engaged to conduct an independent assessment of the 2028 Games budget. KPMG assessed the budget as of January 22, 2019. Since KPMG had previously performed an assessment of the proposed 2024 Games budget, the 2028 Games budget was compared to the 2024 Games budget dated October 16, 2016 to identify budget categories and assumptions with significant changes. Similar to the prior assessment, the objective was not to conduct a financial audit, rather to conduct an assessment of how significant changes to the budget and assumptions were determined and supported.

Approach

KPMG assessed the 2028 Games budget in a manner similar to the approach for the 2024 Games budget. The review of the 2024 Games budget leveraged a bottom up approach to evaluate the methodology used by the LA24 Exploratory Committee (LA24) in developing the budget and testing various budget categories. In this assessment, a bottom-up approach to all budget categories was not required, as moving the Games from 2024 to 2028 did not have a uniform impact on all Games budget categories. Detailed analysis activities were focused on the budget categories which had changed.

KPMG's approach in conducting the assessment included the following phases and activities:

Planning phase

- Gained an understanding of the changes made to the 2024 Games budget reviewed by KPMG.
- Gained an understanding of how the 2028 Games budget was developed.
- Reconciled the 2024 Games budget reviewed by KPMG to the 2028 Games budget to identify areas of change and for further detailed analysis.

Analysis phase

- Performed detailed analysis of the 2028 Games budget categories identified in the Planning Phase.
- Determined whether observations from the 2024 Games budget review by KPMG were considered in the 2028 Games budget.
- Determined whether the 2028 Games budget conformed to the IOC guidelines and provisions of the Host City Contract (HCC) and included appropriate levels of contingencies and financial guarantees.

Report outline

This report summarizes the results of KPMG's review, as outlined below:

- Summary of budget assessment: provides an overview of KPMG's understanding of the budget formation process, results from the detailed analysis of budget categories, and provisions of IOC guidelines and the HCC.
- Factors for City's consideration: provides comments on factors and expenditures that may be important for the City as it prepares to host the Games.
- Appendix A – Detailed analysis of 2028 Games budget
- Appendix B – Glossary

Summary of budget assessment

In 2016, KPMG assessed the proposed 2024 Games budget dated October 16, 2016 which formed the basis for KPMG's report dated December 2016. Since then, LA28 has undertaken additional budget work. This work included the incorporation of additional information as it became available to LA28 and factored the estimated inflation to reflect the budgeted amounts in 2024 dollars and again in 2028 real dollars as required by the IOC. As part of the planning phase, it was necessary for KPMG to understand the changes to the budget in order to comment on the completeness and reasonableness of the current 2028 Games budget. Please refer to Appendix A for details on the revised assumptions and benchmarks evaluated as part of the budget assessment.

As noted in the Executive Summary, inflation accounts for 86% of the budget change with the increase in revenue and expenses reflecting the anticipated rates of inflation over the lifecycle of the Games. The other changes to the budget were primarily due to updated terms between the IOC and OCOG in the HCC and addition of new City-wide initiatives undertaken by LA28. The following table illustrates the impact of inflation on the budget as well as other changes in both revenue and expenses beyond inflation. It should be noted that revenue and expense are not synchronized through the lifecycle of the Games, resulting in differences between the inflation adjustments for each.

Reconciliation	2024 Budget* (2016 Dollars)	Inflation Adjustments	Other changes	2028 Budget** (Real Dollars)
Revenue	\$5,306.7	\$1,071.8	\$505.7	\$6,884.2
Expenses	\$5,306.7	\$1,358.5	\$219.0	\$6,884.2
Net	\$0	-\$286.7	\$286.7	\$0

In millions USD

* KPMG reviewed the 2024 Games budget dated October 16, 2016. An updated version of the 2024 Games budget was submitted to IOC in February 2017.

** KPMG reviewed the 2028 Games budget dated January 22, 2019.

- Other changes – Revenue: The increase of \$505.7M includes an increase in IOC support as identified in the HCC (page 7), additional budgeted Ticketing revenue (page 6), Domestic Sponsorship (page 6), Licensing and Merchandise, Earned Commissions and Interest Income.
- Other changes – Expenses: The net change in expenses is \$219M. Youth sport and sustainability programs, at costs of up to \$160M and \$25M respectively, were added to the budget along with additional costs for secondary ceremonies sites and costs that will be incurred on account of the

extended lifecycle for LA28. These additional costs were partially offset by reductions in Technology costs per the directives of the IOC, and the removal of costs associated with the movement of specialized team equipment prior to arrival in the host city.

