

**CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (IBank)
501(c)(3) REVENUE BOND FINANCING PROGRAM**

STAFF REPORT

EXECUTIVE SUMMARY

| | | | |
|---|---|----------------------------|-----------------------------|
| Applicant: | Academy Museum Foundation (“Museum Foundation” or “Borrower”) | Amount Requested: | Not to exceed \$125,000,000 |
| Applicant Description: | The Museum Foundation was organized in March 2005 as a California non-profit public benefit corporation and an organization described under Internal Revenue Code Section 501(c)(3). The Museum Foundation was incorporated for the purpose of owning and operating a museum dedicated to the arts and sciences of motion pictures. | | |
| Type of Financing: | Conduit Tax-exempt and/or Taxable Revenue Bonds (“Bonds”). | | |
| Project Description: | The proceeds of the Bonds will be loaned to the Borrower to: (1) finance a portion of the costs of construction, renovation, retrofitting, improvement and equipping of a museum located at 6067 Wilshire Boulevard, Los Angeles, CA, the Academy Museum of Motion Pictures (“Academy Museum”), including the reimbursement of the Borrower for various capital expenditures incurred by the Borrower relating to the Academy Museum that was not financed previously with the proceeds of the Museum Foundation’s Series 2015 Bonds; and (2) pay various costs of issuance (“2020 Project”). | | |
| Project Site: | 6067 Wilshire Boulevard, Los Angeles, CA 90036 (Los Angeles County) | | |
| Plan of Finance: | IBank will lend the proceeds of the Bonds to the Museum Foundation to finance the costs of the 2020 Project. The purpose of the 2020 Project is to provide the funding described in “Project Description” above. | | |
| Tax Status: | Tax-exempt and/or taxable | | |
| Term: | Up to 35 Years | | |
| Credit Enhancement: | No Credit Enhancement | | |
| Credit Rating: | Expecting Moody's Aa2 (to be confirmed) | | |
| IBank Fees: | Application Fee \$4,000; Issuance Fee \$100,000; Initial Annual Fee \$3,000 | | |
| STO Fee: | Agent for Sale \$10,000 to be paid to STO | | |
| Est. Sources of Funds: | | Est. Uses of Funds: | |
| Tax-Exempt and/or Taxable Bond Proceeds | \$125,000,000 | Project Expenditures | \$124,000,000 |
| | | Costs of Issuance | \$1,000,000 |
| TOTAL SOURCES | \$125,000,000 | TOTAL USES | \$125,000,000 |
| Financing Team: | <p>Bond Counsel: Hawkins, Delafield & Wood LLP</p> <p>Underwriter’s Counsel: Orrick, Herrington & Sutcliffe LLP</p> <p>Underwriter: Wells Fargo Securities</p> <p>Trustee: Wells Fargo Bank, N.A.</p> | | |

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| Public Benefits: | The Museum Foundation anticipates hiring approximately 500 construction jobs, 150 permanent full-time, 70 part-time administration and office staff, including support staff for security, custodial, café staff, store employees, and docents. The Academy provides a year-round calendar of programs and events including a wide range of educational and cultural activities at minimal or no cost to the general public and Museum Foundation members. | |
| Date of Board Meeting: 12/18/2019 | Resolution Number: 19-23 | Prepared by: John Belmont |
| Staff Recommendation: Staff recommends approval of Resolution No. 19-23 authorizing the issuance of Conduit Tax-exempt and/or Taxable Fixed Rate Bonds in an amount not to exceed \$125,000,000 for the benefit of the Academy Museum Foundation. | | |

BACKGROUND AND HISTORY

The Borrower and Affiliated Organizations

The Borrower is a tax-exempt non-profit public benefit corporation and an organization described under section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The Borrower is a Type I “supporting organization” as described in Section 509(a)(3), with the Academy Foundation as its “supported organization”. The Borrower is classified by the I.R.S. as a “Non-private Foundation” and a “Public Charity” under section 509(a) of the Code and is part of the "Academy Obligated Group", described below.

The Academy Obligated Group (“Obligated Group”)

The Obligated Group consists of five related non-profit corporations: 1) the Academy of Motion Picture Arts and Sciences (“AMPAS”); 2) the Academy Foundation (the “Foundation”); and three Foundation-controlled supporting 501(c)(3) / 509(a)(3) organizations: 3) the Academy Museum Foundation (the “Museum Foundation” or “Borrower”), 4) the Archival Foundation, and 5) the Vine Street Archive Foundation. See Appendix A - Trustees and Officers and Organization Chart.

The following describes the Obligated Group and explains its relationship to each Obligated Group member.

