

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

James Guidry, et al.,

Plaintiffs,

v.

Arena Football League L.L.C., et al.,

Defendants.

C.A. No. 00533 (JCL)

STIPULATION AND SETTLEMENT AGREEMENT

Dated as of January 25, 2001

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UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

James Guidry, et al.,

Plaintiffs,

v.

Arena Football League L.L.C., et al.,

Defendants.

C.A. No. 00533 (JCL)

STIPULATION AND SETTLEMENT AGREEMENT, made and entered into as of January 25, 2001, by and among Plaintiffs (on behalf of themselves and all other Class Members, as defined below), the Arena Football League, LLC (on behalf of itself and its Member Clubs, as defined below, except for the San Jose SaberCats, which has separately agreed to be bound by this Agreement to the same extent as any other AFL Club), and the San Jose SaberCats.

ARTICLE I

RECITALS

WHEREAS, on February 3, 2000, plaintiffs James Guidry, Jr., et al., filed a complaint against the AFL and its then-existing Clubs, and certain of their related entities, which complaint was later amended on March 13, 2000, in each case alleging various violations of antitrust laws by those various entities and, in the Amended Complaint, by defendant Frank Murtha;

WHEREAS, the defendants answered the Amended Complaint, denying all of its material and charging allegations; and

WHEREAS, on January 25, 2001, plaintiffs and the AFL-related Defendants (except for the San Jose SaberCats defendants) reached an agreement to settle this Action and executed a Settlement Agreement Term Sheet, which is attached hereto as Exhibit A (“Term Sheet”), dated that same date; and

WHEREAS, the San Jose SaberCats defendants subsequently agreed to be bound by the Term Sheet to the same extent as every other AFL club; and

WHEREAS, the Term Sheet was submitted to the Court for preliminary approval pursuant to Rule 23 of the Federal Rules of Civil Procedure; and

WHEREAS, on March 30, 2001, pursuant to Rule 23 of the Federal Rules of Civil Procedure, the Court preliminarily approved the Term Sheet, preliminarily approved the Class, approved Class Counsel and the notice to the Class, and scheduled a final approval hearing for May 29, 2001; and

WHEREAS, the Term Sheet provides that its provisions shall be further memorialized and expanded upon in a more detailed settlement agreement consistent with the Term Sheet; and

WHEREAS, on May 29, 2001, pursuant to Rule 23(e) of the Federal Rules of Civil Procedure, the Court gave final approval to the Term Sheet, and directed Class Counsel and the AFL-related Defendants to submit to the Court, prior to the entry of final judgment in the Action, by stipulation the more detailed settlement agreement referred to in the Term Sheet; and

WHEREAS, this Agreement is the more detailed settlement agreement referred to in the Term Sheet; and

WHEREAS, in order to avoid further expense, burden, lengthy and protracted litigation and appeals, as well as the uncertainties of outcome, Class Counsel and the AFL-

related Defendants have concluded that a settlement in the manner and upon the terms and conditions set forth herein is desirable, fair, reasonable and in the best interests of the Class Members and the AFL-related Defendants; and

NOW, THEREFORE, in consideration of the mutual covenants of the respective parties hereto and the terms and conditions of this Agreement set forth herein, it is hereby stipulated and agreed, as follows:

ARTICLE II

DEFINITIONS

As used in this Agreement, and for no other purpose, the following terms shall have the following meanings:

- (a) “Accrued Season” means any playing season during which the player accrued or accrues four (4) or more games in any League Year, including any of the following:
- (i) regular season games in which the player was on the twenty-four (24) man roster of a Team;
 - (ii) regular season games during which the player was on a Team's Injured Reserve List so long as the player was on the twenty-four (24) man roster of a Team for at least one (1) game; and (iii) post-season games in which the player was on the twenty-four (24) man roster or Injured Reserve List so long as the player was on the twenty-four (24) man roster of a Team for at least one game during the regular season.
- (b) “Action” means the class action pending in the United States District Court for the District of New Jersey, captioned above.

(c) “AFL” or “League” means the Arena Football League, LLC and all of its Member Teams.

(d) “AFL-related Defendants” means the AFL, its Member Clubs, the entities named in the Complaint, all predecessors to such entities from February 3, 1996 to the present, all successors to such entities during the term of this Agreement, and all new AFL Clubs that come into existence during the term of this Agreement.

(e) “AFL Player Contract” means the form of player contract which shall be utilized in the AFL. A copy of the AFL Player Contract is attached hereto as Exhibit B.

(f) “AFLPOC” means the Arena Football League Players Organizing Committee.

(g) “Agreement” means this Stipulation and Settlement Agreement, dated as of January 25, 2001.

(h) “Benefits” or “Player Benefit Costs” means the specific benefits paid to players pursuant to Article VIII, Section 5(b).

(i) “CBA” or “Collective Bargaining Agreement” means any collective bargaining agreement that any Players Union may enter into in the future on behalf of AFL players.

(j) “Class Counsel” means Weil, Gotshal & Manges LLP, 767 Fifth Avenue, New York, New York 10153, Williams & Connolly LLP, 725 Twelfth Street, N.W., Washington, D.C. 20005, and Krovatin & Associates, LLC, 744 Broad Street, Suite 1901, Newark, New Jersey 07102.

(k) “Class Members” means all persons who have been, are now, or will be under contract to play professional football for an AFL Team at any time from February 3, 1996

through the later of the date of final judgment approving the settlement of the Action with all defendants and the determination of any appeal therefrom.

(l) “Closing Date” means the date, following Court Approval, upon which, by lapse of time or otherwise, including any appeals, the judgment entered thereon shall no longer be subject to review or appeal, provided that any appeals shall have been resolved in such manner as to permit the consummation of this Agreement.

(m) “Club” or “Team” or “Member” or “Member Club,” used interchangeably herein, means any entity that is a member of the AFL or operates a team in the AFL at any time during the term of this Agreement.

(n) “Club Affiliate” or “Team Affiliate” means any entity or person owned by (wholly or partly), controlled by, affiliated with, or related to a Club or any owner of a Club.

(o) “Commissioner” means the Commissioner of the AFL.

(p) “Complaint” means the amended complaint filed in this Action.

(q) “Court Approval” means the entry of the Final Consent Judgment by the court in this Action, in a form agreed upon by the parties and acceptable to the Court, approving the Term Sheet in accordance with the procedures of Rule 23 of the Federal Rules of Civil Procedure.

(r) “Defined Gross Revenues” or “DGR” means all of the revenues that are included within the definition of Defined Gross Revenues, as set forth in Article VIII, Section 1.

(s) “Free Agent” means a player who is not under contract and is free to negotiate and sign an AFL Player Contract with any AFL Club.

(t) “Guaranteed League-Wide Player Compensation” means the minimum amount that the Teams in the AFL must collectively pay in Player Compensation during a League Year as set forth in Article VIII, Section 3.

(u) “League Year” means September 1 through August 31 of the next calendar year. For example, League Year 2002 runs from September 1, 2001 through August 31, 2002.

(v) “Minimum Salary” means the minimum annual Regular Season Salary which shall be paid to an AFL player not on a Practice Squad or Injured Reserve.

(w) “Negotiate” means, with respect to a player or his representatives on the one hand, and an AFL Club or its representatives on the other hand, to engage in any written or oral communication relating to efforts to reach agreement on employment and/or terms of employment between such player and such Club.

(x) “New Club” means any Club except the Prior Club (as defined below).

(y) “NFL” means the National Football League.

(z) “NFL Option Agreement” means the agreement, between the AFL and NFL Enterprises, dated January 30, 1999, or any extension of that agreement.

(aa) “NLRB Proceeding” means the unfair labor practice charges that James Guidry, Jr. and Michael J. Pawlawski filed on February 18, 2000 before the National Labor Relations Board against the AFL and its member Teams, which charges were later amended in various respects and thereafter settled.

(bb) “Plaintiffs” or “Class Representatives” means James Guidry, Jr., Calvin Schexnayder, Michael J. Pawlawski, Lincoln Coleman, Garrett Greedy, Greg Hopkins, Jamal

Ellis, Anthony Bridges, Chris Barber, and Cleveland Pratt, III, individually and as representatives of the Class Members.

(cc) “Player Affiliate” means any entity or person owned by (wholly or partly), controlled by, affiliated with, or related to a player.

(dd) “Player Compensation” means, for each AFL Team, the sum of: (1) the Team’s Player Salaries; (2) the Team’s Projected Workers' Compensation Payments and Medical Costs; and (3) Projected Benefits divided by the number of Teams playing in the AFL during that League Year.

(ee) “Player Salary” or “Player Salaries” means all cash and non-cash consideration paid to, or on behalf of, players pursuant to AFL Player Contracts, including but not limited to, regular season or other player salaries, bonuses, payroll taxes, loans (net of loan repayment), forgiveness of loans made prior to League Year 2001, housing, and automobiles (i.e., leased vehicles and/or rental cars). However, notwithstanding the above, Player Salaries shall not include payments to players for Post-Season Games, Post-Season Awards, and/or any AFL All-Star Games, if and when held.

(ff) “Players Association” or “AFLPA” means the Arena Football League Players Association.

(gg) “Players Union” means any labor organization that may be selected by a majority of AFL players and either legally recognized by the AFL and its member Clubs as the exclusive collective bargaining representative of all present and future AFL players or certified by the National Labor Relations Board as the exclusive collective bargaining representative of all present and future AFL players.

(hh) “Prior Club” means the Club that contracted with or otherwise held the AFL playing rights for the player for the previous League Year.

(ii) “Projected Benefits” means the amount of Benefits projected in accordance with the rules set forth in Article VIII, Section 5(b).

(jj) “Projected Defined Gross Revenues” or “Projected DGR” means the amount of Defined Gross Revenues projected in accordance with the rules set forth in Article VIII.

(kk) “Regular Season Salary” means the compensation set forth in the AFL Player Contract, or in any amendments thereto, pursuant to which the player shall be paid such salary with respect to a regular season AFL game and related services performed for the Club.

(ll) “Renegotiate” means any change in Player Salary or the terms under which such Player Salary is earned or paid, or any change regarding the Club’s right to trade the player, during the term of an AFL Player Contract.

(mm) “Required Tender” means an AFL Player Contract tender that a Club is required to make to a player pursuant to this Agreement, either as a matter of right with respect to the player, or to receive any rights with respect to the player, as specified in this Agreement.

(nn) “Rookie” means a person who has never signed an AFL Player Contract with an AFL Club.

(oo) “Room” means the extent to which a Team’s then-current Team Salary is less than the Salary Cap.

(pp) “Salary Cap” means the absolute maximum amount of Player Compensation that each Club may pay or be obligated to pay or provide to players or Player Affiliates, or may pay or be obligated to pay to third parties for the benefit of players or Player

Affiliates, at any time during a particular League Year, in accordance with the rules set forth in Article VIII.

(qq) “System Arbitrator” means the arbitrator appointed and authorized by this Agreement to hear and resolve all disputes as provided in this Agreement.

(rr) “Team Salary” means the Team’s aggregate Player Salaries for Salary Cap purposes, as calculated in accordance with the rules set forth in Article VIII.

(ss) “Term Sheet” means the Settlement Agreement Term Sheet, dated January 25, 2001, agreed to by Plaintiffs and all AFL-related Defendants except the San Jose SaberCats defendants, which agreement the San Jose SaberCats defendants subsequently agreed to be bound by to the same extent as all other AFL Clubs.

(tt) “Veteran” means a player who has signed at least one AFL Player Contract with an AFL Club.

ARTICLE III

TERM OF AGREEMENT

Section 1. Term. Except as provided below, the Agreement will be for a term of six (6) League Years (2001-2006), beginning on September 1, 2000 and continuing in full force and effect until August 31, 2006.

Section 2. Effective Date. Subject to Section 3 below, this Agreement shall become effective and shall be legally binding upon all of the parties and all Class Members upon its full execution.

