# Richardson Sports Limited Partnership and Subsidiaries

Consolidated Financial Statements as of and for the Years Ended March 31, 2012 and 2011 and Independent Auditors' Report

## RICHARDSON SPORTS LIMITED PARTNERSHIP AND SUBSIDIARIES

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## INDEPENDENT AUDITORS' REPORT

To the Partners of
Richardson Sports Limited Partnership and Subsidiaries:

We have audited the accompanying consolidated balance sheets of Richardson Sports Limited Partnership and subsidiaries (the "Partnership") as of March 31, 2012 and 2011, and the related consolidated statements of operations, changes in partners' capital and comprehensive (loss) income, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Partnership as of March 31, 2012 and 2011, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

June 29, 2012

# RICHARDSON SPORTS LIMITED PARTNERSHIP AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS
## AS OF MARCH 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 38,422,627 | $ 8,316,230 |
| Restricted cash and investments | 250,138 | 4,539,685 |
| Accounts receivable | 4,378,249 | 1,393,468 |
| Prepaid expenses | 22,961,954 | 2,678,763 |
| Total current assets | 66,012,968 | 16,928,146 |
| NONCURRENT ASSETS: | | |
| Investment in NFL franchise | 47,698,795 | 47,698,795 |
| Player contracts — net | 141,388,588 | 49,814,260 |
| Fixed assets — net | 36,598,703 | 38,747,252 |
| Cash reserves held by the NFL | - | 27,159,000 |
| Stadium-related intangible assets — net | 4,967,000 | 5,604,000 |
| Other assets | 16,503,110 | 12,631,103 |
| Total noncurrent assets | 247,156,196 | 181,654,410 |
| TOTAL | $ 313,169,164 | $ 198,582,556 |
| **LIABILITIES AND PARTNERS' CAPITAL** | | |
| CURRENT LIABILITIES: | | |
| Accounts payable and accrued liabilities | $ 14,277,489 | $ 8,351,571 |
| Deferred revenue — current | 22,478,500 | 9,575,460 |
| Current maturity of player contract liabilities | 53,073,544 | - |
| Accrued interest | 1,817,858 | 1,893,412 |
| Total current liabilities | 91,647,391 | 19,820,443 |
| NOTES PAYABLE TO BANKS | 45,000,000 | 54,000,000 |
| CUSTOMER DEPOSITS | 9,990,741 | 10,096,175 |
| FAIR VALUE OF INTEREST RATE SWAPS | 3,541,379 | 6,719,672 |
| PLAYER CONTRACT LIABILITIES | 33,630,000 | 3,242,500 |
| PERMANENT SEAT LICENSE REVENUE SHARING | 1,865,861 | 1,832,103 |
| DEFERRED REVENUE | 11,726,274 | 11,447,847 |
| OTHER NONCURRENT LIABILITIES | 16,472,496 | 14,456,265 |
| Total liabilities | 213,874,142 | 121,615,005 |
| COMMITMENTS AND CONTINGENCIES (Note 8) | | |
| PARTNERS' CAPITAL | 99,295,022 | 76,967,551 |
| TOTAL | $ 313,169,164 | $ 198,582,556 |

See notes to consolidated financial statements.

# RICHARDSON SPORTS LIMITED PARTNERSHIP AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS
## FOR THE YEARS ENDED MARCH 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| REVENUE: | | |
| Game receipts — net of opponent club's share, sales taxes and playoffs | $ 45,764,073 | $ 46,445,273 |
| Television and radio | 107,856,559 | 104,624,121 |
| Luxury suite license fees | 10,089,878 | 10,008,497 |
| Club seat license fees | 11,617,249 | 11,648,076 |
| Advertising | 13,585,232 | 13,590,599 |
| Concessions | 4,113,006 | 1,581,730 |
| Stadium naming rights | 3,591,902 | 3,501,608 |
| Stadium rental | 2,909,836 | 1,975,348 |
| Amortization of deferred Permanent Seat License revenue | 1,944,085 | 1,513,927 |
| Supplemental and Permanent Seat License revenue sharing | (232,813) | 1,105,928 |
| Other | 4,993,007 | 3,766,189 |
| Total net revenue | 206,232,014 | 199,761,296 |
| OPERATING EXPENSES: | | |
| Player payroll and other player-related | 100,228,373 | 77,598,580 |
| Depreciation and amortization | 59,510,292 | 29,708,077 |
| General and administrative | 58,114,311 | 55,417,778 |
| Facility and grounds maintenance | 3,342,418 | 3,899,477 |
| Team expenses | 2,354,176 | 2,449,441 |
| Total operating expenses | 223,549,570 | 169,073,353 |
| INCOME FROM INVESTMENT IN NFL VENTURES, L.P. | 47,452,174 | 45,824,942 |
| UNREALIZED GAIN DUE TO CHANGE IN FAIR VALUE OF INTEREST RATE SWAPS | 3,178,293 | 2,143,979 |
| INCOME FROM OPERATIONS | 33,312,911 | 78,656,864 |
| INTEREST AND OTHER INCOME | 86,762 | 677,588 |
| INTEREST EXPENSE | (7,091,821) | (7,615,914) |
| NET INCOME | $ 26,307,852 | $ 71,718,538 |

See notes to consolidated financial statements.

# RICHARDSON SPORTS LIMITED PARTNERSHIP AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL AND COMPREHENSIVE (LOSS) INCOME YEARS ENDED MARCH 31, 2012 AND 2011

| | Partners' Capital | Accumulated Other Comprehensive Loss | Total | Total Comprehensive (Loss) Income |
|---|---|---|---|---|
| BALANCE — April 1, 2010 | $ 30,731,325 | $ (4,438,759) | $ 26,292,566 | |
| Net income | 71,718,538 | - | 71,718,538 | $ 71,718,538 |
| Distributions to partners | (12,228,541) | - | (12,228,541) | - |
| Redemption of partner interest | (7,500,000) | - | (7,500,000) | - |
| Pension and postretirement benefits liability adjustment for the Partnership and NFL Ventures, L.P. | - | (1,315,012) | (1,315,012) | (1,315,012) |
| Total comprehensive income | | | | $ 70,403,526 |
| BALANCE — March 31, 2011 | 82,721,322 | (5,753,771) | 76,967,551 | |
| Net income | 26,307,852 | - | 26,307,852 | $ 26,307,852 |
| Distributions to partners | (3,020,773) | - | (3,020,773) | - |
| Pension and postretirement benefits liability adjustment for the Partnership and NFL Ventures, L.P. | - | (959,608) | (959,608) | (959,608) |
| Total comprehensive income | | | | $ 25,348,244 |
| BALANCE — March 31, 2012 | $ 106,008,401 | $ (6,713,379) | $ 99,295,022 | |

See notes to consolidated financial statements.

