

THEME 7 – MARKETING

7.1 Joint Marketing Programme (“JMP”)

Pursuant to USOC direction, this is not required at this time. See assurances below.

7.2 Preparing the Local Marketplace by Developing Measures to Prevent Ambush Marketing

7.2.1 Provide (a) written guarantee(s) from the relevant government authorities confirming that the legislation necessary to effectively reduce and sanction ambush marketing (e.g. preventing competitors of Olympic sponsors from engaging in unfair competition in the vicinity of Olympic sites), eliminate street vending, control advertising space (e.g. billboards, advertising on public transport, etc.) as well as air space (to ensure no publicity is allowed in such airspace) during the period of the Olympic Games (including two weeks before the Olympic Games), will be passed no later than 30 June 2010.

7.2.2 Complete Table 7.2.2.

Provide binding options from each space owner to acquire all existing or hereafter developed outdoor advertising space (e.g. billboards) in the Host City, at 2004 rates adjusted solely for inflation.

7.2.3 Complete Table 7.2.3.

Provide binding options from each space owner to acquire all existing or hereafter developed advertising space on public transport (e.g. buses, metro, trams, etc.) in the Host City at 2004 rates adjusted solely for inflation.

7.2.4 Complete Table 7.2.4.

Provide binding options from each space owner to control all existing or hereafter developed advertising space (indoor or outdoor) at the airports used for the Olympic Games. at 2004 rates adjusted solely for inflation.

At the appropriate time, we will obtain the guarantees from government authorities regarding efforts to curb ambush marketing and eliminate street vending during the period of the Olympic Games. We have been in active discussions with the Los Angeles City Attorney’s Office to obtain the requested guarantees. They have agreed to spearhead efforts necessary to prevent ambush marketing and eliminate street vending during the Olympic Games, and we fully expect to arrive at satisfactory agreements. We expect to have similar discussions with the municipalities where the other events will be held and expect to be able to arrive at satisfactory agreements with each of them.

We will also obtain guarantees necessary to control air space during the period of the Olympic Games (including two weeks before and after the Games). Organizers of other sporting events in Los Angeles have teamed with federal, state and local authorities to successfully control air space, and we expect to follow their precedent. For instance, organizers of the Los Angeles Marathon teamed with the Federal Aviation Authority (FAA) to prevent marketers from using for publicity the airspace above their event start and finish line in Los Angeles. At the appropriate time, we will consult the FAA, and we fully expect them to enact similar prohibitions on air space during the Olympic Games. At such time, we will obtain the guarantees required.

We will also obtain guarantees regarding control of advertising space during the Olympic Games. Major advertising space owners in the Los Angeles region include Clear Channel Outdoor, CBS Outdoor, JC Decaux, Lamar Outdoor Advertising and Regency Outdoor Advertising.



The Los Angeles City Attorney's Office initiated discussions on our behalf with the major advertising space owners in the Los Angeles area, and we have met with representatives from this industry.

7.4 TOP Programme, IOC International Sponsorship and Licensing Programmes

The TOP Programme is a worldwide sponsorship programme coordinated by the IOC, which affords to a limited number of multinational companies, on a four-year cycle, the highest level international marketing rights in relation to the Olympic Games, the IOC and the 202 NOCs, based on exclusivity for a given product category.

Provide a guarantee confirming the OCOG's unconditional participation in the TOP programme and IOC international sponsorship and licensing programmes.

Please see Exhibit 7.4.1.

7.5 Domestic Sponsorship

Use Table 7.5 to indicate the product categories and projected income for each level of national sponsorship:

Please see Table 7.5.

In consultation with several sponsorship experts and area business leaders, we project total gross domestic sponsorship revenues of \$1 billion. As part of the OCOG's joint marketing venture with the USOC, the USOC has traditionally received 30% of gross sponsorship revenues less any associated costs. Deducting sponsorships costs and IOC royalties of \$140 million from gross revenues of \$1 billion yields \$860 million of net sponsorship revenues. Given the joint venture revenue sharing formula we project the USOC share of sponsorship revenues to be \$260 million. This results in net sponsorship proceeds of \$600 million available to the OCOG. These projections reflect estimates from sponsorship experts and reported sponsorship sales from London 2012 and Vancouver 2010.