Section 3. Implementation. This Agreement shall be implemented and applied in full by the parties the date immediately following the last date that the AFL had the right to terminate the Agreement pursuant to Article II.O.1 of the Term Sheet. The AFL-related Defendants and Plaintiffs covenant that from the date hereof to the Closing Date, they will not take any action or induce or assist other to take any action, directly or indirectly, to delay or hinder the implementation of the terms hereof or Court Approval of this Agreement.

Section 4. Early Termination.

(a) After League Year 2005:

(1) plaintiffs shall have the right to terminate the Agreement if, by the end of League Year 2005, the AFL has paid to the NFL \$15,000,000 or more of revenues that would otherwise be counted in DGR, but for Article VIII, Section 1(c)(6); and

(2) if the AFL chooses not to include barter revenues in Projected DGR for League Year 2006 pursuant to Article VIII, Sections 1(a)(16) and 1(c)(8), plaintiffs shall have the right to terminate the Agreement.

(b) In the event that Court Approval of this Agreement is overturned on appeal:

(1) this Action shall be reinstated to the status quo ante that existed prior to January 25, 2001;

(2) the existence of the Term Sheet and this Agreement and any negotiations in connection therewith will not be admissible or otherwise used by the parties in connection with any legal proceeding, except in a proceeding to enforce the terms of the Term Sheet or this Agreement;

(3) the AFL and its Teams (and any entity controlled by any of them) will not claim, and hereby waive any right to claim, that any conduct by players to form or attempt to form a players organization, labor organization, or union at any time after the execution of the Term Sheet constitutes a basis to assert any non-statutory labor defense under the antitrust laws or a basis to support or defend against any unfair labor practice claim; and

(4) the players will not claim, and hereby waive any right to claim, that the AFL's withdrawal of recognition from the AFLPOC and/or the recognition of any new players organization or union constitutes a basis to defend against any non-statutory labor defense under the antitrust laws, or to support or defend against any unfair labor practice claim.

Section 5. Termination Due To Collusion. If at any time the conditions of Article XII, Section 16(a), (b) or (c) are satisfied, Class Counsel shall have the right to terminate this Agreement. To execute such a termination, Class Counsel shall serve upon the AFL written

notice of termination within thirty days after the System Arbitrator's report finding the requisite conditions becomes final.

ARTICLE IV

ROOKIES

Section 1. Rookies. All Rookies are and shall be Free Agents. Such players shall be completely free to negotiate and sign an AFL Player Contract with any Club, and any Club shall be completely free to negotiate and sign an AFL Player Contract with such players, without penalty or restriction.

Section 2. Other Players Without An Accrued Season. Class Counsel agrees to the following rules for the 2002 League Year only. Any person who has signed at least one player contract with an AFL Club, but who has not yet achieved an Accrued Season, and who was also under contract to an AFL Club at the end of the prior season, remains subject to the exclusive rights of such team, subject to the tender rules of Article V, Section 2. Any such player shall also be considered a Veteran, and not a Rookie, for purposes of the injured reserve system and for pre-season training camp and mini-camp compensation. Class Counsel acknowledges that the AFL intends to treat such players as Rookies during the 2002 League Year for purposes of insurance and other benefits provided to the players. The parties reserve their respective positions with respect to the treatment of these players in future League Years.

ARTICLE V

VETERAN NON-FREE AGENTS

Section 1. Veteran Non-Free Agents.

(a) During League Years 2001 and 2002, subject to the tender requirements set forth in Section 2 below, any Veteran with less than four (4) Accrued Seasons whose contract has expired may negotiate and sign an AFL Player Contract only with his Prior Club.

(b) During League Years 2003, 2004, 2005 and 2006, subject to the tender requirements set forth in Section 2 below, any Veteran with less than three (3) Accrued Seasons whose contract has expired may negotiate and sign an AFL Player Contract only with his Prior Club.

Section 2. Required Tender.

(a) In order for a Team to retain its exclusive rights to a player pursuant to Section 1 above, such Team must, on or before October 15, or such other date agreed to by Class Counsel and the AFL, tender to that player a one-year contract that, at a minimum, offers his Regular Season Salary and all bonus provisions for the prior season. The tender must remain open until the first day of training camp. If such Required Tender is not made or is withdrawn prior to the first day of training camp, the player will promptly be waived.

(b) Any Team claiming a player waived under the terms of this Section 2 must promptly tender the player a contract that conforms with the rules set forth above in subsection (a).

(c) If a player does not accept a tender by the first day of training camp, the tendering Team may withdraw the tender and place the player on its Refused to Report List. After the first day of training camp, a player who was placed on the Refused to Report List, who

subsequently reports to the tendering Team, must be tendered a contract for at least the Minimum Regular Season Salary, as provided herein, by that Team or the player will promptly be waived. Notwithstanding the foregoing, a Team and a player may agree at any time upon an AFL Player Contract in any amount above the Required Tender, so long as the Team has sufficient Salary Cap Room to do so.

(d) If any player waived under the terms of this Section 2 clears waivers, he becomes a Free Agent.

ARTICLE VI

VETERAN FREE AGENCY

Section 1. Free Agents.

(a) During League Years 2001 and 2002, any Veteran with four (4) or more Accrued Seasons shall, at the expiration of his AFL Player Contract, become a Free Agent. Such player shall be completely free to negotiate and sign an AFL Player Contract with any Club, and any Club shall be completely free to negotiate and sign an AFL Player Contract with such player, without penalty or restriction, subject to the signing period set forth in Section 2 below.

(b) During League Years 2003, 2004, 2005 and 2006, any Veteran with three (3) or more Accrued Seasons shall, at the expiration of his AFL Player Contract, become a Free Agent. Such player shall be completely free to negotiate and sign an AFL Player Contract with any Club, and any Club shall be completely free to negotiate and sign an AFL Player Contract with such player, without penalty or restriction, subject to the signing period set forth in Section 2 below.

Section 2. Signing Period. Each League Year, a New Club may not sign a Free Agent to an AFL Player Contract until October 15, or such other date agreed to by Class Counsel and the AFL.

Section 3. Rights of Free Agents. A Free Agent shall not be subject to any limitations on the period of time before which he may qualify as a Free Agent again, or to any limitations on the number of times he may be a Free Agent.

Section 4. No Individually Negotiated Limitations on Player Movement. All individually negotiated limitations on player movement are and shall be prohibited. Notwithstanding the foregoing, individually negotiated player and/or Team options in an AFL

Player Contract are permitted. Any negotiated option clause must state the dollar amount(s) to be paid to the player during the option year.

Section 5. No Unauthorized Restrictions On Player Movement. All restrictions on player movement other than those specifically authorized by this Agreement are prohibited.

Section 6. Released Players. Any player who would otherwise be a Free Agent (i.e., any player with four or more Accrued Seasons in the 2001 or 2002 League Years, and three or more Accrued Seasons in the 2003-2006 League Years) who is released by a Club shall not be subject to any AFL waiver process, and shall immediately become a Free Agent upon such release.

ARTICLE VII
PLAYER CONTRACTS

Section 1. Conformity. All player contract forms signed before or after the execution of this Agreement are and shall be conformed to the AFL Player Contract, except as otherwise expressly agreed to by the AFL and Class Counsel. For example, and without limitation on any other example, Class Counsel and the AFL have agreed that all player contracts for players in the AFL who had signed a player contract before the 2002 League Year shall be deemed conformed to include Paragraph 4(b) of the new AFL Player Contract form, concerning the AFL players' group licensing program. However, Class Counsel has not agreed to the inclusion of Paragraph 26 in the AFL Player Contract form, and reserves all of its rights with respect to the use and enforceability of that paragraph. In addition, any existing or future player contract provisions that are inconsistent with this Agreement shall be deemed to be conformed to this Agreement.

Section 2. Written Contracts Required.

(a) Any agreement between any player and any Club concerning terms and conditions of employment shall be set forth in writing in an AFL Player Contract as soon as practicable.

(b) No Club shall pay or be obligated to pay any player or Player Affiliate (not including retired players) other than pursuant to the terms of a signed AFL Player Contract or a contract for non-playing related services as described in Section 4 below. Nothing contained in the immediately preceding sentence shall interfere with a Club's obligation to pay a player deferred compensation earned under a prior AFL Player Contract.

Section 3. Player Contract Copies. Each Club shall provide to the League an original and three (3) copies of each such AFL Player Contract within twenty-four (24) hours after the execution of such contract by the player and the Club. The League shall provide a copy of each such player contract to the player, Class Counsel, and any Players Union promptly upon request.

Section 4. Contracts For Non-Playing Services. Any agreement between any player or Player Affiliate and any Club or Club Affiliate providing for the player to be compensated by the Club or Club Affiliate for non-football-playing services shall be set forth in writing and disclosed and provided to the League within five business days of the execution or making of the agreement. The League shall provide a copy of such information to Class Counsel and any Players Union within two business days of the receipt of such information.

Section 5. Salary Cap Termination. In addition to any other rights a Club may have under the AFL Player Contract or this Agreement, unless the player and Club specifically agree otherwise in their AFL Player Contract, any AFL Player Contract may be terminated if, in the Team's opinion, the player is anticipated to make less of a contribution to the Team's ability to compete on the playing field than another player or players whom the Team intends to sign or attempts to sign, or another player or players who is or are already on the Team's roster, and for whom the Team needs Room under the Salary Cap. The terms of this Section 5 shall not affect any Club or Club Affiliate's obligation to pay a player any guaranteed Player Compensation.

Section 6. Commissioner Disapproval. The Commissioner or his designee may disapprove any AFL Player Contract containing any terms or conditions that do not comply with the Agreement, subject to review by the System Arbitrator as provided herein. If the Commissioner or his designee disapproves an AFL Player Contract, he must inform Class

Counsel and any Players Union in writing of the reasons therefor by noon on the date following such disapproval. In the event the Commissioner or his designee disapproves any AFL Player Contract, and the disapproval is appealed, the player may not practice or play until the System Arbitrator issues his or her ruling. However, unless the parties agree otherwise, with respect to any appeal filed after the start of training camp and before the conclusion of the Club's season: (i) the appeal shall be conducted in an expedited manner and shall be concluded within 72 hours of the filing of such appeal; and (ii) the System Arbitrator shall issue his or her ruling by the end of such 72 hour period.

Section 7. Good Faith Negotiation. In addition to complying with specific provisions in this Agreement, any Club or player engaged in negotiations for an AFL Player Contract (including any Club extending, and any player receiving, a Required Tender) is under an obligation to negotiate in good faith.

Section 8. Maximum Three Year Contract Term. A player and a Team may enter into a multi-year contract at any time (subject to the signing period set forth in Article VI, Section 2 above), including an agreement that would extend past the time when a player would become a Free Agent. However, the term of any AFL Player Contract plus the term of any option in such contract may not exceed three (3) League Years.

Section 9. Renegotiations. A player and a Team may Renegotiate an AFL Player Contract during the term of the contract, but may not negotiate any extension of an AFL Player Contract that extends the contract (plus any options) beyond a term of three (3) League Years. Any change in Player Compensation as a result of any renegotiation will be counted against the Salary Cap when paid.

Section 10. Guaranteed Contracts Permitted. Players and Teams may, but are not required to, negotiate guaranteed contracts.

Section 11. Win Bonuses Prohibited. Win bonuses are prohibited, subject to the transition rules set forth in Article XIX below.

Section 12. Releases. All AFL Player Contracts shall provide that, other than any rights the player may have as a member of this class to object to this Agreement during its review by the Court, the player waives and releases any claims: (a) arising out of, related to, or asserted in the Action; and (b) for conduct engaged in pursuant to this Agreement during the express term of this Agreement.

ARTICLE VIII

SALARY CAP & GUARANTEED

LEAGUE-WIDE PLAYER COMPENSATION

Section 1. Defined Gross Revenues.

