



SANTA CLARA STADIUM AUTHORITY
(a Component Unit of the City of Santa Clara, California)

Financial Statements

March 31, 2013

(With Independent Auditors' Report Thereon)

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KPMG LLP
Suite 1400
55 Second Street
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Independent Auditors' Report

The Board of Directors
Santa Clara Stadium Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Santa Clara Stadium Authority, a component unit of the City of Santa Clara, California (the Authority), as of March 31, 2013 and for the nine-month period then ended, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Santa Clara Stadium Authority as of March 31, 2013, and the changes in its financial position and its cash flows for the nine-month period then ended in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As discussed in Note 2, the financial statements present only the Santa Clara Stadium Authority and do not purport to, and do not, present fairly the financial position of the City of Santa Clara, California, as of March 31, 2013, the changes in its financial position, or its cash flows for the nine-month period then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 28, 2013 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

KPMG LLP

August 28, 2013

SANTA CLARA STADIUM AUTHORITY
(a Component Unit of the City of Santa Clara, California)

Management's Discussion and Analysis

March 31, 2013

The management's discussion and analysis of the Santa Clara Stadium Authority (Stadium Authority) provides an overall review of the Stadium Authority's financial activities for the fiscal period ended March 31, 2013. When the Stadium Authority was originally established the intent was to follow the policies and procedures of the City of Santa Clara Redevelopment Agency (RDA) which used a July 1 through June 30 fiscal year. In November 2012 the Stadium Authority elected to adjust its fiscal year to April 1 through March 31 to conform with the fiscal year of Stadium Funding Trust (FinanceCo). This annual report covers the nine month period July 1, 2012 through March 31, 2013.

The intent of this discussion and analysis is to look at the Stadium Authority's financial performance as a whole. Readers should review the discussion and analysis in conjunction with the basic financial statements including the notes to the basic financial statements to enhance their understanding of the Stadium Authority's financial performance.

The Stadium Authority exists as a public body, separate and distinct from the City of Santa Clara. It was established to provide for development and operation of the new Levi's Stadium.

Financial Highlights

Key financial highlights for the fiscal year ended March 31, 2013 are as follows:

- Construction in progress equaled \$424,530,471. This is an increase of \$258,875,124 from the balance at June 30, 2012.
- The liabilities of the Stadium Authority exceeded its assets by \$6,410,139. This deficit is the result of expensing current period operating costs.
- Total sales and marketing, general, and administrative costs were \$9,379,418.
- SBLs representing 45,905 seats had been sold generating an anticipated future revenue of \$393 million. This represents 74% of the total number of available SBLs to be sold.

Overview of the Financial Statements

This annual report consists of a series of financial statements and the notes to those statements. These statements are organized so the reader can understand the Stadium Authority as a financial whole. The basic financial statements provide both a short-term and long-term view of the Stadium Authority's financial activities and financial position.

The basic financial statements are comprised of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Statement of Net Position provides information about the financial position of the Stadium Authority as a whole, including all its long-term liabilities on the full accrual basis. The Statement of Revenues, Expenses and Changes in Net Position provides information about all revenues and expenses. The Statement of Cash Flows provides information about cash activities for the period.

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Management's Discussion and Analysis

March 31, 2013

Financial Analysis of the Stadium Authority as a Whole

The Stadium Authority's net position at March 31, 2013 and June 30, 2012 is as follows:

	<u>March 31, 2013</u>	<u>June 30, 2012</u>	<u>Increase/ (decrease)</u>	<u>Total % change</u>
Assets:				
Capital assets	\$ 424,530,471	165,655,347	258,875,124	156%
Other assets	<u>122,914,593</u>	<u>6,234,167</u>	<u>116,680,426</u>	<u>1,872%</u>
Total assets	<u>\$ 547,445,064</u>	<u>171,889,514</u>	<u>375,555,550</u>	<u>218%</u>
Liabilities:				
Current liabilities	\$ 37,421,676	37,323,663	98,013	0.0%
Long-term liabilities	<u>516,433,527</u>	<u>131,596,572</u>	<u>384,836,955</u>	<u>292%</u>
Total liabilities	<u>\$ 553,855,203</u>	<u>168,920,235</u>	<u>384,934,968</u>	<u>228%</u>
Net position:				
Net investment in capital assets	\$ 28,389,853	33,025,271	(4,635,418)	(14)%
Restricted	—	3,010,123	(3,010,123)	(100)%
Unrestricted	<u>(34,799,992)</u>	<u>(33,066,115)</u>	<u>(1,733,877)</u>	<u>5%</u>
Total net position	<u>\$ (6,410,139)</u>	<u>2,969,279</u>	<u>(9,379,418)</u>	<u>(316)%</u>