# RICHARDSON SPORTS LIMITED PARTNERSHIP AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS
## YEARS ENDED MARCH 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $26,307,852 | $ 71,718,538 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation | 4,770,410 | 5,363,003 |
| Amortization of loan acquisition costs | 218,004 | 189,541 |
| Amortization of player signing bonuses | 54,102,882 | 23,661,074 |
| Amortization of other intangible assets | 637,000 | 684,000 |
| Gain on disposal of fixed assets | - | (10,808) |
| Unrealized gain on change in fair value of interest rate swap | (3,178,293) | (2,143,979) |
| Distributions less than equity in earnings of NFL Ventures, L.P. | (4,199,424) | (2,355,676) |
| Increase (decrease) in operating assets: | | |
| Accounts receivable | (2,984,781) | 3,965,172 |
| Prepaid expenses | (20,283,191) | 8,654,721 |
| Cash reserves held by the NFL | 27,159,000 | (20,034,000) |
| Other assets | (87,559) | (122,937) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable and accrued liabilities | 5,137,616 | (9,392,532) |
| Player contract liabilities | 397,594 | (17,390,000) |
| Accrued interest | (75,554) | (220,058) |
| Permanent Seat License revenue sharing | 49,279 | (3,942) |
| Deferred revenue | 13,181,467 | (3,981,507) |
| Other noncurrent liabilities | 1,301,843 | 1,748,678 |
| Payments for player signing bonuses | (62,613,760) | (33,579,982) |
| Net cash provided by operating activities | 39,840,385 | 26,749,306 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Decrease in restricted cash and investments | 4,289,547 | 6,666,659 |
| Capital expenditures | (1,849,080) | (1,539,230) |
| Proceeds from sales of fixed assets | | 48,076 |
| Increase in assets held in rabbi trust | (48,248) | (176,746) |
| Net cash provided by investing activities | 2,392,219 | 4,998,759 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Principal repayments on notes payable to banks | (9,000,000) | (80,750,000) |
| Principal borrowings on notes payable to banks | - | 20,750,000 |
| Payment of loan acquisition costs | - | (587,332) |
| Decrease in customer deposits | (105,434) | (294,871) |
| Redemption of member interest | - | (7,500,000) |
| Distributions to partners | (3,020,773) | (12,228,541) |
| Net cash used in financing activities | (12,126,207) | (80,610,744) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 30,106,397 | (48,862,679) |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of year | 8,316,230 | 57,178,909 |
| End of year | $38,422,627 | $ 8,316,230 |

(Continued)

# RICHARDSON SPORTS LIMITED PARTNERSHIP AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS
## YEARS ENDED MARCH 31, 2012 AND 2011

| | 2012 | 2011 |
|---|---|---|
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION — Cash paid during the year for interest — banks | $ 6,949,000 | $ 7,646,000 |

SUPPLEMENTAL NONCASH OPERATING TRANSACTIONS:
At March 31, 2012 and 2011, respectively, $(959,608) and $(1,315,012) represented the change in pension and postretirement benefits liabilities of the Partnership and NFL Ventures, L.P.

SUPPLEMENTAL NONCASH INVESTING TRANSACTIONS:
At March 31, 2012 and 2011, the Partnership's accrual for purchases of fixed assets was approximately $779,000 and $6,000, respectively.

See notes to consolidated financial statements.

(Concluded)

## 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization and Nature of Operations** — Richardson Sports Limited Partnership and subsidiaries (the "Partnership") is a limited partnership formed in 1989 for the purposes of investigating the feasibility of bringing a National Football League ("NFL") franchise to the Carolinas and taking all necessary actions to own and operate such a franchise. The Partnership's principal offices are located in Charlotte, North Carolina. In 1993, the NFL awarded the Partnership an NFL franchise (the "Franchise"). The related NFL Carolina Panthers (the "Team" or "Carolina Panthers") began play in the 1995 NFL season. The general partner, owning 46.8154% of the Partnership, is Panthers GP, LLC, which is controlled by Jerome J. Richardson and members of his family. The remaining 53.1846% is owned by Carolina PSLFC, LLC, the limited partner of the Partnership.

On October 15, 2010, the Partnership redeemed 1.28% of its membership interests in a partial redemption of the interests of one of its members. In exchange for the member's interests, the Partnership paid the member $7,500,000.

The controlling member of the general partner of the Partnership has an indirect ownership interest in an entity that has a sponsorship contract with the Partnership. Revenue related to this sponsorship contract totaled $567,000 and $490,000 for the years ended March 31, 2012 and 2011, respectively.

**Basis of Presentation** — The consolidated financial statements of the Partnership have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America ("GAAP") as set forth in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC").

**Reorganization of Operations** — Panthers Football, LLC ("Football LLC"), a North Carolina limited liability company, was formed in 2000 for the purposes of owning and operating the Franchise. The Partnership is the single member owner of Football LLC. Effective March 31, 2004, substantially all of the net assets of the Partnership were contributed to Football LLC so it could own and operate the Franchise. These net assets were recorded by Football LLC at the Partnership's carrying value.

Panthers Stadium, LLC ("Stadium LLC"), a North Carolina limited liability company, was formed in 2002 for the purposes of acquiring and operating the stadium where the Team plays its home games (the "Stadium"). As of March 31, 2007, the Partnership owned a 99% common membership interest in Stadium LLC, including 100% of the Class A voting common membership interest. The Partnership contributed to Stadium LLC its lease with the City of Charlotte for the land on which the stadium is located. As the contribution was between entities under common control, no basis has been assigned to the contributed lease in the accompanying consolidated financial statements.

Effective March 31, 2004, Stadium LLC acquired substantially all of the net assets of Carolinas Stadium Corp. ("CSC") in a transaction accounted for using the purchase method of accounting. In conjunction with the acquisition transaction, a 1% common interest was issued to CSC, and Parking Associates, LLC ("Parking") acquired a 1% common interest in exchange for a cash payment of $75,000. CSC also owned 100% of the preferred membership interest in Stadium LLC.

The Partnership owns a 98% common interest in Parking, with remaining interests owned equally by PFF, Inc. and Carolina PSLFC, LLC.

**Principles of Consolidation** — The accompanying consolidated financial statements include all amounts related to the Partnership and its subsidiaries: Football LLC, Stadium LLC and Parking. All significant intercompany amounts and transactions are eliminated in consolidation.

**Revenue Recognition** — All amounts due under television and radio contracts and advance payments from ticket sales, club seat premiums and luxury suites are recorded as deferred revenue at the time the payments are received and recorded as income as the related games are played (see Note 5).

The Partnership has entered into sponsorship and barter contracts with certain corporate customers that provide the customers, among other things, the right to use the Carolina Panthers name in their advertising during the contract period. Related revenue from sponsorship and barter contracts is based on the value of goods or services received by the Partnership and is classified as advertising revenue in the accompanying consolidated statements of operations. Certain sponsorship and barter contracts include the sale of season tickets and the use of luxury suites. Sponsorship and barter revenue related to tickets and the use of luxury suites is recognized when the related games are played and is classified as game receipts and suite revenue. In addition, sponsorship and barter contracts may require the Partnership to provide television, radio and print advertising for certain sponsors. The Partnership recognized advertising barter revenue and expense of approximately $1,531,000 for the year ended March 31, 2012. The Partnership recognized advertising barter revenue and expense of approximately $1,453,000 for the year ended March 31, 2011.

In connection with the operation of the Stadium, the Partnership offers Permanent Seat Licenses ("PSLs") for sale. PSLs are governed by a Permanent Seat License Agreement (the "PSL Agreement"), which provides the PSL licensee with the right and obligation to purchase the related season tickets for all home games played by the Team as long as the Team plays in the Stadium. Income from the sale of PSLs is deferred and amortized over the minimum period over which the Team is contractually committed to play its home games in the Stadium (seven years at March 31, 2012). All amounts due under agreements for PSLs are recorded as deferred revenue when the contract is entered into with the licensee. In the event a PSL licensee does not purchase season tickets, all monies paid to the Partnership under the PSL Agreement are forfeited by the PSL licensee and recognized as revenue.

