



*Sent Via Certified Mail, Return Receipt Requested
and Email al.guido@49ers.com*

September 17, 2019

Al Guido, President
San Francisco Forty Niners Management Company
4900 Marie P. De Bartolo Way
Santa Clara, California 95054

**SUBJECT: Notice of Termination of Management Agreement in regards to
the Stadium Authority, Non-NFL Operations and Non-NFL Events**

Dear Mr. Guido:

PLEASE TAKE NOTICE that Santa Clara Stadium Authority (Stadium Authority) is hereby terminating the Management Agreement with Forty Niners Stadium Management Company LLC (Stadium Manager) for the management of Non-NFL Operations and Non-NFL Events. This Notice is not to terminate Stadium Manager's management and operation of NFL games at Levi's Stadium.

This termination is pursuant to Section 8.1.1 of the March 28, 2018 Stadium Management Agreement, as amended (collectively, Management Agreement), and based on (1) Stadium Manager's fraud, intentional misrepresentation, and material omissions of facts in connection with the Management Agreement; (2) Stadium Manager's misappropriation and self-dealing; and (3) Stadium Manager's willful misconduct that resulted in two Events of Defaults, which Stadium Manager failed to cure.

First, Stadium Manager committed fraud and intentionally misrepresented facts in connection with its performance under the Management Agreement. Stadium Manager represented that it has "substantial experience and expertise in the management and operation of public assembly facilities" (Management Agreement, Recital E). This representation was false, as demonstrated by Stadium Manager's failure to comply with legal requirements and obligations, including but not limited to prevailing wage laws, conflict of interest laws, and the Public Records Request Act. The representation was also false, as demonstrated by the continued and substantial decline of Stadium Authority Operating and Net Revenues based on Stadium Manager's performance and omissions. Stadium Authority's net revenue for the recent 2018-2019 fiscal year is only estimated at \$18,591, and Stadium Manager projects the net revenue for the current 2019-2020 fiscal year to be \$0.00. Performance Rent payments to the City of Santa Clara is significantly reduced by these minimal to non-existent Non-NFL Net Revenue earnings, which results in the City of Santa Clara no longer receiving fair market value for the land as required by Measure J.

Stadium Manager also committed fraud, intentionally misrepresented facts, and omitted material facts in connection with its presentation of claims for payment of the NEx Agreement and for services for the Stadium. Stadium Authority paid for approximately \$308,568 of NEx services based on Stadium Manager's representations. Stadium Manager affirmatively represented in writing that the services complied with prevailing wage laws, which was a false statement. In addition, Stadium Manager requested and submitted for Stadium Authority's retroactive approval a NEx contract that included a total of \$643,567 for costs and services, a total that the Stadium Manager also represented in writing. When the prevailing wage law violations became known and undisputed, Stadium Manager refunded to Stadium Authority the previously paid amounts of only \$308,568, without any reconciliation or explanation of why Stadium Manager had presented a claim to the Stadium Authority for the higher contract amount of \$643,567.

Second, Stadium Authority also terminates the Management Agreement based on Stadium Manager's misappropriation and self-dealing under the Management Agreement, and violation of its fiduciary duties to Stadium Authority. Stadium Manager booked Non-NFL Events for the Stadium Authority that lose money for the Stadium Authority. Stadium Authority is informed and believes that a 49ers entity is a part owner of some of these events, and that Stadium Manager and StadCo receive additional Suite revenues by reason of the booking of these events. Thus, Stadium Manager, StadCo or its affiliates, receive a financial benefit from these actions at the expense of the Stadium Authority. Accordingly, Stadium Manager's actions constitute breaches of its fiduciary duties as agent of Stadium Authority to conduct the management and operation of the Stadium at all times with integrity and good faith, as well as control Manager Operating Expenses, StadCo Operating Expenses and Stadium Authority Operating Expenses, and maximize Operating Revenues. Stadium Manager's actions are self-dealing and have resulted in misappropriation based upon Stadium Manager charging Stadium Authority the costs and expenses for the money losing events even when other 49ers entities receive the financial benefit of those events.

Finally, Stadium Authority's termination of the Management Agreement is also based on Stadium Manager's willful misconduct that resulted in two Events of Defaults, which have not been cured. On March 21, 2019, Stadium Authority served a Notice of Breach pertaining to the NEx Agreement and services, which demanded a cure that Stadium Manager provide the documentation showing that the agreement, services and work is in compliance with prevailing wage laws. Stadium Manager did not cure this breach. Thus, on April 26, 2019, Stadium Authority served a Notice of Default. On June 14, 2019, Stadium Authority served a second Notice of Breach pertaining Stadium Manager's failure to comply with prevailing wage laws, conflict of interest laws, and procurement obligations. Stadium Authority had partially suspended payment of Shared Stadium Expenses based on these violations, with the stated position that payments would be made upon Stadium Manager's production of records supporting each invoice or expense. This Notice of Breach demanded a cure that Stadium Manager produce its records of procurement activity on behalf of Stadium Authority, as well as

the supporting records for the recent or any upcoming Shared Stadium Expenses. Stadium Manager did not cure this breach either. Thus, on August 16, 2019, Stadium Authority served a second Notice of Default. Each of these defaults resulted from Stadium Manager's willful misconduct, including Stadium Manager's substantial disregard and gross negligence for Stadium Authority's interests, the legal requirements for a public facility and public works, and Stadium Manager's legal obligations and contractual duties.

For all these reasons, the Stadium Authority hereby terminates the Management Agreement as to Non-NFL Operations pursuant to Section 8.1.1 of the Management Agreement.

This Notice of Termination pertains the Stadium Manager's duties, rights and obligations pertaining to the Stadium Authority, including but not limited to the Stadium Authority Season and the Non-NFL Season or events. Stadium Authority is terminating the Management Agreement without Forty Niners SC Stadium Company LLC (StadCo)'s written consent, as expressly provided and allowed under Section 8.1.1 of the Management Agreement. Accordingly, this Notice of Termination does not pertain to Stadium Manager's duties, rights and obligations pertaining to StadCo, or the NFL Season and NFL events.

This Termination will become effective on November 15, 2019, due to the practical needs for a transition to a new manager, including coordination with StadCo and Stadium Manager. Until that termination date, Stadium Manager's obligation to comply with its legal and contractual obligations continues. Stadium Authority reserves all rights.

Sincerely,



Brian Doyle
Stadium Authority Counsel

cc: Deanna Santana, Stadium Authority Executive Director
Jihad Beauchman, Stadium Manager Counsel
Jeffrey Knowles, Esq.
Hannah Gordon, Esq.
Mohammad Walizadeh, Esq.

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