(1) Academy of Motion Picture Arts and Sciences (“AMPAS” or the “Academy”)

The Academy is a professional honorary organization composed of over 9,000 motion picture craftsmen and women. The mission of the Academy is to recognize and uphold excellence in the motion picture arts and sciences, inspire imagination, and connect the world through the medium of motion pictures. It does this by preserving the past, honoring the present, and shaping the future of motion pictures, consistent with the purposes set forth in its Articles of Incorporation.

(2) Academy Foundation (the “Foundation”)

The Foundation was formed with the purpose of promoting and supporting educational and cultural activities related to the motion picture industry, including the preservation of its history and the promotion of its future.

The Foundation organizes and oversees film-related educational and cultural activities including:

- Exhibitions and Screenings
- Lectures and Seminars
- Retrospectives, Tributes and Salutes
- Financial Grants and Fellowships
- Media Literacy Program
- Visiting Artists

(3) The Vine Street Archive Foundation (“Vine Street Foundation”)

The Vine Street Foundation’s primary purpose is to promote and further the study and importance of motion pictures in the life of the public including through the ownership and management of the Mary Pickford Center for Motion Picture Studies.

(4) Academy Museum Foundation (“Museum Foundation” or “Borrower”)

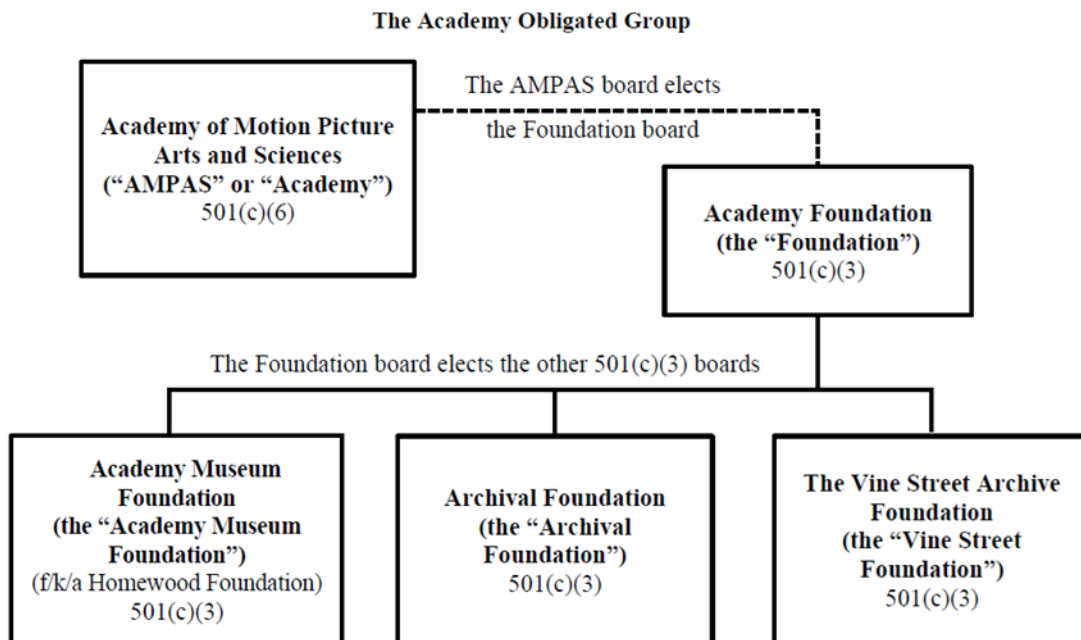
Academy Museum Foundation, formerly known as the Homewood Foundation, was formed to develop and operate a museum dedicated to the arts and sciences of motion pictures. After construction, the Academy Museum will present exhibitions and programs devoted to the history and future of the motion picture industry. This will include, educational programs, screenings, panel discussions, displays of memorabilia, immersive gallery experiences and other program features that will allow visitors to experience the culture of movies.

(5) Archival Foundation

Archival Foundation operates and manages the Douglas Fairbanks Center for Motion Picture Study, the Margaret Herrick Film Library, and the Academy Film Archive which is housed in the Pickford Center.

Organization Chart

The following chart displays the relationships among the five non-profits:



PROJECT DESCRIPTION

The Academy Museum of Motion Pictures (“Academy Museum”) is located on the western edge of the campus of the Museum Associates, a private non-profit public benefit corporation doing business as the Los Angeles County Museum of Art (“LACMA”). The land and existing facilities to be used for the Academy Museum are leased by the Borrower from LACMA, for an initial term of 55 years, and the Borrower has an option to extend the lease for an additional 55 years.