Available data from London 2012 and Vancouver 2010 suggest that top-level "Partner" domestic sponsorships have sold in the \$100 - \$170 million range. For the Games, we have conservatively assumed a \$90 million top tier sponsor estimate. To arrive at the \$1 billion gross revenue estimate, we project receiving 5 "Partner" level sponsors at \$90 million each, 10 "Official Sponsor" level sponsors at \$40 million each and 15 "Official supplier" level sponsors at \$10 million each. We intent to limit our sales to these levels of sponsorship. Pending any changes in the TOP Sponsorship categories, we expect to attract "Partner"-level sponsors from fields such as Technology and Telecom, Finance, Natural Resources (e.g. utilities, energy and environmental companies), Consumer Goods, Automotive and Media and Entertainment. We will mine all traditional Olympic sponsorship categories as well as local industries - such as the entertainment industry - to achieve this goal. Overall, we consider \$600 million is a reasonable and achievable estimate for net domestic sponsorship proceeds¹.

¹ London has had domestic sponsorship sales of \$100 - \$150 million each for five major sponsors. Beijing 2008 has reportedly lined up 10 domestic sponsors at \$75-100 million each.



Exhibit 7.4.1



SOUTHERN CALIFORNIA COMMITTEE FOR THE OLYMPIC GAMES

350 SOUTH BIXEL STREET, SUITE 250, LOS ANGELES, CA 90017
PHONE (213) 482-6333 • FAX (213) 482-6340

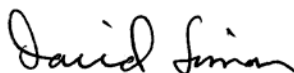
January 22, 2007

Mr. Robert J. Ctvrtlik
Vice President, International
United States Olympic Committee
19600 Fairchild Road, Suite 270
Irvine, California 92612

Dear Mr. Ctvrtlik:

This is to confirm that if Los Angeles is selected to host the 2016 Olympic Games, the Organizing Committee will participate unconditionally in the TOP program and in all IOC international sponsorship and licensing programs.

Sincerely,



David Simon
President



TABLE 7.5 - PROJECTED INCOME FROM DOMESTIC SPONSORSHIP		
Level of Sponsorship	Product Categories	Projected Income by Level of Sponsorship (\$M 2006)
First level	Technology and Telecom	
	Finance/Real Estate	\$450 million
	Natural Resources	
Second level	Consumer Goods	
	Auto	400 million
	Media/Entertainment	
Third level	Airlines/Aerospace	
	Food and Beverage	150 million
	Air Freight/Delivery	
Gross Revenue		1,000 million
Less Sponsorship Costs		(140 million)
Net Revenue		860 million
Less USOC Share of Net Proceeds		(260 million)
Net Sponsorship Proceeds		\$600 million

7.6 Ticketing

7.6.1 What is the total projected income from ticket sales?

a) Olympic Games

We project total ticket sales for the 2016 Olympic Games of \$580 million².

b) Paralympic Games

We project that the Paralympics will generate \$40 million in ticketing revenue³.

7.6.2 What percentage sell-out rate are these projected incomes based on?

a) Olympic Games

b) Paralympic Games

The \$580 million Olympic Games ticket sales estimate is based on 7.3 million available tickets, an 82% sell-out rate and an overall average ticket price of \$95. The ticketing revenue estimate is based on bottom-up projections using planned venue capacities, an Olympic schedule matching Beijing 2008 as well as pricing and attendance assumptions derived from prior Olympic Games and consultation with Olympic ticketing experts.

²This estimate excludes ticketing revenue from the Cultural Program. Cultural Program ticketing revenue is estimated at \$10 million. This revenue is included in Table 7.10 Other Revenue Sources.

³We estimate total Paralympics revenue of \$70 million based on historical data from recent Olympic Games and bids with the remaining \$30 million coming primarily from sponsorships.



7.6.3 What is the price range of Olympic and Paralympic Games tickets in the following categories:

- **Opening and Closing Ceremonies**
- **Prime events (e.g. athletics, swimming or other sports with a particularly strong national appeal)**
- **Other events**

The \$580 million ticket revenue estimate is based on an average regular ticket price of \$70 and a median ticket price of \$60.

Apart from regular seat ticketing, Los Angeles is in a unique position to offer luxury box seats (“super-premium seats”) to a significant number of patrons. We believe these super-premium seats would be especially appealing to domestic sponsors. We have planned for all of the large venues - including the Los Angeles Memorial Coliseum, Staples Center, Galen Center, Honda Center, Rose Bowl Stadium, Home Depot Center, Long Beach Aquatics Complex, etc. - to have 5-15% of total ticket capacity designated for super-premium seats. These selected seats would sell at 100%-500% premium over regular ticket prices. We believe no other city would be able to offer such a large quantity of super-premium seating.

In projecting ticketing for the Opening and Closing Ceremonies we conservatively estimate an average ticket price of \$450. In the interests of conservative budgeting we expect the Ceremonies’ ticket prices to range from \$330 to \$950.

