

## OFFICIAL STATEMENT

*In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law (i) assuming compliance with certain covenants, interest on the 2003A Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Internal Revenue Code of 1986, as amended, and (ii) interest on the 2003A Bonds is exempt from Arizona State income tax. The interest may be subject to certain federal taxes imposed on certain corporations, including corporate alternative minimum tax on a portion of that interest. (For a more complete discussion of tax aspects, see "TAX EXEMPTION" herein.)*

**NEW ISSUE – BOOK ENTRY ONLY**

**RATINGS: Moody's: Aaa  
Fitch: AAA  
See "Ratings" herein**

**\$221,950,000**

**ARIZONA TOURISM AND SPORTS AUTHORITY  
TAX REVENUE BONDS  
(MULTIPURPOSE STADIUM FACILITY PROJECT)  
SERIES 2003A**

**Dated: February 1, 2003**

**Due: July 1, as shown on the inside cover page hereof**

The Tax Revenue Bonds (Multipurpose Stadium Facility Project) Series 2003A (the "2003A Bonds") are being issued by the Arizona Tourism and Sports Authority (the "Authority") as a separate series of fully registered bonds in denominations of \$5,000 or any integral multiple thereof.

Interest on the 2003A Bonds is payable on January 1 and July 1 of each year, commencing July 1, 2003, by check or draft mailed on each interest payment date by the hereinafter-described Trustee to the registered owners thereof as of the 15th day of the month preceding such Interest Payment Date or by wire transfer to any securities depository or, upon request of owners of \$1,000,000 or more in aggregate principal amount, as described herein. Principal of and premium, if any, on the 2003A Bonds are payable upon presentation and surrender at the designated corporate trust office of the Trustee.

The maturities, interest rates, and prices or yields of the 2003A Bonds are shown on the reverse side of this cover page.

The 2003A Bonds will be issued as registered bonds and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the 2003A Bonds. Purchases of beneficial interests in such 2003A Bonds will be made in book-entry-only form. Purchasers will not receive certificates representing the ownership interest in the 2003A Bonds purchased by them. So long as the 2003A Bonds are registered in the name of Cede & Co., as nominee of DTC, payments of the principal of and interest and premium, if any, on the 2003A Bonds will be made directly by the Trustee to Cede & Co., as nominee of DTC. See "Appendix D--BOOK-ENTRY-ONLY SYSTEM" herein.

The 2003A Bonds will be issued pursuant to Title 5, Chapter 8 of the Arizona Revised Statutes, as supplemented and amended (the "Act"), under a Trust Indenture dated as of February 1, 2003, between the Authority and Bank One Trust Company, N.A., as trustee (the "Trustee"), as supplemented by a Senior Series 2003A Supplemental Indenture, dated as of February 1, 2003 (collectively, the "Indenture"). The 2003A Bonds are being issued to (i) finance the construction and furnish a multipurpose stadium facility (the "Multipurpose Facility") within Maricopa County, Arizona (the "County"), and (ii) pay costs of issuing the 2003A Bonds.

*Under certain circumstances, the 2003A Bonds are subject to extraordinary redemption in whole or in part as described herein under "THE 2003A BONDS -- Redemption Provisions -- Extraordinary Redemption." The 2003A Bonds are also subject to optional and mandatory sinking fund redemption prior to their respective maturity dates as described herein under "THE 2003A BONDS -- Redemption Provisions -- Optional Redemption" and "-- Mandatory Sinking Fund Redemption."*

The scheduled payment of principal of and interest on the 2003A Bonds will be guaranteed under a financial guaranty insurance policy to be issued concurrently with the delivery of the 2003A Bonds by MBIA Insurance Corporation.



**The 2003A Bonds are special obligations of the Authority. The 2003A Bonds, together with any Completion Senior Bonds, Additional Senior Bonds and Refunding Senior Bonds (each as defined herein) that may hereafter be issued in accordance with the Indenture are payable from and secured solely by Pledged Revenues (as defined herein), consisting generally of a car rental surcharge and a lodging excise tax imposed within the County, amounts distributed to the Authority based upon certain State income tax payments and other tax-derived and user revenues generated from or with respect to the Multipurpose Facility, all as described herein. The 2003A Bonds are not obligations, general, special, or otherwise, of the State of Arizona, the County or any entity other than the Authority, do not constitute a legal debt of the State of Arizona, the County or of any entity other than the Authority and are not enforceable against the Authority out of any monies other than such specified Pledged Revenues.**

This cover page contains only a brief description of the 2003A Bonds and the security therefor. It is not a summary of material information with respect to the 2003A Bonds. Investors should read the entire Official Statement to obtain information necessary to make an informed investment decision.

*The 2003A Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of legality by Squire, Sanders & Dempsey L.L.P., Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Authority by its counsel, Fennemore Craig, P.C., and for the Underwriters by their counsel, Snell & Wilmer L.L.P. It is expected that the 2003A Bonds in book-entry form will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about February 12, 2003.*

**RBC Dain Rauscher Inc.**

**Banc One Capital Markets, Inc.**

February 4, 2003

**\$221,950,000**  
**ARIZONA TOURISM AND SPORTS AUTHORITY**  
**TAX REVENUE BONDS**  
**(MULTIPURPOSE STADIUM FACILITY PROJECT)**  
**SERIES 2003A**

**MATURITY SCHEDULE**

**\$169,480,000 Serial Bonds**

<u>Year</u> <u>(July 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
2007	\$ 505,000	3.000%	2.360%	102.650%
2008	1,370,000	4.000%	2.780%	106.061%
2009	1,530,000	4.000%	3.170%	104.761%
2010	2,570,000	5.000%	3.470%	109.889%
2011	2,595,000	4.250%	3.730%	103.711%
2012	2,145,000	4.375%	3.900%	103.699%
2013	2,680,000	4.500%	4.020%	104.038%
2014	2,810,000	5.250%	4.100%	109.642%*
2015	2,955,000	5.250%	4.190%	108.847%*
2016	3,110,000	4.125%	4.330%	97.929%
2017	8,980,000	5.250%	4.370%	107.279%*
2018	9,450,000	5.375%	4.410%	107.966%*
2019	10,120,000	5.375%	4.490%	107.276%*
2020	10,660,000	5.375%	4.570%	106.592%*
2021	11,235,000	5.375%	4.640%	105.998%*
2022	11,840,000	5.375%	4.720%	105.323%*
2023	12,475,000	5.375%	4.770%	104.904%*
2024	13,145,000	5.000%	4.900%	100.801%*
2025	8,805,000	5.000%	4.910%	100.720%*
2025	5,000,000	4.750%	4.910%	97.836%
2026	14,480,000	4.750%	4.920%	97.648%
2027	15,170,000	4.500%	4.940%	93.797%
2028	15,850,000	5.000%	4.950%	100.396%*

**\$52,470,000 5.000% Term Bond, due July 1, 2031 Price 100.235%\* to Yield 4.970%**

(Plus accrued interest from February 1, 2003)

\* Priced to July 1, 2013, the first optional redemption date.

# ARIZONA TOURISM AND SPORTS AUTHORITY

## Board of Directors

James J. Grogan, *Chairman and Member*

John D. Benton, *Secretary and Member*

Rod C. Williams, *Treasurer and Member*

F. Rockne (Roc) Arnett, *Member*

C.A. Howlett, *Member*

Valarie Miceli, *Member*

Herman L. Orcutt, *Member*

William H. Peltier, *Member*

[One Member seat currently vacant]

## Staff

Ted A. Ferris, *President and Chief Executive Officer*

Charles M. Foley, *Chief Financial Officer*

Kenny W. Harris, P.E., *Vice President for Facilities*

## Professional Services

Counsel to the Authority ..... Fennemore Craig, P.C.

Bond Counsel..... Squire, Sanders & Dempsey L.L.P.

Trustee ..... Bank One Trust Company, N.A.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering contained herein, and, if given or made, such information or representation must not be relied upon as having been authorized by the Authority or the Underwriters. This Official Statement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities other than the original offering of the 2003A Bonds or an offer to sell or solicitation of offers to buy, nor shall there be any sale of the 2003A Bonds, by any person in any jurisdiction where such offer or solicitation or sale would be unlawful.

The information contained in this Official Statement has been obtained from the Authority and other sources believed to be reliable, but the accuracy or completeness of such information is not guaranteed by, and should not be construed as a representation by, any of the foregoing. The presentation of such information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends. No representation is made that the past experience, as shown by such financial and other information, will necessarily continue or be repeated in the future. This Official Statement contains, in part, estimates and matters of opinion, whether or not expressly stated to be such, which are not intended as statements or representation of fact or certainty, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

All forecasts, projections, assumptions, opinions or estimates are "forward-looking statements," which must be read with an abundance of caution and which may not be realized or may not occur in the future. Such statements generally are identifiable by the terminology used, such as "plan," "expect," "estimate," "forecast," "budget" or "anticipate." The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors that may cause actual results, performances or achievements to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. The Authority does not plan to issue any updates or revisions to those forward-looking statements if or when changes to its expectations or events, conditions or circumstances on which such statements are based occur. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the State of Arizona, or Maricopa County since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The 2003A Bonds will not be registered under the Securities Act of 1933, as amended, or any state securities law, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state or other governmental entity or agency has passed upon the accuracy of this Official Statement.

The Authority has undertaken to provide continuing disclosure with respect to the 2003A Bonds as required by Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE UNDERTAKING" and "APPENDIX C – CONTINUING DISCLOSURE UNDERTAKING" herein.