Revenue from the naming rights of the Stadium is being recognized as received by the Partnership. Future revenue based on the agreement is as follows:

| **Years Ending March 31** | |
|---|---|
| 2013 | $ 3,755,000 |
| 2014 | 3,853,000 |
| 2015 | 3,953,000 |
| 2016 | 4,055,000 |
| 2017 | 4,160,000 |
| Thereafter | 32,281,000 |
| Total | $ 52,057,000 |

**Taxes Collected from Customers and Remitted to the Governmental Authorities** — The Partnership reports taxes collected from customers and remitted to governmental authorities on a net basis (excluded from revenues) in accordance with FASB ASC 605-45, *Revenue Recognition* (previously Emerging Issues Task Force Issue No. 06-03, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation)*).

**Supplemental and PSL Revenue Sharing** — On March 8, 2006, the Member Clubs of the NFL adopted League Resolution 2006 G-1 and MC-1 (the "2006 Resolution") that (i) accepted the NFL Players Association's offer for an extension of the Collective Bargaining Agreement, and (ii) adopted terms for establishing and funding a special revenue-sharing pool to fund additional revenue-sharing distributions for qualifying Clubs. Under this special revenue-sharing program, Clubs will be eligible for a distribution in respect of a given season if the NFL average player cost (as defined in the 2006 Resolution) for that season exceeds 65% of the Club's total revenues (as defined by the instructions of the NFL Conforming Statements). The distribution to a recipient Club will equal the amount necessary to reduce such Club's percentage to 65%. The funding of the special revenue-sharing distributions, to the extent necessary, will be provided as follows: first, from the pre-existing Supplemental Revenue-Sharing pool for each season; and second, by funding from the top 15 Clubs ranked according to total revenues (the "Top 15 Clubs"). The 2006 Resolution sets forth descending funding obligations for Clubs ranked 1 to 5, 6 to 10 and 11 to 15, respectively. This 2006 Resolution also requires that Clubs meet certain objective standards ("Qualifiers"), in addition to being eligible under the 65% test, in order to receive a special revenue-sharing distribution for a particular season; the amount of distribution payable to a particular Club that is otherwise eligible as a special revenue-sharing recipient will be reduced or eliminated in accordance with the Qualifiers defined. On March 26, 2007, the Member Clubs adopted League Resolution 2007 G-1 and MC-1 (the "2007 Resolution") that defined the Qualifiers to be applied to the special revenue-sharing program. The Qualifiers relate to (i) whether the Club is playing in a new or substantially renovated stadium, (ii) the sale of a controlling interest in the Club, (iii) the amount of the Club's gate revenue and (iv) the Club's actual player costs. In addition, notwithstanding any other terms of the special revenue-sharing program, a Club that has a pending lawsuit (begun prospectively from March 8, 2006) against the NFL, an affiliate of the NFL or a Member Club, will not be eligible for a distribution. In addition to defining the Qualifiers, the 2007 Resolution set forth that the special revenue-sharing program would cover the 2006 through 2009 seasons and set the maximum funding obligation of the Top 15 Clubs at a total distribution of $100 million for the 2006 season and $110 million for each of the 2007, 2008 and 2009 seasons. There were no supplemental revenue sharing requirements for the 2010 and 2011 seasons. The 2011 amounts in the accompanying consolidated statements of operations reflects an adjustment of $(1,270,000), required to true up the estimate of the liability for the 2009 season.

In accordance with NFL 1987 Resolution FC-1 and 1995 Resolution G-6, ticket-related revenues, including revenues from the sale of PSLs, are subject to revenue sharing as indicated in the NFL bylaws unless a waiver of sharing is granted via an NFL Executive Committee resolution. At the time of the acquisition of the stadium assets from CSC, the Partnership believed its liability to share PSL revenues was waived based on the existing agreement between CSC and the NFL Player's Association waiving such amounts. During fiscal 2007, based on an internal audit by the NFL, the NFL's Audit Committee determined that all collections related to the sale of PSLs subsequent to the Partnership's March 31, 2004, acquisition of the stadium assets were sharable. The amount due under such PSL revenue sharing for the years ended March 31, 2012 and 2011 was determined to be $232,813 and $164,072, respectively, and has been included as "contra" revenue in the accompanying consolidated financial statements. The PSL revenue sharing for each year is to be paid on a 15-year amortization schedule. As of March 31, 2012, the Partnership has recorded a liability of approximately $2,049,000 (including $184,000 recorded in accounts payable and accrued liabilities in the accompanying consolidated balance sheet) related to sharing payments to be made on past PSL collections. As of March 31, 2011, the Partnership has recorded a liability of approximately $2,000,000 (including $168,000 recorded in accounts payable and accrued liabilities in the accompanying consolidated balance sheet) related to sharing payments to be made on past PSL collections.

**Cash and Cash Equivalents** — Cash and cash equivalents include cash on hand, cash in banks and cash equivalents, which are primarily overnight investments.

**Restricted Cash and Investments** — As of March 31, 2012 and 2011, cash and investments of approximately $0 were restricted for payment of player contract liabilities in accordance with the NFL guidelines. Restricted cash and investments also include $250,138 and $4,539,685 at March 31, 2012 and 2011, respectively, related to the Stadium Facility (see Note 4).

**Investment in NFL Franchise** — The amount recorded as investment in NFL franchise is based upon the total franchise fee established by the NFL. In 1995, this investment in NFL franchise, totaling $140,000,000, was allocated to player contracts, franchise cost, investment in NFL Properties, Inc. and investment in NFL Films in the amounts of $77,000,000, $60,200,000, $1,400,000 and $1,400,000, respectively. NFL Films subsequently became a division of NFL Enterprises, L.P. and NFL Properties, Inc. subsequently merged with NFL Enterprises, L.P. During the fiscal year ended March 31, 2004, NFL Enterprises, L.P. became NFL Ventures, L.P. The amounts related to NFL Ventures, L.P. are included in the Partnership's investment in NFL Ventures, L.P. as discussed below.

In accordance with FASB ASC 350, *Intangibles — Goodwill and Other* (previously FASB Statement No. 142, *Goodwill and Other Intangibles*), the Partnership ceased amortization of the franchise cost effective April 1, 2002 since this intangible asset was considered to have an indefinite life. All initial player contracts to which the franchise fee was allocated have expired or were terminated; accordingly, this portion of the investment is fully amortized. The investment in NFL franchise is tested for impairment on an annual basis at the end of the fiscal year. No impairment loss was recorded for the years ended March 31, 2012 or 2011.

**Investment in NFL Ventures, L.P.** — The Partnership has an investment in NFL Ventures, L.P. arising from being a member club of the NFL. This investment is accounted for under the equity method as the Partnership has the ability to exercise significant influence, but does not have control, over NFL Ventures' operating and financing policies. This investment represents a pro rata ownership share of NFL Ventures, L.P. with the other partners or investors being the remaining member clubs of the NFL. Comprehensive income or loss of NFL Ventures, L.P. is allocated by the NFL to the Member Clubs and distributed during the year. The Partnership recognizes comprehensive income or loss from its investment in NFL Ventures, L.P. based on the amounts allocated in the fiscal period that includes the related NFL season. At March 31, 2012 and 2011, the investment in NFL Ventures, L.P. totals approximately $11,508,000 and $7,369,000, respectively, and is included in other assets on the accompanying consolidated balance sheets. At March 31, 2011, the date of the most recent audited consolidated financial statements, assets, liabilities, revenues, and net income of NFL Ventures, L.P. were approximately $660,029,000, $619,564,000, $2,023,272,000, and $44,240,000, respectively.

