

BASIC FINANCIAL STATEMENTS

University of Phoenix Stadium

(reporting as a division of the Arizona Sports and Tourism Authority)

Years ended June 30, 2008 and 2007

University of Phoenix Stadium
(reporting as a division of the Arizona Sports and Tourism Authority)

Financial Statements

Years ended June 30, 2008 and 2007

Contents

Report of Independent Auditors	2
Management's Discussion and Analysis	3
<u>Basic Financial Statements</u>	
Statements of Net Assets	8
Statements of Revenues, Expenses and Changes in Net Assets	9
Statements of Cash Flows	10
Notes to Financial Statements	11



CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
University of Phoenix Stadium (a Division of Arizona Sports and Tourism Authority)
Glendale, Arizona

We have audited the accompanying financial statements of the University of Phoenix Stadium (a Division of Arizona Sports and Tourism Authority) (the Stadium), as of and for the years ended June 30, 2008 and 2007, as listed in the table of contents. These financial statements are the responsibility of the Stadium's management. Our responsibility is to express an opinion on these basic 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 Authority's internal control over financial reporting. Accordingly, we do not express such an 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, the financial statements referred to above present fairly, in all material respects, the financial position of the Stadium at June 30, 2008 and 2007, 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.

The management's discussion and analysis on pages 3-6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Phoenix, Arizona
February 25, 2009

PEOPLE. PRINCIPLES. POSSIBILITIES.

www.eidebailly.com

1850 N. Central Avenue • Suite 400 • Phoenix, Arizona 85004 • Phone 602.264.5844 • Fax 602.277.4845 • EOE

University of Phoenix Stadium
Management's Discussion and Analysis
For the Year Ended June 30, 2008

The following is management's discussion and analysis of the financial performance of the University of Phoenix Stadium (the "Stadium") (reporting as a division of the Arizona Sports and Tourism Authority (the "Authority"). It provides an overview of Stadium's financial activities and financial condition for the year and should be read in conjunction with Stadium's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

Using the Financial Statements

As a business-type activity, Stadium's annual financial reporting includes the basic financial statements and accompanying notes for enterprise funds. Stadium reports on a fiscal year basis. The statements of net assets summarize Stadium's current and long-term obligations (liabilities) and the assets available to meet those obligations. The difference between total assets and total liabilities represents Stadium's net assets. The statements of revenues, expenses and changes in net assets summarize Stadium's operating and non-operating expenses for the year and the revenues that were available to cover those expenses, as well as changes in net assets. The statements of cash flows summarize Stadium's uses of cash during the year and the sources of cash available to finance those uses. The statements of cash flows, as cash based statements, include reconciliations to the statements of revenues, expenses and changes in net assets, which are prepared on an accrual basis.

STADIUM'S FINANCIAL ACTIVITIES

Stadium accounts for its financial activities in conformity with accounting principles generally accepted in the United States as applicable to a government "enterprise fund." This accounting treatment applies because Stadium's activities are primarily business-like in nature. Under enterprise fund accounting, Stadium is a single accounting entity for financial reporting purposes. However, within this single accounting entity Stadium has identified several financial activities that it wishes to track separately, referred to as "accounts." These accounts are as follows: Operating Account and Event Liability Account. The use of the term "account" for these separate activities does not have any particular accounting significance. Stadium is not required to and does not publish separate financial statements for any of the individual accounts.

The Operating Account represents Stadium's primary accounts' aggregating and disbursement account. The Event Liability Account represents the activities related to events held at the University of Phoenix Stadium for which Global Spectrum is the stadium management company chosen by the Authority. Please refer to the notes to the financial statements for additional information on these accounts.

COMPARATIVE ANALYSIS – FINANCIAL STATEMENTS

Overview of the Financial Statements and Financial Analysis

There are three financial statements presented for the reader: the Statements of Net Assets; the Statements of Revenues, Expenses and Changes in Net Assets; and, the Statements of Cash Flows.

Statements of Net Assets

Stadium's Statements of Net Assets presents the assets, liabilities, and the net assets for the years ended June 30, 2008 and 2007. The Statements of Net Assets are to provide the reader with a financial picture of Stadium's assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities).

The purpose of the Statements of Net Assets is to show the user what is available for future needs of Stadium. The user, from the information presented, is able to determine the assets available for the continuing operations of Stadium. The user is able to determine what cash and cash equivalents are available and amounts owed to and by Stadium.

Statements of Net Assets

	June 30	
	2008	2007
Assets		
Current assets	\$ 1,027,374	\$ 1,615,807
Total assets	<u>1,027,374</u>	<u>1,615,807</u>
Liabilities		
Current liabilities	<u>1,787,082</u>	1,744,807
Total liabilities	<u>1,787,082</u>	<u>1,744,807</u>
Net assets		
Restricted	1,027,374	1,615,807
Unrestricted deficit	(1,787,082)	(1,744,807)
Total net assets	<u>(759,708)</u>	<u>(129,000)</u>
Total liabilities and net assets	<u>\$ 1,027,374</u>	<u>\$ 1,615,807</u>

Total assets decreased by \$588,433, or 36% between the fiscal years ended June 30, 2008 and 2007. This change is primarily related to timing of funding requests to the Authority and events. On May 31, 2008, the Stadium hosted the Kenny Chesney 2008 tour which resulted in an increase of expenses at the end of the year and a corresponding reduction in cash.

Total liabilities increased by \$42,276, or 2.4%. The primary reason for this increase was the result of remaining amounts owed related to the Kenny Chesney 2008 tour.

Overall, Stadium's total net assets decreased a total of \$630,708 which is comprised of the net loss of \$10,357,384 combined with the net contributions from AZSTA of \$9,726,676.

Statements of Revenues, Expenses and Changes in Net Assets

The change to Net Assets as seen on the Statement of Net Assets is based on the activity that is presented on the Statement of Revenues, Expenses and Changes in Net Assets. The presentation of the Statement reflects the revenues and expenses for Stadium during the years ended June 30, 2008 and 2007. The reader will see the revenues and expenses broken down into operating and nonoperating categories.

Statements of Revenues, Expenses and Changes in Net Assets

Years Ended June 30

2008

2007

Operating revenues	\$ 12,044,973	\$ 18,546,837
Operating expenses	22,494,143	28,259,866
Operating loss	<u>(10,449,170)</u>	<u>(9,713,029)</u>
Nonoperating revenues (expenses)	91,786	117,368
Net income before contributions	<u>(10,357,384)</u>	<u>(9,595,661)</u>
Capital contributions	9,726,676	9,245,657
Increase/(Decrease) in net assets	<u>(630,708)</u>	<u>(350,004)</u>
Net assets, beginning of year	(129,000)	221,004
Net assets, end of year	<u>\$ (759,708)</u>	<u>\$ (129,000)</u>

Overall, the decrease in net assets of \$630,708 was attributable to major events that were held in the inaugural year that were not repeated in FYE 2008, and which were more successful financially. These events included a Rolling Stones concert and a sold out International soccer game, USA vs. Mexico.

Statements of Cash Flow

The last statements presented are the Statements of Cash Flows. The statement presents detailed information about the activities involving cash and cash equivalents, and the statement is broken down into five parts. The first part of the statement relates to the operating cash flow and shows the net cash used to operate Stadium; the second relates to the cash flow resulting from noncapital financing activities; the third relates to cash flow from capital and related financial activities; the fourth relates to the cash flow from capital and related investing activities; and the fifth reconciles the net cash used to the operating loss on the Statement of Revenues, Expenses, and Changes in Net Assets.

Statements of Cash Flows

	Years Ended June 30	
	2008	2007
Cash (used in) provided by:		
Operating activities	\$ (10,992,433)	\$ (8,902,575)
Capital and related financing activities	9,726,676	9,245,657
Investing activities	91,786	117,369
Net increase (decrease) in cash and cash equivalents	\$ (1,173,971)	\$ 460,451
Cash and cash equivalents, beginning of year	1,351,691	891,240
Cash and cash equivalents, end of year	\$ 177,720	\$ 1,351,691

Cash and cash equivalents decreased by \$1,173,971, or 87% between the fiscal years ended June 30, 2008 and 2007. This change is primarily related to timing of funding requests to the Authority and events. On May 31, 2008, the Stadium hosted the Kenny Chesney 2008 tour which resulted in an increase of expenses at the end of the year and a corresponding reduction in cash.

Capital Assets and Debt Administration

Stadium, as a division of the Authority, maintains no capital assets on its financial statements and therefore had no additions to capital assets during fiscal year 2008. While Stadium is responsible for the physical condition and safeguarding of all of the stadium's capital assets those assets are recorded to the financial statements of the Authority.

Economic Factors and Next Fiscal Year Budget

The Authority began its fiscal year 2009 with a projected deficit of \$5.7 million for the year. This is a negative change over the Authority's prior years' net operating results. Economic conditions, both nationally and locally, have contributed to a downturn in the Authority's primary source of revenues – its tourism revenues. The Authority is projecting negative growth for these revenues for fiscal year 2009. This, coupled with higher, scheduled distributions for senior bond debt service of \$1.53 million, tourism promotion of \$0.3 million, Cactus League of \$1.0 million and youth and amateur sports of \$0.1 million is placing additional pressure on current revenues as well as existing operating reserves.

Based on the Authority's statutory flow of funds, the first items to be impacted by lower revenues and higher, required distributions are the reserves for youth and amateur sports, operations and capital and repair and replacement. Following the reserves, the Authority's operating budget, which includes the operating budget for the University of Phoenix Stadium, will be directly affected by the projected operating deficits.

The Authority's existing senior lien debt is in a first priority position to receive funding and there are no concerns about the Authority's ability to meet its obligations for this and its subordinate bond debt.

Requests for Information

This financial report is designed to provide a general overview of the University of Phoenix Stadium's finances for all interested parties. Requests for additional information may be made by contacting us at Arizona Sports and Tourism Authority, 1 Cardinals Drive, Glendale, Arizona 85305 Attn: Finance Department. Additional information on the Authority's finances may be found on our website, **www.az-sta.com**, under the Archives section.

University of Phoenix Stadium
 (reporting as a division of the Arizona Sports and Tourism Authority)
Statements of Net Assets
 June 30, 2008 and 2007

	June 30	
	2008	2007
Assets		
Current assets:		
Cash and cash equivalents - restricted	\$ 177,720	\$ 1,351,691
Accounts Receivable	559,251	240,940
Due from AZ Sports and Tourism Authority	266,715	-
Prepaid expenses	23,688	23,176
Total current assets	1,027,374	1,615,807
Total assets	\$ 1,027,374	\$ 1,615,807
Liabilities		
Current liabilities:		
Accounts payable	\$ 543,152	\$ 608,457
Accrued expenses	1,135,563	963,528
Deferred revenues	108,367	172,822
Total current liabilities	1,787,082	1,744,807
Noncurrent liabilities:		
Other noncurrent liabilities	-	-
Total noncurrent liabilities	-	-
Total liabilities	1,787,082	1,744,807
Net assets		
Invested in capital assets, net of related debt	-	-
Restricted	1,027,374	1,615,807
Unrestricted surplus/(deficit)	(1,787,082)	(1,744,807)
Total net assets	(759,708)	(129,000)
Total liabilities and net assets	\$ 1,027,374	\$ 1,615,807

See accompanying notes.

University of Phoenix Stadium
 (reporting as a division of the Arizona Sports and Tourism Authority)
Statements of Revenues, Expenses and Changes in Net Assets
 For the years ended June 30, 2008 and 2007

	Years Ended June 30	
	2008	2007
Operating revenues		
Stadium operating revenues	\$ 12,044,973	\$ 18,546,837
Total operating revenues	12,044,973	18,546,837
Operating expenses		
Stadium event	13,457,088	18,657,131
Utilities	2,024,550	1,846,833
Maintenance and Repair	1,392,186	1,701,807
Security	531,276	579,243
Employee Payroll and Related Expenses	3,526,819	3,671,261
Management fee	433,252	400,000
Professional fees	144,778	132,523
Marketing and promotion	138,025	384,303
Box office fees	60,000	52,500
Insurance	475,453	472,963
Travel	91,251	138,812
Office	142,813	155,595
Communications	76,652	66,895
Total operating expenses	22,494,143	28,259,866
Operating loss	(10,449,170)	(9,713,029)
Nonoperating revenues (expenses)		
Other income	91,786	134,143
Other expense	-	(16,775)
Total nonoperating revenues (expenses)	91,786	117,368
Net income before contributions	(10,357,384)	(9,595,661)
Capital contributions	9,726,676	9,245,657
Increase/(Decrease) in net assets	(630,708)	(350,004)
Net assets, beginning of year	(129,000)	221,004
Net assets, end of year	\$ (759,708)	\$ (129,000)

See accompanying notes.

University of Phoenix Stadium
 (reporting as a division of the Arizona Sports and Tourism Authority)
Statements of Cash Flow
 June 30, 2008 and 2007

	Years Ended June 30	
	2008	2007
Cash flows from operating activities		
Cash received from customers	\$ 11,662,207	\$ 18,263,590
Cash paid for events	(13,469,733)	(18,657,131)
Cash paid to employees	(3,413,274)	(3,671,261)
Cash paid for other operating expenses	(5,771,633)	(4,837,773)
Net cash used in operating activities	(10,992,433)	(8,902,575)
Cash flows from capital and related financing activities		
Capital contributions	9,726,676	9,245,657
Net cash provided by (uses in) capital and related financing activities	9,726,676	9,245,657
Cash flows from investing activities		
Interest received	91,786	117,369
Net cash provided by investing activities	91,786	117,369
Net increase (decrease) in cash and cash equivalents	(1,173,971)	460,451
Cash and cash equivalents at beginning of year	1,351,691	891,240
Cash and cash equivalents at end of year	\$ 177,720	\$ 1,351,691
Reconciliation of operating loss to net cash used in operating activities		
Changes in net assets	\$ (10,449,170)	\$ (9,713,029)
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
(Increase) decrease in:		
Accounts receivable	(318,311)	(177,565)
Due (from) to AZ Sports and Tourism Authority	(66,056)	241,090
Prepaid expenses	(512)	130,173
(Increase) decrease in:		
Accounts payable	(65,305)	(165,404)
Accrued expenses	(28,624)	722,438
Deferred revenue	(64,455)	59,722
Total adjustments	(543,263)	810,454
Net cash (used) provided by operating activities	\$ (10,992,433)	\$ (8,902,575)

See accompanying notes.

University of Phoenix Stadium
Notes to Financial Statements
For the years ended June 30, 2008 and 2007

1. Organization and Reporting Entity

Global Spectrum (the "Global") was selected by the Arizona Sports and Tourism Authority in 2004 to become its stadium management and operations company for the then-under construction University of Phoenix Stadium in Glendale, Arizona. Global is a wholly-owned subsidiary of Comcast-Spectacor – one of the world's largest sports and entertainment companies. Global is one of the fastest growing firms in the public assembly facility management field with more than 70 facilities under contract throughout the United States and Canada.

The Authority's agreement with Global began two years prior to the opening of the Stadium which opened in August 2006. Under this pre-opening agreement Global built its operations and staff in readiness for the opening of the Stadium. The agreement further extended a three-year operating agreement to Global once the building was open and fully functional. In addition to the initial three-year agreement there are two one-year extensions available to be exercised under certain terms and conditions.

Under the agreement between the Authority and Global the Authority is responsible for providing the working capital for Global's operations as well as an annual management fee and incentive fee. Annually, the Authority and Global go through a budgeting process which sets the operating budget for the next fiscal year. This budget is approved by the Authority's board of directors under the terms of the existing agreement. The Authority provides the working capital to Global on a quarterly basis in accordance to the approved budget. The working capital provided is restricted to be used in the operations of the Stadium.

Stadium's financial activities, while being reported on a sole and separate basis for management purposes, are consolidated to the financial statements of the Authority as a reporting division of the Authority.

Fiscal year 2008 represented Stadium's second year of operations. Global began the year with 53 full-time employees, ended the year with 58 full-time employees and was engaged in all activities under its operating agreement with the Authority.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accounting policies of Stadium conform to accounting principles generally accepted in the United States as applicable to an enterprise fund. Accordingly, the accrual basis of accounting is utilized, whereby revenues are recorded when they are earned, and expenses are recorded when the liability is incurred.

University of Phoenix Stadium
Notes to Financial Statements
For the years ended June 30, 2008 and 2007

2. Summary of Significant Accounting Policies (continued)

Stadium has elected, in accordance with Government Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Activities That Use Proprietary Fund Accounting*, not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989. Stadium has elected to implement GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Government*; GASB Statement No. 37, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; GASB Statement No. 38, *Certain Financial Statement Note Disclosures* and GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. Stadium's books and records include separate accounts: a general account and event liabilities account.

Stadium distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally relate to Stadium's principal ongoing operations at the University of Phoenix Stadium. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

The preparation of financial statements that conform to accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Capital Assets

There are no capital assets recorded to the financial statements of Stadium. All capital assets are recorded to the financial statements of the Authority.

Receivables

Stadium carries its accounts receivable at cost. On a periodic basis, Stadium evaluates its accounts receivable and writes off accounts as uncollectible at the time management determines that collection is unlikely. Historically, write offs have been minimal.

University of Phoenix Stadium
Notes to Financial Statements
For the years ended June 30, 2008 and 2007

2. Summary of Significant Accounting Policies (continued)

Tax Status

Stadium, as a reporting division of the Authority, is a municipal corporation and is exempt from federal and state income tax as well as property tax.

Revenue Recognition

Stadium records revenue from stadium events on the accrual basis. Revenues come from a variety of activities including building rents, concessions and catering, novelties, exhibitor services and other miscellaneous revenues. In addition, Stadium collects, but does not record to its financial statements the Facility Use Fee (the "FUF") which is a per ticket amount collected based on the type of event and expected attendance. This revenue is paid to the Authority on a monthly basis and is pledged revenue dedicated to the Authority's repayment of its bonds.

The FUF initially was in the amount of \$4.25 per ticket sold for events with a projected attendance of more than 18,000 per event day, and \$1.00 per ticket sold for events with projected attendance of up to 18,000 per event day or for general admission tickets where no assigned seating is provided, no matter the attendance per event day. The facility use fee will be increased by \$0.25 per year in the case of the charge for events with projected attendance of more than 18,000 per event day and will be increased by \$1.00 every seven years in the case of the charge for events with projected attendance of up to 18,000 per event day or for general admission tickets where no assigned seating is provided, no matter the attendance per event day. For events for which no tickets are sold, there will be no facility use fee imposed. Stadium is the party who determines the projected attendance in connection with all events at the multipurpose facility and such projection will be binding on all parties for purposes of imposing the facility use fee. The facility use fee will only be imposed on those tickets that are sold and not on tickets distributed, attendance, turnstile count or other measurement. The Arizona Cardinals receive 17.5 percent of the FUF for repair and maintenance of the parking lots contiguous to the Stadium.

University of Phoenix Stadium
Notes to Financial Statements
For the years ended June 30, 2008 and 2007

3. Cash and Cash Equivalents

Operating Account

The Operating account is in the name of Arizona Sports and Tourism Authority with Global as the Authority's fiscal agent. The account receives funding from the Authority based on the approved budget, transfers from the Event Liability account, and revenues from client billings. All disbursements related to the operation of the stadium are made from this account.

Event Liability Account

The Event Liability account is in the name of Arizona Sports and Tourism Authority with Global as the Authority's fiscal agent. It receives event related deposits such as deposits on rent and ticket revenues. Transfer of funds from the Event Liability account to the Operating account are made monthly for completed events. No disbursements are made from this account.

Stadium considers all highly liquid investments with an original maturity of three months or less at the time of acquisition to be cash equivalents. Stadium, at various times during the year, maintains cash at financial institutions in excess of the \$100,000 per bank limit insured by the Federal Deposit Insurance Corporation (FDIC). Stadium has cash balances on deposit that exceed the balance insured by the FDIC in the amount of \$77,720 and \$1,251,691 at June 30, 2008 and 2007, respectively.

At June 30, 2008 and 2007, Stadium had total cash and cash equivalents on deposit of \$177,720 and \$1,351,691, respectively, through its commercial bank accounts.

4. Operations and Transactions with the Authority

In May 2004, Global entered into a Management and Pre-Opening Services Agreement with the Arizona Sports and Tourism Authority. Under the agreement, Global would operate the University of Phoenix Stadium as an agent of the Authority. The operations would include all aspects of managing the facility including the sales and marketing of the stadium for events, the staging of events, staffing, cleaning, security and working with the Authority's two primary tenants, the Arizona Cardinals and the Arizona Sports Foundation (d/b/a the "Fiesta Bowl") to produce their events. The agreement included a two-year pre-opening period during which the Authority would fund Stadium's budgeted and approved expenses for preparing for the opening of the Stadium. The initial term of the agreement was for 36 months starting with the opening of the stadium. This initial term is set to expire in August 2009. Included in the agreement were two, twelve month extensions to the agreement at the Authority's

University of Phoenix Stadium
Notes to Financial Statements
For the years ended June 30, 2008 and 2007

4. Operations (continued)

sole discretion. At the time this report was prepared no extensions had been approved by the Authority.

Stadium receives its working capital funding from the Authority under the terms of the Management and Pre-Opening Services Agreement executed in May 2004. Stadium received working capital contributions of \$10,990,000 and \$11,680,000 during the fiscal year ending 2008 and 2007, respectively.

Stadium makes distributions to the Authority under the terms of the Management and Pre-Opening Services Agreement executed in May 2004. Stadium made distributions to the Authority of \$866,635 and \$2,189,486 during the fiscal year ending 2008 and 2007, respectively.

Under the agreement, the Authority would approve and fund Stadium's annual operating budget which included provisions for an annual fixed management fee starting at \$200,000 for the first twelve months of the 36 month initial term increasing by \$30,000 per year thereafter plus an incentive fee broken into two parts. The first is the objective portion which is based on financial performance. The second part is the subjective portion which is based on pro-rata percentage evaluations provided by the Authority (50%), the Arizona Cardinals (40%) and the Fiesta Bowl (10%). The total amount of the incentive fee available in any twelve month period is capped at the amount of the fixed management fee.

During the year, transactions occur between the Stadium and the Authority which result in a balance due from one party to the other. During the fiscal year ending 2008, the net amount due from Stadium to the Authority was \$91,667. During the fiscal year ending 2007, the net amount due from Stadium to the Authority was \$241,090.

Stadium has hosted a large variety of events in the first two years of operations, including 20 home football games for the Arizona Cardinals and the annual Fiesta Bowl. In the first year of operations, 2007, the first ever BCS National Championship game was played at University of Phoenix Stadium and will be held every fifth year at the Stadium. In addition, Stadium has hosted concerts, soccer games, motor sports, consumer and trade shows, banquets and meetings, proms, graduations at the University of Phoenix Stadium. In total, 132 and 182 events were held during fiscal year ending 2008 and 2007, respectively attracting approximately 1,068,035 and 1,279,788 guests in the same time frame.