The Academy Museum consists of the renovation of a section of the historic Wilshire May Company Building (five stories over a basement level) and the construction of the new wing that will house a 1,000 seat theater over an at-grade piazza.

The Academy Museum will be dedicated to presenting and exploring the history of motion pictures and the motion picture industry. This will include educational programs, screenings, panel discussions, displays of memorabilia, immersive gallery experiences and other programs that will allow visitors to experience the magic of movies. The exterior of the Project is complete, and work on building interior finishing, exhibit space preparation, along with outdoor hardscape and landscaping is continuing. The purpose of the financing is to provide additional funding necessary to complete the construction of a portion of the Academy Museum to be located at 6067 Wilshire Boulevard, including reimbursement of various capital expenditures previously incurred relating to the Academy Museum that were not financed previously with the proceeds of the Museum Foundation’s Series 2015 Bonds.

Prior IBank Financing

On October 22, 2015, IBank issued the Academy of Motion Picture Arts and Sciences Obligated Group Series 2015A and Series 2015B (“2015 Bonds”), the proceeds of which, together with other legally available funds, were used to finance the costs of the AMPAS project and refunding of all of the IBank outstanding Variable Rate Demand Refunding Revenue Bonds (Academy of Motion Picture Arts and Sciences Obligated Group) Series 2008, including the payment of an amount for the termination of a related interest rate swap agreement and paying the costs of issuance of the 2015 Bonds.

| Outstanding Debt | Issue Date | Issue Par Amount | Final Maturity | Current Outstanding Amount (as of 6/30/2019) | Trustee |
|------------------|--------------|------------------|----------------|--|-------------|
| 2015A | 10/22/2015 | \$212,960,000 | 11/1/2045 | \$212,960,000 | Wells Fargo |
| 2015B | 10/22/2015 | \$128,000,000 | 11/1/2045 | \$128,000,000 | Wells Fargo |
| | Total | \$340,960,000 | | \$340,960,000 | |

FINANCING STRUCTURE

Infrastructure Bank Term Sheet

The Academy Museum of Motion Pictures Project

Date: December 18, 2019

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|---|---|
| Bond Par Amount: | Up to an aggregate principal amount not to exceed \$125,000,000; in one or more tax-exempt and/or taxable series |
| Type of Offering: | Public Offering in one or more series |
| Underwriter: | Wells Fargo Bank, National Association |
| Credit Enhancement and Expected Credit Rating: | No Credit Enhancement; Expected Rating on the Bonds of "Aa2" from Moody's Investors Service, and in no event less than "A3". A rating of at least "A3" is required as a condition to closing. |
| Interest Rate*: | The average effective yield across all of the Bonds will not exceed 4%. |
| Maturity*: | Up to 35 years |
| Collateral: | Pledge of Gross Revenues |
| Expected Closing Date*: | January 30, 2020 |
| Obligated Group: | Academy of Motion Picture Arts and Sciences, Academy Foundation, The Vine Street Archive Foundation, Archival Foundation, and Academy Museum Foundation |
| Conduit Transaction: | The Bonds are special, limited obligations payable solely by the Borrower's payments under the Loan Agreement, the Indenture and the Transaction Documents, and by payments from the Obligated Group made pursuant to a Supplemental Master Indenture, and Infrastructure Bank shall not be directly or indirectly, contingently or morally, obligated to use any other moneys or assets of Infrastructure Bank for all or any portion of the payment to be made pursuant to the Bonds. |

*Please note that Interest Rate, Maturity and Expected Closing Date are subject to change.

Financing Structure

The Bonds will be issued as fixed rate tax-exempt and/or taxable financing, be secured by an indenture, and sold through a public offering pursuant to a Bond Purchase Agreement. The proceeds of the Bonds will be loaned to the Borrower pursuant to a Loan Agreement. The Bonds are issuable as fully registered bonds in denominations of \$5,000 and any integral multiple thereof.

Below are the three Obligations in the financing structure:

Obligation No. 1 is the previously issued Series 2015A Bonds;

Obligations No. 2 is the previously issued Series 2015B Bonds; and

Obligation No. 3 relates to the 2020 Bonds.

The Bonds are payable from loan payments made by the Museum Foundation under the loan agreement and amounts paid by the Obligated Group under Obligation No. 3. Each Obligation will provide that the Obligated Group members are obligated to pay to the bond trustee amounts due under the Loan Agreement with respect to the 2015A Bonds, the 2015B Bonds, and the 2020 Bonds.

