

STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Facilities Committee
March 24, 2011

SUBJECT: A Resolution of the Board of Governors Authorizing the Issuance by the University of South Florida Financing Corporation of Debt to Finance the Renovation of the USF Arena and Convocation Center on the Tampa campus of the University of South Florida

PROPOSED BOARD ACTION

Adoption of a resolution approving the issuance of debt, by the University of South Florida Financing Corporation (the "Corporation"), in an amount not to exceed \$26,500,000 (the "Debt") for the purpose of financing a major renovation of the USF Arena and Convocation Center (the "Project"). The facility is currently named the USF Sun-Dome, and is located on the Tampa campus of the University of South Florida.

Staff of the Board of Governors, State University System of Florida, and the Division of Bond Finance, State Board of Administration of Florida, have reviewed this resolution and all supporting documentation. Based upon this review, it appears that the proposed financing is in compliance with Florida Statutes governing the issuance of university debt; but does not comply with the debt management guidelines adopted by the Board of Governors because the Project is not financially feasible based on the net revenues of the USF Arena and Convocation Center. However, the USF Foundation has agreed to make-up any shortfall in net revenues of the Sun Dome so that the debt service coverage ratio is maintained at 1.2X annual debt service required by the guidelines. Accordingly, staff of the Board of Governors makes no recommendation regarding the adoption of the resolution and authorization of the proposed financing.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Florida Board of Governors Debt Management Guidelines; Section 1010.62, Florida Statutes; and Article IX, Section 7, Florida Constitution.

BACKGROUND INFORMATION

The proposed Project is for the purpose of extending the useful life of the Sun Dome, which was originally constructed in 1980. Based upon professional surveys, the

university believes that unless these renovations occur, the Sun Dome has reached the end of its useful life. Previous repairs and modifications have not extended the useful life of the Sun Dome. Rather, they have resulted in a facility with significantly impaired mechanical systems. The current seating capacity of 10,000 will remain approximately the same.

Systems to be replaced include arena seating, heating and cooling, electrical, restrooms, locker areas, offices, etc. Additionally, the renovation work includes redesigning the interior to meet new building code requirements while replacing much of the current retractable seating with fixed seating, retrofitting for energy efficiency, removing environmental hazards and generally bringing up to current code.

The University's Board of Trustees has requested approval from the Board of Governors for the Corporation to issue debt in the form of a bank loan in an amount up to \$26,500,000 to finance the renovation, fund capitalized interest and pay costs of issuing the Debt. The Debt will mature not more than twenty (20) years after issuance and will have approximately level annual debt service payments.

The debt service payments will be secured by revenues legally authorized for such purpose pursuant to Section 1010.62, Florida Statutes. These are limited to revenues derived from operations of the USF Arena and Convocation Center and include event rent, facility fees, concessions, event parking, sponsorships, advertising, novelties, convenience charge rebates, premium seating, and naming rights. In addition, to the extent that net revenues of the Project are less than 120% of annual debt service, the University of South Florida Foundation (the "Foundation") will make-up the amount of the shortfall from their unencumbered cash reserves such that a minimum debt service coverage ratio of 1.2X is maintained. Specifically, on debt service of \$2,217,502, the Foundation is projected to pay for no more than \$700,000 in fiscal year 2011-12, the first year of debt service. The Foundation's contribution to maintain the required debt service coverage ratio is projected to decrease significantly in all subsequent years and is projected to total \$1 million over four years from 2011-12 through 2014-2015. However, the University asserts that the Foundation has sufficient resources to guarantee the full amount of the debt under any and all circumstances.

As of June 30, 2010, the Foundation had an operating investment pool of approximately, \$79 million, all of which would have been available to meet this obligation. The Foundation's unrestricted net assets equaled negative \$16 million. Although the available assets are currently negative, USF believes that the long-term temporarily restricted assets of the Foundation of more than \$137 million provide reasonable assurance that the Foundation can meet its obligations to maintain a 1.2X debt service coverage ratio. The USF Foundation has additional commitments relating to debt guarantees formally pledging \$536,000 per year towards the USF St. Pete Student Center Debt and informally committing to serve as a financial guarantor of the USF

CAMLS facility debt, issued in the total amount of \$20 Million with a maximum annual debt service of \$1,673,587.