The price range for regular tickets to prime events—such as Athletics, Basketball, Swimming, Gymnastics, Boxing, Soccer finals, Tennis and Volleyball—will be \$50 to \$120 with super-premium ticket prices up to \$600 for final rounds.

	Total Sales (\$Million)		Average Price (\$)		Price Range (\$)	
	Regular	Super-premium	Regular	Super-premium	Regular	Super-premium
Total	390	190	69	383	15 – 120	145 - 950
Ceremonies	0	60	–	453	–	330 – 950
"Prime" events	350	130	78	358	50 – 120	145 – 605
All other events	40	0	37	–	15 – 55	–

The price range for all other events will be \$15 - \$55. We aim to have a “family-friendly” pricing structure by having a significant number of affordably priced tickets available. Over 650,000 preliminary round tickets for 10 events will feature an average price of \$15. In addition, the average regular ticket price for 13 different sports will be less than \$40.

**7.6.4 How do the proposed ticket prices compare to other major events?
Provide comparative pricing.**

Proposed average ticket prices for the 2016 Olympic Games are comparable to other major sporting events such as the Super Bowl and the World Series as well as major concerts by artists such as The Rolling Stones and U2. Average prices would match the New York City (NYC) 2012 bid and be lower than the Sydney 2000 Games’ average ticket price. Pricing would also be competitive with other sporting events such as the NFL, NASCAR, the NBA and the World Cup.



Type	Event	Average Ticket Price	Median Ticket Price
Sport	Super Bowl XL (Detroit)	\$600	N/A
Sport	World Series 2006	\$200	N/A
Concert	Rolling Stones 2005 Tour	\$134	N/A
Olympic Games	Sydney 2000 Olympic Games	\$101	N/A
Concert	U2 2005 Tour	\$97	N/A
Olympic Games	NYC 2012 Bid	\$95	N/A
Olympic Games	Los Angeles 2016 Bid	\$95	\$60
Sport	NASCAR event	\$88	N/A
Sport	NBA Regular Season (L.A. Lakers)	\$82	N/A
Sport	World Cup 2006	\$81	N/A
Sport	NFL Regular season (median)	N/A	\$74
Sport	NHL Regular season - (L.A. Kings)	\$43	N/A
Sport	NHL Regular season - (average)	\$31	N/A

Source: CNN (2005); SportsBusiness.com; SCCOG estimates

7.7 Licensing

7.7.1 Use Table 7.7.1 to indicate the projected income from licensed merchandise sales as well as type of categories:

Please see Table 7.7.1.

We estimate licensing revenue of \$125 million. This estimate is based on a comparison with historical Games licensing revenues and on a bottoms-up analysis constructed through our consultation with licensing experts. While royalty rates vary by product and licensor, we expect to receive royalties of 15 – 20% on licensed product sales. The key categories for licensing are expected to be apparel (including outerwear, hats, jerseys, shirts and other sub-categories), pins, collectibles, children’s items, and coins. Given the Los Angeles market’s size and tourist appeal, plus the expected growth in interactive forms of worldwide commerce, we believe that an estimate of \$125 million is conservative.

Category Type	Projected Income (\$Million 2006)
Apparel	50
Pins	25
Children's/Plush	20
Collectibles/Novelty	15
Coins	10
Other - Electronics, Publishing	5
Total	125

7.7.2 Are there plans to develop a commemorative coin programme?

If so, what format would such a programme take and what is the projected income?

Provide the necessary guarantee(s) from the National Mint and Minister of Finance (or other authorised governing entity), securing plans for the proposed coin programme.

We plan to develop a commemorative coin program. Historical coin revenues for recent U.S.-based Games in Salt Lake City, Atlanta and Los Angeles (1984) have ranged from \$20 million - \$60 million. Based on these revenues, we have conservatively projected coin revenues of \$10 million (these are included in the licensing revenues) for the Olympic Games. The OCOG will partner with the USOC to work with the U.S. Mint, which has a tradition of partnering with



OCOGs (e.g., 1984, 1996, 2002). We will carefully plan the design and marketing of the coins to ensure consistency with Olympic values and the relevant USOC and IOC requirements.

7.8 Lotteries

We do not expect to obtain any government subsidies or funding from lotteries.

7.9 Sponsor Hospitality Centre

Outline the general concept and location (e.g., number of sites, distance from venues, etc.) for the Sponsor Hospitality Centre.

Primary sponsor hospitality centers, with exclusive access for sponsors and their guests, are planned at four multi-sport sites:

1. Exposition Park cluster, including the Los Angeles Memorial Coliseum
2. L.A. Live, including Nokia Theatre and Staples Center
3. Home Depot Center cluster
4. Long Beach Arena cluster

These centers will provide refreshments, live entertainment, and access to the television feed from major venues. All of the centers will be located on-site between the designated entrance for sponsor guests and the competition site, making them walking distance for sponsor personnel and guests.