Methodologies

The planning for large multi-sport events such as the Games spans multiple years which requires the budget to consider factors such as changes in cost and price of goods and services (inflation), and timing of cash inflows and outflows. With the assistance of specialists, LA28 developed methodologies to develop cash flow estimates and methods to calculate the impact of inflation on both revenues and expenses from current year through to the Games in 2028. LA28 also made additional adjustments to the budget based on new or updated information and to account for four additional years of activity. Refer to Appendix A for details.

Cash flow methodology

Cash flow methodology refers to the process of estimating the timing of revenue and expense activity over the lifecycle of the budget.

LA28 developed cash flow estimates using the assistance of subject matter experts focused on determining when revenue would be realized and expenses would be incurred. The purpose of estimating the timing of revenue and expenses is crucial. LA28 has estimated cash flow with cumulative surpluses each year that will generate Interest Income and has assumed that no Interest Expense would be incurred. In the 2028 Games budget, the cash flow methodology resulted in a reduction in Interest Expense and the addition of Interest Income.

KPMG found the cash flow methodology included in the 2028 Games budget to be reasonable.

Inflation methodology

LA28 contracted external organizations to assist with the development of the methodology which resulted in an estimated annual inflation rate of 1.912%. The inflation rate was then applied to the estimated value of revenue and expenses based on cash flow. Additionally, adjustments were made to cap some revenue and expense categories to prevent overstatement. For example: the Sustainability program has been "capped" at \$25M.

KPMG found the methodology used by LA28 and the resulting calculations to be reasonable and provide an appropriate estimate, at this point in time. However, the longer lifecycle creates some uncertainty with respect to budget projections and we recommend that LA28 continue to develop strategies to mitigate any cost increases beyond the projected budget. Such strategies could include different approaches to contracting, substitution of materials, and an assessment of possible "buy, rent, borrow, resell" options.

Revenue generation and direct expenses

When developing a budget there are expenses that relate to revenue generation. For example, expenses related to website and general advertising and promotion support the revenue generation of Ticketing, Licensing and Merchandising. Since the cash flow and inflation methodologies resulted in an increase in Ticketing, Licensing and Merchandising revenue, LA28 maintained a consistent percentage of expense to revenue generation.

Cost of sales are a dynamic mix of fixed and variable costs. An organizing committee will incur costs before making a sale but will also make other sales at little additional cost. KPMG assessed the expense to revenue generation percent used by LA28 and found this to be reasonable.

Additionally, KPMG calculated the percentage of direct marketing expenses to revenue generation from the October 2016 to January 2019 budgets and noted the percentage to be consistent, validating that revenue has not been increased without allowing for the additional costs required to support the revenue goal.

Budget categories with substantive changes

The detailed reconciliation of the budget changes identified Ticketing, Domestic Sponsorship and People Management as areas for further analysis. Therefore, a bottom-up review of these functions was performed and each rationale for the major changes is provided in the respective sub-sections below.

Ticketing

The KPMG report of December 2016 noted that “the process for estimating ticketing revenue deviated from the guiding principle of using a conservative approach.” Over the last two years, LA28 has been able to further test their assumptions in greater detail based on the study of reports from past Games and provided the analysis to KPMG.

LA28 estimated ticketing revenue based on updated venue and event information, the addition of non-event sites and the inflation methodology. LA28 also took into consideration KPMG’s recommendation from the 2016 budget review and considered the popularity of events in estimating ticket revenue, rather than applying a uniform rate. KPMG validated the changes to ticketing revenue and found them to be reasonable as noted below:

Budget progression - Ticketing

Budget	Dollars	Change	Rationale
2024 Budget (2016 Dollars)	\$1,473.6M		Paralympic opening and closing ceremonies moved to a larger stadium
2028 Budget (Real Dollars)	\$1,928.8M	\$455.2M	Addition of a celebration site hosting parallel events at opening and closing ceremonies Live sites/non-event tickets in the sport parks Increase based on inflation

Domestic Sponsorship

The Joint Marketing Program Agreement (JMPA), a new joint venture, was established between USOC and LA28 that required additional modeling to be undertaken to consider the extended sales and activation window for domestic sponsorship.

KPMG validated the changes to domestic sponsorship and found they were supported by reasonable assumptions relating to the sponsorship program and related agreements.

Budget progression – Domestic Sponsorship

Budget	Dollars	Change	Rationale
2024 Budget (2016 Dollars)	\$1,930.7M		Marketing period extended from 8 years to 10 Sponsor activation adjusted
2028 Budget (Real Dollars)	\$2,517.7M	\$587.0M	Increase based on inflation

People Management

The KPMG report of December 2016 noted that “LA24 developed the workforce model using an allowance approach, rather than a model with specific position start and finish dates.” Over the last two years, LA28 has further refined the workforce model based on additional input from Games experts and a major human resources consulting firm. This work led to refinements to positions and the application of four “salary bands or tiers.”