As of December 31, 2010, the Corporation's outstanding debt includes Certificates of Participation Series 2005A, Series 2005B, Series 2005C, Series 2007 and Series 2010-Health and Series 2010-Housing in the aggregate principal amount of \$369,190,000. Approximately 59% of this outstanding debt is variable rate. The University's current policy is not to issue new variable rate debt.

The University of South Florida Financing Corporation Board of Directors, at a meeting held on February 8, 2011, and the University of South Florida Board of Trustees, at its March 4, 2011 meeting, approved the Project and the financing thereof.

Supporting Documentation Included:

1. Requesting Resolution
2. Project Summary
3. Attachment I - Estimated Sources and Uses of Funds
4. Attachment II - Historical and Projected Pledged Revenues and Debt Service

Facilitators/Presenters: Chris Kinsley

A RESOLUTION APPROVING THE ISSUANCE BY THE UNIVERSITY OF SOUTH FLORIDA FINANCING CORPORATION (THE "FINANCING CORPORATION"), A UNIVERSITY DIRECT SUPPORT ORGANIZATION, OF DEBT TO FINANCE IMPROVEMENT AND RENOVATION OF THE EXISTING ARENA AND CONVOCATION CENTER LOCATED ON THE MAIN CAMPUS OF THE UNIVERSITY OF SOUTH FLORIDA IN AN AMOUNT NOT TO EXCEED \$26,500,000 AND PROVIDING AN EFFECTIVE DATE.

The duly acting and appointed Board of Governors of the State of Florida at a meeting duly held pursuant to notice and a quorum being present, do hereby make the following resolutions:

BE IT RESOLVED:

1. Findings. The Board of Governors hereby finds as follows:

(A) Pursuant to Section 7, Article IX of the Florida Constitution, the Board of Governors is vested with the power to operate, regulate, control and manage the State University System of Florida. The Board of Governors is further vested with the authority to approve the issuance of debt by a state university or its direct support organization pursuant to Section 1010.62(3), Florida Statutes.

(B) The University of South Florida Financing Corporation ("Financing Corporation") was incorporated by the University of South Florida Board of Trustees (the "University Board") to provide direct support to the University of South Florida (the "University") and designated as a "University Direct Support Organization" by the University Board of Trustees (the "University Board") pursuant to Section 1004.28, Florida Statutes.

(C) The University Board has requested approval from the Board of Governors for the Financing Corporation to issue debt, in an amount not to exceed \$26,500,000 (the "Debt") for the purpose of financing: (i) the renovation of a portion the USF Arena and Convocation Center, currently named the USF Sun-Dome; (ii) capitalized interest; and (iii) certain costs relating to the Debt (collectively, the "Project"). The foregoing plan to finance the Project, capitalized interest and costs relating to the Debt, is collectively referred to herein as the "Financing Plan".

(D) Upon consideration of the Financing Plan, the Board of Governors

further finds that the issuance of the Debt is for a purpose that is consistent with the mission of the University; is structured in a manner appropriate for the prudent financial management of the University; is secured by revenues adequate to provide for all debt service; has been properly analyzed by the staffs of the Board of Governors and the Division of Bond Finance; and is consistent with the Board's Debt Management Guidelines.

(E) The Board of Governors declares that the Project will serve a public purpose by providing necessary facilities at the University.

2. **Approval of the Project.** The Project is approved by the Board of Governors as being consistent with the strategic plan of the state university and the programs offered by the state university.