(a) “Defined Gross Revenues” (also referred to as “DGR”) means all revenues received (on a cash accounting basis) by the AFL or any Team (or any entity controlled by any of them) from all sources, whether known or unknown, to the extent that such revenues are derived from, relate to, or arise out of the performance of AFL players in AFL football games or the performance of AFL players in AFL-related activities, with only the specific exceptions set forth in Section 1(c) below. DGR includes, but is not limited to, the following AFL revenues:

- (1) Ticket revenues;
- (2) Luxury box or other premium seating revenues;
- (3) Concession revenues;
- (4) Signage revenues;
- (5) Promotion and advertising revenues;
- (6) Program and novelty revenues;
- (7) Parking revenues;
- (8) Television, radio, or other electronic transmission of games or other AFL programming revenues (including, but not limited to cable, over-the-air broadcast, satellite, and Internet transmissions);
- (9) National sponsorship revenues;
- (10) For League Years 2001, 2002, and 2003, local sponsorship revenues (including any signage, promotion or other sponsorship-related revenues

included as part of a sponsorship contract) in excess of \$1,000,000 per Team; and, for League Years 2004, 2005, and 2006, all local sponsorship revenues;

(11) Revenues received from any municipality or other third party by the AFL or any Team (or any entity controlled by any of them) in consideration of a decision to locate a Team in any particular geographic area to the extent such revenues are not paid on behalf of any Team to the AFL or any other Team (or any entity controlled by any of them) but are paid to or otherwise for the benefit of the applicable Team (or any entity controlled by it) only to the extent that such revenues exceed \$750,000;

(12) Naming and pouring rights revenues;

(13) Revenues from international operations;

(14) All-Star Game revenues;

(15) Cash payments received or credits earned pursuant to the NFL

Option Agreement; and

(16) Barter revenues for League Year 2006, if the AFL determines to so include barter revenues.

(b) Revenues shall be included in DGR net of any: (i) admission, event, sales or other non-income and non-property taxes actually paid by the AFL or any Team; (ii) reasonable and customary expenses directly related to the generation of the DGR that are actually incurred by the AFL or any Team (or any entity controlled by any of them), but not including any allocated, general overhead, or general administrative expenses; and (iii) League Office expenses in an amount up to \$5,000,000 in League Years 2001, 2002, and 2003 and \$5,500,000 in League Years 2004, 2005, and 2006. In addition, Player Compensation for any

All-Star Game will be deducted from All-Star Game revenues. No negative numbers may result from the deduction of any expenses.

(c) Notwithstanding the above, the following revenues shall be excluded from DGR (but are subject to disclosure to and auditing by the jointly-retained accountants and plaintiffs' accountants, as described in more detail below):

(1) Expansion revenues;

(2) Team relocation fees paid by or on behalf of any Team (or any entity controlled by it) to the AFL or to any Team (or any entity controlled by any of them) other than the relocating Team;

(3) Revenues derived from, relating to or arising out of Arena Football 2 (exclusive of any games played by any AF2 Team or AF2 All-Star Team with any AFL Team or with any AFL All-Star Team, or any joint activities between the AFL and AF2 or any AF2 Team);

(4) Revenues derived from, relating to or arising out of the performance of non-AFL players in any separate non-U.S. arena football league (exclusive of any games played by a team in any such league with any AFL Team or with any AFL All-Star Team, or any joint activities between the AFL and any such league or any team in such league);

(5) Revenues derived solely from the licensing of league marks and logos, subject to the provisions set forth in Article XVIII below concerning joint licensing efforts by the AFL and players;

(6) Revenues paid to the NFL pursuant to the NFL Option Agreement;

(7) Payments made on behalf of the AFL, AFL Properties, and/or AFL Enterprises made by The National Network, formerly known as The Nashville Network ("TNN") or any other network: (i) to other networks, including, but not limited to, ABC and ESPN, for broadcast of AFL games or other AFL-related programming or advertising time to promote AFL broadcasts; or (ii) to parties other than the AFL or any Team (or any entity controlled by any of them) to promote AFL broadcasts; provided that, in each case, the payments made in any successor contract with TNN or any other network are of substantially the same type as in the contract between the AFL and TNN, dated January 3, 2000; and

(8) The fair market value of barter revenue received by any Team or the AFL (or any entity controlled by any of them), solely for League Years 2001, 2002, 2003, 2004, 2005, and 2006 unless barter revenue is included in DGR and Projected DGR for League Year 2006 as a result of Section 1(a)(16) above.

Section 2. Salary Cap

(a) Teams must be in full compliance with the Salary Cap at the commencement of each League Year and remain in compliance throughout the League Year, unless otherwise agreed to by Class Counsel and the AFL.

(b) Subject to the adjustments set forth below, the amount of the Salary Cap for each Team shall be the greater of:

(1) Sixty-three percent (63%) of Projected DGR for League Years 2001-2006, divided by the number of Teams playing in the AFL during that League Year (the "DGR Salary Cap"); or

(2) A maximum cash and barter dollar Salary Cap of \$1,550,000 in League Year 2001, increasing by six percent (6%), rounded to the nearest dollar, each League Year for League Years 2002 and 2003, and increasing by seven percent (7%), rounded to the nearest dollar, each League Year for League Years 2004, 2005, and 2006 (the "Cash Salary Cap"), as set forth below:

League Year 2001 - \$1,550,000 per Team;

League Year 2002 - \$1,643,000 per Team;

League Year 2003 - \$1,741,580 per Team;

League Year 2004 - \$1,863,491 per Team;

League Year 2005 - \$1,993,935 per Team; and

League Year 2006 - \$2,133,510 per Team.

(c) Except as provided in Article IX, below, in connection with contracts for Franchise Players, at all times the Player Compensation of each Team shall be less than or equal to the Salary Cap.

(d) For purposes of computing the DGR Salary Cap that may be applied in any upcoming League Year, and for any other purpose specifically stated in the Agreement, DGR shall be projected to be the DGR of the immediately preceding League Year increased by a percentage to be agreed upon by the parties, or failing such agreement, four percent (4%) (or the previous League Year's increase, whichever is greater) for gate receipt revenues, and six percent (6%) (or the previous League Year's increase, whichever is greater) for other DGR except for league-wide or local television or radio revenues, which shall be projected based upon the actual revenues expected from such source under contracts to be in effect for the upcoming League

Year, including a reasonable projection by the jointly-retained accountants of any television or radio revenue sharing proceeds.

(e) Projected DGR will take into account any changes in the number of Teams in the AFL.

(f) In the event that actual DGR for any League Year is greater or less than Projected DGR for that League Year (calculated as set forth above), then the difference, as the case may be, shall be added to or deducted from Projected DGR for the next League Year.

Section 3. Guaranteed League-Wide Player Compensation.

(a) Guaranteed League-wide Player Compensation will be fifty-three percent (53%) of DGR for a League Year or, if a Cash Salary Cap is in effect, \$1,200,000 per active Team for League Year 2001, increasing by six percent (6%), rounded to the nearest dollar, each League Year for League Years 2002 and 2003, and increasing by seven percent (7%), rounded to the nearest dollar, each League Year for League Years 2004, 2005, and 2006, multiplied by the number of active Teams in each League Year (e.g., a league-wide guarantee of \$22,800,000 in League Year 2001, based upon nineteen (19) active Teams that League Year and, for example, a league-wide guarantee of \$25,440,000 in League Year 2002, if there are twenty (20) active Teams in that League Year and a league-wide guarantee of \$19,080,000 in League Year 2002, if there are fifteen (15) active Teams in that League Year).

(b) For purposes of this league-wide guarantee, performance bonuses shall be counted as Player Compensation only to the extent such bonuses were actually paid during the League Year.

(c) In the event that Player Compensation for all Teams is less than the Guaranteed League-wide Player Compensation for that League Year, then, promptly following

calculation of that League Year's DGR, the AFL shall pay (and the AFL and all Teams shall be jointly and severally liable for) an amount equal to such deficiency to Class Counsel, who shall distribute such money to players from the applicable League Year in any reasonable manner Class Counsel deems appropriate, with the AFL's approval as to the methodology, which approval shall not be unreasonably withheld. If a Players Union is formed and recognized as the collective bargaining representative of players during the term of the Agreement, Class Counsel shall have authority to transfer to such Players Union rights and responsibilities relating to distribution of deficiency amounts to players set forth in this Section.

(d) Without limiting the foregoing, there will be no guaranteed minimum Team salary in the AFL.

Section 4. Accounting Procedures.

(a) DGR, Projected DGR, Player Benefits, Projected Benefits, Player Compensation and the amount of the DGR Salary Cap shall be calculated by an accounting firm that is jointly retained by the AFL and Class Counsel, and which may be discharged by the AFL or Class Counsel at the conclusion of the audit each League Year upon reasonable prior notice.

(b) Class Counsel's share of the costs of such jointly-retained accountants shall be paid by the AFL but shall be counted as Player Benefits in the calculation of the Salary Cap each League Year.

(c) The accounting procedures used by the jointly-retained accountants and additional audit rights of Class Counsel (utilizing its own accountants, at its own expense) shall be comparable to those used in the NFL, unless the parties specifically agree otherwise. Class Counsel shall have the right, at its own expense, to audit the books and records of the AFL and each Team (and any entity controlled by any of them, where there is a reasonable basis to

believe, as determined by the System Arbitrator, if there is a dispute, such entity received DGR) each League Year during the term of the Agreement for DGR purposes, and to obtain copies of all contracts entered into by such entities (subject to confidentiality restrictions comparable to those used in the NFL), which copies will be maintained at the offices of the jointly-retained accountants.

(d) Notwithstanding the exclusion of barter revenues from DGR for League Years 2001, 2002, 2003, 2004, and 2005, barter revenues for League Year 2005 shall be reported to the jointly-retained accountants, so that such information can be provided to the parties and so that DGR and Projected DGR for League Year 2006 will include such barter revenues, in the event that barter revenues are so included as provided in Section 1(a)(16) above, in accordance with the calculations set forth in Section 4(a) above. If the parties cannot agree upon the amount of barter revenues for League Year 2005, such barter revenues will be valued by the jointly-retained accountants (or an independent expert retained by the parties).

(e) If a Players Union is formed and recognized as the collective bargaining representative of players during the term of the Agreement, Class Counsel shall have authority to transfer to such Players Union rights and responsibilities concerning the jointly-retained accountants and audit rights set forth in this Section. In the event that such rights and responsibilities are transferred to such Players Union, and such Players Union assumes Class Counsel's share of the costs for the jointly-retained accountants, such costs shall not count as benefits and shall not be deducted from the Salary Cap.

Section 5. Player Compensation Definitions and Rules.

(a) Player Salaries.

(1) “Player Salaries” are defined as set forth in Article II, Section (ee) above.

(2) A player’s Player Salary shall also include any and all consideration received by the player or his Player Affiliate, even if such consideration is ostensibly paid to the player for services other than football playing services, if the AFL can demonstrate before the System Arbitrator that the consideration paid to the player or Player Affiliate for such non-football services does not represent a reasonable approximation of the fair market value of such services as performed by such player. The System Arbitrator’s determination may take into account, among other things: (1) any actual dollar amounts the player or Player Affiliate received for similar non-football playing services from an independent third party; and (2) the percentage of total compensation for non-football services received from third parties versus the Team or Team Affiliate.

(b) Benefits.

(1) “Projected Benefits” in League Year 2001 shall be a league-wide dollar amount of \$2,719,452, which was incurred by the Teams in League Year 2001. In League Years 2002, 2003, 2004, 2005, and 2006, Projected Benefits shall be projected by the jointly-retained accountants, based upon the amount of Player Benefits actually paid during the prior League Year (or contributed in the case of pension or other such deferred payment benefits) and any expected changes in such benefits agreed upon by the parties, or such other amount that the

parties agree is a reasonable projection of such Player Benefits. The amount of Player Benefits shall increase at least six percent (6%) each League Year, or by such other amount as the parties so agree.

(2) “Player Benefits” are defined as all cash and non-cash, non-AFL Player Contract benefits provided to players pursuant to this Agreement (other than the pension contributions relating to the funding of a player pension plan referred to in Article XVIII below) or any CBA that may be entered into in the future, including but not limited to, health and welfare insurance benefits (including, but not limited to health, dental, vision, life, and disability insurance benefits, as well as 401(k) employer contributions), regular season meal allowances, player moving expenses, and per diems, but excluding Workers' Compensation Payments and Medical Costs (which are dealt with separately in the Agreement on a Team-by-Team basis). In the event that actual Player Benefits for any League Year are greater or less than Projected Benefits for that League Year (as calculated herein), the difference shall be added or deducted, as the case may be, to Projected Benefits for the next League Year. If a Players Union is formed and recognized during the term of the Agreement, Class Counsel shall have authority to transfer to such Players Union rights and responsibilities relating to Benefits set forth in this Section.