**Player Contracts, Net** — Player contract assets consist primarily of signing bonus costs. Signing bonuses under player contracts are capitalized and amortized on a straight-line basis over the NFL seasons represented by the contracts. Amortization is recorded in the fiscal period that includes the related NFL season. If a player is removed from the Team's roster or the player's contract is terminated, the remaining unamortized costs are charged to operations in the period of removal or termination. Amounts totaling $7,822,000 and $3,126,000 were charged to operations during 2012 and 2011, respectively, for terminated contracts. Earned player contract amounts that are unpaid are recorded and reflected as player contract liabilities on the accompanying consolidated balance sheets.

The gross carrying amount and accumulated amortization of player contract assets at March 31, 2012 and 2011 are approximately $208,137,000 and $66,749,000 and $90,441,000 and $40,627,000, respectively. The estimated minimum related amortization expense is as follows:

| **Years Ending March 31** | |
|---|---|
| 2013 | $ 46,650,000 |
| 2014 | 34,739,000 |
| 2015 | 30,808,000 |
| 2016 | 19,858,000 |
| 2017 | 9,333,000 |
| Total | $ 141,388,000 |

**Fixed Assets** — Fixed assets are stated at cost. Depreciation of fixed assets is calculated principally in accordance with the double-declining and straight-line methods over the following allowable useful lives:

| | |
|---|---|
| Stadium costs and leasehold improvements | 15–25 years |
| Playing field and ground equipment | 15 years |
| Stadium and scoreboard equipment | 5 years |
| Stadium furniture and fixtures | 5 years |
| Office furniture, fixtures and equipment | 2–7 years |

The carrying value of fixed assets acquired (primarily the Stadium) in conjunction with the acquisition of CSC (see Note 1) has been adjusted in accordance with FASB ASC 360-10-40-1, *Derecognition of Property, Plant and Equipment* (previously FASB Interpretation (FIN) No. 26, *Accounting for Purchase of a Leased Asset by the Lessee During the Term of the Lease — an interpretation of FASB Statement No. 13*).

**Impairment of Long-Lived Assets** — Long-lived assets are reviewed for impairment whenever events occur indicating that the carrying amount of the asset might not be recoverable. The analysis of recoverability is based on estimated future cash flows expected from the use and disposition of the asset. No impairment loss was recorded for the years ended March 31, 2012 or 2011.

**Stadium-Related Intangible Assets** — Intangible assets are primarily composed of Stadium naming rights and sponsorship advertising contracts. These assets were initially recognized based on their fair value at the acquisition date. Intangible assets are amortized over the life of the contract, and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

**Loan Acquisition Costs** — Legal and other direct costs totaling approximately $1,191,000 were incurred as part of the Partnership entering into loan agreements with certain financial institutions (see Note 4). Such costs have been deferred and are being amortized over the life of the loans as a component of interest expense.

**Customer Deposits** — Customer deposits represent security deposits paid for the lease of luxury suites, and certain club seats, in the Stadium. Deposits in excess of necessary costs to cover any damage to the suite caused by the lessee are refunded to the lessee at the end of the lease term.

**Interest Rate Swaps** — The Partnership has entered into multiple interest rate swaps, through its subsidiaries, with a counterparty for the exchange of periodic variable interest payments for periodic fixed interest payments, based on notional principal amounts (see Note 4). The Partnership uses these interest rate swaps to manage exposure to changes in interest rates.

FASB ASC 815, *Derivatives and Hedging* (previously FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*), establishes accounting and reporting standards for derivative financial instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that all derivative instruments be recognized as either assets or liabilities on the consolidated balance sheets and be measured at fair value.

The differential to be received or paid under the interest rate swaps is recognized as an adjustment to interest expense. Changes in fair value are included in the consolidated statements of operations because the swaps have not been designated as hedges for accounting purposes.

At March 31, 2012 and 2011, the fair value of the Partnership's interest rate swap agreements was a liability of approximately \$3,541,000 and \$6,720,000, respectively, and is recorded as a liability on the accompanying consolidated balance sheets. Changes in the fair value of the interest rate swap agreements are recognized as unrealized gains or losses on the Partnership's consolidated statements of operations (unrealized gain of approximately \$3,178,000 and \$2,144,000 for 2012 and 2011, respectively).

**Fair Value of Financial Instruments** — The fair value of the Partnership's cash and cash equivalents, receivables, accounts payable and accrued liabilities approximates the carrying value at March 31, 2012 and 2011 due to the short-term nature of these instruments. The carrying amounts and estimated fair values of the fixed-rate notes payable to banks differ as of March 31, 2012 and 2011 as follows:

| | 2012 | 2011 |
|---|---|---|
| Note payable to banks — carrying value | \$45,000,000 | \$45,000,000 |
| Note payable to banks — estimated fair value | 48,765,098 | 46,696,746 |

Fair value of the Partnership's fixed rate notes payable to banks was estimated using discounted cash flow analyses, based on the Partnership's incremental borrowing rates at the respective reporting dates for similar type arrangements.

**Income Taxes** — Under current tax laws, income or loss of the Partnership is included in the income tax returns of the partners. Accordingly, the Partnership makes no provision for federal or state income taxes. The tax returns of the Partnership are subject to examination by federal and state taxing authorities. If such examinations occur and result in changes with respect to partnership qualification or in changes to distributable partnership income or loss, the tax liability of the partners would be changed accordingly.

**Use of Estimates in Preparation of Financial Statements** — The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Recently Issued Accounting Pronouncements** — In 2010, the FASB issued Accounting Standards Update ("ASU") No. 2010-06, *Fair Value Measurement and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*. ASU No. 2010-06 adds additional disclosure requirements related to transfers of Level 1 and Level 2 fair value measurements as well as additional disclosure around activity in Level 3 fair value measurements. The ASU also provides amendments to existing disclosures by adding clarification around the level of disaggregation and disclosures about inputs and valuation techniques. The new disclosures and clarifications of existing disclosures are effective for reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the rollforward activity in Level 3 fair value measurements, which are effective for reporting periods beginning after December 15, 2010. The adoption of this standard did not have a material effect on the consolidated financial statements.

Effective March 31, 2010, the Partnership adopted the provisions of FASB ASC 855-10, *Subsequent Events* (previously FASB Statement No. 165, *Subsequent Events*). In February 2010, the FASB issued ASU No. 2010-09, *Subsequent Events (Topic 855) Amendments to Certain Recognition and Disclosure Requirements*. This ASU provides amendments and clarifications to the reporting and disclosure requirements of subsequent events. Specifically, it removes the previous definition of a *public entity* to clarify that an entity that either (a) is a Security and Exchange Commission filer or (b) is a conduit bond obligor for conduit debt securities that are traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local or regional markets) is required to evaluate subsequent events through the date that the consolidated financial statements are issued. If an entity meets neither of those criteria, then it should evaluate subsequent events through the date the consolidated financial statements are available to be issued. This ASU was effective upon issuance for all periods ended after June 15, 2010. Accordingly, the Partnership has evaluated events and transactions occurring after March 31, 2012 for potential recognition or disclosure in the consolidated financial statements through June 29, 2012, the date these consolidated financial statements were available to be issued.

In 2009, the FASB issued FASB ASC 810-10-30, *Initial Measurement of Consolidation* (previously FASB Statement No. 167, *Amendments to FASB Interpretation No. 46(R)*). This statement amends the analysis required under FIN No. 46(R), *Consolidation of Variable Interest Entities (revised December 2003) — an interpretation of ARB No. 51*, for determining whether an entity is a variable interest entity and was effective for the Partnership on April 1, 2010. The adoption of this statement did not have a material impact on the accompanying consolidated financial statements.