3. **Approval of the Debt.** The Board of Governors hereby approves issuance of the Debt by the Financing Corporation for the purposes described herein, in an amount not to exceed \$26,500,000, said Debt to have a final maturity not to exceed twenty (20) years from the date thereof and at a fixed rate of interest acceptable to the Financing Corporation. This approval is conditioned upon the Debt being secured by and payable solely from revenues legally authorized for such purpose pursuant to Section 1010.62, Florida Statutes, those being limited hereby to revenues derived from or attributable to operations of the USF Arena and Convocation Center on the Tampa campus of the University which may include but are not limited to event rent, facility fees, concessions, event parking, sponsorships, advertising, novelties, convenience change rebates, premium seating and naming rights as well as a guarantee by the University of South Florida Foundation from its assets. The Debt may not be secured by or be payable from any revenues or fees derived from or attributable to the Marshall Center on the Tampa campus or any portion of activity and service fees allocable to the Tampa campus. The proceeds of the Debt shall be used exclusively to fund the Financing Plan.

4. **Compliance.** The Board of Trustees will comply, and will require the University to comply, with the following:

(A) All federal tax law requirements upon advice of bond counsel as evidenced by a "Certificate as to Tax, Arbitrage and Other Matters" or similar certificate to be executed by the Board prior to the issuance of the Debt.

(B) All covenants and other legal requirements relating to the Debt.

5. **Repealing Clause.** All resolutions of the Board of Governors or parts thereof, in conflict with the provisions herein contained, to the extent they conflict herewith, are, to the extent of such conflict, hereby superseded and repealed.

6. **Authorization of Further Actions Consistent Herewith.** The members of the Board of Governors, attorneys, or other agents or employees of the Board of Governors are hereby authorized and directed to do all acts and things required of them by this resolution or desirable or consistent with the requirements hereof, to assure the full, punctual and complete performance of all the terms, covenants and agreements contained in the Bonds and this resolution; including execution of such documents, certificates, contracts and legal opinions and other material delivered in connection with construction, sale or leasing of the Project for use by the University, the issuance of the Bonds or as necessary to preserve any tax-exemption thereon, in such form and content as the Chair, Vice Chair or authorized officers executing the same deem necessary, desirable or appropriate.

7. **Effective Date.** This resolution shall become effective immediately upon its adoption.

Adopted this 24th day of March 2011.

CERTIFICATE OF THE CORPORATE SECRETARY

The undersigned, Corporate Secretary of the Board of Governors, does hereby certify that the attached resolution relating to the issuance of Bonds by the University of South Florida Financing Corporation is a true and accurate copy as adopted by the Board of Governors on March 24, 2011, and said resolution has not been modified or rescinded and is in full force and effect on the date hereof.

**BOARD OF GOVERNORS OF THE
STATE UNIVERSITY SYSTEM OF
FLORIDA**

Dated: _____, 2011

By: _____
Corporate Secretary

00537248.1

**STATE UNIVERSITY SYSTEM OF FLORIDA
BOARD OF GOVERNORS
Project Summary
University of South Florida
USF Sun-Dome Renovation Project**

Project Description: The proposed renovation of the USF Sun-Dome (the "Project") is for the purpose of extending the useful life of the facility, which was originally constructed in 1979. Based upon professional surveys, the university believes that unless these renovations occur, the facility has reached the end of its useful life. Previous repairs and modifications have not extended the useful life of the facility. Rather, they have resulted in a facility with significantly impaired mechanical systems. The current seating capacity of 10,000 will remain approximately the same.

Systems to be replaced include arena seating, heating and cooling, electrical, restrooms, locker areas, offices, etc. Additionally, the renovation work includes redesigning the interior to meet new building code requirements while replacing much of the current retractable seating with fixed seating, retrofitting for energy efficiency, removing environmental hazards and generally bringing the facility up to current code.

The Project is consistent with the Campus Master Plan.

Facility Site Location: The Project will retain its current location on the main campus, in the USF athletic district.

Projected Start and Opening Date: Construction of the Project is expected to commence in March of 2011, following Board approval and is anticipated to be completed and available for use by November 2011.