(c) **Workers Compensation.** “Projected Workers' Compensation Payments and Medical Costs” are defined as the amount which, reasonably prior to the beginning of each League Year, on a date to be determined by the parties, each Team estimates in good faith that it expects to pay to players in the upcoming League Year for Workers' Compensation payments

and medical costs (including fees to doctors, hospitals and other health care providers, costs of drugs and other medical supplies, but not including salaries of trainers or other Team personnel, or the cost of Team medical or training equipment). At the end of the season in that League Year, after actual Workers' Compensation Payments and Medical Costs are determined, in the event that such amounts are greater than the Team's Projected Workers' Compensation Payments and Medical Costs, due to unanticipated or good faith underestimated increases, and any such Team exceeds its Salary Cap as a result, the excess will be counted against the Team's Salary Cap as follows, unless Class Counsel and the AFL agree otherwise:

(1) The average amount of Workers' Compensation payments and medical costs paid by Teams for the current League Year will be subtracted from the amount of Workers' Compensation payments and medical costs paid by the Team in that League Year. This calculation's result is Excess Workers' Compensation Payments and Medical Costs;

(2) Excess Workers' Compensation Payments and Medical Costs then are subtracted from the amount by which the Team exceeded the Salary Cap. This calculation's result is Net Salary Cap Excess;

(3) The Team's Salary Cap in the next League Year then will be reduced by the lesser of Net Salary Cap Excess or ten percent (10%) of the League Year's Salary Cap; and

(4) Each Team in violation of the Salary Cap by more than ten percent (10%) of the League Year's Salary Cap then will be subject to a dollar-for-dollar tax to be distributed to all Teams not in violation of the Salary Cap in that League

Year. The amount of the tax payment will be the Team's Net Salary Cap Excess less ten percent (10%) of the League Year's Salary Cap.

(d) **Player Compensation Exclusions.** Notwithstanding the foregoing or anything else in the Agreement, the following shall not be included in the Player Compensation of any Team and shall not be counted against the Salary Cap: (i) meal allowances, meals or housing provided for tryouts, mini-camp or pre-season training camp; (ii) the cost of player equipment (including uniforms and other clothing not individually bargained for by players); (iii) transportation costs to games, practices, and other Team activities (exclusive of individual player moving expenses provided pursuant to any contract or CBA); (iv) salaries of trainers or other Team or league personnel; (v) the cost of utilities or other Team overhead expenses; (vi) the cost of Team medical or training facilities or equipment; (vii) compensation paid to players for post-season games, post-season awards, and/or any AFL All-Star Game, if and when held; and (viii) compensation paid to players for non-football-playing services, subject to Section 5(a)(2) above. The compensation schedule for post-season games is set forth in Article XIV, Section 7 below.

(e) **Barter.** To the extent that Teams barter for items that would constitute Player Compensation, as defined in this section, such items shall be included in Player Compensation based upon the fair market value of such items provided to or on behalf of the player.

(f) **Retroactive Payments.** Retroactive amounts paid by the AFL and/or its Teams to players for the 2000 or 2001 seasons shall not count as Player Salaries, Player Compensation, or Player Benefits for the 2001 or 2002 League Years or thereafter for Salary Cap purposes.

(g) **Guaranteed Salary.** Guaranteed salary payments, not including signing bonuses, shall count against the Salary Cap in the League Year in which they are paid.

(h) **Signing Bonuses.** Any signing bonus will count against the Salary Cap in full in the first season that is covered by the contract that contains the signing bonus.

(i) **Performance Bonuses.** Performance bonuses will count against the Salary Cap as follows:

(1) The parties will agree upon a reasonable exclusive list of approved categories of performance bonuses. No other performance bonuses will be permitted;

(2) Any performance bonus included on the mutually agreed upon list will count as Player Compensation in the AFL season in which the performance bonus is earned; and

(3) The parties shall agree upon criteria so that each Team shall count against its Salary Cap sufficient funds for the purpose of paying performance bonuses, based upon whether those bonuses are expected or not expected to be earned. Any shortfall or overage will be credited or deducted, as the case may be, from the Team's Salary Cap the next League Year.

ARTICLE IX

FRANCHISE PLAYERS

Section 1. Number of Franchise Players. Each Team may have up to three (3) Franchise Players under contract at any time during the term of this Agreement.

Section 2. Time of Designation. A Franchise Player must be designated as such prior to the signing of his contract or any contract extension.

Section 3. Effect of Designation. For each League Year of the Agreement, only forty percent (40%) of each Franchise Player's Regular Season Salary and bonus provisions (as counted in accordance with Article VIII, Section 5(i) above) will count as Player Compensation against the Salary Cap, and the remaining sixty percent (60%) will not count as Player Compensation against the Salary Cap.

Section 4. Multi-year Contracts With Franchise Players. If a Franchise Player and a Team enter into a multi-year contract or extension, such contract or extension may not increase the Franchise Player's Regular Season Salary and bonus provisions in the subsequent years of that contract or extension by more than thirty percent (30%) over his prior League Year's Regular Season Salary and bonus provisions in each League Year of that contract.

Section 5. One Year Contracts; Contracts Following Expired Contracts With The Same Team. If a Franchise Player and a Team enter into a one (1) year contract, or the Franchise Player and the Team previously entered into a multi-year contract which has expired, the maximum thirty percent (30%) increase in a Franchise Player's Regular Season Salary and bonus provisions will not apply to the first year of the next succeeding contract. However, such player's Regular Season Salary and bonus provisions for any succeeding contract will count as Player Compensation against the Salary Cap unless such player again is designated a Franchise

Player. If such player again is designated a Franchise Player for a subsequent multi-year contract, the maximum thirty percent (30%) increase will apply to the subsequent years of that multi-year contract and Sections 3 and 4 above apply.

Section 6. Length of Designation. Once a player has been designated a Franchise Player by a Team, the Franchise Player designation remains attached to the player for the season in which he is designated. If the player signs a multi-year contract, prior to each subsequent year of the contract or contract extension, the Team may designate or choose not to designate the player as a Franchise Player for such subsequent year. Once the Team decides not to designate the player as a Franchise Player for a subsequent season of a multi-year contract or contract extension, Section 3 above does not apply to the player for that season.

ARTICLE X

ENFORCEMENT OF THE SALARY CAP

Section 1. Undisclosed Terms. At the time a Club and a player enter into any AFL Player Contract, or any renegotiation, extension or amendment of an AFL Player Contract, there shall be no undisclosed agreements of any kind, express or implied, oral or written, or promises, undertakings, representations, commitments, inducements, assurances of intent, or understandings of any kind, between such player and any Club involving consideration of any kind to be paid, furnished or made available or guaranteed to the player, or Player Affiliate, by the Club or Club Affiliate either during the term of the AFL Player Contract or thereafter.

Section 2. Circumvention. Neither the parties hereto, nor any Club or player shall enter into any agreement, AFL Player Contract, or other transaction which includes any terms that are designed to serve the purpose of defeating or circumventing the intention of the parties as reflected by (a) the provisions of this Agreement with respect to Defined Gross Revenues, Salary Cap, and Minimum League-Wide Player Compensation, and (b) any other term and provision of this Agreement. However, any conduct permitted by this Agreement shall not be considered to be a violation of this provision.

Section 3. System Arbitrator Action. Any individual player, Class Counsel, or any Players Union acting on that player's or any number of players' behalf, the AFL, and any Club may bring an action before the System Arbitrator alleging a violation of Article VIII (Salary Cap & Guaranteed League-Wide Player Compensation) of this Agreement. Issues of relief and liability shall be determined in the same proceeding. The complaining party shall bear the burden of demonstrating by a clear preponderance of the evidence that the challenged

conduct was in violation of Article VIII (Salary Cap & Guaranteed League-Wide Player Compensation).

Section 4. Commissioner Disapproval. In the event the Commissioner or his designee disapproves any AFL Player Contract as being in violation of Article VIII (Salary Cap & Guaranteed League-Wide Player Compensation), he shall at the time of such disapproval notify Class Counsel, any Players Union, all affected Clubs, and all affected players of such disapproval in writing and the reasons therefor. Except as required by the terms of this Agreement, nothing in this Agreement is intended to affect (i) any authority or lack of authority of the Commissioner or his designee to approve or disapprove AFL Player Contracts and (ii) the effect of the Commissioner's or his designee's approval or disapproval on the validity of such AFL Player Contracts.

Section 5. System Arbitrator Review. In the event that the Commissioner or his designee disapproves an AFL Player Contract pursuant to Section 4 above, Class Counsel, any Players Union, any affected Club, and any affected player shall have the right within thirty days of such person's notice of such disapproval to initiate a proceeding before the System Arbitrator to determine whether such contract is in violation of Article VIII (Salary Cap & Guaranteed League-Wide Player Compensation). The System Arbitrator shall review the dispute de novo, and shall have the authority to approve such AFL Player Contracts in lieu of the Commissioner's approval, or confirm the Commissioner's disapproval. In the event the Commissioner's disapproval is upheld, the player and the Club shall have ten days to attempt to Renegotiate such AFL Player Contract notwithstanding any other time period set forth in this Agreement. The System Arbitrator does not have the authority to impose any revisions to such AFL Player Contract on the player or the Club.

Section 6. Sanctions. In the event that the System Arbitrator finds a violation of this Section 1 of this Article, the Commissioner shall be authorized to impose a fine of up to \$1,000,000, payable to the AFL, upon any Club found to have committed such violation, and shall be authorized to void any remaining term of any AFL Player Contract(s) that was (or were) the direct cause of such violation.

Section 7. Prior Conference. Prior to the initiation of any proceeding under this Article by Class Counsel or any Players Union, the parties shall confer in person or by telephone to attempt to negotiate a resolution of the dispute.

Section 8. DGR Circumvention. In the event that a Club or anyone acting on its behalf materially fails to report, or materially mis-reports, Defined Gross Revenues or non-DGR in a manner designed to serve the purpose of defeating or circumventing the intention of the parties as reflected by the provisions of this Agreement with respect to Defined Gross Revenues, Class Counsel, any Players Union and/or the AFL shall have the right to initiate a proceeding before the System Arbitrator to determine whether such conduct is in violation of this Section 8 of this Article. In the event that the System Arbitrator finds a violation of this Section 8, the System Arbitrator may impose a fine upon the Club of up to \$1 million, which shall be donated to any AFL player pension fund, any other AFL player benefit fund, or any charitable fund for the benefit of present or former AFL players, as selected by Class Counsel, subject to the reasonable approval of the AFL.

ARTICLE XI

SYSTEM ARBITRATOR

Section 1. Jurisdiction. The parties agree that (except as provided in Article XXIII below with respect to the collection and distribution of the Settlement Fund) the System Arbitrator shall have exclusive jurisdiction to enforce the terms of this Agreement, and to determine all disputes that arise from, relate to, or involve interpretation of the Agreement, and shall hold hearings on alleged violations thereof. However, the System Arbitrator may delegate arbitration proceedings to one or more additional grievance arbitrators jointly selected by Class Counsel and the AFL, who shall have the same authority to decide disputes as the System Arbitrator.

Section 2. Scope of Authority.

(a) The System Arbitrator shall make findings of fact and award appropriate relief including, without limitation, damages and specific performance.

(b) Rulings of the System Arbitrator shall upon their issuance constitute full, final and complete disposition of the dispute, shall be binding upon the parties to this Agreement and upon any player(s) or Club(s) involved, as well as the AFL itself and any Club or League personnel, and shall be followed by them unless the System Arbitrator has granted a stay of the execution of the award. The parties may request the System Arbitrator to reconsider any award, and the System Arbitrator shall have authority to reconsider any award, but the grant of any such reconsideration shall be fully within the discretion of the System Arbitrator. The parties may seek appropriate relief to effectuate and enforce any final arbitral award of the System Arbitrator.