People Management costs have increased due to the additional four years of operations, additional modeling completed, and customization and validation by an external human resources consulting firm. The 2028 Games budget amount represents an increase on account of inflation, transfer to another budget category and increased costs driven by the extended lifecycle.

KPMG noted that the detailed staffing plan of positions planned to be hired up to June 2022 appropriately reflects the strategic priorities as articulated by LA28, as well as the requirements inherent in operating such an organization.

Budget progression – People Management

Budget	Dollars	Change	Rationale
2024 Budget (2016 Dollars)	\$695.7M		Increase in salaries and related costs based on extended lifecycle
2028 Budget (Real Dollars)	\$913.4M	\$217.7M	Transfer to other functions Increase based on inflation

Other provisions impacting 2028 Games budget

In addition to a bottom-up review of budget categories with significant changes, KPMG validated other factors such as provisions in the HCC and whether contingencies and financial guarantees have been appropriately reflected in the 2028 Games budget.

Host City Contract

The HCC outlines the principles and obligations with respect to the rights and responsibilities to organize the 2028 Games. The parties to the HCC are the City, the USOC and the IOC, which are required to abide by the operational requirements as defined in the HCC. The negotiations between LA28 and the IOC focused on the IOC Contribution and the challenges for the four additional years of operation by LA28.

KPMG reviewed the HCC and noted that revenue and expense provisions included below have been accounted for in the 2028 Games budget.

Revenue

i. Broadcast (HCC section 9)

The HCC provides for contributions from the IOC to LA28 related to revenues generated from broadcast agreements, in the amount of \$898M. These funds are paid in “actual dollars” at time of payment to LA28. As agreed upon by the IOC and LA28, these funds are payable to LA28 over the period 2018 to 2029, and this cash flow is reflected in the current LA28 budget, with \$180M being payable over the period 2018 to 2022.

ii. TOP sponsors (HCC section 8.2.b)

TOP is the IOC's international sponsorship program. TOP sponsors have exclusive worldwide sponsorship rights for the Games.

The HCC provides for contributions from the IOC to LA28, related to the LA28's share of net revenues from the TOP program in the amount of \$437M. A further amount of \$200M is provided for based on an estimate of new TOP agreements that are to be finalized by the IOC. Both the IOC and LA28 are confident that these additional funds will be realized. LA28 has incorporated these additional funds (\$200M) as part of the current 2028 Games budget. Therefore, the total revenue to be realized from the TOP Program will be \$637M, which is reflected in the Marketing Plan Agreement (MPA) currently being finalized between the IOC and LA28.

In the event the anticipated additional TOP sponsorship agreements are not finalized by the IOC, the MPA will include a clause that permits the selling rights for the relevant TOP sponsorship categories to revert to LA28's domestic sponsorship program. As with the Broadcast Revenues, these funds are paid in "actual dollars" at time of payment to LA28. As agreed upon by the IOC and LA28, these funds are payable over the period 2025 to 2028, and this cash flow is reflected in the current LA28 budget.

iii. Value in kind (HCC section 11 and 12.b)

The HCC also establishes a value for two categories of assistance that will be provided to LA28.

Services Provided by the Olympic Broadcast Services (OBS)

The HCC provides, for indicative purposes only, an estimated fair market value of \$340M for broadcast services that will be provided by OBS to LA28 in support of the 2028 Games. While this amount is stated in the HCC, no funds will be transferred from the IOC, as this is a value in kind (VIK) contribution and hence is appropriately not reflected in the LA28 budget – as either a revenue or expenditure.

General Assistance and Transfer of Knowledge (TOK)

The HCC provides, in a similar manner as was done for the OBS services, an estimated fair market value of the assistance that will be provided by the IOC to LA28 during the entire planning and delivery lifecycle for the 2028 Games. These services and TOK include the provision of guidance and information, as well as IOC staff expertise relative to the broad range of issues pertaining to the planning, organizing, financing, and staging of the 2028 Games. The estimated fair market value for this item is \$125M. While this amount is stated in the HCC, no funds will be transferred from the IOC, as this is a VIK contribution and hence is appropriately not reflected in the LA28 budget – as either a revenue or expenditure.