Banc One Capital Markets, Inc. ("BOCM") is a separate subsidiary of Bank One Corporation. While BOCM is an affiliate of Bank One, NA and other banks, BOCM is not a bank, but is a registered broker/dealer. Any obligations of BOCM are the sole responsibility of BOCM and do not create any obligations on the part of any affiliate of BOCM. Securities sold, offered or recommended by BOCM are not deposits, are not insured by the Federal Deposit Insurance Corporation, are not guaranteed by any affiliated bank of BOCM and are not otherwise an obligation or responsibility of any such affiliated bank.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2003A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Trustee assumes no responsibility for this Official Statement and has not reviewed or undertaken to verify any information contained herein.

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## OFFICIAL STATEMENT

relating to

**\$221,950,000**

**Arizona Tourism and Sports Authority  
Tax Revenue Bonds  
(Multipurpose Stadium Facility Project)  
Series 2003A**

### INTRODUCTION

This Official Statement (including the cover page and Appendices attached hereto) provides certain information in connection with the issuance by the Arizona Tourism and Sports Authority (the "Authority") of its Tax Revenue Bonds (Multipurpose Stadium Facility Project) Series 2003A (the "2003A Bonds") in the aggregate principal amount of \$221,950,000. The 2003A Bonds are issued pursuant to Title 5, Chapter 8, Arizona Revised Statutes ("A.R.S."), as supplemented and amended (the "Act"), under a Trust Indenture, dated as of February 1, 2003, between the Authority and Bank One Trust Company, N.A., as trustee (the "Trustee"), as supplemented by a Senior Series 2003A Supplemental Indenture, dated as of February 1, 2003 (collectively, and as supplemented or amended in the future, the "Indenture").

Under and pursuant to the Act, the Authority is authorized to issue (i) its senior lien bonds for the purpose of constructing, financing, furnishing, maintaining, improving, operating, marketing and promoting a multipurpose facility and improvements located in Maricopa County, Arizona (the "County") suitable to be used to accommodate professional football franchises, major college football bowl sponsors, other sporting events and entertainment, cultural, civic, meeting, trade show or convention events or activities ("Multipurpose Facility Purposes"); and (ii) its subordinate lien bonds for the purpose of acquiring land or constructing, financing, furnishing, improving, marketing or promoting the use of existing or proposed professional baseball training facilities located in the County and other structures, utilities, roads, parking areas or buildings necessary for full use of the training facilities for sports and other purposes ("Cactus League Purposes").

Capitalized terms used in this Official Statement and not otherwise defined herein have the meanings set forth in Appendix B.

The 2003A Bonds are being issued to (i) construct and furnish a multipurpose stadium facility (the "Multipurpose Facility") within the County, and (ii) pay costs of issuing the 2003A Bonds. See "THE MULTIPURPOSE FACILITY" herein.

The 2003A Bonds are special obligations of the Authority. The principal and interest (collectively, "debt service") on the 2003A Bonds, together with any Completion Senior Bonds, Additional Senior Bonds and Refunding Senior Bonds that may hereafter be issued in accordance with the Indenture, are payable from and secured solely by the hereinafter-described Pledged Revenues, all as provided in the Indenture, and more fully described under "SECURITY AND SOURCES OF PAYMENT FOR THE 2003A BONDS." Pledged Revenues consist generally of a car rental surcharge and a lodging excise tax imposed within the County, amounts distributed to the Authority based upon certain State income tax payments and other tax-derived and user revenues derived from or with respect to the Multipurpose Facility. For information relating to said Pledged Revenues, see "SOURCES OF PLEDGED REVENUES" herein.

The 2003A Bonds is the first series of bonds issued under the Indenture. In addition, the Authority expects to issue pursuant to the Indenture, during February 2003, approximately \$32,390,000 principal amount of its subordinate lien tax revenue bonds (the "2003 Subordinate Bonds") for the purpose of making one or more grants to certain cities to pay a portion of the cost of professional baseball training facilities within the County. The Indenture also permits the issuance of additional senior bonds for the completion of the Multipurpose Facility ("Completion Senior Bonds"), additional senior bonds for Multipurpose Facility Purposes ("Additional Senior Bonds") and additional senior bonds for refunding purposes ("Refunding Senior Bonds"), none of which the Authority currently anticipates issuing. The Completion Senior Bonds, Additional Senior Bonds and Refunding Senior Bonds, together

with the Series 2003A Bonds, are herein referred to as "Senior Bonds." Debt service on Senior Bonds will be payable from and secured solely by Pledged Revenues, on a basis prior and senior to the pledge of Pledged Revenues and other monies held under the Indenture for the payment of debt service for any subordinate bonds or other obligations which may be issued under the Indenture, including the 2003 Subordinate Bonds (collectively, "Subordinate Bonds") for Cactus League Purposes. For additional information relating to Senior Bonds and the issuance of Completion Senior Bonds, Additional Senior Bonds and Refunding Senior Bonds, see "SECURITY AND SOURCES OF PAYMENT FOR THE 2003A BONDS--Additional Senior Bonds." For additional information relating to Subordinate Bonds which may be issued under the Indenture in addition to the Series 2003 Subordinate Bonds, see "SECURITY AND SOURCES OF PAYMENT FOR THE 2003A BONDS--Subordinate Bonds."

The 2003A Bonds are not obligations, general, special, or otherwise, of the State of Arizona, the County or any entity other than the Authority, do not constitute a legal debt of the State of Arizona, the County or of any entity other than the Authority and are not enforceable against the Authority out of any monies other than the specified Pledged Revenues provided in the Indenture. See "RISK FACTORS" herein.

The State has, in the Act, pledged to and agreed with the holders of the bonds authorized by the Act (including the Senior Bonds and the Subordinate Bonds) that the State will not limit, alter or impair the rights vested in the Authority under the Act to receive the monies necessary to fulfill the terms of any agreements made with the holders of the bonds, or in any way impair the rights and remedies of the bondholders, until all bonds issued under the Act, together with interest on the bonds, interest on any unpaid installments of principal or interest and all costs and expenses in connection with any action or proceedings by or on behalf of the bondholders, are fully met and discharged, and has authorized the Board of Directors of the Authority, as agent for the State, to include this pledge and undertaking in its resolutions and indentures authorizing and securing its bonds.

Payments of debt service on the Senior Bonds and Subordinate Bonds are not subject to annual appropriation nor are such payments on the Senior Bonds and Subordinate Bonds subject to any constitutional or statutory limitation on expenditures.

*Under certain circumstances, the 2003A Bonds are subject to extraordinary redemption in whole or in part as described herein under "THE 2003A BONDS -- Redemption Provisions -- Extraordinary Redemption." The 2003A Bonds are also subject to optional and mandatory sinking fund redemption prior to their respective maturity dates as described herein under "THE 2003A BONDS -- Redemption Provisions -- Optional Redemption" and "--Mandatory Sinking Fund Redemption."*

This Official Statement describes the terms of and security for the 2003A Bonds and the use of proceeds of the 2003A Bonds. Also included are summaries of certain provisions of the Act and the Indenture. These descriptions and summaries do not purport to be comprehensive or definitive. All references herein to the Act and the Indenture are qualified in their entirety by reference to the definitive form thereof and all references to the 2003A Bonds are qualified by the form thereof contained in the Indenture and are further qualified in their entirety by reference to bankruptcy and other laws and principles of equity relating to or affecting the enforceability of creditors' rights. Copies of the Indenture may be obtained as set forth under "MISCELLANEOUS."

## **THE AUTHORITY**

The Authority, formed pursuant to the Act in July, 2000, is a political subdivision of the State of Arizona empowered, among other things, to (i) construct, finance, furnish, maintain, improve, own, operate, market and promote the use of a multipurpose facility suitable to be used to accommodate sporting events and entertainment, cultural, civic, meeting, trade show or convention events or activities, including a stadium, on-site infrastructure, parking garages and lots and related commercial uses within the facility in the County, (ii) promote tourism in the County by transferring monies to the State Tourism Fund, (iii) acquire land or construct, finance, furnish, improve market or promote the use of existing or proposed professional baseball training facilities located in the County, and (iv) acquire land or construct, finance, furnish, maintain, improve, operate, market or promote the use of community youth and amateur sports facilities, recreational facilities and other community facilities or programs in the County.

Pursuant to the Act, the Authority is required, on or before June 30 of each year, to hold a public hearing and thereafter adopt a budget for the following fiscal year. The Act further requires an annual audit of the Authority's funds, accounts and subaccounts by an independent certified public accountant and a performance audit by the Office of the Arizona Auditor General, beginning not later than 2004 and every fifth year thereafter. To date, the Authority has received annual audit reports for the fiscal years ending June 30, 2001 and 2002, accompanied by customary auditor's opinion letters, containing no further qualifications. On January 14, 2003, the Authority was notified by the Office of the Arizona Auditor General that it expects to conduct its first performance audit of the Authority during 2003.

*Board of Directors.* The Authority is governed by a Board of Directors, which consists of nine members who must be County residents and are appointed to staggered five-year terms. Five Board members are appointed by the Governor of the State, no more than three of whom may be members of the same political party and at least four of whom must represent each of the tourism industry, the County's hotel and motel industry, youth sports organizations and major league baseball spring training organizations, respectively. In addition, two members are appointed by the Speaker of the State House of Representatives from different political parties and two are appointed by the President of the State Senate from different political parties.

There is currently one vacancy on the Authority's Board of Directors, to be filled by the Governor, with a representative from either youth and amateur sports organizations or major league baseball spring training organizations.

*Professional Staff.* The Act provides that the Board of Directors shall employ an Executive Director who is responsible for managing, administering and supervising the Authority's activities. The Executive Director's responsibilities include (i) employing a Treasurer and administrative and clerical staff for the Authority, (ii) recommending the employment of, and directing the activities of, the Authority's consultants, and (iii) negotiating and performing the Authority's contracts, including contracts relating to the construction and use of the Multipurpose Facility.