(c) The System Arbitrator shall not have jurisdiction or authority to add to, detract from, or alter in any way the provisions of this Agreement or any AFL Player Contract (except to the extent such AFL Player Contract is inconsistent with the terms of this Agreement).

Section 3. Discovery. In any of the disputes described in this Agreement over which the System Arbitrator has authority, the System Arbitrator shall grant reasonable and expedited discovery upon the application of any party where, and to the extent, he determines it is reasonable to do so. In the absence of an order to the contrary from the System Arbitrator, such discovery may include the production of documents and the taking of depositions. Subject to rules to be agreed to by the parties, in any proceeding to review any alleged violation of Article VIII (Salary Cap & Guaranteed League-Wide Player Compensation) of this Agreement regarding any DGR issue, the System Arbitrator shall have the authority, upon good cause shown, to direct any Club to produce any tax materials disclosing any income figures for such Club or Club Affiliate (non-income figures may be redacted) which in his or her judgment relates to any such alleged violation, including but not limited to portions of any tax returns or other documents submitted to the Internal Revenue Service. Subject to rules to be agreed to by the parties, in any proceeding to review any alleged violation of Article VIII (Salary Cap & Guaranteed League-Wide Player Compensation) of this Agreement regarding any Player Salary paid to any player(s), the System Arbitrator shall have the authority, upon good cause shown, to direct any such player(s) to produce any tax materials disclosing any income figures for any such player or Player Affiliate (non-income figures may be redacted) which in his or her judgment relates to any such alleged violation, including but not limited to portions of any tax returns or other documents submitted to the Internal Revenue Service. In each case the System Arbitrator

shall not release such tax materials to the general public, and any such tax materials shall be treated as strictly confidential under an appropriate protective order.

Section 4. Compensation and Costs.

(a) The compensation and costs of retaining the System Arbitrator, and the costs of the arbitration procedures, will be paid by the AFL, with fifty percent (50%) of such costs chargeable as benefits and will be deducted from the Salary Cap.

(b) If a Players Union is formed and recognized during the term of the Agreement, Class Counsel shall have authority to transfer to such Players Union rights and responsibilities concerning such arbitration proceedings and the selection of the System Arbitrator. In the event such rights and responsibilities are transferred to such Players Union, and such Players Union assumes the responsibility for paying fifty percent (50%) of the costs of the arbitration procedures, such costs shall not count as Benefits and shall not be deducted from the Salary Cap. In no event shall any party be liable for the attorneys' fees incurred in any such enforcement proceeding by any other party, except as set forth in Article XII (Anti-Collusion).

Section 5. Procedures: All matters in enforcement proceedings before the System Arbitrator shall be heard and determined in an expedited manner. Unless otherwise provided in this Agreement, an enforcement proceeding may be commenced upon 72 hours written notice (or upon shorter notice if ordered by the System Arbitrator) served upon the party against whom the enforcement proceeding is brought and filed with the System Arbitrator. All such notices and all orders and notices issued and directed by the System Arbitrator shall be served upon the AFL, Class Counsel and any Players Union, in addition to any counsel appearing for individual AFL players or individual AFL Clubs. The AFL, Class Counsel and any Players Union shall have the right to participate in all such enforcement proceedings. Unless

otherwise provided in this Agreement, the System Arbitrator shall render an award as soon as practicable, and shall set forth the basis for such award in a written opinion that either accompanies the award or is issued within a reasonable time thereafter. In no event shall either the award or the written decision be issued more than thirty (30) days following the date upon which the record of the System Arbitrator is closed (or, where applicable, the date designated by the System Arbitrator for the submission of post-hearing briefs).

Section 6. Selection of System Arbitrator: In the event that the AFL and Class Counsel cannot agree on the identity of the System Arbitrator, the parties shall submit the issue to the Center for Public Resources (or such other organization as the parties may agree upon) who shall submit to the parties a list of eleven attorneys (none of whom shall have nor whose firm shall have represented within the past five years players, player representatives, Clubs or owners in any professional sport). If the parties cannot within fifteen days of receipt of such list agree to the identity of the System Arbitrator from among the names on such list, they shall alternately strike names from said list, until only one name remains, and that person shall be the System Arbitrator. The first strike shall be determined by a coin flip. Unless the parties agree otherwise, the System Arbitrator shall serve for an initial two-year term commencing on the date of his or her selection and thereafter shall continue to serve for successive two-year terms unless notice to the contrary is given either by the AFL or Class Counsel. Such notice shall be given to the other party and the System Arbitrator within the ninety days preceding the end of any term, but no later than thirty days prior to the end of such term. Following the giving of such notice, a new System Arbitrator shall be selected in accordance with the procedures set forth in this Section 6. The AFL and Class Counsel may dismiss the System Arbitrator at any time and for any reason upon their mutual consent. The System Arbitrator whose term has ended, and who

has not been dismissed by mutual agreement of the AFL and Class Counsel prior to the expiration of his or her term, shall continue to hear all disputes filed prior to the date of the appointment of a new System Arbitrator.

ARTICLE XII

ANTI-COLLUSION

Section 1. Prohibited Conduct. No Club, its employees or agents, shall enter into any agreement, express or implied, with the AFL or any other Club, its employees or agents, to restrict or limit individual Club decision-making as follows:

- (a) whether to negotiate or not to negotiate with any player;
- (b) whether to offer or not to offer an AFL Player Contract to any Free Agent;

or

(c) concerning the terms or conditions of employment offered to any player for inclusion, or included, in an AFL Player Contract.

Section 2. Other Club Conduct.

(a) No Club may have a policy not to negotiate with, or enter into an AFL Player Contract with, any player who is free to negotiate and sign an AFL Player Contract with any Club, on any of the following grounds, if such policy is inconsistent with Section 1, above:

- (1) that the player has previously been subject to the exclusive negotiating rights obtained by another Club; or
- (2) that the player has refused or failed to enter into an AFL Player Contract for a prior season containing an option clause (i.e., any clause that authorizes an extension or renewal by a Club of an AFL Player Contract beyond its stated term); or
- (3) that the player has become a Free Agent.

Section 3. Club Discretion. Section 2(a) above does not diminish any Club's right not to negotiate or contract with any particular player on any policy ground not specified above. In conjunction with other evidence of an alleged violation(s) of Section 1 above, a Club's

adherence to a policy identified in Section 2(a) above may be offered as evidence of an alleged violation of Section 1 above, but may not be the basis of any separate proceeding seeking any penalty or other relief against any Club or the AFL.

Section 4. League Disclosures. Neither the AFL nor anyone acting on its behalf shall knowingly communicate or disclose, directly or indirectly, to any AFL Club that another AFL Club has negotiated with or is negotiating with any Free Agent, prior to the execution of an AFL Player Contract with that Free Agent, if such communication or disclosure is inconsistent with Section 1, above. It shall not be a violation of this Article for the AFL to respond to an inquiry from a Club about whether and under what circumstances proposed transactions would be permissible under this Agreement consistent with this Agreement or any CBA. In conjunction with other evidence of an alleged violation of Section 1, above, a Club's communication or disclosure of the kind identified in the first sentence of this Section may be offered as evidence of an alleged violation(s) of Section 1 above, but may not be the basis of any separate proceeding seeking any penalty or other relief against any Club or the AFL.

Section 5. Enforcement of Anti-Collusion Provisions. Except as provided in Section 16(d) below, any player, Class Counsel, or any Players Union acting on that player's or any number of players' behalf, may bring an action before the System Arbitrator alleging a violation of Section 1 of this Article. Issues of relief and liability shall be determined in the same proceeding (including the amount of damages, pursuant to Section 9 below, if any). The complaining party shall bear the burden of demonstrating by a clear preponderance of the evidence that (1) the challenged conduct was or is in violation of Section 1 of this Article, and (2) caused any economic injury to such player(s).

Section 6. Burden of Proof. The failure by a Club or Clubs to negotiate, make offers, or to sign contracts with Free Agents, shall not, by itself or in combination only with evidence about the playing skills of the player(s) not receiving any such offer or contract, satisfy the burden of proof set forth in Section 5 above. However, any of the types of evidence described in the preceding sentence may support a finding of a violation of Section 1 of this Article, but only in combination with other evidence which by itself or in combination with such evidence indicates that the challenged conduct was in violation of Section 1 of this Article. Nothing in this Agreement shall preclude the AFL or its Clubs from arguing that any evidence is insufficient to satisfy the burden of proof set forth in Section 5 above. Nothing in this Agreement shall preclude any player(s), Class Counsel, or any Players Union from arguing that any evidence is sufficient to satisfy the burden of proof set forth in Section 5 above, except as set forth above.

Section 7. Summary Judgment. The System Arbitrator may, at any time following the conclusion of the permitted discovery, determine whether or not the complainant's evidence is sufficient to raise a genuine issue of material fact capable of satisfying the standards imposed by Sections 5 and/or 6 above. If the System Arbitrator determines that complainant's evidence is not so sufficient, he shall dismiss the action.

Section 8. Remedies. In the event that an individual player or players, or Class Counsel or any Players Union acting on his, or their, behalf, successfully proves a violation of Section 1 of this Article, the player or players injured shall have the right:

(a) To terminate his (or their) existing AFL Player Contract(s) at his (or their) option; any AFL Player Contract terminated during the course of a playing season shall be terminated as of the end of that season. If, at the time the AFL Player Contract is terminated,

such player would have been a Free Agent, such player shall immediately become a Free Agent, upon such termination. If, at the time the AFL Player Contract is terminated, such player would have been subject to a Club's exclusive negotiating rights, such player shall remain subject to such rights upon such termination. In either case described in the preceding two sentences, the player shall not be subject to any signing period; and

(b) To recover all of his damages, as described in Section 9 below, for any alleged injuries suffered as a result of the violation.

Section 9. Computation of Damages. Upon any finding of a violation of Section 1 of this Article, compensatory damages (i.e., the amount by which any player has been injured as a result of such violation) and non-compensatory damages (i.e., the amount exceeding compensatory damages) shall be awarded as follows:

(a) Two times the amount of compensatory damages, in the event that all of the Clubs found to have violated Section 1 of this Article have committed such a violation for the first time. Any Club found to have committed such a violation for the first time shall be jointly and severally liable for two times the amount of compensatory damages.

(b) Three times the amount of compensatory damages, in the event that any of the Clubs found to have violated Section 1 of this Article have committed such a violation for the second time. In the event that damages are awarded pursuant to this Subsection: (1) any Club found to have committed such a violation for the first time shall be jointly and severally liable for two times the amount of compensatory damages; and (2) any Club found to have committed such a violation for the second time shall be jointly and severally liable for three times the amount of compensatory damages.

(c) Three times the amount of compensatory damages, plus, for each Club found to have violated Section 1 of this Article for at least the third time, a fine of \$1,000,000, in the event that any of the Clubs found to have violated Section 1 of this Article have committed such violation for at least the third time. In the event that damages are awarded pursuant to this Subsection: (1) any Club found to have committed such a violation for the first time shall be jointly and severally liable for two times the amount of compensatory damages; (2) any Club found to have committed such a violation for at least the second time shall be jointly and severally liable for three times the amount of compensatory damages; and (3) any Club found to have committed such a violation for at least the third time shall, in addition, pay a fine of \$1,000,000.

Section 10. Player Election. A proceeding prosecuting an alleged violation of Section 1 of this Article, shall initially be limited to the issues of liability and damages sustained to the date of the System Arbitrator's determination. In the event the System Arbitrator finds a violation, the player shall make a determination within thirty (30) days of the date of the System Arbitrator's determination, or within thirty (30) days after the last game of the season for such player (including any play-off games) if the finding is made during the course of a season, whether the player intends to void the applicable AFL Player Contract. If the player voids the applicable AFL Player Contract, the player may commence a supplemental proceeding before the System Arbitrator, for the purpose of determining his future damages, if any, only after the player has signed a new AFL Player Contract or after the first scheduled game of the next regular season, whichever is earlier. If the player elects not to void the applicable AFL Player Contract, he may immediately commence a supplemental proceeding before the System Arbitrator for the purpose of determining his future damages, if any.