Expenditures (HCC section 24.8)

The HCC requires LA28 to provide to the IOC and the International Paralympic Committee (IPC) royalty rights associated with the sale of commercial partnerships in the United States. The HCC requires the transfer of these revenues to the IOC and IPC be reflected in the LA28 budget. These royalty rights include:

- LA28's marketing program: An amount equal to 7.5% of the cash consideration and 5% of the VIK or other forms of consideration (e.g., goods or services), of all gross revenues derived from all contracts executed by the OCOG pursuant to the MPA or containing any element of commercial exploitation of the LA28 marks or relating to the Games in anyway.
- LA28's ticketing program: The HCC requires that an amount equal to 7.5% of the gross revenues generated from all forms of ticket (including hospitality) sales pertaining to the Games, be paid to the IOC.
- The Olympic coin and banknote program: In principle, 3% of the face value of coins and banknotes from the circulating program and 3% from the commemorative program of the price to dealers of all

coins and banknotes where the mint has no retail operations (and if the mint has retail operations 3% of the retail price).

- The Olympic stamp program: A share of the revenues generated by such program in principle, 1% of the retail sales value (gross sales) of all stamps within the program sold for collection, and of all value-added philatelic products (such as postal numismatic products, prestige booklets, albums, collections etc.).

Youth sport program (HCC section 7.2)

The HCC allows LA28 to use part of the contributions made by the IOC (e.g., from either the broadcast and/or TOP revenue) of an amount not to exceed \$160M to support youth sport programs in Los Angeles. These projects are to be carried out before the 2028 Games.

The IOC and LA28 have also agreed that these funds (\$160M) will be offset by revenues received by LA28. As such, the expenditure for the youth sport program is reflected in the LA28 budget under the Corporate Administration and Legacy budget category as a budget line item under Environment, Sustainability, and Legacy. Refer to Section 1.4, sub-section 7 under Assumptions and benchmarks by budget line item in Appendix A.

Contingency and financial guarantees

Contingency

The LA28 budget provides for a contingency allowance of \$615.9M. This allowance is approximately 10% of the overall LA28 budget. The 10% factor was derived through pressure testing factors of the infrastructure construction budget. This testing provided a contingency range of 7.5% to 10% on venue infrastructure cost. Therefore, following a conservative approach, the 10% figure was used. For the initial LA24 budget development a similar 10% figure was used for the contingency allowance for the other budget categories.

Financial guarantees

The City and the State of California have each provided financial guarantees for LA28. Each of these guarantees is for \$270M. The call on the State of California's guarantee can only be made after the City's guarantee is exhausted.

The City has put in place a process to provide assurance that should there be any potential call on the financial guarantee it will occur with full transparency and adequate notice. This process is defined in the MOU between the City and LA28 and requires that the LA28 contingency fund (\$615.9M) be divided between an "Unallocated Contingency" and an "Allocated Contingency." The amount of the Allocated Contingency is to be \$270M. The MOU further states that the Allocated Contingency may only be:

- Utilized to cover expenditures in the event that other actual or projected LA28 revenues (including the Unallocated Contingency) are not available therefor, or
- Disbursed as surplus 2028 Games profits in accordance with the HCC.

As well, the MOU states that prior to LA28's use of the Allocated Contingency, that LA28 obtain the City's written consent. The prior approval by the City for the use of the Allocated Contingency provides for a transparent and cautious approach to the use of the LA28 contingency allowance and will also serve to provide the City with advance notice if the LA28 contingency allowance may become depleted and a potential draw on the financial guarantee may exist. This transparent approach is in line with the conservative approach utilized for the LA28 Games budget.

Conclusion

KPMG found the current \$6.9 billion budget prepared by LA28 to be reasonable and complete for this stage of the lifecycle given the Games are nine years in the future. The Games concept (i.e., venue plan) has not changed and there are reasonable processes put in place to mitigate the risk of overspending in the additional four years of planning that started upon award.

While no significant findings were identified, the on-going viability of the budget depends on continued adherence to the assumptions and estimates made at this stage in the planning lifecycle. As the 2028 Games budget evolves and moves from the planning to the operational stage, we recommend the City and LA28 to continue adherence to the assumptions and estimates made at this stage in the planning lifecycle.

Factors for City's consideration

The budget prepared by LA28 represents the OCOG budget under the directives of IOC guidelines. However, there are other factors and expenditures that are currently not included in the budget that may be important for the City to consider. The following items are key to the successful delivery of the Games and worth of mention:

- The IOC New Norm
- Ongoing oversight and governance
- Timing of other City infrastructure projects
- Security
- Municipal services and City vision

The IOC New Norm

In February 2018, the IOC Session approved a plan called *The New Norm*¹ that identifies 118 reforms to services and requirements in order to reduce the cost of delivering the Games. *The New Norm* examines aspects of operations across the Games, including venues, broadcasting, accommodation, transport, and technology, among others. Examples of changes include reducing the size and complexity of the International Broadcast Centre (IBC), reducing allocated seating for sponsors or Games Family, and combining transport services for Games Family members (e.g., media, athletes, and officials).