Demand Analysis: The university commissioned POPULOUS, a global design firm specializing in comprehensive design services, including sports architecture, conference and exhibition center architecture, interior design, environmental graphics and way-finding, events planning and overlay, master planning, sustainable design consulting and facilities operations and analysis to explore concepts that would extend the life of the Sun-Dome for an additional 30 years. The consultant determined that the arena has reached the end of its

effective life due in part to age and in part to a lack of preventative maintenance. The existing management of mechanical infrastructure is inefficient and obsolete, and POPULOUS recommends a total replacement of the entire existing mechanical infrastructure. Building systems that need replacement include electrical, seating and HVAC. Moisture infiltration is also a problem. Correction of any one major deficiency will trip thresholds requiring that the entire facility be brought up to code in all health safety areas.

The University retained a nationally recognized real estate, hospitality, and sports venue consulting firm, Convention, Sports, and Leisure International, to prepare a market and financial analysis comparing the costs of constructing a new stadium, a complete renovation of the existing Sun-Dome or the minimal required renovation of the arena for life safety and to avoid closing the facility. This analysis indicated that while additional revenues would be generated by a new arena or major overhaul, the additional costs would not be offset by these additional revenues.

**Project Cost and
Financing Structure:**

Total Project costs of \$35 million will be financed using cash contributed by the University of \$8.5 million from existing auxiliary reserves and \$26.5 million in debt to be incurred by the University of South Florida Finance Corporation (the "Corporation"), a University direct support organization, using a private placement bank loan with BB&T. The loan is secured by various revenues associated with operation of the arena, as well as the pledge of revenues from the USF Foundation, another University direct support organization.

The USF Foundation has made an unrestricted pledge to satisfy debt service to the extent all other pledged revenues are insufficient. Specifically, s. 1010.62 F.S. provides that "The assets of a university foundation and earnings thereon may also be used to pay and secure revenue bonds of the university or its direct-support organizations."

The Debt will mature no later than twenty (20) years after issuance and will be structured with level debt service payments based on the interest rate. The first principal payment will occur in July 2012.

The loan will bear interest at a fixed rate for twenty years.

It is estimated that 80% of the debt will be issued as tax-exempt debt and 20% will be issued as taxable debt because of private use issues.

The Corporation has a commitment letter from BB&T indicating that it will finance the Project at a combined rate of 5.52%.

(See Attachment 1 for an estimated sources and uses of funds).

Security/Lien Structure: The Debt will be secured by a lien on certain gross Project revenues, including event rent, facility fees, concessions, event parking, sponsorships, advertising, novelties, convenience charge rebates, premium seating, and naming rights. To the extent needed to achieve 1.2X debt service coverage, the USF Foundation has pledged its available assets. Although the available assets are currently negative, USF believes that the Foundation's long-term temporarily restricted assets of more than \$137 million provide reasonable assurance that the Foundation can meet its obligations to service the debt for the Project.

For the past three fiscal years, operating income from arena operations alone would not have been sufficient to pay for Sun Dome operations. Without additional financial support from the University, arena and convocation center operations would have generated net operating losses of (\$333,500), (\$418,500) and (\$91,500) for the years 2007-08, 2008-09 and 2009-10, respectively. Accordingly, historical revenues cannot support the Project's expected debt service and the Project will not generate sufficient additional revenues to pay for itself. However, the University has committed additional revenues from the USF Foundation which it believes are legally available and will allow the Project to cover debt service and be well maintained and operated. The financial feasibility of the Project is dependent on the USF Foundation's formal agreement to make contributions to the Corporation such that net operating revenues are at least 120% of annual debt service.

In this regard it is important to note that for the most recent financial period, as of June 30, 2010, the USF Foundation had investments in its operating investment pool of approximately \$80 million and an unrestricted fund balance of negative \$16,542,081. The University has stated that 100% of the operating investment pool is available to meet the Foundation's financial commitments and that there is no direct relationship between the Foundations's operating pool and the deficit in unrestricted net assets. The deficit is the result of the required reclassification under generally accepted accounting principles of accumulated investment losses on donor-restricted endowments. Accounting principles do not allow accumulated losses to reduce the other net asset categories; therefore, these investment losses are offset against unrestricted net assets.