In addition, Stadium has hosted 668 and 576 public and private tours during the fiscal year ending 2008 and 2007, respectively.

University of Phoenix Stadium
Notes to Financial Statements
For the years ended June 30, 2008 and 2007

5. Restricted Assets

Restricted assets consisted of the following at June 30:

	2008	2007
Cash and cash equivalents	\$ 177,720	\$ 1,351,691
Accounts receivable	825,966	240,940
Other assets	23,688	23,176
Total	\$1,027,374	\$1,615,807

As the Authority's agent related to stadium management operations the same restrictions imposed on the Authority apply to Stadium. All cash and cash equivalents are restricted as to use by the State of Arizona. Cash in the Operating account is restricted to be used for Stadium's approved annual budget. Cash in the event liability account is transferred to the Operating account upon completion of events.

6. Liquidity

Current Economic Conditions and Liquidity Projections

The Authority ended fiscal year 2008 with an operating cash balance of \$8,850,812. It is projecting operating deficits of \$5,656,243 and \$5,933,917 for fiscal years ending June 30, 2009 and 2010 which, on a combined basis, are large enough to more than eliminate the Authority's existing operating reserve balance. The base issue creating these deficits is the severely reduced revenue projections for the NFL income tax now that the guaranteed minimum is no longer in existence as a result of State legislative action. The removal of this guarantee is expected to have a negative \$190 million impact on the Authority's funding sources through 2031. This issue is exacerbated in the near-term with the current worldwide financial crisis and its impact across every facet of daily life. This is especially felt by the Authority with the severe downturn in the tourism industry which accounts for a majority of the Authority's current revenues – both operating and non-operating.

In order to continue its operations and meet its significant liquidity requirements, the Authority must achieve positive cash flows from operations through a combination of increased revenues and decreased expenses and/or from additional funds through debt or equity financing, bank financing or other sources. Accordingly, the Authority's inability to obtain either debt or equity financing could have a material adverse effect on the Authority's ability to meet its reserve requirements and its ability to continue to fund the operations of the University of Phoenix Stadium and those events associated with the stadium.

University of Phoenix Stadium
 Notes to Financial Statements
 For the years ended June 30, 2008 and 2007

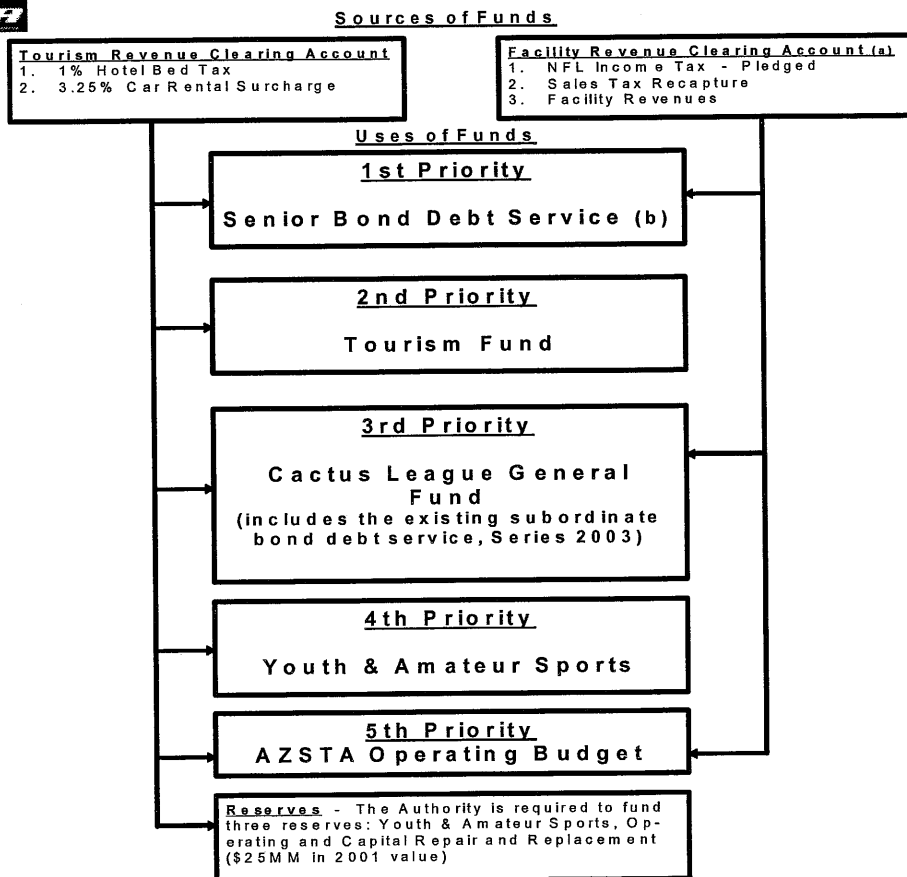
Current Economic Conditions and Liquidity Projections (continued)