## 2. FIXED ASSETS

As of March 31, 2012 and 2011, fixed assets consist of:

| | 2012 | 2011 |
|---|---|---|
| Stadium and fixed equipment | $ 57,796,698 | $ 57,015,688 |
| Land and buildings — parking | 644,402 | 644,402 |
| Computer and video equipment | 5,290,878 | 4,450,824 |
| Leasehold improvements | 3,396,402 | 2,919,000 |
| Office equipment | 3,069,324 | 2,884,047 |
| Automobiles | 477,476 | 447,040 |
| Furniture and fixtures | 338,948 | 294,494 |
| Construction in progress | 290,496 | 27,269 |
| Total fixed assets | 71,304,624 | 68,682,764 |
| Less accumulated depreciation | (34,705,921) | (29,935,512) |
| Fixed assets — net | $ 36,598,703 | $ 38,747,252 |

## 3. INTANGIBLE ASSETS

The gross carrying amount and accumulated amortization of Stadium-related intangible assets were $13,500,000 and $8,533,000, respectively, at March 31, 2012, and $13,500,000 and $7,896,000, respectively, at March 31, 2011. The estimated related amortization expense for each of the next five years ending March 31 is as follows:

| | |
|---|---|
| 2013 | $ 595,000 |
| 2014 | 533,000 |
| 2015 | 517,000 |
| 2016 | 483,000 |
| 2017 | 450,000 |

## 4. NOTES PAYABLE TO BANKS

The components of notes payable to banks at March 31, 2012 and 2011 are as follows:

| | 2012 | 2011 |
|---|---|---|
| Total notes payable to banks | $45,000,000 | $54,000,000 |
| Less current maturities | - | - |
| Noncurrent notes payable to banks | $45,000,000 | $54,000,000 |

**Borrowings of Football, LLC** — Football LLC entered into an $80 million revolving credit agreement in the form of a League-wide credit facility (the "NFL Facility"). The NFL Facility was arranged by the NFL and funded by several financial institutions (the "Bank Investors"). The various member clubs that participated in the NFL Facility were subject to common terms and covenants, but did not share in the responsibility for the loans of other member clubs. Provided that no acceleration provisions had occurred, as defined by the NFL Facility, the NFL Facility matured three years after October 31, 2008 (the "Commitment Termination Date"), at which time 25% of the then outstanding amount was due, with the remaining outstanding balance due one year later. As of October 31, 2008, the NFL Facility reached its Commitment Termination Date and was not renewed. At that time per the terms of the NFL Facility, the maximum borrowings under the NFL Facility are limited to the amount outstanding at the Commitment Termination Date, which, for Football LLC was $69,000,000.

Interest on outstanding loans under the NFL Facility accrued at either a commercial paper interest rate or one-month London Interbank Offered Rate ("LIBOR") plus 0.75%, and is due and payable quarterly.

Interest for outstanding loans under the NFL Facility included an annual dealer fee of 0.05% per annum on the outstanding principal amount of each loan. In addition to interest, Football LLC paid various fees related to amounts outstanding under the commercial paper rate portion of the NFL Facility, including a quarterly payment of 0.10% per annum of the weighted-average outstanding principal for the previous quarter and a quarterly facility fee of 0.2375% per annum of the NFL Facility limit.

In addition to the interest and fees described above, Football LLC paid a quarterly administrative fee of 0.07% per annum of the NFL Facility limit.

On June 11, 2010, a new revolving debt agreement was established, with a maximum borrowing level of $69,000,000. The new revolver was fully drawn and the full amount outstanding under the old NFL Facility was repaid to the Bank Investors. The new agreement was arranged by the NFL, and funded by several financial institutions. The various member clubs that participate in the new agreement are subject to common terms and covenants, but do not share in responsibility for the loans of other member clubs.

Loans under the new agreement can be in the form of base rate loans (which carry interest at 0.50% plus the highest of a) the federal funds rate plus 0.50%, b) the prime rate or c) the one-month Eurodollar rate plus 1.00%), or Eurodollar rate loans (which carry interest at LIBOR plus 1.50%), at the option of the Partnership. In addition to the interest on outstanding loans, the Partnership will incur a commitment fee of 0.20% on the unused portion of the credit line. Interest charges and the commitment fee are payable quarterly in arrears.

The new agreement has a maturity date of June 11, 2015. At March 31, 2012, the Partnership had amounts outstanding under the new agreement totaling $0 and $9,000,000, respectively, which is included in notes payable to banks in the accompanying consolidated balance sheets. The outstanding balance at March 31, 2011 was borrowed under the Eurodollar rate option, and had an effective interest rate of 1.76%.

In certain instances, there may be mandatory prepayments under the old NFL Facility and the new agreement. This could occur if the fair value of an NFL franchise is reduced below a certain amount, if the NFL expands beyond 32 franchises, if there is a significant reduction in the amount of television revenue earned by franchises or if the outstanding debt exceeds NFL regulations. As of March 31, 2012 and 2011, no such events requiring mandatory prepayment have occurred.

The old NFL Facility and the new agreement required Football LLC to maintain its NFL franchise in good standing in addition to various reporting requirements.

Amounts outstanding under the old NFL Facility and the new agreement are fully guaranteed by the Partnership upon the repayment of all debt obligations of Stadium LLC.

In November 2005, Football LLC entered into a League-wide note agreement with the Bank Investors (the "2015 Note"). The various member clubs that participate in the 2015 Note are subject to common terms and covenants, but do not share in the responsibility for the notes of other Member Clubs. The full amount of the 2015 Note is due and payable upon maturity on October 5, 2015. Interest is payable annually on October 5 at a fixed rate of 5.24%. The amount outstanding under the 2015 Note at March 31, 2012 and 2011 is $30,000,000, and is included in notes payable to banks in the accompanying consolidated balance sheets.

In October 2008, Football LLC entered into a League-wide note agreement with the Bank Investors (the "2018 Note"). The various member clubs that participate in the 2018 Note are subject to common terms and covenants, but do not share in the responsibility for the notes of other Member Clubs. The full amount of the 2018 Note is due and payable upon maturity on October 5, 2018. Interest is payable annually on October 5 at a fixed rate of 6.11%. The amount outstanding under the 2018 Note at March 31, 2012 and 2011 is $15,000,000, and is included in notes payable to banks in the accompanying consolidated balance sheets.

The Partnership was required under the original $80,000,000 credit agreement to enter into an interest rate swap agreement. In April 2003, the Partnership entered into a restructured interest rate swap agreement with one of the Bank Investors. Effective March 31, 2004, as part of the transfer of net assets from the Partnership to Football LLC, the interest rate swap agreement was transferred to Football LLC. This interest rate swap required Football LLC to pay a fixed rate of 5.48% from April 1, 2004 to April 13, 2013, and receive a variable rate of one-month LIBOR. Beginning April 1, 2006, the variable rate received is capped at a maximum of 5%; however, the Partnership would have received additional payments equal to the excess of LIBOR over 7%.

In June 2004, the Partnership replaced this swap agreement with another interest rate swap agreement with one of the Bank Investors. This interest rate swap requires the Partnership to pay a fixed rate of 5.47% from June 1, 2004 to April 2, 2013, and receive a variable rate of one-month LIBOR. Beginning April 1, 2005 and ending April 1, 2008, the variable rate received is capped at a maximum of 4%. Also, beginning April 1, 2008, the Bank Investors have an annual option to cancel the swap agreement. At March 31, 2012 and 2011, the notional amount of the swap agreement was $40,000,000.