Capital assets increased when compared to the prior year by \$258,875,124 due to current period construction activity. Other assets increased when compared to the prior year by \$116,680,426 mainly due to an increase in accounts receivable (for the sale of Stadium Builder Licenses) and deferred financing costs. Long-term liabilities increased by \$384,836,955 due to increases in debt, construction related payables and unearned revenue. Total net position for the Stadium Authority, as a whole, decreased between June 30, 2012 and March 31, 2013 by 316% to \$(6,410,139). This decrease of \$9,379,418 comes from current period operating expenses for sales and marketing, general, and administrative costs. As of March 31, 2013 the Stadium Authority had no operating revenues to offset the operating expenses (as shown on the schedule on the next page).

SANTA CLARA STADIUM AUTHORITY
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Management's Discussion and Analysis

March 31, 2013

	Fiscal period ended March 31, 2013	Fiscal year ended June 30, 2012	Increase/ (decrease)	Total % change
Operating revenues	\$ —	—	—	0%
Operating expenses	<u>(9,379,418)</u>	<u>(5,392,826)</u>	<u>(3,986,592)</u>	<u>74%</u>
Operating loss	(9,379,418)	(5,392,826)	(3,986,592)	74%
Nonoperating revenues	<u>—</u>	<u>50,177</u>	<u>(50,177)</u>	<u>(100)%</u>
Loss before transfers and contributions	(9,379,418)	(5,342,649)	(4,036,769)	(76)%
Capital contributions	—	—	—	0%
Transfers in (out)	<u>—</u>	<u>—</u>	<u>—</u>	<u>0%</u>
Changes in net position	(9,379,418)	(5,342,649)	(4,036,769)	76%
Total net position – beginning of fiscal period	<u>2,969,279</u>	<u>8,311,928</u>	<u>(5,342,649)</u>	<u>(64)%</u>
Total net position – end of fiscal period	<u><u>\$ (6,410,139)</u></u>	<u><u>2,969,279</u></u>	<u><u>(9,379,418)</u></u>	<u><u>(316)%</u></u>

Total resources available during the fiscal year to finance Stadium Authority activities were \$2,969,279, consisting of the net position available at June 30, 2012. Total expenses during the fiscal year were \$9,379,418 for operations and there were no operating revenues, thus the net position decreased by \$9,379,418 to \$(6,410,139).

Capital Assets

The capital assets of the Stadium Authority are those which are used in the performance of the Stadium Authority's functions, including but not limited to infrastructure-related assets. At March 31, 2013, capital assets totaled \$424,530,471 and consisted entirely of construction in progress.

Further detail may be found in Note 5 to the financial statements.

Debt Administration

At March 31, 2013, the Stadium Authority had total debt outstanding of \$396,140,618, as shown in detail in Note 6 to the financial statements. Stadium Authority's debt was comprised of the StadCo Subordinated Loan in the amount of \$236,903,379, the Authority Loan in the amount of \$127,297,055 and the StadCo Agency Advance of \$31,940,184.

SANTA CLARA STADIUM AUTHORITY
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Management's Discussion and Analysis

March 31, 2013

Economic and Financial Overview

For several years, the local economy was severely impacted by what has been termed the "Great Recession". Only recently has the economy shown significant recovery. Over the last few years, Silicon Valley has seen job growth that has outpaced the rest of the state. This growth has led to rising home prices and a significant increase in commercial and residential development. Major financial factors impacting the Stadium Authority are:

- The sale of Stadium Builder Licenses (SBLs). These licenses entitle the holder to priority rights to buy tickets for events at the new stadium. Through March 31, 2013, 74% of the total number of SBLs offered for sale have been sold.
- The replacement of the Stadium Authority's short-term construction loans with long-term take-out loans.
- In May 2013, a Naming Rights Agreement with Levi Strauss & Co. was approved. The name of the Stadium will be "Levi's Stadium". The naming rights agreement calls for Levi's to pay a projected total of \$154 million to the Stadium Authority over a 20 year period.

Contacting the Stadium Authority's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Stadium Authority's finances and to demonstrate the Stadium Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City of Santa Clara Finance Department, at 1500 Warburton Avenue, Santa Clara, CA 95050-3796.