Limited Obligations of IBank

The Bonds are payable solely from and secured solely by the pledge of the Borrower's payments under the transaction documents and payments by certain of the Borrower's affiliates under a suretyship arrangement. Neither IBank, nor any of the members of its Board of Directors, nor any of its officers or employees, nor any person executing the transaction documents on behalf of IBank shall be personally liable for the Bond or subject to any personal liability or accountability by reason of the execution thereof. The Bonds are limited obligations of IBank and are not a pledge of the faith and credit of IBank or the State of California or any of its political subdivisions.

PUBLIC BENEFITS

The Academy Museum will be dedicated to presenting and exploring the history of motion pictures and the motion picture industry. This will include educational exhibits and activities, screenings, panel discussions, displays of motion picture memorabilia, immersive gallery experiences and other programs that will allow visitors to experience the culture of movies.

The Academy Museum, with its close association with the City and County of Los Angeles and State of California, will help promote economic development in the greater Los Angeles area.

The Academy Museum will present the work of Oscar® winners and nominees, and a wide range of global artists in the movie industry. It will include a wide spectrum of educational and cultural activities on moviemaking that will highlight the history and future of the arts and science of film. Programs and events will be available year-round at low or no cost to the general public and Academy members.

The Academy Museum anticipates hiring approximately 500 construction jobs, 150 permanent full-time, 70 part-time administration and office staff including, support staff for security, custodial, café staff, store employees, and docents.

OTHER PROJECT DATA

| PERMITS AND APPROVAL | |
|---|---|
| Required? | <input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Describe: |
| TEFRA | |
| Date of TEFRA Notice | 12/4/2019 |
| Publications | <i>The Sacramento Bee</i> <i>Los Angeles Times</i> |
| Date of TEFRA Hearing | 12/11/2019 |
| Oral/Written Comments | <input checked="" type="checkbox"/> NO <input type="checkbox"/> YES, Explain: |
| ELIGIBILITY REVIEW | |
| Applicant meets all of the IBank eligibility criteria? <input checked="" type="checkbox"/> YES <input type="checkbox"/> NO | <ol style="list-style-type: none"> 1. The Project is in the State of California. 2. Academy Museum Project is capable of meeting the obligations incurred under the proposed loan agreement. 3. Payments to be made to IBank under the proposed loan agreement are adequate to pay the current expenses of IBank in connection with the financing and to make all the scheduled payments on the bonds. 4. The proposed financing is appropriate for the Project. 5. The Project is consistent with any existing local or regional comprehensive plans. |
| INDUCEMENT CERTIFICATE | |
| Completed? | <input type="checkbox"/> NO <input type="checkbox"/> YES Certificate No.: <input checked="" type="checkbox"/> N/A Date: |

RECOMMENDATION

Staff recommends approval of Resolution No. 19-23, authorizing the issuance of Conduit Tax-exempt and/or Taxable Fixed Rate Bonds in an amount not to exceed \$125,000,000 for the benefit of the Academy Museum Foundation.

**APPENDIX A
GOVERNANCE AND MANAGEMENT**

ACADEMY MUSEUM BOARD MEMBERS

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|--------------------------|---|
| Ron Meyer | Position: Chair Affiliated Company: NBC Universal Los Angeles, CA |
| Ted Sarandos | Position: Vice-Chair Affiliated Company: Netflix Los Angeles, CA |
| Kimberly Steward | Position: Secretary Affiliated Company: K period Media New York, NY |
| Jason Blum | Position: Treasurer Affiliated Company: Blumhouse Productions Los Angeles, CA |
| Laura Dern | Position: Member Affiliated Company: Academy Foundation Los Angeles, CA |
| David Dolby | Position: Member Affiliated Company: Dolby Family Ventures San Francisco, CA |
| Sidonie Dumas | Position: Member Affiliated Company: Gaumont Paris, France |
| Diane von Furstenberg | Position: Member Affiliated Company: Fashion Designer New York, NY |
| Jim Gianopulos | Position: Member Affiliated Company: Paramount Pictures Los Angeles, CA |
| Tom Hanks | Position: Member Affiliated Company: Playtone Los Angeles, CA |
| Dawn Hudson | Position: Member Affiliated Company: Academy Foundation Los Angeles, CA |
| Mark Johnson | Position: Member Affiliated Company: Academy Foundation Los Angeles, CA |
| Miky Lee | Position: Member Affiliated Company: CJ Group Villa Park, CA |
| Alejandro Ramirez Magana | Position: Member Affiliated Company: Cinopolis Mexico City, Mexico |
| Dominic Ng | Position: Member Affiliated Company: East West Bank Los Angeles, CA |
| Katherine Oliver | Position: Member Affiliated Company: Bloomberg Associates New York, NY |