Section 11. Payment of Damages. In the event damages are awarded pursuant to Section 9 above, the amount of compensatory damages shall be paid to the injured player or players. The amount of non-compensatory damages, including any fines, shall be paid directly to any AFL player pension fund, any other AFL player benefit fund, or any charitable fund for the benefit of present or former AFL players, as selected by Class Counsel, subject to the reasonable approval of the AFL.

Section 12. Effect on Cap Computations. In the event damages are awarded pursuant to Section 9 above, the amount of non-compensatory damages, including any fines, will not be included in any of the computations described in Article VIII (Salary Cap & Guaranteed League-Wide Player Compensation) above. The amount of compensatory damages awarded will be included in such computations.

Section 13. Effect of Salary Cap. In awarding any amount of damages, the System Arbitrator shall take into account that, in any League Year in which a Salary Cap is in effect, no Club would have been authorized to pay out any Player Salary in excess of that permitted under the Salary Cap.

Section 14. No Reimbursement. Any damages awarded pursuant to Section 9 above must be paid by the individual Clubs found liable and those Clubs may not be reimbursed or indemnified by any other Club or the AFL.

Section 15. Costs. In any action brought for an alleged violation of Section 1 of this Article, the System Arbitrator shall order the payment of reasonable attorneys' fees and costs by any party found to have brought such an action or to have asserted a defense to such an action without any reasonable basis for asserting such a claim or defense. Otherwise, each party shall pay his or its own attorneys' fees and costs.

Section 16. Termination. Class Counsel shall have the right to terminate this Agreement, under the following circumstances:

(a) Where there has been a finding or findings of one or more instances of a violation of Section 1 of this Article with respect to any one AFL season which, either individually or in total, involved five or more Clubs and caused injury to 20 or more players; or

(b) Where there has been a finding or findings of one or more instances of a violation of Section 1 of this Article with respect to any two consecutive AFL seasons which, either individually or in total, involved seven or more Clubs and caused injury to 28 or more players. For purposes of this Section 16(b), a player found to have been injured by a violation of Section 1 of this Article in each of two consecutive seasons shall be counted as an additional player injured by such a violation for each such AFL season; or

(c) Where, in a proceeding brought by Class Counsel or any Players Union, it is shown by clear and convincing evidence that fourteen or more Clubs have engaged in a violation or violations of Section 1 of this Article, causing injury to one or more AFL players.

(d) In order to terminate this Agreement:

(1) the proceeding must be brought by Class Counsel;

(2) the AFL and the System Arbitrator must be informed at the outset of any such proceeding that Class Counsel is proceeding under this Section for the purpose of establishing its entitlement to terminate this Agreement; and

(3) the System Arbitrator must find that the Clubs engaged in willful collusion with the intent of restraining competition among Teams for players.

Section 17. Time Limits. Any action under Section 1 of this Article must be brought within ninety (90) days of the time when the player knows or reasonably should have

known with the exercise of due diligence that he had a claim, or within ninety days of the first scheduled regular season game in the season in which a violation of Section 1 of this Article is claimed, whichever is later. Any party alleged to have violated Section 1 of this Article shall have the right, prior to any proceedings on the merits, to make an initial motion to dismiss any complaint that does not comply with the timeliness requirements of this Section.

Section 18. Prior Conference. Prior to the initiation of any proceeding under this Article by Class Counsel or any Players Union, the parties shall confer in person or by telephone to attempt to negotiate a resolution of the dispute.

ARTICLE XIII
CERTIFICATIONS

Section 1. Contract Certification.

(a) Every AFL Player Contract, or any renegotiation, extension or amendment of an AFL Player Contract, entered into during the term of this Agreement shall contain a certification, executed separately by: (1) the person who executed the AFL Player Contract on behalf of the Club, (2) the player, and (3) any player representative who negotiated the contract on behalf of the player confirming that the AFL Player Contract, renegotiation, extension or amendment sets forth all components of a player's remuneration, for his playing of Arena Football, from the Club or Club Affiliate and that there are no undisclosed agreements of any kind, express or implied, oral or written, and that there are no promises, undertakings, representations, commitments, inducements, assurances of intent, or understandings of any kind that have not been disclosed to the AFL involving Player Salary or other consideration of any kind to be paid, furnished or made available to the player, or Player Affiliate, by the Club or Club Affiliate either during the term of the AFL Player Contract or thereafter.

(b) In the same certification, the Club, player, and player representative will either confirm that, to the best of their knowledge, no conduct violative of Article XII (Anti-Collusion) took place with respect to the contract, renegotiation, extension or amendment in question, or describe such conduct of which they are aware.

(c) No contract will be approved by the Commissioner unless accompanied by the certifications required by Subsections (a) and (b) above.

Section 2. End of League Year Certification.

(a) At the conclusion of each League Year, the executive primarily responsible for football operations on behalf of each Club shall submit to the AFL a certification confirming that the Club has not, to the extent of his knowledge after reasonable inquiry of all owners and all employees with authority to negotiate AFL Player Contracts, violated the terms of Article XII (Anti-Collusion), Section 1, nor received from the AFL or anyone acting on its behalf any communication disclosing that an AFL Club had negotiated with or is negotiating with any Free Agent, prior to the execution of an AFL Player Contract with that player. Upon receipt of each such certification, the AFL shall forward a copy of the certification to Class Counsel and any Players Union.

(b) Any failure to execute a certification as required under Section 2(a) above may be deemed evidence of a violation of Article XII (Anti-Collusion), Section 1 of this Agreement.

Section 3. False Certification: Any person who knowingly executes a false certification required by Section 1(a) or 1(b) of this Article shall be subject to a fine of up to \$100,000, upon a finding of such violation by the System Arbitrator. The amount of such fine as to a Club or non-player Club employee shall be determined by the Commissioner.

ARTICLE XIV
PLAYER SALARIES

Section 1. Minimum Regular Season Salary. All players shall receive a cash Minimum Regular Season Salary of at least \$1400 per game in League Year 2001. For any League Year thereafter in which a Cash Salary Cap is in effect, the Minimum Regular Season Salary shall increase by a percentage corresponding to the percentage increase in the Cash Salary Cap in the next League Year (i.e., six percent (6%) or seven percent (7%)), resulting in a Minimum Regular Season Salary of at least the following: League Year 2001 -- \$1400; League Year 2002 -- \$1484; League Year 2003 -- \$1573; League Year 2004 -- \$1683; League Year 2005 -- \$1801; and League Year 2006 -- \$1927. For any League Year after League Year 2001 in which a DGR Salary Cap is in effect and thereafter, the Minimum Regular Season Salary shall increase by a percentage corresponding to the percentage increase in DGR in the next League Year or the six percent (6%) or seven percent (7%) increase, whichever is greater, up to a maximum increase of ten percent (10%) per League Year.

Section 2. Minimum Salary Not Waivable. No player may receive less than the Minimum Regular Season Salary, and no player may waive his right to receive at least the Minimum Regular Season Salary.

Section 3. Regular Season Bye Weeks.

(a) During a regular season bye week, Teams must either pay all of their players seventy-five percent (75%) of the players' Regular Season Salary or allow the players a one (1) week unpaid vacation.

(b) During a regular season bye week, Teams must either pay all of their players on the Injured Reserve List seventy-five percent (75%) of the players' Injured Reserve

Compensation, as calculated in Article XV, or allow the players on the Injured Reserve List a one (1) week unpaid vacation, consistent with the selection made in Section 3(a) above.

Section 4. Pre-Season Training Camp Compensation.

(a) In League Year 2001, Rookies will receive \$150 per week for any week in which the Team does not participate in a pre-season game.

(b) In League Year 2001, Veterans will receive \$250 per week for any week in which the Team does not participate in a pre-season game.

(c) Pre-season training camp compensation for future years will be agreed upon by the parties, in amounts no less than the above. If a Players Union is formed and recognized during the term of the Agreement, Class Counsel shall have authority to transfer to such Players Union rights and responsibilities relating to such amounts.

Section 5. Pre-Season Game Compensation.

(a) A player's Minimum Salary for a pre-season game will be at least fifty percent (50%) of such player's Regular Season Salary pursuant to his contract provided the player is on his Team's active list for the pre-season game.

(b) If the player practices, but is not on his Team's active list for the pre-season game, the player shall be paid the amount set forth in Section 4 above.

(c) If the player does not practice and is not on his Team's active list for the pre-season game, the player will not receive pre-season game compensation, and the player shall be paid the amount set forth in Section 4 above.

(d) If a player is injured during the pre-season, such player will not receive Injured Reserve Compensation pursuant to Article XV, and may be waived by his Team.

However, such player will be entitled to pre-season training camp compensation and/or pre-season game compensation, if applicable, prior to being placed on waivers.

(e) There will be no guarantee that a Team will participate in more than one (1) pre-season game.

Section 6. Exhibition Games/Number of Regular Season Games.

(a) If any exhibition games are held, the parties will agree upon player compensation for such games and how such compensation would be treated under the Salary Cap. If a Players Union is formed and recognized during the term of the Agreement, Class Counsel shall have authority to transfer to such Players Union rights and responsibilities relating to such amounts.

(b) The AFL retains the right unilaterally to expand the number of games in an AFL season up to sixteen (16) games. The AFL may not increase the number of games above sixteen (16) or reduce the number of games below fourteen (14) without the approval of Class Counsel. If a Players Union is formed and recognized during the term of the Agreement, Class Counsel shall have authority to transfer to such Players Union rights and responsibilities relating to this matter. Players will receive their Regular Season Salary and bonus provisions (adjusted as appropriate to reflect the added games) for any additional games due to any expansion of the season.

Section 7. Post-Season Compensation.

(a) In each post-season game, a player's base game salary shall be no less than the player's Regular Season Salary. In addition, the player's post-season salary may only be increased above such amount as set forth below.

(b) The following rules apply to post-season salary compensation:

(1) Round 1 -- A player's Regular Season Salary may be increased by his Team by a maximum of thirty percent (30%). For example, a player who earns a Regular Season Salary of \$1500 may earn a maximum of \$1950 in salary.

(2) Round 2 -- A player's Regular Season Salary may be increased by his Team by a maximum of fifty percent (50%). For example, a player who earns a Regular Season Salary of \$1500 may earn a maximum of \$2250 in salary.

(3) Round 3 -- A player's Regular Season Salary may be increased by his Team by a maximum of seventy-five percent (75%). For example, a player who earns a Regular Season Salary of \$1500 may earn a maximum of \$2625 in salary.

(4) Arena Bowl -- A player's Regular Season Salary may be increased by his Team by a maximum of one hundred percent (100%). For example, a player who earns a Regular Season Salary of \$1500 may earn a maximum of \$3000 in salary.

(5) During a post-season bye week, Teams must either pay all of their players: (a) seventy-five percent (75%) of the base game salaries that the players would have earned for that round of the post-season as provided in their contracts if the Teams require the players to practice; or (b) fifty percent (50%) of the base game salaries that the players would have earned for that round of the post-season as provided in their contracts in that round if the players receive a one week vacation.

(c) A contract may not contain a provision making performance bonuses or other incentives contingent solely on post-season performance. If a player may earn a

performance bonus during a regular season game and also during a post-season game, the performance bonus in the post-season game is subject to the following maximum limitations:

(1) Round 1 -- The performance bonus may be increased by a maximum of thirty percent (30%) in the post-season.

(2) Round 2 -- The performance bonus may be increased by a maximum of fifty percent (50%) in the post-season.

(3) Round 3 -- The performance bonus may be increased by a maximum of seventy-five percent (75%) in the post-season.

(4) Arena Bowl -- The performance bonus may be increased by a maximum of one hundred percent (100%) in the post-season.

(d) Post-Season Awards:

(1) For League Years 2001 and 2002, the AFL MVP/Ironman, Offensive Player of the Year, Defensive Player of the Year, Lineman of the Year, Kicker of the Year and Rookie of the Year will receive \$1000 paid by the AFL.