A significant *New Norm* recommendation is a planning model labeled “3+4” that requires the first three years of an OCOG’s typical seven-year lifecycle be focused on strategic planning, with operational planning waiting until the final four years. This has significant implications for staffing, resulting in smaller OCOGs in the early years and a rapid, late ramp-up with the addition of operational staff before Games-time. Starting operational planning no earlier than four years before the Games also has implications for government partners as much of their planning, such as municipal services or security, is contingent on completion of the OCOG operational plans.

¹ <https://stillmed.olympic.org/media/Document%20Library/OlympicOrg/News/2018/02/2018-02-06-Olympic-Games-the-New-Norm-Report.pdf>

Although LA28 has reviewed *The New Norm* and identified possibilities for future savings, it has not budgeted for them at this time with the exceptions of the reduced IBC size and the staffing model, the latter of which was anticipated in the October 2016 budget. Not incorporating *New Norm* savings is the conservative approach, which is appropriate given that *The New Norm* recommendations have not yet been fully proven.

KPMG recommends that LA28 keep the City abreast of *New Norm* opportunities for savings against upcoming winter and summer Games in order to assess their effectiveness and to incorporate relevant savings into their own planning. For each identified *New Norm* acted upon by LA28, KPMG recommends that LA28 maintain a "tracking system" which should include a description of LA28's approach to addressing the *New Norm*.

Ongoing oversight and governance

Governance

Following the awarding of the 2028 Games, LA28 established a new MOU with the City. According to the provisions of the MOU, the City has representation on the LA28 Board of Directors, Executive Committee, and Audit Committee. This current governance structure appears to be adequately designed to provide the City with oversight to the management of the business and affairs of LA28.

KPMG recommends the City institute a program of regular reviews with members of the LA28 Board of Directors, Executive Committee, and the Audit Committee to provide ongoing fiscal oversight over the budget and operations of the Games.

City Working Group

In addition to the formalized governance structure, the City and LA28 have established a "City Working Group." The group includes the Mayor, the City Administrative Officer (CAO), the City Legislative Analyst (CLA), and the City Attorney as the City's liaisons with LA28. Representatives from LA28 are required to meet regularly with these liaisons to update and gather input from these stakeholders regarding all elements of planning for the Games.

The role of this group will increase in importance over time as the planning for the Games moves from a strategic to operational phase, requiring increased coordination and issue resolution.

Timing of other City infrastructure projects

As noted in KPMG's 2016 report, new public infrastructure projects such as the Los Angeles Airport modernization and transit improvement were underway or planned to be completed before the original Games dates in 2024. While LA28 is not relying on these as part of its operations and would not see its budget increase should they not happen, the successful implementation of these projects will enhance the experience of spectators, tourists and other Games clients (e.g., athletes and officials) and contribute to the efficiency of hosting the Games by mitigating the level of disruption that the Games may cause across the City.

Security

Given the delay from 2024 to 2028, the timing for security planning is now further away than it had been at the time of the KPMG 2016 report. It is worth restating that the Department of Homeland Security has confirmed that the Games are designated a National Special Security Event (NSSE) based on the anticipated attendance by dignitaries and the size and significance of the event. This requires the U.S. Secret Service (USSS) to be the lead agency by statute, for the "planning, implementation and coordination of operational security" for the Games. Other agencies, such as the Federal Bureau of Investigation, the Federal Emergency Management Agency, the Department of Defense, and the Department of Health and Human Services, will also be involved.

Local law enforcement agencies will provide security operations within their jurisdictions, under the overall coordination of the USSS. The cost of providing security services, at the national, state and municipal level, is funded through a separate process of appropriations based on the NSSE designation. This process requires a detailed level of operational planning, which is not undertaken this far in advance of the Games. It would be difficult and counterproductive to expend resources in planning for security at this stage in the lifecycle.

While the detailed security planning and appropriations are a future process, the LA28 budget currently includes expenditures for security-related services based on typical events held regularly in Los Angeles. These budgeted costs include, for example, requirements to support security activities in and around the venues such as fencing, power, cabling, tents/cabins; private security for pedestrian and vehicle screening; short-term workforce; and, public safety planning, among others. Costs outside of these elements are not usually held in an OCOG budget given that the OCOG does not have control over decisions that may impact the cost of security at Games-time (e.g., based on an elevated threat level or a low-risk tolerance).

As planning progresses, KPMG recommends that the City and LA28 work with national, state and local enforcement agencies to clearly understand the timing of the appropriations process and the methods for determining any additional costs of security that might be outside the NSSE designation.