At March 31, 2012 and 2011, the fair value of interest rate swap agreement was approximately $2,084,000 and $3,714,000, respectively, and was recorded as a liability on the accompanying consolidated balance sheets.

Amounts paid or accrued under this agreement totaled approximately $2,135,000 and $2,105,000, during the years ended March 31, 2012 and 2011, respectively, and have been recognized as a component of interest expense in the accompanying consolidated statements of operations.

**Borrowings of Panthers Stadium, LLC** — Effective March 31, 2004, the Partnership, through its subsidiary Stadium LLC, entered into a new revolving credit facility (the "Stadium Facility") with certain financial institutions (the "Lenders"). Under the terms of the Stadium Facility, Stadium LLC could borrow up to $64,550,000 in the form of base rate loans or Eurodollar rate loans, with mandatory commitment reductions of $1,250,000 each June 30, September 30, December 31 and March 31, beginning June 30, 2004. Amounts outstanding under the Eurodollar rate loan option of the NFL Facility bore interest at the LIBOR plus an applicable margin of 1.575%. Amounts outstanding under the base rate loan option of the Facility bore interest at the higher of a) the federal funds rate plus 0.5% or b) the bank-specified prime rate. Stadium LLC was charged a commitment fee of 0.375% for all amounts available under the Facility. The Facility was set to mature on March 31, 2009.

On July 31, 2008, Stadium LLC amended the Facility. Under the terms of the amended Facility, Stadium LLC could borrow up to $47,000,000 in the form of base rate loans or Eurodollar rate loans. This amended Facility was further reduced to a maximum of $36,000,000 on September 23, 2010, at the option of Stadium LLC. Amounts outstanding under the Eurodollar rate loan option of the amended Facility bear interest at the LIBOR plus an applicable margin of 1.375% No amounts were outstanding under the Eurodollar option at March 31, 2012 or 2011. Amounts outstanding under the base rate loan option of the amended Facility bear interest at the higher of a) the federal funds rate plus 0.5% or b) the bank-specified prime rate. No amounts were outstanding under base rate loans at March 31, 2012 or 2011. Stadium LLC is charged a commitment fee of 0.375% for all amounts available under the Facility. All amounts outstanding under the amended Facility are due and payable on the maturity date of the amended Facility, March 31, 2013.

The Stadium Facility requires that Stadium LLC maintain cash reserves for capital expenditures in the amount of $2,500,000. Stadium LLC may request the release of such amounts to finance Stadium capital expenditures provided that such amounts are replenished in the year following release at the lesser of $600,000 or that amount required to fund the reserve to $2,500,000. During 2012, Stadium LLC requested, and was granted, the release of approximately $2,266,000 of these reserves. Therefore, at March 31, 2012, this reserve was funded at the level of approximately $250,000 and is included in restricted cash in the accompanying consolidated balance sheets. At March 31, 2011, the reserve was fully funded and included in restricted cash in the accompanying consolidated balance sheets.

In addition, the Stadium Facility requires that Stadium LLC maintain a debt service reserve, as described in the Stadium Facility, in the event that the NFL labor agreement expires. Due to the fact that the NFL labor agreement expired during the year ended March 31, 2011, this reserve has been funded in the amount of $2,039,685, and included in restricted cash in the accompanying consolidated balance sheet for March 31, 2011. A new NFL labor agreement was reached during 2012, and, therefore, this reserve was released.

The Stadium Facility requires compliance with certain financial ratios. At March 31, 2012 and 2011, Stadium LLC was in compliance with all applicable covenants.

As part of entering into the Stadium Facility, the Partnership has granted to the Lenders a security pledge of its equity interests in Stadium LLC, including an assignment of proceeds in the event of the sale of Stadium LLC.

The Partnership, through its subsidiary Stadium LLC, is a party to an interest rate swap agreement with a certain financial institution under which Stadium LLC pays a fixed rate of 6.33% from April 1, 2004 to April 1, 2013 and receives a variable rate of three-month LIBOR. Beginning April 1, 2006, the variable rate received is capped at a maximum of 5%; however, for the period from April 1, 2006 through April 1, 2009, the Partnership received additional payments equal to the excess of LIBOR over 7%. The agreement has a notional amount that amortizes to $22,800,000 at a rate of $1,250,000 per quarter over the life of the swap. At March 31, 2012 and 2011, the notional amount of the agreement was $27,800,000 and $32,800,000, respectively.

At March 31, 2012 and 2011, the fair value of Stadium LLC's interest rate swap agreement was approximately $1,457,000 and $3,005,000, respectively, and was recorded as a liability on the accompanying consolidated balance sheets.

Amounts paid or accrued under this agreement totaled approximately $1,804,000 and $2,101,000, respectively, during the years ended March 31, 2012 and 2011, and have been recognized as components of interest expense in the accompanying consolidated statements of operations.

## 5. DEFERRED REVENUE

At March 31, 2012 and 2011, deferred revenue consists of:

| | 2012 | 2011 |
|---|---|---|
| NFL tickets — prepayments for upcoming regular season, including luxury suite and club seat rental fees | $ 19,523,655 | $ 6,790,328 |
| Sponsor advertising | 2,941,242 | 2,892,469 |
| PSL revenue | 10,734,930 | 10,224,990 |
| Concessions agreement rights fee | 1,004,947 | 1,115,520 |
| Total deferred revenue | 34,204,774 | 21,023,307 |
| Less current deferred revenue | (22,478,500) | (9,575,460) |
| Long-term deferred revenue | $ 11,726,274 | $ 11,447,847 |

## 6. PLAYER AND EMPLOYEE BENEFITS

The Partnership participates in pension plans administered through the NFL (union plans for players and nonunion for other than players). Because the plans are multiemployer pension plans, the Partnership does not reflect any asset or liability relating to the funding of pension benefits on its consolidated balance sheets. The amount charged to pension expense for the union's Bert Bell/Pete Rozelle NFL Player Retirement Plan was approximately $6,186,000 and $5,419,000 for the years ended March 31, 2012 and 2011, respectively. The amount charged to pension expense for the nonunion NFL Club Employees Pension Plan was approximately $2,020,000 and $2,765,000 for the years ended March 31, 2012 and 2011, respectively.

The Partnership also participates in the National Football League Supplemental Employee Retirement Plan (the "NFL SERP"), a nonqualified plan funded by the Partnership that provides pension benefits to certain coaches and front office employees to supplement benefits provided under the NFL Club Employees Pension Plan. The changes in the Plan's benefit obligation and funded status, as well as the amounts shown in the accompanying consolidated financial statements as of March 31, 2012 and 2011 are as follows:

| | NFL SERP Benefits | |
|---|---|---|
| | **2012** | **2011** |
| Change in projected benefit obligation: | | |
| Benefit obligation — beginning of period | $ 10,989,900 | $ 9,873,126 |
| Service cost | 326,892 | 131,984 |
| Interest cost | 590,271 | 610,562 |
| Actuarial loss | 1,083,043 | 1,030,164 |
| Benefits paid | (566,792) | (655,936) |
| Benefit obligation — end of period | 12,423,314 | 10,989,900 |
| Change in plan assets: | | |
| Employer contribution | 566,792 | 655,936 |
| Benefits paid | (566,792) | (655,936) |
| Fair value of plan assets at end of period (see discussion below) | - | - |
| Funded status at the end of the period | $ (12,423,314) | $ (10,989,900) |
| Amounts recognized in balance sheets: | | |
| Current liabilities | $ 659,524 | $ 802,834 |
| Noncurrent liabilities | 11,763,790 | 10,187,066 |
| Amounts recognized in accumulated other comprehensive loss: | | |
| Net loss | $ 4,164,787 | $ 3,235,154 |
| Prior service cost | 331,021 | 495,208 |
| Decrease in other comprehensive income: | | |
| Net loss for the period | $ 1,083,043 | $ 1,030,164 |
| Amortization of net gain | (153,410) | (175,130) |
| Amortization of prior service cost | (164,187) | (164,187) |
| Decrease in other comprehensive income | $ 765,446 | $ 690,847 |

The Partnership has deposits on hand of approximately $4,068,000 and $4,020,000 at March 31, 2012 and 2011, respectively, in a trust for the benefit of the NFL SERP participants ("rabbi trust"). The rabbi trust assets are not included in plan assets above, but instead are reflected as other assets in the accompanying consolidated balance sheets. The target allocations for the rabbi trust assets are 15% fixed income securities, 25% U.S. equity securities, 25% international equity securities, 10% liquid real assets, and 25% alternative investment types. See Note 7 for the fair value of rabbi trust assets by asset category.