Depending on sponsor interest, other hospitality facilities could be arranged at venues with available space such as Fairplex (Modern Pentathlon and Shooting), the Honda Center (primary Basketball), the Rose Bowl Stadium (primary Football) and Santa Anita Park (Equestrian).

7.10 Other Revenue

We believe there are several potential ancillary sources of revenue that will generate over \$375 million (see Table 7.10.1).

The key revenue source will be \$125 million from a Corporate Marketing Program. We will primarily generate these revenues from premium Patron packages that will target wealthy individuals as well as through a preferred Olympic Supporters ticket purchasing program. The Patron packages will be comparable to the successful Los Angeles 1984 Olympic Games Patron Program and will provide its members with special VIP access to events as well as exclusive receptions, merchandise and hospitality areas. We will take special precaution to avoid any conflicts of interest between Patron program participants and corporate sponsors.

Additional revenue sources include: Paralympic ticketing and sponsorship revenues of \$70 million; ancillary merchandising revenues of \$55 million from the OCOG's share of concessions and merchandise sales from Olympic venues, Villages and gathering places; Cultural program and Pre-Olympic sporting event ticketing revenues of \$30 million (which conservatively excludes any possible associated TV rights and sponsorship revenues); estimated interest income of \$35 million on ticket deposits collected 12 – 18 months prior to the Games; and a combined \$50 million from asset disposal, torch relay, media village and rate card revenues.



TABLE 7.10.1 – OTHER REVENUE SOURCES

Category Type	Projected Income (\$Million 2006)	Assumption
Corporate Marketing Program	125	Premium patron packages (modeled after LA1984 Program)
Paralympics	70	Comparable to London 2012 and other recent budgets
Merchandising	55	Atlanta 1996 earned \$4 million
Interest Income	35	Based on expected ticket revenue deposits in 2015
Torch Relay	25	Based on recent Olympic Games such as Sydney 2000
Pre-Olympic Events	20	Estimated 78 events at \$0.5 million revenue each
Gathering Places	12.5	Based on recent Olympic Games such as Sydney 2000
Cultural Program	10	Estimated revenues from music and arts events
Asset Disposal	10	Based on recent Olympic Games such as Sydney 2000
Media/Family Village	10	Prospective commissions from media room and board
Rate Card	5	Rate card revenues from Media Center
Total	377.5	

Total project revenue for 2016 Olympic Games is \$2.66 billion. Table 7.10-2 provides the breakdown for this total amount and comparison with other Olympic Games.

TABLE 7.10-2. TOTAL PROJECTED REVENUE OF \$2.7 BILLION FOR 2016 OLYMPIC GAMES

Source	Estimated Revenues from Recent Games and bids in \$ 2006 millions				Los Angeles 2016 Estimate (\$Million)	Assumptions and Rationale
	London 2012	Athens 2004	Sydney 2000	Atlanta 1996		
Ticketing	410	250	670	550	580	Based on bottoms-up build-up Could adjust upward given Los Angeles market size & premium ticket opportunities
Broadcast TV rights	780	780	760	730	650	Provided by USOC Matches London and recent Games
Corporate Sponsorship	190	210	200	100	330	Provided by USOC LA2012 estimate included domestic sponsorship and licensing
Domestic Sponsorship	630	320	570	570	530	Net revenue estimate reflects reported sales in London, Vancouver, and Beijing
Licensing	80	70	60	110	125	Slightly better than Atlanta 1996 due to improved new media and coin sales
Other Ancillary ¹	120	200	40	310	375	Based on recent Games' programs <ul style="list-style-type: none"> Corporate marketing program/patron package (Los Angeles 1984): \$125 million Paralympics (London 2012): \$70 million Ancillary/merchandising (Atlanta 1996): \$55 million Interest income (Sydney2000/Los Angeles 1984): \$36 million Other asset sales, test events (Atlanta 1996): \$90 million
Total	2,210	1,830	2,300	2,330	2,660	

¹ Estimated from published reports for sources such as public funding, and other programs (e.g., Atlanta 1996, other revenue included donations, interest income, rate card and ticket service fee charges).

Source: IOC 2012 Bid evaluation; Olympic Games Final Reports; Greek Embassy Online Fact Sheet; 2016 IOC Marketing Fact Sheet; Rob Prazmark of Wasserman Media Group and former IOC sponsorship sales; R. Hollander of Brand Sense Partners and former Atlanta 1996 Licensing