SANTA CLARA STADIUM AUTHORITY
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Statement of Net Position

March 31, 2013

Assets

Current assets:	
Cash	\$ 2,908,128
Accounts receivable	97,223,757
Total current assets	<u>100,131,885</u>
Capital assets	424,530,471
Prepaid project insurance	10,028,488
Deferred financing costs, net	12,754,220
Total noncurrent assets	<u>447,313,179</u>
Total assets	<u>547,445,064</u>

Liabilities

Current liabilities:	
Accounts payable and accrued liabilities	37,204,878
Interest payable	110,728
Due to other City of Santa Clara funds	106,070
Total current liabilities	<u>37,421,676</u>
Retentions payable	23,094,152
Subordinated loan payable	236,903,379
Construction loan payable	127,297,055
Agency advance payable	31,940,184
Unearned revenue	97,198,757
Total noncurrent liabilities	<u>516,433,527</u>
Total liabilities	<u>553,855,203</u>

Net Position

Net investment in capital assets	28,389,853
Unrestricted deficit	(34,799,992)
Total net position	<u>\$ (6,410,139)</u>

See accompanying notes to financial statements.

SANTA CLARA STADIUM AUTHORITY
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Statement of Revenues, Expenses, and Changes in Net Position
Nine-month period ended March 31, 2013

Operating revenues		\$ —
Selling, general, and administrative expenses		<u>(9,379,418)</u>
Operating loss		(9,379,418)
Nonoperating revenues (expenses)		<u>—</u>
Net loss		(9,379,418)
Net position – beginning of period		<u>2,969,279</u>
Net position – end of period		<u><u>\$ (6,410,139)</u></u>

See accompanying notes to financial statements.

SANTA CLARA STADIUM AUTHORITY
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Statement of Cash Flows

Nine-month period ended March 31, 2013

Cash flows from operating activities:	
Payments to suppliers	\$ <u>(9,379,418)</u>
Net cash used in operating activities	<u>(9,379,418)</u>
Cash flows from noncapital financing activities:	
Decrease in due from other City of Santa Clara funds	60,210
Decrease in due to other City of Santa Clara funds	<u>(1,296,149)</u>
Net cash used in noncapital financing activities	<u>(1,235,939)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(256,161,014)
Proceeds from debt issuance	<u>263,510,542</u>
Net cash provided by capital and related financing activities	<u>7,349,528</u>
Net decrease in cash	(3,265,829)
Cash, beginning of period	<u>6,173,957</u>
Cash, end of period	\$ <u><u>2,908,128</u></u>
Reconciliation of operating loss to cash used in operating activities:	
Operating loss	\$ <u>(9,379,418)</u>
Net cash used in operating activities	\$ <u><u>(9,379,418)</u></u>
Supplemental schedule of noncash investing and financing activities:	
Accrued construction in progress costs	\$ 25,521,818
Deferred financing costs amortized to construction in progress	3,949,624
Prepaid project insurance amortized to construction in progress	1,652,351
Increase in unearned revenue for SBL proceeds receivable	97,223,757

See accompanying notes to financial statements.

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Notes to Financial Statements

March 31, 2013

(1) Organization and Reporting Entity

(a) Organization

On June 8, 2010, residents of Santa Clara voted to adopt Measure J, the Santa Clara Stadium Taxpayer Protection and Economic Progress Act, resulting in the approval to construct a new 68,500-seat football stadium (the Stadium) to be leased to the San Francisco 49ers (49ers). In addition, Measure J called for the creation of the Santa Clara Stadium Authority to own, develop, construct, operate, and maintain the Stadium project. The City of Santa Clara (City) and the City of Santa Clara Redevelopment Agency (Agency) entered into a Joint Exercise of Powers Agreement (JPA Agreement) establishing the Santa Clara Stadium Authority (Stadium Authority). The JPA agreement was later amended to add the Bayshore North Project Enhancement Authority as a member of the Stadium Authority. On June 28, 2011, the Governor signed into law Assembly Bill No. X1 26 (ABX1 26) which called for the dissolution of Redevelopment Agencies throughout the State. The California State Supreme Court upheld ABX1 26 and as a result, on February 1, 2012, all California Redevelopment Agencies were dissolved. The Successor Agency of the City of Santa Clara (Successor Agency) then assumed the obligations of the Agency under the JPA agreement.

(b) Financial Reporting Entity

As defined by U.S. generally accepted accounting principles (GAAP), the financial reporting entity consists of a primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's board and either (a) the ability to impose will by the primary government or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government; or
- 2) Fiscal dependency on the primary government.

Based upon the application of these criteria, the Stadium Authority has no component units. However, the Stadium Authority is a component unit of the City of Santa Clara because the Mayor and City Council serve as the Board of the Stadium Authority. The City Manager serves as the Executive Director. The debt being incurred for the construction of the Stadium is the responsibility of the Stadium Authority. The City is not a party to the debt nor has the City guaranteed such debt.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the Stadium Authority have been prepared in conformity with GAAP as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing government accounting and financial reporting principles. The Stadium Authority is included as an enterprise fund in the City's Comprehensive Annual Financial Report, and therefore, these financial statements do not purport to represent the financial position and changes in financial position of the City.