The Foundation's \$80 million in its operating investment pool is available to support its shortfall guarantee of the Sun Dome Arena and Convocation Project. However, the USF Foundation has additional commitments related to debt guarantees including formally pledging \$536,000 per year towards the USF St. Pete Student Center Debt and informally committing to serve as a financial guarantor of the USF CAMLS facility debt, issued in the total amount of \$20 Million with a maximum annual debt service of \$1,673,587.

The University Board of Trustees initially approved a resolution requesting the Board of Governors approve the issuance of debt to finance the Project on December 16, 2010. Subsequently, the Trustees revised the requesting resolution on March 4, 2011 to remove a reference to a \$10,000,000 future PECO appropriation as a funding source for the Project; remove the commitment of \$750,000 in recurring revenues from Parking and Food Services which would have a required a Board determination of a functional relationship; reduce the total debt by \$8.5 million and include a University contribution of \$8.5 million. The university contribution will be a pro-rata assessment from each auxiliary enterprise unrestricted cash and investment balance.

As of December 31, 2010, the Corporation's outstanding debt includes Certificates of Participation Series 2005A, Series 2005B, Series 2005C, Series 2007 and Series 2010-Health and Series 2010-Housing in the aggregate principal amount of \$369,190,000. Approximately 59% of this outstanding debt is variable rate. The University's current policy is not to issue new variable rate debt.

The University and the Corporation believe that they continue to be in compliance with all required covenants and commitments required by the outstanding Certificates of Participation and/or other Debt instruments.

**Pledged Revenues and
Debt Service Coverage:**

The primary sources of revenues pledged to pay the Debt are gross operating revenues of the Project which includes event rent, facility fees, concession sales, novelty sales, parking revenues, premium seating revenues, advertising and sponsorship revenues, and naming rights. It also includes a lien on the USF Foundation assets. On its own, the Project cannot generate sufficient revenues to provide adequate debt service coverage. However, the additional

revenues provided by the USF Foundation allow for adequate debt service coverage for the life of the Debt.

Several primary sources of revenues being pledged to pay debt service are new and have no historical performance. Additionally, several historical sources of revenues are projected to grow significantly, including event rent and facility fees. While the University has the benefit of prior experience in running the Sun-Dome, the DSO charged with doing so, Sun-Dome, Inc. has achieved an operating loss each of the past three years (\$145,239 in 2010, \$434,817 in 2009, and \$328,411 in 2008).

For fiscal year 2011-12, which is the first year of principal and interest on the debt service, through fiscal year 2014-15, the pledged gross revenues of the Project including expected contributions from the Foundation are projected to increase from \$4,067,260 to \$4,137,233 and produce gross debt service coverage ratios of 1.83x in 2011-12 and 1.87x in 2014-15. The Foundation is projected to contribute a total of \$1 million over four years, from 2011-12 through 2014-15. The Foundation payment is projected to decrease from \$700,000 in 2011-12 to \$25,000 in 2014-15, as other Project revenues increase. Because expenses of operating the arena must be considered when analyzing the financial feasibility of the project, debt service coverage based upon net revenues must also be reviewed. Without the Foundation payment, the implied net coverage ratio for 2011-12 is projected to be 0.88x and increase to 1.19x in 2014-15. The Foundation's contribution will increase to the extent that projected revenues are less or projected expenses are greater. However, the intent is for the Foundation's contribution each year to allow the Project to achieve a net implied coverage ratio of 1.2x for the life of the Debt. Annual debt service will be structured on a level basis, assuming a 5.52% interest rate, and is projected to be no more than \$2,217,502 in any given year. If the projected growth in revenues is not achieved, it will not likely adversely affect the payment of debt service because the pledge of Foundation revenues provides that debt service payments will be paid by the Foundation.