In January, 2001, Ted A. Ferris, President and Chief Executive Officer, became the Authority's first Executive Director. Presently, the Authority's senior staff also includes Charles M. Foley, Chief Financial Officer, and Kenny W. Harris, P.E., Vice President for Facilities. The Authority intends to continue adding other staff positions as needed, while also utilizing various consultants to assist it in the performance of its activities.

*Ted A. Ferris*, President and Chief Executive Officer of the Authority, brings 26 years' experience at the highest levels of state government in Arizona and Michigan. Prior to assuming his current position with the Authority in January 2001, Mr. Ferris served for three years as Deputy Chief of Staff for Arizona Governor Jane Dee Hull. In this capacity, he served as the Governor's lead advisor on business and economic matters. Previously, Mr. Ferris served for twelve years as the Executive Director of the Joint Legislative Budget Committee of the Arizona Legislature, where he directed a nonpartisan professional staff responsible for developing the State's multi-billion dollar annual budget. In Michigan, Mr. Ferris served as Director of the Michigan Senate Fiscal Agency from 1981 to 1985, and prior to that, as its Chief Economist from 1975 to 1981. Mr. Ferris's numerous professional awards and honors include his selection for fiscal year 1994-95 as Staff Chairman of the National Conference of State Legislatures, the highest-ranking national office to which legislative staff can be elected. Mr. Ferris received a Bachelor of Arts degree in economics in 1974 and a Masters of Arts degree in economics in 1975, from Western Michigan University.

*Charles M. Foley* was appointed Chief Financial Officer of the Authority on July 1, 2001, after serving as interim Chief Financial Officer since March 1, 2001. Previously, Mr. Foley was owner and president of a financial and organization consulting firm for four years and has held a variety of financial management positions with Janex International, Inc., Futech Interactive Products, Inc., Hypercom, Inc., Syntellect, Inc., Dial Corporation and Monsanto Corporation. He has also served as a director on several boards of directors. Prior to his corporate career, Mr. Foley served as a member of the Peace Corps in Honduras. He received a Bachelor of Science degree in Management Science from Minnesota State University Moorhead in 1979 and a Masters in International Management (Finance) degree from the American Graduate School of International Management in 1983.

Mr. Foley's responsibilities within the Authority are to serve as its designated Fiscal Agent, to ensure the accurate and full accounting for and reporting of financial results, to manage its human resources and information technology needs, to provide for an adequate system of internal operational and financial controls, to coordinate the required financial and performance audits and reviews with outside agencies/organizations, to manage the treasury function including the sale and use of bond proceeds, and to ensure complete compliance with all statutory requirements with respect to revenues and their distributions.

***Kenny W. Harris, P.E.***, was appointed Vice President for Facilities of the Authority in March 2001, after serving for nine years as the City Engineer of the City of Phoenix. He received a Bachelor of Science degree in Civil Engineering from the University of Notre Dame in 1978.

Mr. Harris's responsibilities at the Authority include (i) overseeing the construction of the Multipurpose Facility, (ii) monitoring the construction or renovation of professional baseball training facilities in which the Authority is participating, and (iii) monitoring the construction of various youth and amateur sports and recreational facilities in which the Authority is participating throughout the County. He will also be responsible for supervising the maintenance and repair of the Multipurpose Facility following completion.

*Other Activities and Financial Commitments of the Authority.* In addition to the Authority's commitment to pay costs related to the acquisition and construction of the Multipurpose Facility, as described under "THE MULTIPURPOSE FACILITY" and to pay debt service on the Senior Bonds, including the 2003A Bonds, and Subordinate Bonds, as described under "SECURITY AND SOURCES OF PAYMENT FOR THE 2003A BONDS," the Authority has additional statutory responsibilities and financial commitments, some of which are summarized below.

Tourism Promotion. The Authority is required under the Act to distribute specified amounts each month to the State Tourism Fund for promoting tourism within the County. Specifically, after completing monthly distributions of amounts in the Tourism Revenue Clearing Account to the Senior Bond Subaccount as described under "SECURITY AND SOURCES OF PAYMENT FOR THE 2003A BONDS -- Application of Pledged Revenues," the Trustee is required by the Indenture to make monthly transfers from such Account to the State Tourism Fund established pursuant to A.R.S. Section 41-2306. The amount to be transferred is equal to one-twelfth (1/12) of \$4,000,000 during the first twelve-month period, which began in June 2001, increased in each subsequent twelve-month period by an additional five per cent (5.00%) over the preceding twelve-months' distribution. During fiscal year 2002-03 only, the monthly amount to be so distributed to the State Tourism Fund is one-twelfth (1/12) of \$2,000,000, with the remaining amount to be transferred in such year instead being transferred to the State's General Fund.

Cactus League Promotion. The Authority has been given the responsibilities in the Act to construct, finance, furnish, improve, market or promote professional baseball spring training facilities within the County. The Act contains a requirement that each Authority-funded project include a minimum contribution by a partner County or municipality equal to at least one-third (1/3) of the project costs. After completing monthly distributions of amounts in the Tourism Revenue Clearing Account to the Senior Bond Subaccount and to the State Tourism Fund as described above, the Trustee is required by the Indenture to make monthly deposits from such Account into the Subordinate Bond Debt Service Subaccount (to the extent necessary to pay debt service on outstanding Subordinate Bonds) and, to the extent not so needed, into the Cactus League Promotion Account, which produce annual amounts of \$3,000,000 for the twelve-month period beginning June 2001, gradually increased over an approximately 30-year period pursuant to a statutory schedule to annual amounts of \$11,000,000. Amounts in the Cactus League Promotion Account must be used for Cactus League Purposes as noted above.

Youth and Amateur Sports Promotion. The Authority has also been given the responsibilities under the Act to construct, finance, furnish, maintain, improve, operate, market, or promote the use of community youth and amateur sports facilities within the County. The Act contains a requirement that each Authority-funded project include a minimum contribution by a partner County or municipality equal to at least one-third (1/3) of the project costs. After completing monthly distributions of amounts in the Tourism Revenue Clearing Account to the Senior Bond Subaccount, the State Tourism Fund, the Subordinate Bond Debt Service Subaccount and the Cactus League Promotion Account, the Trustee is required by the Indenture to make monthly transfers from such Account to the Youth and Amateur Sports Facilities Subaccount. The amount to be transferred is equal to one-twelfth (1/12) of

\$1,000,000 during the first twelve-month period, which began in June 2001, increased in each subsequent twelve-month period by an additional \$100,000 over the preceding twelve-months' distribution. In addition, after completing monthly distributions of amounts in the Tourism Revenue Clearing Account to the Operating General Subaccount of the Operating Account equal to one-twelfth (1/12) of the Authority's adopted budget for the current fiscal year, as described in the next succeeding paragraph, the Trustee is required in the Indenture to also make monthly transfers to the Youth and Amateur Sports Reserve Subaccount of an amount equal to the amount required by the Act to be distributed to the Youth and Amateur Sports Facilities Subaccount during the preceding fiscal year, less any amount then on deposit in the Youth and Amateur Sports Reserve Subaccount. Amounts in the Youth and Amateur Sports Facilities Subaccount and the Youth and Amateur Sports Reserve Subaccount must be used for the prescribed youth and amateur sports purposes.

Operating Account. The Authority is required under the Act to maintain an Operating Account consisting of monies transmitted to the Account from the Tourism Revenue Clearing Account and the Facility Revenue Clearing Account. After completing monthly distributions of amounts in the Tourism Revenue Clearing Account to the Senior Bond Subaccount, the State Tourism Fund, the Subordinate Bond Debt Service Subaccount, the Cactus League Promotion Account, the Youth and Amateur Sports Facilities Subaccount, the Operating General Subaccount described in the preceding paragraph and the Youth and Amateur Sports Reserve Subaccount, the Trustee is required by the Indenture to deposit any monies remaining in such Account to the Operating General Subaccount of the Operating Account. After completing monthly distributions of amounts in the Facility Revenue Clearing Subaccount Held by the Trustee, to the Senior Bond Subaccount and the Subordinate Bond Debt Service Subaccount for the payment of debt service on Senior Bonds and Subordinate Bonds, the Trustee is required by the Indenture to deposit any monies remaining in such Subaccount to the Operating General Subaccount of the Operating Account. In addition, all Facility Income Tax Revenues Not Pledged are deposited into the Facility Revenue Clearing Account Held by the Authority and, on the second Tuesday of each month, all amounts in such Account are transferred to the Operating Current Expense Subaccount of the Operating Account.

Under the Act and the Indenture, the Authority may expend monies in the Operating Account for any of the following purposes (except that amounts in the Operating Current Expense Subaccount will not be used for payment of debt service on Senior Bonds or Subordinate Bonds, or transferred to the Debt Service Account):

1. Operating, marketing, promoting, furnishing and equipping the Multipurpose Facility;
2. Paying all costs associated with the Authority's administrative duties.

The Act further requires that the Authority establish within the Operating Account: (i) a reserve to meet future operating costs of the Authority, including amounts that are sufficient to pay all costs associated with events held at the Multipurpose Facility, and (ii) a reserve for repair and replacement costs associated with the Multipurpose Facility in an amount at least equal to \$25,000,000, adjusted for inflation after 2001.

The foregoing commitments are in addition to the Authority's obligations to pay costs related to the acquisition and construction of the Multipurpose Facility, as described under "THE MULTIPURPOSE FACILITY" and to pay debt service on the Senior Bonds, including the 2003A Bonds, and Subordinate Bonds, as described under "SECURITY AND SOURCES OF PAYMENT FOR THE 2003A BONDS." The amounts and priorities of the Authority's commitments with respect to Tourism Promotion, Cactus League Promotion, and Youth and Amateur Sports Promotion, are mandated by statute, are not subject to reallocation by the Authority and, together with amounts required for the payment of debt service on the Senior Bonds, including the 2003A Bonds, and Subordinate Bonds, will reduce the amount of monies available to the Authority for its operations and for maintenance, marketing, insuring or improvement of the Multipurpose Facility. Moreover, the Authority is only able to estimate future revenues, including Pledged Revenues, and future expenses, including those associated with the Multipurpose Facility, and either lower-than-estimated revenues or higher-than-estimated expenses, or both, in the future could prevent the Authority from receiving sufficient funds to meet all of its statutory and contractual commitments, pay its administrative expenses and operate, market, maintain or improve the Multipurpose Facility in a manner necessary to produce significant Multipurpose Facility Revenues. See "RISK FACTORS -- Adequacy of Cash Flow to Fund All of Authority's Commitments and Operate Multipurpose Facility" herein.

## THE 2003A BONDS

### General Description

The 2003A Bonds are issuable only in fully registered form. The 2003A Bonds will bear interest from the dated date at the rates, and will mature on the dates and in the amounts, all as set forth on the inside cover page hereof. As described in Appendix D – "BOOK-ENTRY-ONLY SYSTEM", the 2003A Bonds will be registered in the name of Cede & Co., as registered Owner and nominee of The Depository Trust Company ("DTC"), New York, New York. So long as DTC, or its nominee, Cede & Co., is registered Owner of all of the 2003A Bonds, all payments on the 2003A Bonds will be made directly to DTC.

So long as Cede & Co. is the registered Owner of the 2003A Bonds, as nominee for DTC, references herein to "Owners" or registered owners of the 2003A Bonds (other than under the caption "TAX EXEMPTION") shall mean Cede & Co., as aforesaid, and shall not mean the owners of book-entry interests in the 2003A Bonds ("Beneficial Owners"). When notices are given under the Indenture, they shall be sent by the Authority or the Trustee to DTC only. When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes.

The 2003A Bonds initially will be dated as shown on the cover page and will be issued in denominations of \$5,000 or any integral multiple thereof. Interest on the 2003A Bonds will be payable on each January 1 and July 1 (each such date is referred to herein as an "Interest Payment Date"), commencing July 1, 2003. Interest on the 2003A Bonds will be payable by check or draft mailed on the Interest Payment Date by the Trustee to the Owners thereof as shown on its registration books, at the address appearing therein, at the close of business of the Trustee on June 15 and December 15 of each year (the "Regular Record Date"); provided, however, that interest and principal may be payable by wire transfer to securities depositories or to a bank account in the continental United States specified by an Owner of \$1,000,000 or more in principal amount of 2003A Bonds, at such Owner's expense and upon request delivered to the Trustee prior to a Regular Record Date.

### Redemption Provisions

*Extraordinary Redemption.* Unless on or prior to October 1, 2003, the Authority has delivered to the Trustee a Certificate of an Authorized Officer stating that (1) the contribution to be made toward costs of the Multipurpose Facility by B&B Holdings, Inc., d/b/a Arizona Cardinals (the "Team") pursuant to Section 2 of the Memorandum of Understanding entered into as of September 3, 2002 (the "MOU") between the Authority and the Team, or similar provisions of successor agreements between the Authority and the Team, has been fully satisfied in a manner acceptable to the Authority that authorizes expenditure of the contribution for costs of the Multipurpose Facility, and (2) the Team's right to terminate the Cardinals Use Agreement pursuant to Section 2 of the MOU or similar provisions of successor agreements between the Authority and the Team, as described under "THE MULTIPURPOSE FACILITY -- Development of the Multipurpose Facility -- *The MOU*" herein, has been waived or terminated in a manner acceptable to the Authority, then the 2003A Bonds shall be subject to redemption in whole or in part in inverse order of maturities and within any maturity by lot from unspent proceeds of the 2003A Bonds and any other moneys furnished by the Authority for that purpose on the single earliest date practicable for which notice of redemption can be given at a redemption price of the initial offering price shown on the inside cover for the 2003A Bonds called for redemption plus interest accrued to the redemption date.

*Optional Redemption.* The 2003A Bonds maturing on or prior to July 1, 2013, are not subject to optional redemption prior to maturity. The 2003A Bonds maturing on or after July 1, 2014 are subject to optional redemption prior to maturity, at the option of the Authority, in whole or in part at any time on or after July 1, 2013, in increments of \$5,000 and from such maturities as the Authority may determine and by lot within a maturity at a redemption price equal to the principal amount of the 2003A Bonds or portions thereof to be redeemed, together with accrued interest thereon to the redemption date, without premium.

*Mandatory Sinking Fund Redemption.* The Term 2003A Bonds maturing on July 1, 2031 are subject to mandatory sinking fund redemption in part by lot on July 1 in the years and in the amounts set forth below, at a

redemption price equal to the principal amount of such 2003A Bonds to be redeemed together with accrued interest thereon to the redemption date, but without premium, as follows:

*Term 2003A Bonds Due July 1, 2031*

<u>Year</u> <u>(July 1)</u>	<u>Principal Amount</u>
2029	\$16,645,000
2030	17,475,000
2031 (maturity)	18,350,000

Whenever 2003A Bonds are purchased, redeemed (other than by mandatory sinking fund redemption) or are delivered by the Authority to the Trustee for cancellation, the principal amount of the 2003A Bonds so retired shall satisfy and be credited against the mandatory sinking fund requirements in any order specified by the Authority.

*Notice of Redemption.* The Trustee shall give notice by mail of the redemption of the 2003A Bonds, not less than 30 days prior to the redemption date, to the registered Owners (Cede & Co., so long as the book-entry-only system is in effect) of any 2003A Bonds or portions thereof to be redeemed at their last address appearing on the bond register of the Trustee. Such notice shall specify the maturities of the 2003A Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the 2003A Bonds of like maturity are to be redeemed, the particular 2003A Bonds or portions thereof to be redeemed. Any defect in the notice to the Owner of any 2003A Bond which is to be redeemed shall not affect the validity of the proceedings for the redemption of any other 2003A Bond. Any notice of redemption which is mailed shall be presumed to be given, whether or not such notice is received. Any failure on the part of a nominee of a Beneficial Owner of a 2003A Bond to notify the Beneficial Owner shall not affect the validity of the redemption of such 2003A Bond.

So long as the 2003A Bonds are held under the Book-Entry-Only System (See Appendix D), notice of redemption shall be sent to Cede & Co., as the registered Owner. If on the redemption date, money for the redemption of the 2003A Bonds or portions thereof to be redeemed, together with accrued interest thereon to the redemption date, is held by the Trustee and is available to pay the redemption price of the 2003A Bonds or portions thereof to be redeemed on the redemption date, and if notice of redemption has been given as described in the preceding paragraph, then, from and after the redemption date, interest on the 2003A Bonds or portions thereof so called for redemption shall cease to accrue.

**Defeasance**

If the Authority pays or causes to be paid, or there is otherwise paid, to the Owners of all outstanding 2003A Bonds or 2003A Bonds of a particular maturity or a particular 2003A Bond within a maturity, the debt service due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, such 2003A Bonds will cease to be entitled to any lien, benefit or security under the Indenture, and all covenants, agreements and obligations of the Authority to the Owners of such 2003A Bonds will thereupon cease, terminate and become void and be discharged and satisfied.

Subject to the provisions of the Indenture, any outstanding 2003A Bonds will be deemed to have been paid within the meaning and with the effect expressed in the foregoing paragraph if there has been deposited with the Trustee either money in an amount which will be sufficient, or certain Defeasance Obligations as prescribed in the Indenture, the principal of and the interest on which, when due, will provide money which, together with the money, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal of, premium, if any, and interest due and to become due on such 2003A Bonds to maturity or prior redemption. For a description of the Defeasance Obligations in which such funds may be invested, see "APPENDIX B--SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE—Providing for Payment of Bonds."

## **BOND INSURANCE**

The following information has been furnished by MBIA Insurance Corporation (the "Insurer" or "MBIA") for use in this Official Statement. Reference is made to Appendix E for a specimen of the Insurer's policy.

### **The MBIA Insurance Corporation Insurance Policy**

The Insurer's policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Authority to the Trustee or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on the 2003A Bonds as such payments shall become due, but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the 2003A Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any 2003A Bond. The Insurer's policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of 2003A Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Insurer's policy also does not insure against nonpayment of principal of or interest on the 2003A Bonds resulting from the insolvency, negligence or any other act or omission of the Trustee or any other paying agent for the 2003A Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Trustee or any owner of a 2003A Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such 2003A Bonds or presentment of such other proof of ownership of the 2003A Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the 2003A Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the 2003A Bonds in any legal proceeding related to payment of insured amounts on the 2003A Bonds, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners or the Trustee payment of the insured amounts due on such 2003A Bonds, less any amount held by the Trustee for the payment of such insured amounts and legally available therefor.

### **Additional Information About the Insurer**

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts of or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has three foreign branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

The Insurer does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the policy and the Insurer set forth under the heading "BOND INSURANCE". Additionally, the Insurer makes no representation regarding the 2003A Bonds or the advisability of investing in the 2003A Bonds.

The Financial Guarantee Insurance Policies are not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

### **MBIA Financial Information**

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2001; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the 2003A Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement] to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2001, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002), are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2001, the Insurer had admitted assets of \$8.5 billion (audited), total liabilities of \$5.6 billion (audited), and total capital and surplus of \$2.9 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of September 30, 2002, the Insurer had admitted assets of \$9.0 billion (unaudited), total liabilities of \$5.9 billion (unaudited), and total capital and surplus of \$3.1 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

### **Financial Strength Ratings of the Insurer**

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc. rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the 2003A Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the 2003A Bonds. The Insurer does not guaranty the market price of the 2003A Bonds nor does it guaranty that the ratings on the 2003A Bonds will not be revised or withdrawn.

## SECURITY AND SOURCES OF PAYMENT FOR THE 2003A BONDS

### General

Payments of the principal and interest (collectively, "debt service") on the 2003A Bonds and all other Senior Bonds are payable from and secured solely by Pledged Revenues, which the Authority is authorized to collect and pledge under the Act and which have in the Indenture been pledged to the payment of the Authority's bonds and other obligations, including the 2003A Bonds, as more fully described below. The pledge of Pledged Revenues for the payment of debt service on the 2003A Bonds and other Senior Bonds constitutes a first lien on such Pledged Revenues and other monies held under the Indenture to the payment of debt service for the Senior Bonds. Pledged Revenues consist generally of a car rental surcharge and a lodging excise tax imposed within the County, amounts distributed to the Authority based upon certain State income tax payments and other tax-derived and user revenues derived from or with respect to the Multipurpose Facility (collectively, "Pledged Revenues").

**The future production and availability of Pledged Revenues for the payment of debt service on the Senior Bonds, including the 2003A Bonds, and Subordinate Bonds, and the distribution of Pledged Revenues to the Authority and the Trustee will be dependent upon, or will be affected by, numerous factors, including, without limitation: the ability of the City of Glendale and the Team to assemble and acquire the site for the Multipurpose Facility and to finance, construct and maintain infrastructure necessary for the Multipurpose Facility; the ability of the Authority and the Team to negotiate and secure a guaranteed maximum price construction contract that will permit the construction of the Multipurpose Facility within budgetary constraints and also deliver the Multipurpose Facility with features critical for its economic success; the ability of the Authority and others to successfully construct and complete the Multipurpose Facility; the Authority's ability to successfully market, operate and maintain the Multipurpose Facility and to generate sufficient revenues from the operation of the Multipurpose Facility; future economic growth nationally and within the County and the State, particularly growth in business and recreational travel; the continued presence and the economic success of the Team at the Multipurpose Facility; and continuous use of the Multipurpose Facility by the Team, the hereinafter-described Fiesta Bowl and other users. Not all of such factors are presently foreseeable and a significant number of these factors will be beyond the control of the Authority or will be dependent upon the successful negotiation, execution and delivery of agreements not yet in place, or amendments to existing agreements, and the future performance by other parties of contractual undertakings or payments pursuant to such agreements. For a discussion of certain of these factors, see "THE MULTIPURPOSE FACILITY," "SOURCES OF PLEDGED REVENUES" and "RISK FACTORS" herein. In addition, for information relating to judicially imposed limitations preventing the pledge of certain Facility Income Tax Revenues made available under the Act, see "SOURCES OF PLEDGED REVENUES -- Facility Income Tax Revenue" and "RISK FACTORS" herein.**

Under the Indenture, Pledged Revenues securing the payment of debt service on the Senior Bonds, including the 2003A Bonds, are deposited into the Senior Bond Debt Service Subaccount established under the Indenture. In the event that amounts in the Senior Bond Debt Service Subaccount are insufficient to pay debt service on the Senior Bonds, amounts in the Senior Bond Proceeds Subaccount and the General Subaccount of the Operating Account (collectively, together with the Senior Bond Debt Service Subaccount, the "Senior Bond Pledged Accounts") will also be used to pay debt service on the Senior Bonds, as described below under "Application of Pledged Revenues."

### Special Obligations

The 2003A Bonds are special obligations of the Authority and are payable solely from the sources specified in the Indenture.

The Senior Bonds, including the 2003A Bonds, are not obligations, general, special or otherwise, of the State, the County or any entity other than the Authority, do not constitute a legal debt of the State, the County or any entity other than the Authority and are not enforceable against the Authority out of any funds other than the Pledged Revenues as provided in the Indenture.

### **Description of Pledged Revenues**

Under the Indenture, the Pledged Revenues consist of the (i) the Tourism Tax Revenues, (ii) the Facility Tax Revenues, (iii) the Other Authority Revenues, each as hereinafter described, and (iv) investment earnings on all Pledged Accounts established under the Indenture. For a discussion of the sources of each component of the Pledged Revenues, see "SOURCES OF PLEDGED REVENUES" herein.

*Tourism Tax Revenues.* Tourism Tax Revenues are comprised of the revenues from a car rental surcharge (the "Car Rental Surcharge") and a lodging (hotel/motel) tax (the "Hotel Tax"), each levied within the County as approved by the electors of the County voting at an election held on November 7, 2000. The levy of both the Car Rental Surcharge and the Hotel Tax commenced on March 1, 2001 and will be imposed for 360 months (30 years) thereafter through February 2031. Because of the payment and processing delays between the dates of monthly collection of the Car Rental Surcharge and the Hotel Tax revenues by the Arizona Department of Revenue and the dates of receipt of such revenues by the Authority, as described below, the Authority received its first Car Rental Surcharge and Hotel Tax revenues in May 2001 and expects to continue receiving such revenues through April 2031.

The Car Rental Surcharge is imposed upon each non-exempt car rental transaction within the County at a rate equal to the greater of (i) three and one-quarter percent (3-1/4%) of the cost of the rental or (ii) two dollars and fifty cents (\$2.50). The Authority does not receive all of the revenues from the Car Rental Surcharge, however. The Act requires that each month the State Treasurer first pay from such revenues an amount equal to two dollars and fifty cents (\$2.50) on each rental transaction to the Maricopa County Stadium District, a political subdivision, and the remainder to the Authority. The Maricopa County Stadium District has imposed a two dollar and fifty cent (\$2.50) per transaction car rental surcharge within the County since 1992 and has pledged those surcharge revenues to secure its revenue bonds and other obligations to finance various professional baseball training facilities. The Act also contains exemptions from the Car Rental Surcharge for certain rental or lease transactions. The surcharge is limited to the two dollars and fifty cents (\$2.50) on each lease or rental payable to the Maricopa County Stadium District for leases or rentals by a motor vehicle repair facility or dealer or rented by a Maricopa County resident temporarily to use while the vehicle that it is replacing is not in use because of breakdown, repair, service, damage or loss. The surcharge does not apply to the lease or rental of a motor vehicle to an automobile dealership, a repair facility, an insurance company or any other person that provides that vehicle at no charge to a person whose own motor vehicle is being repaired, adjusted or serviced.

The Hotel Tax is imposed upon each lodging transaction in the County at a rate equal to one percent (1.00%) of the cost of the transaction. The Hotel Tax is imposed in addition to a similar tax already imposed by the State and any such tax imposed by any city or town within the County.

Both the Car Rental Surcharge and the Hotel Tax are collected by the State Department of Revenue with receipts held by the State Treasurer, pending monthly distributions in accordance with the Act. Amounts are collected by the State Department of Revenue on the 20th day of each month for amounts owed in the preceding month. There is a grace period that extends through the working day prior to the last business day of the month or mailed transmittals postmarked no later than the 25th day of the month. Upon collection by the State Department of Revenue, the tax revenues are deposited with the State Treasurer on a daily basis. The State Treasurer distributes the receipts to the Authority, following the close of business for the month of deposit. The State Treasurer commenced distributions of Car Rental Surcharge and Hotel Tax revenues to the Authority on May 22, 2001.

*Facility Tax Revenues.* Facility Tax Revenues comprise the revenues from (i) amounts equal to the State's base transaction privilege tax (currently 5.00%) collected with respect to any retail, amusement, restaurant and event-related activities at the Multipurpose Facility or, commencing July 1, 2001, such activities during professional football contests at Sun Devil Stadium at Arizona State University in Tempe, Arizona, the current home venue of the Team, pending completion of the Multipurpose Facility (the "Multipurpose Facility Sales Tax Revenues"), and

(ii) amounts specified in the Act related to the State income taxes paid by professional football franchise organizations domiciled in the State (presently, only the Team) and by resident and nonresident employees of such organizations and their spouses, but only to the extent such State income tax payments are related to professional football activities (the "Facility Income Tax Revenues Pledged"). In addition to the Facility Income Tax Revenues Pledged, the Act also provides for the distribution of additional amounts to the Authority, comprising (i) certain minimum amounts from State tax collections (to the extent that such minimum amounts exceed the amount of State income taxes paid by professional football franchise organizations and by resident and nonresident employees of such organizations and their spouses) and (ii) amounts related to State income taxes paid by professional football franchise organizations domiciled in the State and by resident and nonresident employees of such organizations and their spouses which are not related to professional football activities (collectively, "Facility Income Tax Revenues Not Pledged" and, together with Facility Income Tax Revenues Pledged, "Facility Income Tax Revenues"). The monthly distributions to the Authority with regard to the Facility Income Tax Revenues, commencing July, 2001, will be the greater of (A) one-twelfth (1/12) of the amount reported by the State Department of Revenue as the Facility Income Tax Revenues paid by the Team and by resident and nonresident employees of the Team and their spouses, or (B) \$292,000, for the first twelve-month period (July 1, 2001 to June 30, 2002), increasing in each subsequent twelve-month period by an additional eight percent (8%) over the prior twelve-month distribution. However, an opinion by the Arizona Court of Appeals has held that under the Arizona Constitution, only the Facility Income Taxes Pledged may be pledged by the Authority to the payment of its bonds and other obligations, including the 2003A Bonds. The court opinion did not purport to alter the distribution of Facility Income Tax Revenues Not Pledged to the Authority pursuant to the Act, but, because such revenues are not being pledged by the Authority, those sources of funds are subject to being reduced or eliminated by future action of the Arizona Legislature. See "SOURCES OF PLEDGED REVENUES -- Facility Income Tax Revenues -- *Judicial Limitations Imposed on the Pledge of Facility Income Tax Revenues.*" The Indenture requires that the Authority use its best efforts to identify any Facility Income Tax Revenues Not Pledged and provides for direct distribution of such revenues to the Authority for deposit into the Facility Revenue Clearing Subaccount Held by the Authority, which subaccount is not a part of the Senior Bond Trust Estate or the Subordinate Bond Trust Estate. Nevertheless, to the extent that Facility Income Tax Revenues Not Pledged are paid to the Trustee, whether through imprecise estimation, erroneous calculation or otherwise, the Indenture provides that such amounts do not constitute a part of the Senior Bond Trust Estate or the Subordinate Bond Trust Estate. See "Application of Pledged Revenues" herein.

The Act requires the State Department of Revenue to report monthly to the State Treasurer on the amount of the Multipurpose Facility Sales Tax Revenues and the Facility Income Tax Revenues and requires the State Treasurer to make monthly distributions to the Authority.

Although the Act provides that the State Treasurer is to pay all Tourism Tax Revenues and the Facility Tax Revenues to the Authority, the Authority has given irrevocable instructions, accepted by the State Treasurer, to pay all such revenues (other than the Facility Income Tax Revenues Not Pledged) directly to the Trustee effective upon notice of the issuance of any Senior Bonds or Subordinate Bonds and continuing so long as any Senior Bonds or Subordinate Bonds are Outstanding.

*Other Authority Revenues.* Other Authority Revenues includes all payments received by the Authority from leasing, subleasing or renting property owned, leased or controlled by the Authority; revenues received by the Authority from admissions, concessions and other proceeds from events held at the Multipurpose Facility; gifts, grants and donations received for operating purposes from any public or private source; proceeds from the sale of any of the Authority's property; and present or future financial participation for operating costs received from the City of Glendale, Arizona, as the city in which the Multipurpose Facility will be located. Upon completion of the Multipurpose Facility such revenues will include amounts received by the Authority pursuant to the Use Agreements with the Team and the annual Fiesta Bowl football game, as well as from various convention, entertainment and meeting events at the Multipurpose Facility and from food service, beverage, retail and advertising activities. Under the terms of such Use Agreements, amounts to be received by the Authority from use of the Multipurpose Facility by the Team and the Fiesta Bowl are limited as to source and/or amount and are not expected to produce significant amounts of Pledged Revenues for payment of the Senior Bonds, including the 2003A Bonds. See "SOURCES OF PLEDGED REVENUES--Multipurpose Facilities Revenues" herein. Likewise, the Authority is only able to make estimates of amounts to be received by the Authority from other uses of the Multipurpose Facility. Such estimated figures are subject to change and the effect could be significant and materially adverse. See "RISK FACTORS" herein.

## Application of Pledged Revenues

*Establishment of Funds and Accounts.* Pursuant to the Act and the Indenture, the Authority has caused the Trustee to establish the following accounts and subaccounts of the Authority's General Fund, which are held by the Trustee:

- (1) The Construction Account, comprised of the Senior Bond Proceeds Subaccount, which will contain monies to be used to construct the Multipurpose Facility;
- (2) The Tourism Revenue Clearing Account;
- (3) The Facility Revenue Clearing Subaccount Held by the Trustee, which is a subaccount of the Facility Revenue Clearing Account;
- (4) The Debt Service Account, comprised of (A) the Senior Bond Debt Service Subaccount, (B) the Subordinate Bond Debt Service Subaccount, and (C) the Subordinate Bond Reserve Subaccount; and
- (5) The Cactus League Promotion Account, comprised of (A) the Subordinate Bond Proceeds Subaccount and (B) the Cactus League General Subaccount.

In addition, Pledged Revenues may be deposited into the following funds and accounts that are not required to be held by the Trustee:

- (6) The Operating General Subaccount of the Operating Account, established under the Act,
- (7) The Youth and Amateur Sports Facilities Account, comprised of (A) the Youth and Amateur Sports Facilities Subaccount and (B) the Youth and Amateur Sports Facilities Reserve Subaccount, established under the Act; and
- (8) The Tourism Fund, established under prior law.

For a discussion of the uses of the foregoing accounts and subaccounts, see "Appendix B--SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE--Funds and Accounts." In addition, the Indenture establishes the Facility Revenue Clearing Subaccount Held by the Authority, which constitutes a subaccount within the Facility Revenue Clearing Account, but which is not held by the Trustee and does not contain Pledged Revenues, and the Operating Current Expense Subaccount, which constitutes a subaccount within the Operating Account, which is not held by the Trustee and does not contain Pledged Revenues.

*Deposit and Flow of Pledged Revenues.* The Indenture requires that all Tourism Tax Revenues received will be transferred to the Trustee for deposit into the Tourism Revenue Clearing Account. The Indenture further requires that all Facility Tax Revenues Pledged, all Multipurpose Facility Sales Tax Revenues and all Other Authority Revenues received will be transferred to the Trustee for deposit into the Facility Revenue Clearing Subaccount Held by the Trustee. Amounts deposited into the Tourism Revenue Clearing Account and the Facility Revenue Clearing Subaccount Held by the Trustee are to be applied as described below and under "ARIZONA TOURISM AND SPORTS AUTHORITY FLOW OF PLEDGED REVENUES" herein.

In addition, the Indenture requires that the Authority use its best efforts to estimate, based on information available to it, the amount of each distribution by the State Treasurer of Facility Income Tax Revenues that constitute Facility Income Tax Revenues Not Pledged and to cause such amounts to be distributed directly to the Authority for deposit into the Facility Revenue Clearing Subaccount Held by the Authority. On the second Tuesday of each month, all amounts in the Facility Revenue Clearing Subaccount Held by the Authority are transferred to the Operating Current Expense Subaccount of the Operating Account for the purposes for which monies in the Operating Account may lawfully be spent, other than payment of debt service on Senior Bonds or Subordinate Bonds, or transfer to the Debt Service Account.

On the second Tuesday of each month, the Indenture requires the Trustee to distribute all monies in the Tourism Revenue Clearing Account and the Facility Revenue Clearing Subaccount Held by the Trustee as follows and in the following order of priority, subject to adjustment as provided under "Certain Adjustments Permitted" and "Swap Agreements" below.

(1) From the Tourism Revenue Clearing Account to the Senior Bond Debt Service Subaccount an amount equal to the monthly amount specified in a schedule from the Authority to be so distributed that month pursuant to A.R.S. Section 5-835.B.1 (being an amount equal to one-twelfth (1/12th) of the annual debt service on bonds and other obligations issued by the Authority for not more than \$165.5 million of capital costs associated with the Multipurpose Facility plus certain investment earnings amortized over a 30-year repayment term), plus all amounts necessary to make up deficiencies in such distributions from earlier months.

(2) From the Facility Revenue Clearing Subaccount Held by the Trustee to the Senior Bond Debt Service Subaccount an amount equal to the Monthly Debt Service Amount (as defined below) for Outstanding Senior Bonds, net of deposits being made that day to the Senior Bond Debt Service Subaccount from the Tourism Revenue Clearing Account pursuant to (1) above, plus any amounts necessary to make up deficiencies in deposits to the Senior Bond Debt Service Subaccount from earlier months.

(3) From the Tourism Revenue Clearing Account to the Senior Bond Debt Service Subaccount an amount equal to the Monthly Debt Service Amount for Outstanding Senior Bonds, net of deposits being made that day to the Senior Bond Debt Service Subaccount from the Tourism Revenue Clearing Account pursuant to (1) above and from the Facility Revenue Clearing Subaccount Held by the Trustee pursuant to (2) above, plus any amounts necessary to make up deficiencies in deposits to the Senior Bond Debt Service Subaccount from earlier months.

(4) After completing distributions pursuant to (1) through (3), from the Tourism Revenue Clearing Account to the Tourism Fund established pursuant to A.R.S. Section 41-2306, an amount equal to the monthly amount specified in a schedule from the Authority to be so distributed that month pursuant to A.R.S. Section 5-835.B.2 (being one-twelfth (1/12th) of \$4,000,000 during the first twelve-month period which began in June 2001, increased in each subsequent twelve-month period by an additional five per cent (5.00%) over the preceding twelve months' distribution, provided that, during fiscal year 2002-03, the monthly amount to be so distributed that month to the Tourism Fund shall be one-twelfth (1/12th) of \$2,000,000, with the balance required to be distributed instead being transferred to the State's General Fund.

(5) After completing distributions pursuant to (1) through (4), from the Tourism Revenue Clearing Account to the Subordinate Bond Debt Service Subaccount the lesser of (A) an amount equal to the Monthly Debt Service Amount for Outstanding Subordinate Bonds, plus any amounts necessary to make up deficiencies in deposits to the Subordinate Bond Debt Service Subaccount from earlier months and (B) the monthly amount specified in a schedule from the Authority to be so distributed that month pursuant to A.R.S. Section 5-835.B.3 (being for each month beginning with the first month in which the Authority distributes Tourism Tax Revenues, which was June, 2001): (i) during the first eighty-four (84) months, \$250,000 per month; (ii) during the eighty-fifth (85th) through one hundred twentieth (120th) months, \$333,333 per month; (iii) during the one hundred twenty-first (121st) through one hundred forty-fourth (144th) months, \$500,000 per month; (iv) during the one hundred forty-fifth (145th) through one hundred ninety-second (192nd) months, \$583,333 per month; (v) during the one hundred ninety-third (193rd) through two hundred fortieth (240th) months, \$666,667 per month; (vi) during the two hundred forty-first (241st) through two hundred eighty-eighth (288th) months, \$750,000 per month; (vii) during the two hundred eighty-ninth (289th) through three hundred twelfth (312th) months, \$833,333 per month; and (viii) during the three hundred thirteenth (313th) through three hundred sixtieth (360th) months, \$916,667 per month.

(6) After completing distributions pursuant to (1) through (5), from the Facility Revenue Clearing Subaccount Held by the Trustee to the Subordinate Bond Debt Service Subaccount an amount equal to the Monthly Debt Service Amount for Outstanding Subordinate Bonds, net of deposits being made that day to the Subordinate Bond Debt Service Subaccount from the Tourism Revenue Clearing Account pursuant to (5) above, plus any amounts necessary to make up deficiencies in deposits to the Subordinate Bond Debt Service Subaccount from earlier months.

(7) After completing distributions pursuant to (1) through (6), from the Tourism Revenue Clearing Account to the Subordinate Bond Debt Service Subaccount an amount equal to Monthly Debt Service Amount for Outstanding Subordinate Bonds, net of deposits being made that day to the Subordinate Bond Debt Service Subaccount from the Tourism Revenue Clearing Account Held by the Trustee pursuant to (5) above and from the Facility Revenue Clearing Subaccount Held by the Trustee pursuant to (6) above, plus any amounts

necessary to make up deficiencies in deposits to the Subordinate Bond Debt Service Subaccount from earlier months.

(8) After completing distributions pursuant to (1) through (7), from the Tourism Revenue Clearing Account to the Cactus League Promotion Account an amount equal to the monthly amount to be so distributed that month pursuant to A.R.S. Section 5-835.B.3, less the amount transferred that day from the Tourism Revenue Clearing Account to the Subordinate Bond Debt Service Subaccount pursuant to (5) and (7) above.

(9) After completing distributions pursuant to (1) through (8), from the Tourism Revenue Clearing Account to the Authority for deposit into the Authority's Youth and Amateur Sports Facilities Subaccount an amount equal to the monthly amount to be so distributed that month pursuant to A.R.S. Section 5-835.B.4 (being one-twelfth (1/12th) of \$1,000,000 over the first twelve months of distribution (which began in June 2001), increased in each subsequent twelve-month period by an additional \$100,000 over the prior twelve-months' distribution).

(10) After completing distributions pursuant to (1) through (9), from the Tourism Revenue Clearing Account to the Authority for deposit into the Authority's Operating General Subaccount of the Operating Account an amount equal to the monthly amount to be so distributed that month pursuant to A.R.S. Section 5-835.B.4 (being one-twelfth (1/12th) of the Authority's adopted budget for the fiscal year).

(11) After completing distributions pursuant to (1) through (10) from the Tourism Revenue Clearing Account to the Authority for deposit into the Authority's Youth and Amateur Sports Facilities Reserve Account to fund the statutorily required reserve in that account in an amount equal to the monthly amount specified in a schedule accompanying a Certificate of an Authorized Officer of the Authority delivered to the Trustee as being the amount to be so deposited that month pursuant to A.R.S. Section 5-835.B.6 (being the amount required to be distributed to the Authority's Youth and Amateur Sports Facilities Account during the preceding fiscal year pursuant to A.R.S. Section 5-835.B.4, less any amount then on deposit in the statutorily required reserve).

(12) After completing distributions pursuant to (1) through (11), to the Authority for deposit to the Authority's Operating General Subaccount of the Operating Account any monies remaining in both the Tourism Revenue Clearing Account and the Facility Revenue Clearing Subaccount Held by the Trustee.

"Monthly Debt Service Amount" means the aggregate of (a) during each period of twelve (12) calendar months preceding a date on which Bonds mature or are subject to mandatory redemption, one-twelfth (1/12th) of the principal and, if applicable, Accreted Amount to become payable on such date (provided that if principal of a Series of Bonds is payable more frequently than annually, the principal and, if applicable, Accreted Amount shall be accumulated based upon the number of months between the dates on which principal is payable, for example, semiannual payments of principal and, if applicable, Accreted Amount shall be accumulated over the six (6) months preceding the principal payment date at the rate of one-sixth (1/6th) per month) plus (b) the interest which has accrued and will accrue on the Bonds during the current calendar month, and, for Variable Rate Bonds, (1) based on actual interest rates for Rate Periods for which the interest rate has been determined and (2) if one or more new Rate Periods for which the interest rate has not been determined will commence before the last day of the month, based on the Maximum Rate for the days in the month for which the actual interest rate is not known. On the second Tuesday of the first subsequent month on which the actual interest rate has been determined for a Rate Period for Variable Rate Bonds for which the Maximum Rate was originally used in determining the Monthly Debt Service Amount, the Monthly Debt Service Amount may be reduced by the amount by which interest on those Bonds at the Maximum Rate exceeds interest on those Bonds at the actual interest rate for that Rate Period. Each Monthly Debt Service Amount for Senior Bonds and Subordinate Bonds may be reduced by the amount of interest earnings actually received and credited to the Senior Bond Debt Service Subaccount and the Subordinate Bond Debt Service Subaccount, respectively, during the previous calendar month.

*Certain Adjustments Permitted.* The Authority may, but is not obligated to, direct the Trustee in any month or months (a) to make up deficiencies in deposits from earlier months with respect to distributions pursuant to any of paragraphs (4), (8), (9), (10) and (11) above before making further distributions and (b) to reduce the amount to be deposited to either or both of the Senior Bond Debt Service Subaccount and the Subordinate Bond Debt Service Subaccount pursuant to any of paragraphs (1), (2), (3), (5), (6) and (7) above by an amount equal to amounts voluntarily transferred by the Authority from the Operating General Subaccount of the Operating Account to the

Trustee for deposit into the Senior Bond Debt Service Subaccount and the Subordinate Bond Debt Service Subaccount, respectively.

*Swap Agreements.* Under the Indenture, the Authority may enter into one or more Swap Agreements and provide for the Authority's payment obligations to be secured by and payable from the Trust Estate. At or before the time the Authority enters into an Swap Agreement, the Authority shall deliver to the Trustee (1) a copy of the Swap Agreement, (2) evidence satisfactory to the Trustee that the long-term credit rating of the counterparty to such Swap Agreement (or any guarantor thereof) is the higher of: (A) one of the two highest Rating Categories of at least one Rating Agency or (B) the highest Rating of any Outstanding Bonds without regard to any Credit Support Instrument and (3) a Certificate of an Authorized Officer stating that the Swap Agreement is being entered into in order to manage interest rate risk with respect to the interest payable on all or a portion of one or more Series of Bonds, and identifying those Bonds to which the Swap Agreement relates.

The Authority's payment obligation pursuant to a Swap Agreement constitutes part of the Bond Service Charges for the Bonds to which the Swap Agreement relates for purposes of this Indenture. At or before the time the Authority enters into a Swap Agreement, the Authority shall direct the Trustee to create, and the Trustee shall create, a subaccount in the Debt Service Account into which amounts payable by the Authority pursuant to the Swap Agreement shall be deposited in the same manner and with the same priority as Bond Service Charges on the Bonds to which the Swap Agreement relates, and amounts in the subaccount shall be used to pay the Authority's payment obligations pursuant to the Swap Agreement.

The Authority has no current plans to enter into Swap Agreements.

*Senior Bond Pledged Accounts.* The Indenture provides that monies and investments in the Senior Bond Debt Service Subaccount shall be used to pay debt service on Senior Bonds as the same becomes due and that such debt service is also secured by monies and investments in the Senior Bond Proceeds Subaccount held by the Trustee and in the Operating General Subaccount of the Operating Account which is not required to be held by the Trustee. If on the seventh Business Day before each Bond Payment Date for Senior Bonds the amount on deposit in the Senior Bond Debt Service Subaccount is not sufficient to pay debt service due on Senior Bonds on that Bond Payment Date, the Trustee is required to notify the Authority specifying the amount of the deficiency. The Authority covenants and agrees that upon receiving such notification the Authority will cause to be deposited in the Senior Bond Debt Service Subaccount no later than the last Business Day before the Bond Payment Date amounts which in the aggregate are equal to the amount of the deficiency by (A) directing the Trustee to transfer amounts to the Senior Bond Debt Service Subaccount from the Senior Bond Proceeds Subaccount, (B) paying to the Trustee from the Operating General Subaccount of the Operating Account for deposit in the Senior Bond Debt Service Subaccount or (C) a combination of (A) and (B).

*Subordinate Bond Pledged Accounts.* The Indenture provides that monies and investments in the Subordinate Bond Debt Service Subaccount shall be used to pay debt service on Subordinate Bonds as the same becomes due and that such debt service is also secured by monies and investments in the Subordinate Bond Reserve Subaccount, the Cactus League Promotion Account and the Subordinate Bond Proceeds Subaccount held by the Trustee and amounts in the Operating General Subaccount of the Operating Account not needed to pay debt service on Senior Bonds. If on the seventh Business Day before each Bond Payment Date for Subordinate Bonds the amount on deposit in the Subordinate Bond Debt Service Subaccount is not sufficient to pay debt service due on Subordinate Bonds on that Bond Payment Date, the Trustee is required to transfer amounts from the Subordinate Bond Reserve Subaccount to remedy the deficiency. If the amount available in the Subordinate Bond Reserve Subaccount is insufficient for that purpose, the Trustee is required to notify the Authority specifying the amount of the deficiency. The Authority covenants and agrees that upon receiving such notification the Authority will cause to be deposited in the Subordinate Debt Service Subaccount no later than the last Business Day before the Bond Payment Date amounts which in the aggregate are equal to the amount of the deficiency by (A) directing the Trustee to transfer amounts to the Subordinate Bond Debt Service Subaccount from the Cactus League General Subaccount and/or the Subordinate Bond Proceeds Subaccount, (B) paying to the Trustee from the Operating General Subaccount of the Operating Account not needed to fund the Senior Bond Debt Service Subaccount, for deposit in the Subordinate Bond Debt Service Subaccount or (C) a combination of (A) and (B).