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Notes to Financial Statements

March 31, 2013

(b) *Basis of Accounting and Measurement Focus*

The Stadium Authority reports its activities as a business-type activity. The financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows, and are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net position. Reported net position is segregated into three categories – net investment in capital assets, restricted and unrestricted. The statement of revenues, expenses, and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which a liability is incurred.

Operating revenues are those revenues that are generated from the primary operations of the Stadium Authority. All other revenues are reported as nonoperating. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

(c) *Change of Year End*

An amendment was made to the JPA Agreement on November 13, 2012 in part to change the fiscal year of the Stadium Authority from a July 1 through June 30 fiscal year to an April 1 through March 31 fiscal year to conform with the fiscal year of Stadium Funding Trust.

(d) *Cash*

The Authority’s cash is not pooled with the City of Santa Clara, but is held in separate bank and trust accounts.

(e) *Accounts Receivable and Unearned Revenue*

Accounts receivable are recorded in the Stadium Authority’s accounts when payments are contractually due. Accounts receivable at March 31, 2013 include cash proceeds from Stadium Builders License (SBL) sales held by Legends Premium Sales LLC (Legends), an outside marketing agent. SBL proceeds are recorded as unearned revenue and will be recognized as revenue over the term of the SBL contracts.

(f) *Capital Assets*

Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed capital assets are valued at their estimated fair value on the date contributed. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets and is charged as an expense against operations.

The cost of maintenance, repairs, minor replacements, and renewals are charged to operations as incurred. Major replacements, renewals, and betterments are capitalized. Sales and retirements of depreciable property are recorded by removing the related cost and accumulated depreciation from

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Notes to Financial Statements

March 31, 2013

the accounts. Gains or losses on sales and retirements of property are reflected in the statement of revenues, expenses, and change in net position.

Interest is capitalized on construction in progress in accordance with applicable guidance.

(g) Risk Management

The Stadium Authority entered into an agreement with Willis Insurance Services of California, Inc. (Willis) under which Willis will provide insurance broker services to cover the design and construction of the Stadium. The Willis service includes implementing and monitoring an Owner Controlled Insurance Program (OCIP) throughout the term of the Stadium construction. Policy premiums are recorded as prepaid expenses and amortized to construction in progress over the terms of the policies.

(h) Deferred Financing Costs

Costs associated with Stadium financing arrangements are recorded as deferred financing costs. This asset is carried at cost less accumulated amortization. Amortization of deferred financing costs is calculated using the straight-line method over the term of the construction financing.

(i) Income Taxes

The Stadium Authority falls under the purview of Internal Revenue Code, Section 115 and corresponding California Revenue and Taxation Code provisions. As such, it is not subject to federal or state income taxes.

(j) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(3) Stadium Development

(a) Transaction Overview

During the prior fiscal year, the Stadium Authority and StadCo entered into a series of agreements in connection with the construction of the Stadium. The Stadium is being constructed and will be owned by the Stadium Authority; certain tenant improvement components will be owned by StadCo. Construction on the Stadium began in April 2012 and is expected to be completed by August 2014, in time for the 2014 National Football League (NFL) season.

The City owns the land on which the Stadium is being constructed. The City has leased the land to the Stadium Authority under a ground lease, and the Stadium Authority has leased the Stadium to StadCo for the six-month periods from August through January (the NFL season) of each year, for an initial lease term of 40 years, commencing upon completion of construction.

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March 31, 2013

The Stadium Authority retained a design-build firm to complete the design and construction of the Stadium pursuant to a guaranteed maximum price contract (\$872 million as of March 31, 2013). The Stadium Authority is generally responsible for amounts due to the design-builder, except that StadCo is responsible for payment of costs of tenant improvements. StadCo is acting as construction agent for Stadium Authority, with primary responsibility for administering the design-build contract.

The Stadium Authority and StadCo have engaged Forty Niners Stadium Management Company LLC (ManagementCo), an affiliate of StadCo, to manage the Stadium on a year round basis. The Stadium Management Agreement has an initial term of 25 years, plus a 15 year renewal option. The Stadium Authority will pay ManagementCo for services provided during the Stadium Authority Season.

(b) Construction Funding

The funding for construction of the \$1.25 billion Stadium project falls into three major categories: a construction loan from a bank syndicate in the amount of \$850 million, construction period revenues in the estimated amount of \$200 million, and funding from the NFL in the amount of \$200 million.