(2) For League Years 2003 and 2004, the AFL MVP/Ironman, Offensive Player of the Year, Defensive Player of the Year, Lineman of the Year, Kicker of the Year and Rookie of the Year will receive \$1500 paid by the AFL.

(3) For League Years 2005 and 2006, the AFL MVP/Ironman, Offensive Player of the Year, Defensive Player of the Year, Lineman of the Year, Kicker of the Year and Rookie of the Year will receive \$2000 paid by the AFL.

Section 8. All-Star Game Compensation. In the event that an AFL All-Star

Game is held, a player who is selected for and is willing to play in an AFL All-Star Game will be

paid \$2000 in the 2001 League Year, with the amount increasing by six percent (6%) each League Year thereafter.

ARTICLE XV

INJURED RESERVE SYSTEM

Section 1. Veterans.

(a) For League Years 2001, 2002, 2003, 2004, 2005, and 2006, a player with one or more Accrued Seasons on the Injured Reserve List will receive one hundred percent (100%) of his Regular Season Salary for each week that the player is on the Injured Reserve List. Such Injured Reserve Compensation paid to such players on the Injured Reserve List will be limited to the season in which the injury occurred. Such Injured Reserve Compensation will terminate upon the last game played by that player's Team in such season.

(b) The treatment of Veterans who have not yet achieved an Accrued Season for purposes of the injured reserve system shall be governed by the provisions of Article IV, Section 2 above.

Section 2. Rookies.

(a) For League Years 2001, 2002, and 2003, a Rookie on the Injured Reserve List will receive one hundred percent (100%) of his Regular Season Salary for the first two (2) weeks that the player is on the Injured Reserve List. After a Rookie is on the Injured Reserve List for two (2) weeks, the player will receive seventy percent (70%) of his Regular Season Salary. Such Injured Reserve Compensation paid to such players on the Injured Reserve List will be limited to the season in which the injury occurred. Such Injured Reserve Compensation will terminate upon the last game played by that player's Team in such season.

(b) For League Years 2004, 2005, and 2006, all Rookies on the Injured Reserve List will receive one hundred percent (100%) of his Regular Season Salary for each week that the player is on the Injured Reserve List. Such Injured Reserve Compensation paid to such players on the Injured Reserve List will be limited to the season in which the injury

occurred. Such Injured Reserve Compensation will terminate upon the last game played by that player's Team in such season.

Section 3. Limitations on Release. Except as provided in Article XIV, Section 5(d), player on the Injured Reserve List cannot be released by his Team so long as he has that status but may be released after the last game played by that player's Team in that League Year.

Section 4. Neutral Physicians.

(a) Pursuant to the procedures in Section 4(b) below, the AFL and Class Counsel will select neutral physicians who will, at the AFL's or the Team's sole expense, in instances of disputes between the player and Team (or league) over the player's physical ability to perform, evaluate whether an injured player should be or was properly placed on the Injured Reserve List and to determine if such injured player should be removed from the Injured Reserve List. Any determination made by such neutral physicians will be conclusive and final, and not be subject to arbitration.

(b) The AFL and Class Counsel will maintain a jointly approved list of neutral physicians, including at least one orthopedic physician in each city in which a Club is located, or may agree to select neutral physicians as disputes arise. Any list will be subject to review during a period each year the parties shall agree upon, at which time either party may eliminate any two neutral physicians from the list by written notice to the other party. When vacancies occur, the AFL and Class Counsel will each submit a list of three (3) orthopedic physicians to the other party within thirty (30) days for each AFL city where a vacancy exists. If the parties are unable to agree on a replacement, within ten (10) days they will select a neutral physician for each city by alternately striking names. The party to strike a name first will be determined by a flip of a

coin. If either party fails to cooperate in the striking process, the other party may select one of the nominees on its list, and the other party will be bound by such selection. The next vacancy occurring will be filled in similar fashion with the party who initially struck first then striking second. The parties will alternate striking first for future vacancies occurring thereafter during the term of this Agreement.

(c) The neutral physician will not become the treating physician nor will the neutral physician examination involve more than one office visit without the prior approval of both the AFL and Class Counsel. The neutral physician may review any objective medical tests related to the player's injury. The neutral physician is further authorized to perform any necessary diagnostic tests that he or she believes to be appropriate. The neutral physician is required to submit to the parties a written report of his examination.

(d) Class Counsel shall have the right to approve or reject any physician before he or she is hired, and shall have the right, in their sole discretion, to require the AFL or the Team to terminate any such impartial physician at the end of any League Year. The cost of player evaluations shall not constitute benefits or Player Compensation and shall not count against the Salary Cap.

(e) If a Players Union is formed and recognized during the term of the Agreement, Class Counsel shall have authority to transfer to such Players Union rights and responsibilities relating to selection, approval, review, and demand for termination of neutral physicians as set forth in this Section.

Section 5. Workers Compensation or Equivalent Program. All Teams must provide benefits, whether through Workers' Compensation or a self-funded program, equal to the

minimum benefits provided by Workers' Compensation in the state where the Team plays its home games.

Section 6. Monitoring System. A policing system to more closely monitor the Injured Reserve List will be negotiated and implemented by the parties. If a Players Union is formed and recognized during the term of the Agreement, Class Counsel shall have authority to transfer to such players organization rights and responsibilities relating to a policing system to more closely monitor the Injured Reserve List as described in this Section.

Section 7. Potential Salary Cap Relief. In the event that any Team is compelled to place more than four (4) players on the Injured Reserve List due to season ending injuries in any single AFL season, the AFL will have the power to grant reasonable Salary Cap relief, but will not be obligated to grant such relief.

ARTICLE XVI

NON-ROSTER PLAYERS

Section 1. Practice Squad.

(a) Each Team may have up to four (4) practice squad or developmental players, each of whom will be compensated pursuant to the following rules:

(1) For League Years 2001, 2002, and 2003, a practice squad or developmental player will be paid \$250 cash per week each, which will count against the Salary Cap. For League Years 2004, 2005, and 2006, a practice squad or developmental player will be paid \$275 cash per week each, which will count against the Salary Cap. In addition, Teams may give practice squad or developmental players housing and meals, which will not count against the Salary Cap.

(2) Practice squad or developmental players are entitled to receive Workers' Compensation benefits, which will count against the Salary Cap, but will not receive Injured Reserve Compensation paid to players on the Injured Reserve List.

(b) A practice squad or developmental player always is a Free Agent, but only may be signed by another Team for that other Team's twenty-four (24) man roster, except that, after Week Twelve (12) of any AFL season, a Team in playoff contention (i.e., not mathematically eliminated) has a right of first refusal if another Team in playoff contention (i.e., not mathematically eliminated) attempts to sign a practice squad or developmental player on its practice squad roster to that other Team's twenty-four (24) man roster.

(c) If a practice squad or developmental player is signed by his Team for that Team's twenty-four (24) man roster, that Team may not place that player back on its practice squad until that player clears waivers.

Section 2. Refused To Report List. During pre-season, a Team may have up to eight (8) players on its Refused to Report list. On the date that Teams are required to reduce their rosters to twenty-four (24) players, the Refused to Report list must be reduced to no more than four (4) players.

ARTICLE XVII

EXEMPTIONS TO PLAY IN OTHER PROFESSIONAL FOOTBALL LEAGUES

Section 1. NFL, NFL Europe, and CFL Exemptions. The current NFL, NFL Europe and Canadian Football League exemptions as set forth in Exhibit C hereto shall continue to apply to all players who are under contract to a Team.

Section 2. Exempt List and Salary Cap Treatment. While a player's AFL Player Contract is suspended pursuant to the above exemptions, that player will be placed on his Team's Exempt List and will not be counted against his Team's roster limit. Additionally, any amount of Player Compensation that the player otherwise would have earned pursuant to his AFL Player Contract, had he not been placed on his Team's Exempt List, will not be counted against his Team's Salary Cap, except that any Player Compensation paid prior to his placement on his Team's Exempt List and any Player Compensation paid after his removal from his Team's Exempt List, will be counted against his Team's Salary Cap.

ARTICLE XVIII

LICENSING RIGHTS

Section 1. Player Grant of Rights/Pension Plan Funding.

(a) In the AFL Player Contract, players will grant a non-exclusive group license to the AFL to use the attributes of four (4) or more players (not for endorsement purposes) in connection with national league licensing of AFL or Team logos or trademarks, in exchange for the funding of a player pension plan as follows:

(1) One hundred percent (100%) of the first \$1,000,000 of net profits from national league licensing of AFL or Team logos or trademarks (with or without the use of players' attributes) will be used to fund a player pension plan as provided herein. The AFL will guarantee minimum distributions of the first \$1,000,000 of net profits from national league licensing of AFL or Team logos or trademarks (with or without the use of players' attributes) as follows:

\$100,000 by August 31, 2001;

\$200,000 by August 31, 2002;

\$200,000 by August 31, 2003; and

\$500,000 by August 31, 2004.

(2) Players then will receive fifty percent (50%) of the next \$2,000,000 of net profits from national league licensing of AFL or Team logos or trademarks (with or without the use of players' attributes) to be used to fund a player pension plan on an annual basis.

(3) Once net profits from national league licensing exceed \$3,000,000, fifty percent (50%) of total AFL and Team net profits from national league

licensing of AFL or Team logos or trademarks utilizing the players' attributes shall be distributed to or for the benefit of the AFL players in a manner determined by Class Counsel.

(4) Once net profits from national league licensing exceed \$3,000,000, the AFL will receive one hundred percent (100%) of net profits from national league licensing of AFL or Team logos or trademarks utilizing no players' attributes.

(b) For purposes of this Article, "net profits" shall mean gross revenues minus reasonable and customary expenses directly related to the generation of such revenues that are actually incurred by the AFL (or any entity controlled by it), but not including any allocated, general overhead, or general administrative expenses.

Section 2. Pension Plan Terms. The terms of the pension plan referenced in this Article XVIII shall be agreed by the parties. If a Players Union is formed and recognized during the term of the Agreement, Class Counsel shall have authority to transfer to such Players Union rights and responsibilities concerning the pension plan set forth in this Section.

Section 3. Player Group Licensing Business. The AFL Player Contract also shall contain provisions assigning exclusive player group licensing rights (for four (4) or more AFL players) to a players organization designated by Class Counsel as set forth in Paragraph 4(b) of Exhibit B hereto, or as otherwise agreed by the AFL and Class Counsel.

Section 4. Cross-License. In conjunction with the reasonable business interests of the AFL and its Teams in the use of their logos and trademarks, the AFL and its Teams will work with the players organization designated by Class Counsel in good faith to license, on their standard terms and conditions (including compensation), AFL and Team intellectual property to

licensees of the players organization designated by Class Counsel to license player group licensing rights.

Section 5. Responsibilities If Players Union Formed If a Players Union is formed and recognized during the term of the Agreement, Class Counsel shall have authority to transfer to such Players Union rights and responsibilities relating to group licensing as described in this Section.

ARTICLE XIX

TRANSITION RULES

Section 1. Terms Prior To Implementation. Prior to implementation of this Agreement, the AFL will maintain in effect the terms it has already implemented under the AFL-AFLPOC 2001-2006 Term Sheet for the 2001 season.

Section 2. No Reduction In Compensation. Notwithstanding Section 1 above, no player who signed an AFL Player Contract prior to the implementation of this Agreement shall have any part of his compensation reduced as a result of the Agreement.

Section 3. Certain Contracts Voidable. The following rules will govern with respect to players who have signed, prior to the implementation of the Agreement, one (1) year AFL Player Contracts covering League Year 2001 and multi-year AFL Player Contracts covering League Year 2001 and future League Years:

(a) In the event that such a player receives less than the new Minimum Regular Season Salary set forth in the Agreement (e.g., \$1400 per game in League Year 2001), such player retroactively shall be entitled to be paid the difference, if any, between the sum of his Regular Season Salary and win bonuses actually received, and the Minimum Regular Season Salary to which he is entitled under the Agreement. Any such calculation and payment will be made to any such player no later than: (i) fifteen (15) days after the Team's last game in League Year 2001; or (ii) fifteen (15) days after the last day the AFL has the right to terminate the Agreement, whichever is later, or as otherwise agreed by the AFL and Class Counsel.