The accumulated benefit obligation for the NFL SERP was $9,789,845 and $8,445,035 at March 31, 2012 and 2011, respectively. The estimated net loss and prior service cost for the NFL SERP that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are $261,588 and $108,846, respectively.

| | **2012** | **2011** |
|---|---|---|
| Components of net periodic benefit cost: | | |
| Service cost | $ 326,892 | $ 131,984 |
| Interest cost | 590,271 | 610,562 |
| Recognized net actuarial loss and prior service cost | 317,597 | 339,317 |
| Net periodic benefit cost | $ 1,234,760 | $ 1,081,863 |
| Weighted-average assumptions used to determine benefit obligations at March 31, 2012 and 2011 (the Plan's measurement dates at March 31, 2012 and 2011, respectively): | | |
| Discount rate | 4.50 % | 5.70 % |
| Rate of compensation increase | 5.00 | 5.00 |
| Weighted-average assumptions used to determine net periodic benefit cost at March 31, 2012 and 2011 (the Plan's measurement dates at March 31, 2012 and 2011, respectively): | | |
| Discount rate | 5.70 | 6.15 |
| Expected long-term return on plan assets | - | - |
| Rate of compensation increase | 5.00 | 5.00 |

The Partnership expects to contribute $659,524 to the NFL SERP in the year ending March 31, 2013.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid for the years ending March 31:

| | |
|---|---|
| 2013 | $ 659,524 |
| 2014 | 678,516 |
| 2015 | 740,903 |
| 2016 | 1,041,633 |
| 2017 | 445,243 |
| 2018–2022 | 4,880,862 |

The Partnership also participates in the National Football League Flex health care plans (the "NFL Flex"), a single-employer defined benefit plan that provides medical, dental, and certain other postretirement benefits to certain employees. The changes in the Plan's benefit obligation and funded status, as well as the amounts shown in the accompanying consolidated financial statements as of March 31, 2012 and 2011 are as follows:

| | Other Postretirement Benefits | |
|---|---|---|
| | 2012 | 2011 |
| Change in projected benefit obligation — benefit obligation at beginning of period | $ 4,337,919 | $ 3,255,450 |
| Service cost | 234,688 | 222,447 |
| Interest cost | 178,462 | 196,592 |
| Actuarial loss | 40,829 | 157,441 |
| Benefits paid | (3,124) | (19,492) |
| Healthcare reform tax | - | 315,374 |
| Change in plan assumptions | - | 210,107 |
| Benefit obligation at end of period | 4,788,774 | 4,337,919 |
| Change in plan assets: | | |
| Employer contribution | 3,124 | 19,492 |
| Benefits paid | (3,124) | (19,492) |
| Fair value of plan assets at end of period | - | - |
| Funded status at the end of period | $ (4,788,774) | $ (4,337,919) |
| Amounts recognized in the balance sheets: | | |
| Current liabilities | $ 80,068 | $ 68,720 |
| Noncurrent liabilities | 4,708,706 | 4,269,199 |
| Amounts recognized in accumulated other comprehensive loss: | | |
| Net loss | $ 1,709,260 | $ 1,707,216 |
| Prior service cost | 59,535 | 112,637 |
| Decrease in other comprehensive income: | | |
| Net loss for the period | $ 40,829 | $ 682,922 |
| Amortization of net gain | (38,785) | (106,117) |
| Amortization of prior service cost | (53,102) | (53,102) |
| (Increase) Decrease in other comprehensive income | $ (51,058) | $ 523,703 |

The estimated net loss and prior service cost for the other defined benefit postretirement plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost over the next fiscal year are $81,375 and $53,102, respectively.

| | 2012 | 2011 |
|---|---|---|
| Components of net periodic benefit cost: | | |
| Service cost | $ 234,688 | $ 222,447 |
| Interest cost | 178,462 | 196,592 |
| Recognized net actuarial loss and prior service cost | 91,887 | 159,219 |
| Net periodic benefit cost | $ 505,037 | $ 578,258 |
| Weighted average assumptions used to determine benefit obligations at March 31, 2012 and 2011 (the Plan's measurement dates at March 31, 2012 and 2011, respectively) — discount rate | 4.38 % | 5.26 % |
| Weighted average assumptions used to determine net periodic benefit cost at March 31, 2012 and 2011 (the Plan's measurement dates at March 31, 2012 and 2011, respectively) — discount rate | 5.26 | 5.80 |
| Assumed health care cost trend rates: | | |
| Health care cost trend rate assumed for next year | 9.00 % | 9.00 % |
| Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) | 5.90 | 5.00 |
| Year that the rate reaches the ultimate trend rate | 2045 | 2019 |

The Partnership expects to contribute $80,068 to its other postretirement benefit plan in the year ending March 31, 2013.

The benefit payments, which reflect expected future service, as appropriate, expected to be paid for the years ending March 31 are as follows:

| | |
|---|---|
| 2013 | $ 80,000 |
| 2014 | 116,000 |
| 2015 | 149,000 |
| 2016 | 181,000 |
| 2017 | 208,000 |
| 2018–2022 | 1,494,000 |

In 2002, the Partnership entered into a retrospective insurance arrangement to provide players workers' compensation insurance. Accounts payable and accrued liabilities on the accompanying consolidated balance sheets include an accrual for claims, including an estimate of incurred but not reported claims, under all active workers' compensation plans of approximately $5,403,000 and $3,324,000 at March 31, 2012 and 2011, respectively.

The Partnership participates in a defined contribution 401(k) plan which covers all nonplayer employees. The Partnership's contributions to the 401(k) plan were approximately $218,000 and $194,000 during the years ended March 31, 2012 and 2011, respectively.

## 7. FAIR VALUE MEASUREMENTS

In accordance with FASB ASC 820, the Partnership categorizes its assets and liabilities measured at fair value into a fair value hierarchy that prioritizes the assumptions used in pricing the asset or liability into the following three levels:

*Level 1* — Observable inputs such as quoted prices for identical assets and liabilities in active markets obtained from independent sources.

*Level 2* — Other inputs that are observable directly or indirectly, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active and inputs that are derived principally from or corroborated by observable market data (the "Market Approach"). Values included in the tables below have been determined using the Market Approach.

*Level 3* — Unobservable inputs for which there is little or no market data and require the Partnership to develop its own assumptions, based on the best information available in the circumstances, about the assumptions market participants would use in pricing the asset or liability.