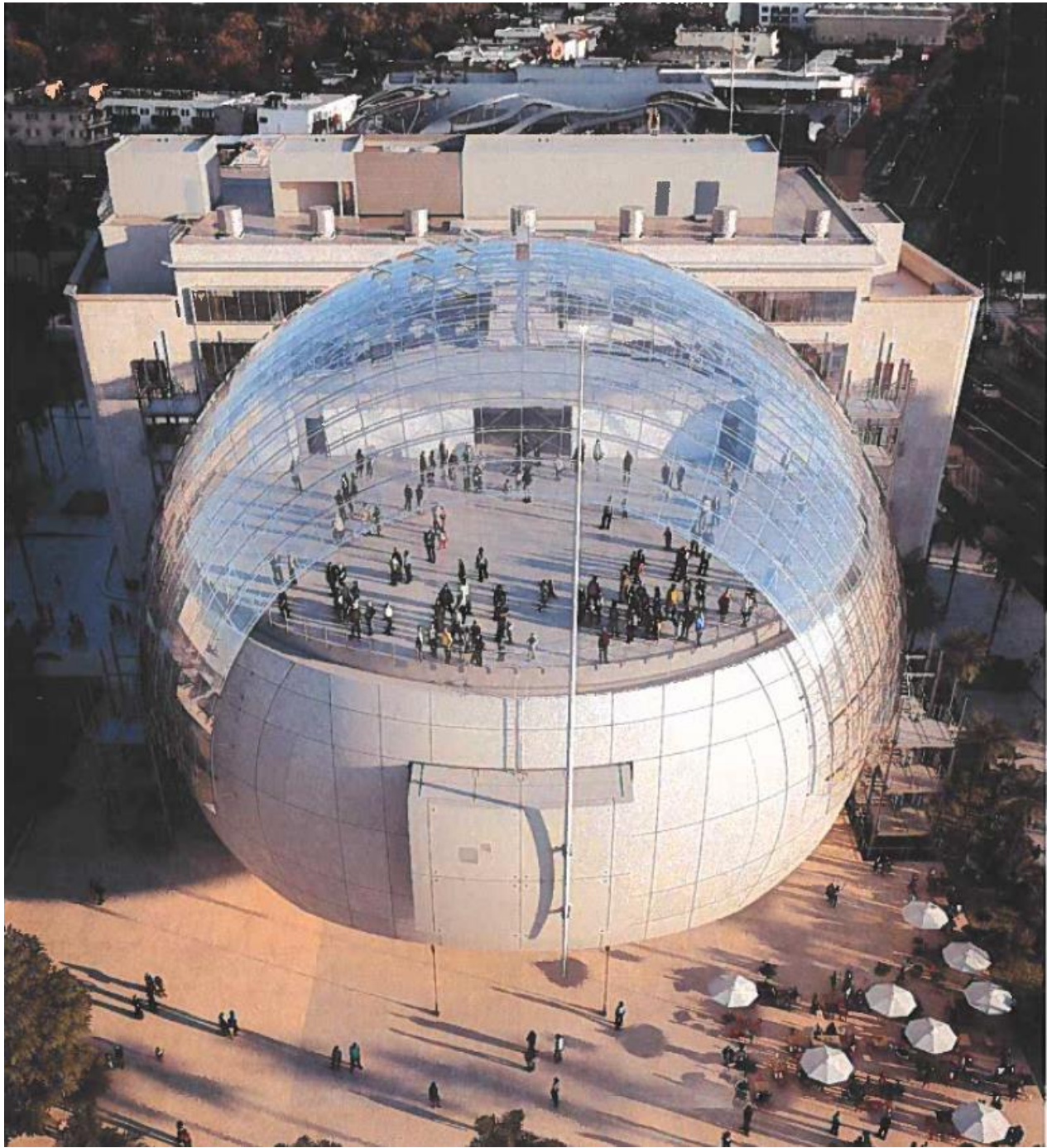
| | |
|--------------|---|
| David Rubin | Position: Member Affiliated Company: Academy Foundation Los Angeles, CA |
| Emma Thomas | Position: Member Affiliated Company: Syncopy Los Angeles, CA |
| Kevin Yeaman | Position: Member Affiliated Company: Dolby Laboratories San Francisco, CA |

OFFICERS

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| Bill Kramer | Chief Executive Officer |
| Brendan Connell, Jr. | Chief Operating Officer |
| Andrew Horn | Chief Financial Officer (also CFO of Obligated Group) |

APPENDIX B
PROJECT PHOTOS





APPENDIX C
FINANCIAL STATEMENTS 2016 – 2018