(b) Any player who, as a Free Agent, signed or signs a multi-year AFL Player Contract covering League Year 2001 and future League Years shall be bound by the terms of the contract that extend beyond League Year 2001. Any player who would otherwise become a Free

Agent in any League Year after League Year 2001, who was not a Free Agent when he signed or signs a multi-year AFL Player Contract that extends beyond League Year 2001, shall have the right (but not the obligation) to void all future League Years of the contract beyond the League Year in which the player would become a Free Agent, by giving written notice to the Team within ten (10) days after the end of that League Year; if such player has already received a signing bonus in connection with such multi-year contract, he may void such future League Years of the contract only if the player returns to the Team, prior to the start of the following pre-season, the pro rata portion of such signing bonus that is attributable to such future League Years.

ARTICLE XX

NON-DISCRIMINATION

All players and Teams and Team personnel shall not be discriminated against, in any way, for their activity supporting or opposing the Action, the AFLPA, the AFLPOC, or the NLRB Proceeding. Violations of this Article will be subject to the arbitration procedures established under Article XI, and the System Arbitrator shall have the authority to award appropriate remedies for any such violations.

ARTICLE XXI

RELEASES AND COVENANTS NOT TO SUE

Section 1. Release Terms.

(a) Plaintiffs and Class Members, on behalf of themselves and their respective present and former officers, directors, trustees, employees, attorneys, affiliates, general or limited partners, heirs, executors, administrators, representatives, agents, successors and assigns, agree to release and covenant not to sue, or to support financially or administratively, any suit against the AFL or its teams or their present and former officers, directors, trustees, employees, attorneys, affiliates, general or limited partners, heirs, executors, administrators, representatives, agents, successors and assigns, for (i) any alleged violation of federal or state antitrust laws, unfair competition laws, as well as the claims made and the facts asserted in the Complaint in the Action, in each case for the period prior to and up to the date this Agreement is executed, and (ii) any conduct specifically authorized by this Agreement during the express term of this Agreement or any portion thereof.

(b) The AFL-related Defendants, on behalf of themselves and their respective present and former officers, directors, trustees, employees, attorneys, affiliates, general or limited partners, heirs, executors, administrators, representatives, agents, successors and assigns, agree to release and covenant not to sue, or to support financially or administratively, any suit against any of the Plaintiffs or Class Members, or their present and former officers, directors, trustees, employees, attorneys, affiliates, general or limited partners, heirs, executors, administrators, representatives, agents, successors and assigns, for (i) any alleged violation of federal or state antitrust laws, unfair competition laws, as well as the claims made and the facts asserted in the Complaint in the Action, in each case for the period prior to and up to the date this Agreement is

executed, and (ii) any conduct specifically authorized by this Agreement during this express term of the Agreement or any portion thereof.

Section 2. Best Efforts And Cooperation. Plaintiffs, Class Members, the AFL-related Defendants, the AFL and all AFL Teams each hereby pledge their best efforts and cooperation (a) to secure Court Approval of this Agreement; (b) to defend the Agreement or Court Approval of the Agreement in any forum in which they may be challenged; and (c) to implement the provisions of the Agreement in a manner consistent with good faith and fair dealing.

ARTICLE XXII

JUDGMENT

Section 1. Stipulation. Within thirty (30) days after the filing of this Agreement, the parties shall file a Stipulation pursuant to Rule 41(a) of the Federal Rules of Civil Procedure that the Action shall be dismissed with prejudice upon the entry of final judgment in the Action as set forth below.

Section 2. Judgment. Promptly following the filing of the Stipulation referenced in Section 1 above, a Final Consent Judgment shall be entered in a form agreed to by the parties and acceptable to the Court, pursuant to which the Action shall be dismissed with prejudice, and pursuant to which the Court shall retain jurisdiction over this Action to effectuate and enforce the terms of this Agreement solely with respect to the collection and distribution of the Settlement Fund provided herein. The Court will not retain jurisdiction to supervise the other terms and conditions of this Agreement, which shall be subject to binding arbitration before the System Arbitrator.

Section 3. Future or Successor Clubs. Any AFL Club, whether a new club or a successor of a current AFL Club or otherwise, shall be bound by and have the benefits of the Agreement and the Final Consent Judgment.

ARTICLE XXIII

SETTLEMENT PAYMENTS

Section 1. Payments.

(a) The AFL will pay \$6,750,000, without interest, solely to settle all damage claims of the Action, in a qualified settlement fund (the “Fund” or “Settlement Fund”). Unless Class Counsel and the AFL agree otherwise, the AFL will remit payment to the Fund pursuant to the following schedule:

- (1) \$500,000 within ninety (90) days of preliminary approval of this Agreement;
- (2) \$1,250,000 by February 1, 2002;
- (3) \$1,250,000 by February 1, 2003;
- (4) \$1,250,000 by February 1, 2004;
- (5) \$1,250,000 by February 1, 2005; and
- (6) \$1,250,000 by February 1, 2006.

(b) The AFL shall notify the financial institution holding the Fund (the “Receiving Agent”), which Receiving Agent shall be selected by Class Counsel, within two days after the payment of any funds into the Fund. In making all payments to the Fund, the AFL shall not, for any reason whatsoever, make any deduction, offset, reduction or diminution in the amount of the payment to the Fund.

(c) The AFL and its Teams shall be jointly and severally liable for the settlement payments and such entities shall also be responsible for any employer taxes incurred in connection with such payments (e.g., the employer's share of FICA and FUTA, if applicable). Any employer taxes paid by the AFL shall be applied against the Salary Cap as benefits pro rata over the remaining League Years of the Agreement. The players shall be responsible for any

employee taxes incurred in connection with such payments (e.g., the employees share of FICA and FUTA, if applicable). The parties shall cooperate in good faith in order to obtain a determination from the Internal Revenue Service, if possible, that no FICA and/or FUTA payments shall be made with respect to such payments.

(d) The parties are agreed that the payments to the Settlement Fund do not constitute back wages, but represent a compromise of damage claims in the Action.

Section 2. Settlement Fund. As approved by the Court, the Fund is intended to be treated as a “qualified settlement fund” within the meaning of Treasury Regulations under Section 468B of the Internal Revenue Code of 1986. The administrator of the Fund shall be a financial institution (the “Receiving Agent”) and the Receiving Agent shall establish the Fund at a bank or other appropriate financial institution, which may be the same institution as the Receiving Agent. Amounts held in the Fund shall be distributed under the direction of the Receiving Agent in accordance with the terms of this Agreement and the Plan of Distribution, which has been approved by the Court, and which is attached hereto as Exhibit D. The Receiving Agent shall enter into an agreement with Class Counsel (on behalf of the beneficiaries of this Agreement), providing for the duties and responsibilities of the Receiving Agent consistent with this Agreement. All monies deposited in the Fund shall be the property of the beneficiaries thereof upon deposit and shall not revert to the Defendants or any related party.

Section 3. Administrative Costs and Fund Income Taxes. The Settlement Fund and any interest earnings thereon shall bear the costs of mailing and/or publishing class notice (such notice to be approved by the Court), the cost of distributing payments from the Settlement Fund, and any other administrative costs in connection therewith (e.g., accountant

fees and bank fees). The Settlement Fund also will be responsible for the payment of any income taxes owed by it.

Section 4. Late Payments to the Fund. Class Counsel must notify the AFL within five (5) business days after any settlement payment is due of a failure to receive payment. The AFL then will be permitted five (5) business days to remit such payment without incurring any interest penalties. If any settlement payment is not timely made, the AFL and its Teams shall be jointly and severally liable for interest on such late payments, at a compounded daily rate of prime plus five percent (5%), and all attorneys' fees and other costs incurred by Class Counsel in collecting such late payments.

Section 5. Distributions Method. The distribution method for allocating the distributions to class members and plaintiffs has been determined by Class Counsel, has been approved by the Court, and is set forth in Exhibit D hereto.

Section 6. Attorneys' Fees and Costs. Class Counsel submitted a fee application for attorneys' fees and costs to the Court for approval, which the Court has approved, and which fees and costs will be paid from the Settlement Fund. The AFL agreed not to object to such fee application.

Section 7. Accounting. Class Counsel and the Receiving Agent shall supply the Court and the AFL-related Defendants with a final accounting showing the distribution from and all of the charges to the Fund as of the date of expiration of the Agreement. Such accounting shall be filed within six months of the expiration of the Agreement, or within six months of the termination of this Agreement pursuant to Article III. The expenses of the final accounting shall be paid from accrued interest or undistributed payments from the Fund, or principal from the Fund if necessary.

ARTICLE XXIV

LABOR EXEMPTION; MUTUAL RESERVATION OF RIGHTS

Section 1. Mutual Reservation. Upon the expiration or termination of this Agreement or any CBA, the parties reserve their respective rights, if any, under the antitrust and labor laws of the United States of America.

Section 2. No Admissions. This Agreement is entered without any admission of liability by the AFL, its Clubs, or any other defendant.

ARTICLE XXV

MISCELLANEOUS

Section 1. Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their heirs, executors, administrators, representatives, agents, successors and assigns and any corporation, partnership, LLC or other entity into or with which any corporate party hereto may merge or consolidate.

Section 2. Authorization. The AFL represents that it has been duly authorized to enter into and to execute this Agreement on behalf of itself and its members except the San Jose SaberCats, which has separately agreed to be bound by this Agreement to the same extent as any other AFL Club. Class Counsel represents that it has been duly authorized to enter into and to execute this Agreement on behalf of the Plaintiffs and the Class Members, whom plaintiff represent.

Section 3. Headings. The headings in this Agreement are solely for the convenience of the attorneys for the parties, and shall not be deemed part of, or considered in construing or interpreting this Agreement.

Section 4. Time Periods. The specification of any time period in this Agreement shall include any non-business days within such period, except that any deadline falling on a Saturday, Sunday, or Federal Holiday shall be deemed to fall on the following business day.

Section 5. Exhibits. All of the exhibits hereto are an integral part of this Agreement and of the agreement of the parties thereto.

Section 6. Parol Evidence. The parties shall not, in any proceeding or otherwise, use or refer to any parol evidence with regard to the interpretation or meaning of this Agreement.

Section 7. Amendment. None of the Articles of this Agreement may be changed, altered or amended other than by a written agreement executed by both Class Counsel and the AFL.

Section 8. Delivery of Documents. The AFL, its Clubs, and Class Counsel shall, upon request therefore by any party hereto, execute and deliver such further documents and instruments and take such further steps as are reasonably necessary and appropriate to implement and effectuate the terms of this Agreement.

ARTICLE XXVI
GOVERNING LAW

This Agreement shall be governed by and construed under the internal laws of the State of New York, without regard to principles of conflict of laws, except where federal law applies.

ARTICLE XXVII

NOTICES

Any notice to be given under the terms of the Agreement shall be given in writing by hand-delivery or overnight mail (e.g., Federal Express), addressed as follows:

To the AFL:

Ronald J. Kurpiers, II, Esq.
Arena Football League, LLC
Deputy Commissioner & General Counsel
20 North Wacker Drive
Suite 1231
Chicago, Illinois 60606

To the Team:

At the principal address of such Team as then listed on the records of the AFL or at that Team's principal office. Attention: President.

To Class Counsel or plaintiffs:

James Guidry, et al.
c/o Jeffrey L. Kessler
David G. Feher
Weil, Gotshal & Manges LLP
767 Fifth Avenue
New York, New York 10153

and

James Guidry, et al.
c/o Mark Levinstein
Williams & Connolly LLP
725 Twelfth Street, N.W.
Washington, D.C. 20005-5901

or to such other persons or addresses as the parties hereto may designate in writing.

IN WITNESS WHEREOF, this Agreement is entered into as of the date first
above written.

By: _____
On behalf of Defendants Arena Football League, LLC and its Teams,
except the San Jose SaberCats

Date:

By: _____
On behalf of the San Jose SaberCats

Date:

By: _____
On behalf of the Class Representatives

Date: