

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)

USF Arena Renovation Project	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
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	297,052	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						0	(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										
<i>For Information Purposes Only, Pledge is Gross</i>										
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										
<i>For Information Purposes Only, Pledge is Gross</i>										
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) Novelties, 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).