(See Attachment 2 for a table of historical and projected pledged revenues and debt service coverage prepared based upon revenue and expense information supplied by the University).

Type of Sale:

The University is requesting approval for a negotiated sale through a private placement of the debt with a commercial bank. The university issued an RFP to several banks and entered into negotiations with the bank offering the best terms in order to select

BB&T Bank. The University provided an analysis of the most appropriate method of issuing the Debt (competitive versus negotiated) as required by the Debt Management Guidelines. In that analysis, the University states that it will not be able to obtain a rating on the Debt and the security for the Debt consists of revenues that are relatively new and unproven. Both of these factors would make it extremely difficult to sell the Debt through a public offering.

USF has not selected an independent financial advisor through a competitive selection process to advise them with regards to this transaction; instead it is relying on in-house expertise.

**Analysis and
Recommendation:**

Staff of the Board of Governors and the Division of Bond Finance has reviewed the information provided by the University with respect to the request for Board of Governors approval for the subject financing and make no recommendation with regards to the Project. The projections provided by the University indicate that the revenues from the Project, as well as revenues of the USF Foundation which have been legally committed will be sufficient to pay for the required debt service and operating expenses.

The financial success of the Project is dependent on the realization of certain additional revenues which are inherently speculative, such as naming rights. Since the implied net debt service coverage is at 1.2X, a relatively small decrease in projected revenues or increase in operating costs will require the USF Foundation to commit funds beyond the amounts projected.

It is uncertain as to whether or not the Project will meet the revenue projections provided. Failure to meet projections could create budgetary challenges. The University believes it has sufficient financial flexibility to absorb any operating deficits without creating a materially adverse effect on its athletic programs or student athletic activities.

The SUS Debt Guidelines state that:

One of the most important components of an effective debt management policy is an analysis of what level of debt is affordable given a particular set of circumstances and assumptions. More comprehensive than simply an analysis of the amount of debt that may be legally issued or supported by a security pledge, the level of debt should be analyzed in relation to the financial resources available to the university and its DSOs, on a

consolidated basis, to meet debt service obligations and provide for operating the university.

This project on a stand-alone basis is not financially feasible, nor is it part of a larger system, such as housing, where it would be considered financially feasible as part of the whole. However, the University has made financial commitments through the pledge of Foundation assets that ensure adequate debt service coverage, and believes this project is vital to the strategic mission of USF.

The Project, taken as a whole, represents an exception to this fundamental Guideline principle of financial feasibility. Otherwise, the proposed financing appears to be in compliance with the Board of Governors Debt Management Guidelines. The University believes an exception to the Guidelines is warranted, and that the Board should adopt the resolution authorizing the proposed financing, as provided in s. 1010.62.

BOARD OF GOVERNORS
STATE UNIVERSITY SYSTEM OF FLORIDA
USF Financing Corporation
Estimated Sources and Uses of Funds
USF Arena and Convocation Center Renovation Project

Sources of Funds

<u>Sources of Funds</u>		<u>Basis for Amounts</u>
Debt Proceeds	\$ 26,500,000	Anticipated amount of fixed-rate tax-exempt, or taxable, Debt to be issued by USF Financing Corp at an assumed rate of 5.50%
Other Sources of Funds	\$ 8,500,000	Anticipated cash equity contributed by the University
Delivery Date Expenses (Costs of Issuance)	\$ (75,000)	Includes \$25-30k bond counsel, \$20k bank counsel, \$10k printing costs, and \$15-20k for other misc costs
Total Sources of Funds	<u>\$ 34,925,000</u>	

Uses of Funds

Project Costs	\$ 34,925,000	Cost of design (\$2 M); demolition and site improvements (\$1.5 M); construction (\$27 M); contingencies; insurance and other costs (\$4.4 M)
Total Uses of Funds	<u>\$ 34,925,000</u>	