Stadium Construction Loan Facility

A syndicate of banks (the Lenders) has provided an \$850 million delayed draw term loan facility (the Facility) to Stadium Funding Trust (FinanceCo). FinanceCo, a Delaware statutory trust, entered into the Facility with the Lenders and then issued back-to-back loan facilities to the Stadium Authority in the amount of \$450 million and to StadCo in the amount of \$400 million (respectively, the Authority Loan and StadCo Loan, and collectively, the Lower-Tier Loans). Proceeds from the StadCo Loan are available for use by StadCo for tenant improvement costs and for the Subordinated Loan to the Stadium Authority. The Facility matures September 1, 2015 and is secured by substantially all of the assets of FinanceCo, the Stadium Authority and StadCo. The Lower-Tier Loans have the same maturity date and interest rate as the Facility. The Authority Loan and the StadCo Subordinated Loan are discussed in note 6.

Construction Period Revenues

Certain revenues are expected to be collected by the Stadium Authority and StadCo while the Stadium is under construction. These construction period revenues are primarily SBL revenues collected by the Stadium Authority and Stadium suite revenues collected by StadCo. The expectation is that the Stadium Authority and StadCo will collect at least \$200 million in construction period revenues over the course of Stadium construction, which will be used to fund construction costs.

NFL Funding

NFL ownership has approved up to \$200 million of funding for the Stadium construction through a loan to StadCo under a new league-wide stadium finance plan known as the G4 Program. These funds are available for use by StadCo for tenant improvement costs and for the Subordinated Loan to the Stadium Authority.

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Notes to Financial Statements

March 31, 2013

(4) Cash

(a) Composition of Cash

Cash at March 31, 2013 consists of cash deposits in banks.

(b) Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Under California Government Code Section 53651, depending on specific types of eligible securities, a bank must deposit eligible securities posted as collateral with its agent having a fair value of 105% to 150% of the City's cash on deposit. All of the deposits are either insured by the Federal Depository Insurance Corporation (FDIC) or collateralized with pledged securities held in the trust department of the financial institutions.

(5) Capital Assets

Capital asset activity for the nine-month period ended March 31, 2013 was as follows:

	<u>Balance June 30, 2012</u>	<u>Reclassifications (1)</u>	<u>Additions</u>	<u>Balance March 31, 2013</u>
Nondepreciable assets:				
Construction in progress	\$ 165,655,347	(28,384,683)	287,259,807	424,530,471
Total capital assets	<u>\$ 165,655,347</u>	<u>(28,384,683)</u>	<u>287,259,807</u>	<u>424,530,471</u>

(1) Reclassifications were made to separately report unamortized prepaid project insurance and deferred financing costs.

Interest cost, including amortization of deferred financing costs, incurred during the nine months ended March 31, 2013 totaled \$14,211,381, all of which has been capitalized.

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Notes to Financial Statements

March 31, 2013

(6) Long-Term Debt

(a) Long-Term Debt Summary

Changes in long-term debt for the nine-month period ended March 31, 2013, consisted of the following:

Type of indebtedness	Issue date	Due date	Interest rates	Outstanding as of June 30, 2012	Additions	Outstanding as of March 31, 2013	Amounts due within one year
Business type activity debt:							
StadCo subordinated loan	3/28/2012	9/1/2015	90-Day LIBOR+ 3.25%	\$ 101,989,406	134,913,973	236,903,379	—
Authority construction loan	3/28/2012	9/1/2015	LIBOR+ 3.25%	—	127,297,055	127,297,055	—
StadCo agency advance	3/28/2012	12/28/2027	5.73%	30,640,670	1,299,514	31,940,184	—
Total stadium authority loans				<u>\$ 132,630,076</u>	<u>263,510,542</u>	<u>396,140,618</u>	<u>—</u>

(b) StadCo Subordinated Loan

The StadCo Obligations Agreement dated as of March 28, 2012 was entered into by and among StadCo and the Stadium Authority. The StadCo Obligations Agreement provides subordinated borrowing to the Stadium Authority in an amount not to exceed \$500 million through September 1, 2015 with interest at the 90-day LIBOR rate plus the applicable margin. The applicable interest rates on the StadCo Subordinated Loan are noted below:

Dates	Interest rate
July 1, 2012 through September 30, 2012	3.6085%
October 1, 2012 through December 31, 2012	3.5560%
January 1, 2013 through March 31, 2013	3.5326%

Principal repayments will be established at the time of take-out financing and will commence one year after substantial completion of construction. As of March 31, 2013, \$236.9 million is outstanding which includes \$5.22 million of interest added to principal.