Municipal services and City vision

Similar to the 2024 Games budget, LA28 has included a budget estimate in the 2028 Games budget to cover the costs of the incremental or enhanced municipal services to be provided for the 2028 Games, including enhanced event services, road closures and street services, enhanced department services, and enhanced sanitation and cleaning. The estimate, developed from available data for relevant services based on existing City agreements with entities such as the Los Angeles Rams and the University of Southern California, as well as with reference to special events such as the 1984 Games, Special Olympics, and other events, appears to be reasonable.

Notwithstanding these costs included in the 2028 Games budget, the planning and hosting of the 2028 Games may require a further commitment on the part of the City and will be dependent on the City's vision for the Games. Hosting the Games has provided the City with an opportunity to develop its vision to complement the broader public policy objectives that the City has established and capture the benefits it would like to realize for its residents. The vision could leverage how the City wishes to align and promote the City's Olympic-related activities with broader public policy goals such as tourism and economic development, and realize benefits through legacy related initiatives.

KPMG recommends the City, in concert with LA28, fully develop its vision for hosting of the 2028 Games to allow for appropriate resource planning. This will help ensure the City's vision is complementary to that of LA28 and the visions of the City and LA28 are mutually supportive.

Appendix A — Detailed analysis of 2028 Games budget

1.1 Introduction

This section contains details of the procedures performed by KPMG to analyze the 2028 Games budget. This includes a line by line comparison of budget categories in the 2024 and 2028 Games budgets and the evaluation of the underlying evidence and assumptions in order to understand changes in budgeted amounts. The section also details the revised assumptions and benchmarks evaluated for each budget category.

1.2 Procedures performed by KPMG

Overall budget

KPMG performed the following steps to test the reasonableness and completeness of the budget as set out in the table below:

- Verified the formulas and mathematical accuracy of the budget by comparing the roll-up of budget line items to the summary
- Reconciled the current 2028 budget to the October 16, 2016 budget reviewed by KPMG
- Obtained clarification from LA28 on specific line item changes to help ensure all budget variances were accounted for
- Reviewed models and detailed working papers where assumptions had changed
- Considered other factors that had changed since October 2016, for example, the *IOC New Norm* and the increased project timeline during due to the awarding of the 2028 Games

1.3 Tracking of budget changes

In order to comment on the completeness and reasonableness of the current 2028 Games budget, KPMG first performed a line by line comparison of the budget categories in the 2024 and 2028 Games

budgets. The table below demonstrates the comparison of the 2024 Games budget previously reviewed in October 2016 to the current 2028 Games budget reviewed in January 2019.

Revenue	2024 Budget (2016 Dollars)	2028 Budget (Real Dollars)
IOC Contribution	\$855.0	\$898.0
TOP	\$453.5	\$637.0
Domestic Sponsorship	\$1,930.7	\$2,517.7
Ticket Sales	\$1,473.5	\$1,928.8
Licensing and Merchandising	\$225.5	\$304.9
Government Contribution or Grants	\$10	\$0
Lotteries	\$7	\$0
Other Revenues	\$351.5	\$597.8
Total Revenues	\$5,306.7	\$6,884.2

Expenses	2024 Budget (2016 Dollars)	2028 Budget (Real Dollars)
Venue Infrastructure	\$1,198.3	\$1,463.6
Sport, Games Services and Operations	\$922.5	\$1,228.7
Technology	\$565.6	\$626.5
People Management	\$695.8	\$913.4
Ceremonies and Culture	\$176.8	\$245.0
Communications, Marketing and Look	\$194.2	\$397.3
Corporate Admin and Legacy	\$220.5	\$587.1
Other Expenses	\$841.1	\$806.7
Contingency	\$491.9	\$615.9
Total Expenses	\$5,306.7	\$6,884.2

In millions USD

As seen in the table above, the 2024 Games budget was presented in 2016 dollars whereas the 2028 Games budget is presented in 2028 real dollars. As a result, a significant change in the budgeted amounts for revenue and expense categories was due to adjustments made to account for inflation. Since inflation impacts revenue and expenses differently, the resulting changes in revenue and expenses due to inflation were 68% and 86% respectively.

The remaining changes in revenue and expense budget categories were due to the following four factors:

- Reclassifications based on IOC financial template
- Additions and/or reductions due to new or better information
- Impact of additional four years of activity

— Changes due to fine tuning.

The schedule below shows the increase by inflation and other changes for revenue and expenses, at a summary level.

Reconciliation	2024 Budget (2016 Dollars)	Inflation Adjustments	Other changes	2028 Budget (Real Dollars)
Revenue	\$5,306.7	\$1,071.8	\$505.7	\$6,884.2
Expenses	\$5,306.7	\$1,358.5	\$219.0	\$6,884.2
Net	\$0.0	-\$286.7	\$286.7	\$0.0

In millions USD

Other changes - Detailed reconciliation

In addition to the adjustments for inflation, other changes were made to the 2028 Games budget. The schedule below summarizes the net change in revenue and expenses on account of the four factors noted above followed by details of the factors that resulted in an increase or decrease in revenue and expense.