STATE OF FLORIDA, BOARD OF GOVERNORS
 University of South Florida
 USF ARENA AND CONVOCATION CENTER RENOVATION PROJECT - USF Financing Corporation Bank Term Loan
 GROSS PLEDGE BASIS
 5-YEAR HISTORICAL AND PROJECTED DEBT SERVICE COVERAGE (1)

	Historical					Projected				
	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
USF Arena Renovation Project										
Arena Revenues										
Event Rent (2)	625,000	526,500	472,000	433,500	418,000	418,000	618,000	636,540	655,636	675,305
Facility Fees (3)	84,000	82,000	74,000	71,500	71,000	71,000	195,000	220,000	245,000	270,000
Concessions - General (4)	233,500	230,000	182,000	166,000	156,000	142,000	264,000	271,920	280,078	288,480
Concessions - Coke Pouring Rights (5)						800,000	800,000	1,250,000	1,250,000	1,250,000
Event Parking (6)	178,500	277,500	253,000	317,000	342,000	292,000	352,260	362,828	373,713	384,924
Sponsorship / Advertising (7)	193,500	132,500	155,500	222,000	240,000	235,000	280,000	288,400	297,852	305,964
Novelties (8)	42,500	32,000	16,000	23,500	23,000	19,500	42,500	43,775	45,088	46,441
Convenience Charge Rebates (8)	6,500	8,500	4,000	8,000	10,000	10,000	70,000	72,100	74,263	76,491
Box Office Fees (8)	8,500	10,000	8,000	7,500	8,000	8,000	11,000	11,330	11,670	12,020
Premium Seating, net (9)	0	0	0	0	0	0	184,500	190,035	195,736	201,608
Naming Rights (10)	0	0	0	0	0	0	550,000	566,500	583,495	601,000
Total Arena Operating Revenues	1,372,000	1,299,000	1,164,500	1,249,000	1,268,000	1,995,500	3,367,260	3,913,428	4,011,731	4,112,233
Payment from USF Foundation Pledge (11)										
							700,000	175,000	100,000	25,000
Total Pledged Revenues	1,372,000	1,299,000	1,164,500	1,249,000	1,268,000	1,995,500	4,067,260	4,088,428	4,111,731	4,137,233
Annual Debt Service:										
Proposed Debt - 20 yr Fixed Rate Loan @ 6.50% (12)	0	0	0	0	0	0	2,217,502	2,217,502	2,217,502	2,217,502
Total Arena Debt Service	0	0	0	0	0	0	2,217,502	2,217,502	2,217,502	2,217,502
Estimated Max Annual Debt Service	0	0	0	0	0	0	2,217,502	2,217,502	2,217,502	2,217,502
Available for Operations after Pledge	1,372,000	1,299,000	1,164,500	1,249,000	1,268,000	1,995,500	1,849,758	1,870,926	1,894,229	1,919,731
Gross Coverage Ratios - Arena:										
Annual Debt Service - Arena							1.83x	1.84x	1.85x	1.87x
Maximum Annual Debt Service - Arena						0.90x	1.83x	1.84x	1.85x	1.87x
Total Arena Operating Revenues	\$1,372,000	\$1,299,000	\$1,164,500	\$1,249,000	\$1,268,000	\$1,995,500	\$3,367,260	\$3,913,428	\$4,011,731	\$4,112,233
Net Arena Operating Expenses	\$1,167,000	\$1,230,500	\$1,498,000	\$1,667,500	\$1,359,500	\$1,294,000	\$1,409,000	\$1,432,270	\$1,456,988	\$1,483,198
Operating Income (Loss)	\$205,000	\$68,500	(\$333,500)	(\$418,500)	(\$91,500)	701,500	1,958,260	2,481,158	2,554,743	2,629,035
Plus: Foundation Pledge	0	0	0	0	0	0	700,000	175,000	100,000	25,000
Less: Debt Service							(2,217,502)	(2,217,502)	(2,217,502)	(2,217,502)
Add: Interest Income	18,000	19,500	19,000	2,500	1,500	2,500	3,000	3,500	3,500	4,000
Projected Total Net Income	\$223,000	\$88,000	(\$314,500)	(\$416,000)	(\$90,000)	\$704,000	\$443,758	\$442,156	\$440,741	\$440,533
Implied Net Coverage Ratios - Net Income Only										
For Informational Purposes Only, Pledge is Gross										
Annual Debt Service - Arena							0.88x	1.12x	1.15x	1.19x
Max Annual Debt Service - Arena							0.88x	1.12x	1.15x	1.19x
Implied Net Coverage Ratios - Net Income Plus Foundation Payment										
For Informational Purposes Only, Pledge is Gross										
Annual Debt Service - Arena							1.20x	1.20x	1.20x	1.20x
Max Annual Debt Service - Arena							1.20x	1.20x	1.20x	1.20x