(c) Authority Construction Loan

The Santa Clara Stadium Authority Credit Agreement dated as of March 28, 2012 was entered into by and among the Stadium Authority, FinanceCo, and Goldman Sachs Bank USA (Goldman Sachs). The Stadium Authority Credit Agreement provides borrowing to the Stadium Authority in an amount not to exceed \$450 million through September 1, 2015, with interest at LIBOR plus the applicable margin. The applicable interest rates on the Authority Loan varied during the fiscal year ended March 31, 2013 between 3.45% and 3.49%. The Authority Loan may be prepaid without penalty, is

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secured by substantially all of the assets of the Stadium Authority, and includes customary covenants including restrictions on additional debt.

As of March 31, 2013, \$127.3 million is outstanding which includes \$1.18 million of interest added to principal.

(d) *StadCo Agency Advance*

The Stadium Authority and Agency entered into the Cooperation Agreement dated as of February 28, 2011 under which Agency agreed to contribute a total of \$40 million toward development costs of the Stadium project. In addition, pursuant to Section 3.1 of the Cooperation Agreement, Agency agreed to pay one-half of development fees in the amount of \$1.6 million for a total of \$41.6 million maximum collectible from the Agency plus financing costs and interest. Agency, the Stadium Authority, and StadCo entered into the Predevelopment Funding Agreement dated as of March 21, 2011 in accordance with which \$4 million in Agency funds were used to fund preliminary design and construction for the Make-Ready Work. Agency also transferred \$2.7 million of proceeds from its 2011 North Bayshore Redevelopment Project Area Tax Allocation Bonds pursuant to the Cooperation Agreement and Predevelopment Funding Agreement. As of January 31, 2012 Agency had contributed \$11.35 million to the Stadium project, comprised of \$1.6 million for City development fees, \$4 million for Make-Ready Work, \$2.7 million in bond proceeds and \$3 million for project-related consultant work.

California legislation ABX1 26 dissolved all redevelopment agencies in California as of February 1, 2012. Agency was dissolved and the City of Santa Clara elected to form the Successor Agency, and act as the Successor Agency including with respect to the Cooperation Agreement and the Predevelopment Funding Agreement.

StadCo has advanced \$30.25 million to cover Stadium related development costs to be funded by the Successor Agency pursuant to the Predevelopment Funding Agreement and the Cooperation Agreement. On March 28, 2012, the Stadium Authority executed the Authority Promissory Note in respect of the StadCo Agency Advance with an interest rate of 5.73%, and a final maturity of December 28, 2027.

As of March 31, 2013, \$31.9 million is outstanding which includes \$1.7 million of interest added to principal. Pursuant to the Cooperation Agreement the Stadium Authority has a corresponding agency advance receivable due from Successor Agency. The Cooperation Agreement is currently in litigation between the 49ers and the State of California (see note 8(a)). Due to the uncertainty of collection, the Stadium Authority has not recognized the receivable from Successor Agency as of March 31, 2013.

(e) *Management Company Revolving Loan*

The Management Company Revolving Loan dated as of March 28, 2012 was entered into by and among the Stadium Authority and ManagementCo. The Management Company Revolving Loan provides borrowing to the Stadium Authority in an amount not to exceed \$25 million through the earlier of the end of the term of the Stadium Lease or the expiration of the Stadium Management

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Agreement, with interest at the prime rate payable quarterly. The Management Company Revolving Loan may be used solely for the purpose of enabling the Stadium Authority to pay Covered Stadium Authority Operating Expenses (as defined in the agreement) to the extent, and only to the extent, that funds are not otherwise available.

As of March 31, 2013, there is no balance outstanding.

(7) Leases

(a) Ground Lease

On February 28, 2012, the Stadium Authority entered into a lease (the Ground Lease) with the City whereby the City leases the Stadium site to the Stadium Authority.

The Ground Lease has an initial term of 40 years commencing on the first day following the substantial completion of construction. The Stadium Authority will have an interim option commencing on the date following the expiration of the initial term and ending on the following March 31st. The Stadium Authority will also have five successive extension options, each four years in duration, which would commence following the interim option.