Factor	Impact on Revenue			Impact on Expenses		
	Increase	Decrease	Net Change	Increase	Decrease	Net Change
Reclassifications based on IOC financial template	\$31.3	\$31.3	\$0.0	\$708.8	\$708.8	\$0.0
Additions and/or reductions based on new or better information	\$624.9	\$262.9	\$362.0	\$270.0	\$176.8	\$93.2
Impact of additional four years of activity	\$146.7	\$0.0	\$146.7	\$125.0	\$0.0	\$125.0
Changes due to fine tuning	\$0.4	\$3.4	-\$3.0	\$0.8	\$0.0	\$0.8
Totals	\$803.3	\$297.6	\$505.7	\$1,104.6	\$885.6	\$219.0

In millions USD

1. Reclassification based on IOC financial template

This category of changes was due to updates made by the IOC to their budget template. The changes in revenue and expenses due to reclassification resulted in moving revenue and expenses within the different budget categories. As the budgeted amounts were not impacted due to the reclassification, other than the accounting for inflation, the net change in both revenue and expenses due to reclassification was zero. The following changes were made due to reclassification.

Revenue

— Reallocation of Government contributions, Lotteries, and License Plate royalties to the appropriate accounts.

Expenses

- Reallocation of costs relating to Energy, Technology, Stakeholder Services, Municipal Services, Accreditation, Test Events, Protocol and Languages, Other Expenses and Communications, Marketing and Look.

2. Additions and/or reductions based on new or better information

The awarding of the 2028 Games to Los Angeles resulted in several changes that provided LA28 with new or better information. These changes included signing the HCC that provided updated contractual information, and updated information provided from external experts and industry-based reports. In addition, LA28 was able to undertake planning for new City-wide initiatives and developing a vision for hosting the Games. This updated information resulted in both increase and decrease in revenue and expense categories as noted below.

Revenue

- Increases to IOC funding, Domestic Sponsorship, Ticketing (additional sites), Earned Commissions, and Interest Incomes.
- Decreases due to IOC funding (net positive), “capping” of revenue sources e.g., Sponsor Activation, certain Licensing and Merchandising lines, and Donations.

Expenses

- Increases due to changes to costs in Venue Operations (rental), Ceremonies and Culture (Ceremonies 2nd site), central Travel and Expense, and Legal.
- Addition of youth sport and sustainability programs.
- Decreases from the reduction of specialized venue space, Technology costs (IOC feedback), and the removal of costs associated with the movement of specialized team equipment prior to arrival in the host city, interest costs, and the identification of overlap in services between functions. “Capping” of certain costs already stated in “real dollars”.

3. Impact of additional four years of activity

For the first time, the Games have been awarded 11 years in advance. The four additional years of activity was another factor that resulted in an increase both in revenue and expenses as explained below.

Revenue

- Extended sales and activation window for domestic sponsorship sales.
- Longer lead-time for Licensing and Merchandising.

Expenses

- Additional costs incurred on account of extended lifecycle of four years
 - Staffing over an extra four years
 - Rental and operating costs
 - Sponsorship sales support

4. Changes due to fine tuning

The final factor that resulted in changes to the budget categories was rounding and fine tuning undertaken by LA28. This factor mostly resulted in a small decrease in revenue and expenses as noted below.

Revenue

- Minor changes due to rounding and fine tuning across a number of functions.

1.4. Assumptions and benchmarks by budget line item

Revenue

1. IOC contribution

#	Element	LA28 revised assumptions and benchmarks
1.1	Broadcast revenues	— Revised IOC contribution and payment schedule is specified in the signed HCC

2. TOP program

#	Element	LA28 revised assumptions and benchmarks
2.1 2.2	Cash & VIK	<ul style="list-style-type: none"> — Revised TOP program revenue and payment schedule is specified in the signed HCC — TOP program revenue is expressed as net revenue, not gross as previously done, as per IOC direction
2.3	Mobility	— Assumes realization of an additional \$200M in TOP program revenue as per HCC, or failing that, the reversion of the mobility category to LA28 to its domestic sponsorship program

3. Domestic sponsorship

#	Element	LA28 revised assumptions and benchmarks
3.1	Domestic sponsorship	<ul style="list-style-type: none"> — Additional analysis was undertaken based on the longer 10-year selling and 8-year activation marketing period, and the increased Team USA marketing window from 4 to 8 years — Three additional models were then tested, including implications of Tier 3 sponsors which are typically brought on close to the Games and the increased activation spend necessary to achieve the results — The most conservative of the three scenarios was chosen