Notes & Assumptions

- (1) The financial information related to revenues and expenses was provided by the University of South Florida.
- (2) The increased revenue in FY 2011-12 is due to an increase in the number of larger events that can charge full market rate. At an average of approximately 165 event days per year, average event rent will increase from \$2,500 to \$3,700 per day. Projections are based on an assumed growth rate of 3% per annum.
- (3) The increased revenue in FY 2011-12 is due to an increase in facility fee per ticket for basketball events, from \$1.00 to \$1.25, and an increase in facility fee per ticket for concerts and other external events, from \$2.00 to \$2.25. The current actual number is based approximately 29,000 in tickets sold for men's basketball games and approximately 24,000 in tickets sold for other events. The projected number is based on approximately 40,000 tickets sold for men's basketball and approximately 55,000 tickets sold for other events. Projections also assume an additional increase in all facility fees of \$0.25 per ticket per annum.
- (4) The increased revenue in FY 2011-12 is due to an increase in realized revenue per attendee related to new premium food/beverage offerings available in a new dining facility, an increase in the number of events and attendance at each event. Projections are based on an assumed growth rate of 3% per annum.
- (5) The existing Coca-Cola pouring rights / sponsorship contract equals \$800,000 per annum through FY 2011-12 assuming a negotiated increase to \$1,250,000 beginning FY 13.
- (6) The decrease in event parking revenue in FY 2010-11 is due to limited / reduced parking space availability related to nearby construction. Projections are based on an assumed growth rate of 3% per annum.
- (7) The increased revenue in FY 2011-12 is due to the increased value of sponsorship opportunities; increased number of events, spectators and visibility (over 300,000 in annual attendance, over 100 annual events, member of The Big East Conference which televises all men's basketball games). Projections are based on an assumed growth rate of 3% per annum.
- (8) Novelities, convenience charge rebates and box office fees are each expected to increase due to the increased number of events; projections are based on an assumed growth rate of 3% per annum. Convenience charge rebates are rebates that the arena receives from the third-party ticket takers, such as Ticketmaster, that it utilizes to sell tickets. It is estimated that third-party ticket sellers will sell 50 to 70 percent of market-driven event tickets. Box office fees are fees charged on transactions directly fulfilled at ticket office point of sale (walk up).
- (9) Premium seating projections are based on anticipated admission surcharges to club area of \$10 per admission coupled with net revenue from loge seating (16 sold) at approximately \$7,000 per loge box.
- (10) Naming rights are comprised of (1) the retention in 100% of arena naming rights valued at \$500,000 per annum and (2) the retention of 100% of club area naming rights valued at \$50,000 per annum. Both agreements include escalators at 3% per annum.
- (11) The University of South Florida Foundation will guarantee to pay the shortfall between net operating revenues of the Arena and 1.20x debt service coverage from its assets which include its available cash and amounts in its operating investment pool as reflected in the Foundations financial statements.
- (12) Debt service is based on an assumed project cost of \$26.5 million, financed over a period of 20 years at a weighted interest rate of 5.5% (20% of debt issued at a taxable rate of 9.25%; 80 percent of debt issued at a tax-exempt rate of 6.00% - based on an unrated credit).