The Ground Lease provides that the City will receive a fixed ground rent (Fixed Ground Rent) of \$180 thousand for the first year of Stadium operations payable by the Stadium Authority. Beginning in the second year of Stadium operations and annually thereafter through the tenth year of Stadium operations, the Fixed Ground Rent will increase annually by \$35 thousand. Beginning in the 11th year of Stadium operations, Fixed Ground Rent will be increased to equal \$1 million, and thereafter will be increased by \$100 thousand every five years through the end of the initial term of the Ground Lease. If the term of the Ground Lease is extended, then, during the first extension term, the Fixed Ground Rent will equal \$1.58 million; and if and to the extent the Ground Lease is further extended, the Fixed Ground Rent will be increased by \$80 thousand every four years thereafter through the expiration of the term of the Ground Lease.

The Ground Lease also provides that the City will receive a performance-based rent equal to fifty percent of the net income from non-NFL events, less certain credits, payable by the Stadium Authority. If the credits are not used within the year incurred or the next five succeeding years, the credits will expire.

(b) Stadium Lease

Also on March 28, 2012, the Stadium Authority entered into a lease (the Stadium Lease) with StadCo whereby the Stadium Authority leases the Stadium to StadCo.

The Stadium Lease has an initial term of 40 years commencing on the first day following the substantial completion of construction and includes five successive options to extend the term by four years each. The Stadium Lease is divided into two seasons:

- the Tenant Season, which includes the NFL season (including preseason, regular season and postseason NFL games) and runs from August 1 through January 31; and

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- the Stadium Authority Season, which runs from February 1 through July 31.

Pursuant to the Stadium Lease, the Stadium Authority and StadCo will be entitled to receive and collect separate revenues. Rent payable by StadCo to the Stadium Authority will be \$24.5 million per year. This amount was established pursuant to the Stadium Lease in connection with the take-out financing (see note 9(b)). The lease also provides for a fair market rent adjustment in year 33.

The Stadium Authority may elect to expand the Tenant Season to consist of the entire lease year, from April 1 through the next succeeding March 31 (Stadium Authority Put Right), by delivering written notice to StadCo. The Stadium Authority Put Right may be exercised at any time during lease year 13, or at any time that the Management Company Revolving Loan balance exceeds \$20 million. The expansion of the Tenant Season will be effective as of the applicable Tenant Season Expansion Date as set forth in the Stadium Lease. Effective from and after the Tenant Season Expansion Date, and continuing through the remainder of the Stadium Lease term, the Tenant Season will consist of the entire lease year.

(8) Commitments and Contingencies

(a) Stadium Settlement Agreement and Judgment Related to 2011 Cooperation Agreement

On June 22, 2012, the Oversight Board of the Successor Agency voted to terminate the Cooperation Agreement and portions of the Predevelopment Funding Agreement based on Health and Safety Code section 34181(d).

The 49ers filed a writ of mandate in Sacramento superior court and requested a temporary restraining order, restraining the county auditor-controller from disbursing any funds being held in the Redevelopment Property Tax Trust Fund for the second Recognized Obligation Payment Schedule (ROPS) period to the taxing entities. The temporary restraining order was issued by the court after the court found that there was a substantial likelihood that the 49ers would prevail on their request for a writ of mandate. A writ of mandate is a court action requesting that a court overturn a decision made by a public agency.

After the issuance of the temporary restraining order, the 49ers and the Oversight Board entered into settlement negotiations and came to a settlement agreement to repay advances by the 49ers in the amount of \$34.4 million. The Department of Finance reviewed the Oversight Board action approving the settlement agreement and returned it to the Oversight Board without approval. The Department of Finance also rejected the settlement agreement as an enforceable obligation on ROPS III.

Subsequently, the 49ers brought and filed a petition for a writ of mandate against the Oversight Board with regards to the Oversight Board's determination to not list on a ROPS the Cooperation Agreement and Predevelopment Funding Agreements related to the Stadium project (the Stadium Agreements). A hearing on the matter was held on March 22, 2013. Subsequent to the hearing, the judge issued an order finding that the Stadium Agreements are not unenforceable and remanded the matter to the Oversight Board to address three issues: (1) The Oversight Board must determine whether all preconditions set forth in the Stadium Agreements for payment have been met, including whether the 49ers actually incurred qualifying predevelopment costs; (2) the Oversight Board must

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determine whether other funding sources are available to pay the 49ers; and (3) the Oversight Board must determine what amounts are due to the 49ers for each ROPS period.

If the 49ers ultimately prevail in the litigation, the Successor Agency will list the obligations under the Predevelopment Funding Agreement and the Cooperation Agreement Assisting a Publicly Owned Stadium on future ROPS. If the 49ers do not prevail, the Successor Agency will have no further obligations under the Predevelopment Funding Agreement or the Cooperation Agreement.