4. Ticket sales

#	Element	LA28 revised assumptions and benchmarks
4.1	Ticket sales	<ul style="list-style-type: none"> — Additional analysis was undertaken to test if sell-rate models used in the budget were realistic. This included comparing actual sell-through rates by sport and session where available from London 2012 and Rio 2016 — The analysis did not result in any changes to the ticketing model

Expenditures

1. Venue infrastructure

#	Element	LA28 revised assumptions and benchmarks
1.1	Unit cost development basis	<ul style="list-style-type: none"> — <i>The New Norm</i> was applied to the IBC to incorporate the change in ceiling height — An additional independent cost analysis was commissioned from Rider Levett Bucknell to validate the costing approach and estimates; no budget changes were recommended based on that review

2. Sport, games services and operations

#	Element	LA28 revised assumptions and benchmarks
2.7	Transportation	— Movement of specialized team equipment prior to arrival in the host city
2.10	Venue Ops	— Review of rental costs of certain venues based on new information

3. Technology

#	Element	LA28 revised assumptions and benchmarks
3.1	Information technology	— Renegotiated contracts resulted in lower revised estimate in expenditures for LA28

4. People management

#	Element	LA28 revised assumptions and benchmarks
4.1	Workforce model	<ul style="list-style-type: none"> — Mercer was contracted to refine the incentive and benefits framework both near term and for the lifecycle of LA28, specifically incorporating: <ul style="list-style-type: none"> – Sports industry, for profit and not for profit organizations standards – City specific effects on compensation – LA28 specific growth curve and scope — A detailed staffing plan by position and tier was developed for the additional four upfront years of LA28 operations, focused on the specific programing needs during this phase and without moving the overall growth curve forward

5. Ceremonies and culture

#	Element	LA28 revised assumptions and benchmarks
5.1	Opening and Closing Ceremonies	<ul style="list-style-type: none"> — A dual concept for the Ceremonies was added to the LA28 budget after the 2016 KPMG report, although elements were reviewed at the time despite it not being incorporated into the budget at the time — Other than adding a venue to both ceremonies, all other assumptions and benchmarks with respect to the venues, capacities, impacts to ticketing, and operations remain the same

6. Communications, marketing and look

#	Element	LA28 revised assumptions and benchmarks
6.3	Marketing and commercial program	<ul style="list-style-type: none"> — Assumptions on additional investment required to support increased promotion, sponsor activations, and support of sponsor revenue targets given the additional four years of operations — The JMPA between LA28 and the USOC has been signed that sets out specific marketing rights — The JMPA between LA28 and the IOC is being negotiated, which sets out rights for marketing the Olympic rings and the Paralympic Agitos

7. Corporate administration and legacy (Including insurance)

#	Element	LA28 revised assumptions and benchmarks
7.2	Environment, sustainability and legacy	<ul style="list-style-type: none"> — New commitments for a youth sports program and sustainability were added to the budget after the KPMG 2016 review — The youth sports program is discussed under Key Analysis within the Host City Contract — Assumption for sustainability was based on an IOC recommendation

8. Other expenses

#	Element	LA28 revised assumptions and benchmarks
8.1	Marketing rights and royalties	<ul style="list-style-type: none"> — The JMPA between LA28 and the USOC has been signed that sets out specific royalty arrangements from OCOG to USOC on revenue categories — The JMPA between LA28 and the IOC is being negotiated, which sets out royalties due to the IOC for use of the Olympic rings and the IPC for the Paralympic Agitos — The HCC has also been signed by LA28, the USOC, and the IOC

Appendix B — Glossary

Term	Description
CAO	City Administrative Officer – City of Los Angeles
CLA	City Legislative Analyst – City of Los Angeles
HCC	Host City Contract
IBC	International Broadcast Centre
IF	International Sport Federation
IOC	International Olympic Committee
IPC	International Paralympic Committee
JMPA	Joint Marketing Program Agreement
LA28	The Organizing Committee for the 2028 Olympic and Paralympic Games (or OCOG)
London 2012	London Organizing Committee for the Olympic and Paralympic Games
MOU	Memorandum of Understanding (between the City of Los Angeles and LA28)
MPA	Marketing Plan Agreement (between the IOC and LA28)
NOC	National Olympic Committee
NSSE	National Special Security Event
OBS	Olympic Broadcast Services
OCOG	Organizing Committee for the Olympic and Paralympic Games (or LA28)
TOK	Transfer of Knowledge
TOP	The Olympic Partner Program
UCLA	University of California, Los Angeles
USSS	United States Secret Service
USOC	United States Olympic Committee
VIK	Value in Kind
VUA	Venue Use Agreement



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