

Honorable Mayor and Council:

REQUEST FOR RECONSIDERATION OF APPROVAL OF “SOLE SOURCE” CONTRACT WITH FANATICS

I respectfully request that the Board formally reconsider its prior action (if any) to approve the the **Event Services Agreement between Forty Niners Stadium Management Company, LLC (“ManCo”)** and **Fanatics Retail Group Concessions, LLC** for non-NFL events at Levi’s Stadium.

The new material information that has come to light is that the National Football League (NFL) and, in turn, the 49ers, have a financial interest in Fanatics, the merchandise contractor under the agreement.

As documented in a January 02, 2024 Forbes article:

“[T]he NFL has obtained equity in Fanatics with the \$95 million purchase of a 3% stake in the retailer in 2017. In December 2020, Fanatics purchased WinCraft, the supplier of NFL-licensed non-apparel products like flags, wall art and lanyards. In 2022, the NFL was the single largest investor (\$320 million) in a \$1.5 billion fundraising round for Fanatics that also included support from the NFL Players Association, MLB and NHL.”

<https://www.forbes.com/sites/maryroeloffs/2024/01/02/new-lawsuit-accuses-nfl-and-fanatics-of-squashing-competition-in-merch-sales/>

As detailed in the **excerpt from a Google AI request on the next page**, it appears that the 49ers, in turn, have a financial interest in the relationship with Fanatics.

This presents an apparent **conflict of interest** by ManCo’s representative, Jihad Beauchman who is a designated consultant under the Stadium Authority’s Conflict of Interest Code. Because there is a reasonable potential impact on Mr. Beauchman’s financial positions with the 49ers organizations, he was prohibited from even participating in the decision to recommend a “sole source” contract with Fanatics.

I hereby request that the following item be placed on the next regular Stadium Authority Board agenda:

Agenda Title: Reconsideration of Prior Board Action Related to the Fanatics Event Services Agreement for Non-NFL Events

Recommended Action:

1. The Board should rescind its approval of the Fanatics contract and direct staff and legal counsel
 - a. to investigate and report on the financial relationship between the 49ers organization; and
 - b. provide the Board with a complete legal analysis of the conflict of interest issues.
2. **Alternatively, the Board can rescind its prior approval and direct staff to conduct a competitive process for the sale of Non-NFL Event merchandise at Levi’s Stadium.** This would be preferred because a competitive process would be more likely to yield a reliable best deal from any proposer. Fanatics could still win the bid and the public would have assurance that the contract was award fairly .

Respectfully submitted,

Brian Doyle

POST MEETING MATERIAL



◆ AI Overview

An NFL team makes money from the NFL's contract with Fanatics **through a combination of royalty payments and potential revenue from their own sales**. The league's licensing agreement with Fanatics generates revenue that is divided equally among the 32 teams, with some also going to the NFLPA. Additionally, teams can generate revenue from sales of merchandise, including jerseys, hats, and other gear, both through their own team stores and partnerships with Fanatics. ☀

Here's a more detailed breakdown:

Royalties:

Fanatics is the exclusive manufacturer and distributor of officially licensed NFL merchandise (excluding kids' apparel). NFL teams receive royalties on sales of merchandise produced by Fanatics. These royalty rates can range from about 12% to over 20% of the wholesale price. ☀

League-Wide Revenue Sharing:

A significant portion of the revenue generated from Fanatics sales is distributed equally among all 32 NFL teams. This means that even if a specific team's merchandise is not as popular as others, they still benefit from the overall sales figures. ☀

Team-Specific Sales:

In addition to the revenue shared by the league, teams can also make money from their own sales of licensed merchandise, including jerseys, hats, and other gear, sold at their team stores, at the stadium, and through online platforms. ☀

Player Licensing:

NFL players also receive a cut of the revenue generated from merchandise sales featuring their names and images, as part of their collective bargaining agreement with the NFLPA. ☀