Based on the Authority's statutory flow of funds (see diagram below), the Authority's top three funding priorities – senior bond debt service, tourism promotion and Cactus League

promotion (includes the subordinate bond debt service) -- are not expected to be impacted and should continue to be funded without exception. The funding for youth and amateur sports may be partially impacted in certain years based on existing projections. The operating deficits previously mentioned significantly impact the Authority's ability to operate the University of Phoenix Stadium. And, according to existing projections, there will be no funding available for the Authority's obligatory reserves for youth and amateur sports, operations and capital repair and replacement.



**Arizona Sports and Tourism Authority
 Statutory Flow of Funds**



Footnotes
 (a) The Facility RCA is used for debt service requirements on senior and subordinate bonds. Any remaining funds go to the operations account.
 (b) All sources of revenue of the Authority (except for the non-pledged portion of the NFL Income Tax) are pledged to the Authority's senior and subordinate bond debt service above all other distribution priorities.

University of Phoenix Stadium
Notes to Financial Statements
For the years ended June 30, 2008 and 2007

Current Economic Conditions and Liquidity Projections (continued)

The Authority's board of directors, its staff and facility management company have identified several solutions which, once executed in part or as a whole, will enable the Authority to add sufficient working capital in order to operate through the end of fiscal year 2010 barring further significant degradation in the economy and its impact on our revenue streams. By implementing these solutions, it will allow the Authority more time to identify longer-term solutions for its working capital problem. The first solution was the board's approval of a resolution which will allow the Authority to realize present value savings from its existing Constant Maturity Swap by temporarily disabling (i.e. upfront lockout) the swap for a period of up to three years. The Authority, on February 4, 2009, did execute this transaction and realized a net present value payment of \$1,062,000. The second solution is based on the reduction of stadium and administrative operating costs. The Authority has identified a total of nearly \$1.1 million in cuts through the balance of fiscal year 2009 and an additional \$1.5 million in cuts for fiscal year 2010. Additionally, there exists the potential for several mega-events to be held at the stadium during fiscal year 2010 which would, if successful, provide an additional significant boost to the working capital balance for the Authority. These additional revenues are not being counted in our working capital projections at this time, but are being noted for their potential to help further offset the projected operating deficits. The third solution involves greater involvement by the Authority's tenants and partners at the stadium under a 'shared strategies' approach to events, event revenue and operating costs. At the present time these discussions are in their preliminary stages but hold potential for both managing costs and increasing revenues. A fourth strategy for the Authority is to identify possible legislative changes which could provide benefit to the Authority. The first would be return to its original, statutory position the funding for the Authority's operating budget in the flow of funds (see previous diagram, "Statutory Flow of Funds"). In 2002, the State legislature moved the operating budget funding to the fifth position behind the funding for youth and amateur sports. A second possible legislative action would involve the collection of income taxes from visiting NFL teams and employees and remitting those income tax revenues to the Authority as is currently being done for the Cardinals' organization and employees. These and other potential legislative items will require additional time to see if they can be successfully implemented.