(b) *Asset Retirement Obligation*

Pursuant to the Ground Lease, the Stadium Authority may be required to demolish the Stadium and other improvements at the end of the lease term, upon written notice from the City. The Stadium Lease provides that the Stadium Authority and StadCo will select a demolition contractor to raze the Stadium, and the cost will be paid from a dedicated demolition reserve. StadCo will be responsible for any demolition costs not covered by these reserves.

(9) Subsequent Events

(a) *Stadium Builder License Acceptance*

The Stadium Authority made the decision to sell SBLs as a method of raising funds for the construction of the Stadium. Pursuant to the Funding Agreement by and between the Stadium Authority, StadCo, and Bank of America, SBL proceeds could not be used for construction until a construction loan threshold of \$400 million had been spent on Stadium development costs. This would ensure that construction was well under way before spending SBL proceeds. The construction loan threshold was met in March 2013.

As of March 12, 2013, Legends had sold SBLs representing 45,905 seats generating an anticipated future revenue of \$393 million. This represents 74% of the total number of available SBLs to be sold. Deposits and payments related to these SBLs totaled \$97.2 million and were being held by Legends as of March 31, 2013. To allow the Stadium Authority to access the SBL proceeds, in March 2013 the Stadium Authority executed each SBL agreement and on April 12, 2013 \$97.2 million was transferred from the Legends escrow account to a revenue account with the Stadium Authority's lenders to be used for construction related costs.

(b) *Take-Out Financing*

On May 7, 2013, the Stadium Authority entered into an agreement to be bound by all terms and conditions of the: (1) Engagement and Commitment Letter dated May 3, 2013 and (2) the Private Placement Engagement Letter dated May 3, 2013. These Engagement Letters provided the mechanism to begin the process for replacing the construction financing with longer term financing.

The new financing structure is similar to the structure used for the Stadium Authority's construction financing. FinanceCo will provide an overall credit facility in the amount of \$850 million. \$450 million will be made available to the Stadium Authority and \$400 million will be made available to StadCo.

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FinanceCo will make two loans to the Stadium Authority in the combined amount of up to \$450 million. Both loans will have equal lien priority. One loan will be funded with the proceeds of a privately placed bond issuance (Senior Secured Notes) by FinanceCo. The Senior Secured Note loan will have a fixed rate of interest of 5%. The loan will amortize over a 26 year term. The proceeds of the bond loan will be used primarily to repay the Stadium Authority's outstanding construction loan with FinanceCo. If there are proceeds in excess of the outstanding balance of the construction loan, the excess proceeds will be set aside to fund the Stadium Authority's ongoing construction costs. Prepayment of the bond loan is allowable but a premium for each prepayment will be required.

The second loan made by FinanceCo to the Stadium Authority will be from bank proceeds. This loan will be shorter term, with an expected initial maturity period of five years and will carry a variable rate of interest of LIBOR + 2%. The bank loan is intended to provide financing for the balance of the Stadium Authority's construction costs and may be prepaid without penalty.

On June 11, 2013, loan documents for the both the FinanceCo bond loan and the FinanceCo bank loan were presented to the Stadium Authority for its consideration, and on June 19, 2013, the Stadium Authority signed the closing documents for the Take-Out Financing.

(c) Naming Rights

On March 7, 2013, StadCo, as agent for the Stadium Authority, and Levi Strauss & Co. (Levi Strauss) entered into a Letter of Intent that contemplated that Levi Strauss would enter into an agreement with the Stadium Authority to become the naming rights partner of the Stadium and that Levi Strauss would enter into an agreement with StadCo to receive certain sponsorship rights and entitlements related to the Team and the Stadium.

On May 9, 2013 the terms of the Naming Rights Agreement with Levi Strauss were approved. The name of the Stadium will be "Levi's Stadium". In return, Levi Strauss will make annual payments to the Stadium Authority starting at \$5.7 million per year and increasing 3% annually for the term of the Naming Rights Agreement. With an initial term of 20 years, the total value of the Naming Rights Agreement is projected to be \$154 million.

Levi Strauss has the right to extend the initial term for an additional five years. The extension option must be exercised before the expiration of the fifth year of the Naming Rights Agreement. If Levi Strauss elects to extend the term of the agreement for an additional five years, the annual payments will continue to increase 3% annually. In addition, the Naming Rights Agreement gives Levi Strauss the right of first negotiation to enter into a new naming rights agreement at the expiration of the term. The right of first negotiation occurs three years prior to the expiration of the Naming Rights Agreement and requires a 60 day negotiating period. If the parties cannot reach agreement during that time, the Stadium Authority is free to market the naming rights to others.

(d) Other

Management has evaluated subsequent events through August 28, 2013, which is the date the financial statements were available to be issued, and determined there are no other items to disclose.