The following table presents the Partnership's assets and liabilities that are measured at fair value on a recurring basis at March 31, 2012 (in thousands):

| | Recurring Fair Value Measurements Using | | | |
|---|---|---|---|---|
| | **Quoted Market Prices in Active Markets for Identical Assets (Level 1)** | **Significant Other Observable Inputs (Level 2)** | **Significant Unobservable Inputs (Level 3)** | **Total Fair Value Measurements** |
| Assets: | | | | |
| Cash equivalents | $ 498 | $ - | $ - | $ 498 |
| Mutual funds — fixed income | 535 | - | - | 535 |
| Mutual funds — equity | 1,894 | - | - | 1,894 |
| Hedge funds | - | - | 571 | 571 |
| Private equity funds | - | - | 569 | 569 |
| Total assets | $ 2,927 | $ - | $ 1,140 | $ 4,067 |
| Liabilities — interest rate swap | $ - | $ 3,541 | $ - | $ 3,541 |

The following table presents the Partnership's assets and liabilities that are measured at fair value on a recurring basis at March 31, 2011 (in thousands):

| | Recurring Fair Value Measurements Using | | | |
|---|---|---|---|---|
| | Quoted Market Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Fair Value Measurements |
| Assets: | | | | |
| Cash equivalents | $ 330 | $ - | $ - | $ 330 |
| Mutual funds — fixed income | 571 | - | - | 571 |
| Mutual funds — equity | 1,957 | - | - | 1,957 |
| Hedge funds | - | - | 644 | 644 |
| Private equity funds | - | - | 518 | 518 |
| Total assets | $ 2,858 | $ - | $ 1,162 | $ 4,020 |
| Liabilities — interest rate swap | $ - | $ 6,720 | $ - | $ 6,720 |

Changes in the Partnership's assets that are measured at fair value on a recurring basis using significant unobservable inputs (Level 3) were not significant.

The valuation of derivative financial instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. The fair value of the variable to fixed interest rate swap is determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates forward curves derived from observable market interest rate curves. To comply with the provisions of FASB ASC 820 (previously FASB Statement No. 157), the Partnership considered a credit valuation adjustment to fair value and concluded any adjustment to be insignificant based on the nature of the swap.

## 8. COMMITMENTS AND CONTINGENCIES

**Leases** — The Partnership has a noncancelable operating lease covering certain premises and equipment. Total operating lease payments included in the accompanying consolidated statements of operations were approximately $68,000 and $70,000 for 2012 and 2011, respectively. The annual payments under the terms of the lease agreement are subject to annual consumer price index ("CPI") adjustments. Future annual minimum lease payments through 2015 under this operating lease, excluding CPI adjustments, are $40,000.

The Partnership has the right to lease, license or sell club seats for attendance at NFL football games played by the Franchise at the Stadium. Terms for these license arrangements are for periods ranging from 6 to 15 years, at the option of the customer.

The Partnership has also entered into lease agreements with customers that provide for the use of luxury suites in the Stadium. These agreements, which are for periods ranging from 6 to 15 years, at the option of the customer, include an annual license fee that is paid to the Partnership. As part of the agreements, customers are required to maintain a deposit equal to the annual license fee as a security deposit for performance of the customers' obligations under the license agreement. Deposits as of March 31, 2012 and 2011, were approximately $9,991,000 and $10,096,000, respectively.

**Litigation** — The NFL and its Member Clubs are engaged in various litigation incidental to their businesses. The costs of any claims ultimately paid with respect to NFL matters constitute expenses to be shared equally among the member clubs of the NFL, subject to certain exceptions, in accordance with provisions of the NFL Constitution and Bylaws. The costs of any claims would be the responsibility of the Partnership. In the opinion of the Partnership's management, the ultimate resolution of these litigation issues will not have a material adverse effect on the consolidated financial position or results of operations of the Partnership.

A new collective bargaining agreement between the NFL Management council and the NFL Players Association, a union representing professional football players, was agreed to effective August 4, 2011, replacing the agreement that expired on March 11, 2011. The term of the new agreement is 10 years.

## 9. CONCESSION AGREEMENT

At March 31, 2004, the Partnership (through its subsidiary, Stadium LLC) entered into a concession agreement, updated by subsequent amendments (the "Agreement") with SF&B (the "Concessionaire"), an unrelated party.

The Agreement states that the Concessionaire will manage, supervise and operate certain food and beverage concessions for all events in the Stadium for and on behalf of the Partnership. The Concessionaire has the exclusive right to sell all food, beverage and merchandise products within the Stadium throughout the term of the Agreement. In consideration for this exclusive right, the Concessionaire will pay a commission to the Partnership equal to 15%, 21% and 32% of gross sales pertaining to catering operations, merchandise sales and concession sales, respectively, as defined in the Agreement. The Concessionaire shall pay a year-end commission equal to 15% of the amount, if any, by which total gross sales for all NFL games exceeds the product of the number of such games times $900,000 ("bonus commission"). The Concessionaire also assumed responsibility for waste removal and internet sales. In lieu of commissions, the Concessionaire shall pay $20,000 per month from July through March of each year for sales of merchandise over the internet. In consideration for the use of the facilities, equipment and services, the Concessionaire paid rent to the Partnership according to terms as stated in the Agreement in the amount of $500,000 for the year ended March 31, 2010.

Effective April 1, 2008, the Partnership entered into an amendment to the Agreement that changed the bonus commission calculation to equal 15% of the amount, if any, by which total gross sales for all NFL games exceeds the product of the number of such games times $1,000,000.

On March 31, 2010, the Agreement was renegotiated subsequent to a change in ownership of the Concessionaire. The new agreement is for a term of 10 years, terminating March 31, 2020; subject, however, to the right of either party to terminate the agreement as of March 31, 2015. The new agreement includes a rights fee of $1,126,133, which has been collected in three installments all paid prior to March 31, 2011. The rights fee has been included in deferred revenue on the accompanying consolidated balance sheets, and is being amortized over the 10-year term of the new agreement. The amount included in deferred revenue at March 31, 2012 and 2011 was $900,907 and $1,013,520, respectively.

In addition, the new agreement provides for rent payments from the Concessionaire of $100,000 monthly during 2011. This rental charge increases 2% on each anniversary of the agreement date. Rent revenue is being recognized on a straight-line basis over the term of the agreement. Rent revenue of $1,248,970 was recognized during 2012 and 2011, and is included in rental income on the accompanying consolidated statements of operations.

Finally, the new agreement provides that the Concessionaire will pay a commission to the Partnership equal to 20%, 25% and 35% of gross sales pertaining to catering operations, merchandise sales and concession sales, respectively, as defined in the new agreement. The Concessionaire will retain a management fee of 3.5% of gross sales, as defined in the new agreement.

In addition, as of each March 31 during the term of the new agreement, beginning in 2011, the parties will determine profits or losses from the immediately preceding 12-month period based upon gross sales minus cost of goods, labor, direct and indirect operating expenses, rent, commissions, depreciation and the management fee. Profits and losses shall be allocated 85% to the Partnership and 15% to the Concessionaire. The Partnership's share of profits will be paid to the Partnership by May 31 each year. Losses will be carried forward to the next year and funded out of gross sales of the next year; however, if losses exist for a second consecutive year, then each party shall fund its proportionate share of losses by May 31 following the close of the second year. For 2012, the Partnership's share of the Concessionaire's net loss was approximately $141,000, and has been included as an accrued liability on the accompanying consolidated balance sheet as of March 31, 2012. For 2011, the Partnership's share of the Concessionaire's net loss was approximately $1,672,000, and has been included as an accrued liability on the accompanying consolidated balance sheet as of March 31, 2012 and 2011.

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