## **Additional Senior Bonds**

In addition to the 2003A Bonds, the Authority is permitted under the Indenture to issue from time to time, Additional Senior Bonds in unlimited amounts for Multipurpose Facility Purposes, which are payable from and secured by Pledged Revenues on a parity with the then-outstanding Senior Bonds, including the 2003A Bonds, and senior and prior to all payments required for the benefit of Subordinate Bonds, upon satisfaction of the requirements of the Indenture before such issuance. These requirements include that (a) all payments and deposits with respect to all Senior Bonds and all Subordinate Bonds are current and (b) for each Bond Year for which debt service is or will be due on Outstanding Senior Bonds and the Additional Senior Bonds proposed to be issued, the ratio of (i) the greatest aggregate amount of Tourism Tax Revenues, Multipurpose Facility Sales Tax Revenues and Other Authority Revenues received by the Authority in any twelve (12) of the most recent eighteen (18) months prior to the issuance of the proposed Additional Senior Bonds to (ii) the aggregate debt service in each Bond Year for Outstanding Senior Bonds and the Additional Senior Bonds then proposed to be issued is at least 1.30 and (c) for each Bond Year for which debt service is or will be due on Outstanding Subordinate Bonds, the Subordinate Bond Coverage Ratio, as described below, is at least 1.15.

In addition and without regard to the foregoing Indenture requirements, the Authority may issue, from time to time, Additional Senior Bonds (i) for the purpose of completing the Multipurpose Facility ("Completion Senior Bonds") and paying the costs of issuance of the Completion Senior Bonds, in a principal amount not exceeding 10% of the principal amount of the 2003A Bonds, and (ii) for the purpose of refunding Outstanding Senior Bonds ("Refunding Senior Bonds"), if taking into account the issuance and application of the proceeds thereof and the debt service in any Bond Year on all Senior Bonds Outstanding will not be increased by more than ten percent (10%). In the event the Authority fails to satisfy the requirements of the preceding sentence, the Authority may nevertheless issue Completion Senior Bonds or Refunding Senior Bonds provided that the requirements described in the preceding paragraph are satisfied with respect to all Senior Bonds Outstanding under the Indenture after issuance of the Completion Senior Bonds or Refunding Senior Bonds which the Authority proposes to issue.

## **Subordinate Bonds**

The Authority expects to issue pursuant to the Indenture, during February 2003, approximately \$32,390,000 principal amount of the 2003 Subordinate Bonds for the purpose of making one or more grants to certain cities to pay a portion of the cost of professional baseball training facilities within the County.

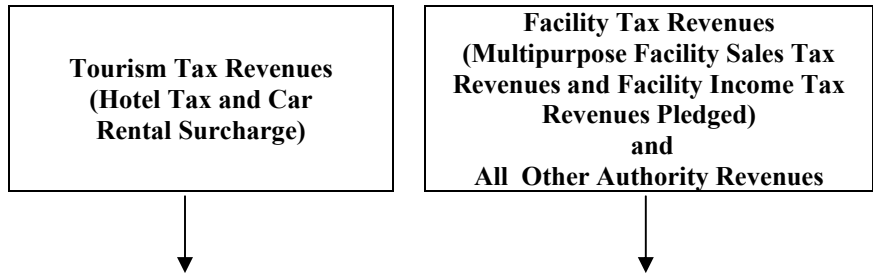
The Authority may also issue, from time to time, additional subordinate lien bonds or other obligations under the Indenture ("Additional Subordinate Bonds") in unlimited amounts for Cactus League Purposes, which are payable from and secured by the Pledged Revenues on a basis junior and subordinate to the pledge of such Pledged Revenues and other monies held under the Indenture in favor of the Senior Bonds, including the 2003A Bonds, and the payments required by the Act into the State Tourism Fund, but on a parity with the then outstanding Subordinate Bonds, upon satisfaction of the requirements of the Indenture before such issuance. These requirements include that (a) all payments and deposits with respect to all Senior Bonds and all Subordinate Bonds are current and (b) for each Bond Year for which debt service is or will be due on Outstanding Subordinate Bonds and the Additional Subordinate Bonds proposed to be issued, the ratio (the "Subordinate Bond Coverage Ratio") of (i) the greatest aggregate amount of Tourism Tax Revenues, Facility Income Tax Revenues Pledged, Multipurpose Facility Sales Tax Revenues and Other Authority Revenues received by the Authority in any twelve (12) of the most recent eighteen (18) months prior to the issuance of the proposed Additional Subordinate Bonds to (ii) the sum of (A) the aggregate debt service in that Bond Year for Outstanding Senior Bonds and the Additional Senior Bonds, if any, then proposed to be issued, (B) the amount to be distributed to the Tourism Fund in that Bond Year pursuant to law and (C) the aggregate debt service in that Bond Year for Outstanding Subordinate Bonds and the Additional Subordinate Bonds, if any, then proposed to be issued, is at least 1.15.

In addition and without regard to the foregoing Indenture requirements, the Authority may issue, from time to time, additional Subordinate Bonds ("Refunding Subordinate Bonds") for the purpose of refunding Outstanding Subordinate Bonds, if taking into account the issuance and application of the proceeds thereof the Debt service in any Bond Year on all Subordinate Bonds Outstanding will not be increased by more than ten percent (10%). In the event the Authority fails to satisfy the requirements of the preceding sentence, the Authority may nevertheless issue Refunding Subordinate Bonds provided that the requirements described in the preceding paragraph are satisfied with

respect to all Subordinate Bonds Outstanding under the Indenture after issuance of the Refunding Subordinate Bonds which the Authority proposes to issue.

**ARIZONA TOURISM AND SPORTS AUTHORITY**

**FLOW OF PLEDGED REVENUES**



<b>Priority</b>	<b>Expense</b>	<b>Tourism Revenue Clearing Account Distributions</b>	<b>Facility Revenue Clearing Subaccount Held by Trustee Distributions</b>
1	Senior Bonds*	Debt Service on Bonds Issued for Not-to-Exceed \$165.5 Million of Multipurpose Facility Construction Cost	
2	Senior Bonds*		Debt Service on Bonds Not Covered in Priority (1) above
3	Senior Bonds*	Debt Service on Bonds Not Covered in Priorities (1) & (2) above	
4	Tourism Promotion	Amount Scheduled Under Statute	
5	Subordinate Bonds*	Debt Service on Bonds up to Statutorily Scheduled Cactus League Promotion Distribution	
6	Subordinate Bonds*		Debt Service on Bonds not Covered in Priority (5) above
7	Subordinate Bonds*	Debt Service on Bonds not Covered in Priorities (5) & (6) above	
8	Cactus League Promotion	Amount Scheduled Under Statute Less Deposits for Bond Debt Service in Priorities (5) & (7) above	
9	Youth and Amateur Sports Facilities Subaccount	Amounts Scheduled Under Statute	
10	Operating Expenses	Amount Budgeted for Authority Operations for Period	
11	Youth and Amateur Sports Facilities Reserve Subaccount	Amount Required to be Deposited into Youth and Amateur Sports Facilities Subaccount in Preceding Fiscal Year Pursuant to (9) Above, Less Amounts Then on Deposit in Subaccount	
12	General Subaccount of Operating Account	Any Remaining Amounts in Account	Any Remaining Amounts in Subaccount

\* Distribution includes prior period deficiencies (if any)

## THE MULTIPURPOSE FACILITY

### General

The Multipurpose Facility is presently being designed. The current design and scope for the Multipurpose Facility calls for the construction and furnishing of a retractable-roof, climate controlled stadium and associated facilities located in the City of Glendale, Arizona ("Glendale"), in the western part of the Metropolitan Phoenix area and in the County. The Multipurpose Facility is currently designed to have a permanent seating capacity of approximately 63,000, with temporary seating expansion to approximately 73,000, as needed for events. The facility is also designed to have a retractable playing field that will roll into the Multipurpose Facility underneath a moveable wall at one end of the facility. When the playing field is outside the facility (which is expected to be more than 95% of the time), the facility's concrete floor (approximately 152,000 square feet) will be available for trade shows, concerts, conventions, motocross, rodeo and other sporting events. The current Multipurpose Facility design includes a utility grid embedded in the facility floor allowing quick conversions for a variety of uses. The facility's current design includes 88 luxury suites (which will seat approximately 1,800 patrons) and premium club seating, with private lounge area access, for approximately 7,000.

### Development of the Multipurpose Facility

*The MOU.* The Multipurpose Facility is being developed by the Authority in collaboration with Glendale and the Team. Pursuant to the MOU between the Authority and the Team, a maximum construction budget for the Multipurpose Facility was set at \$355.3 million (the "Maximum Construction Budget"). The Authority is required to provide a minimum of \$246 million from proceeds of the 2003A Bonds and other Authority sources. Remaining costs up to the Maximum Construction Budget (approximately \$109.3 million) and cost overruns expended in accordance with the Construction Contract (defined below) are to be provided by the Team. In addition, the Team is required under the below-described Development Agreement with Glendale to contribute approximately \$23 million toward the cost and financing of land acquisition, infrastructure and parking for the Multipurpose Facility.

If the initial construction estimate exceeds the Maximum Construction Budget, the MOU requires that the Authority and the Team will implement scope reductions in the Multipurpose Facility to bring the construction budget within the Maximum Construction Budget. The MOU, in its current form, provides that if the Authority has delivered less than \$246 million of funding for the Multipurpose Facility and the magnitude of scope reductions made is unacceptable to the Team, the Team will have no obligation to proceed with the Multipurpose Facility and may terminate the Cardinals Use Agreement (defined below). The Authority anticipates that the MOU will be amended prior to delivery to remove the Team's right to terminate the Cardinals Use Agreement in such event, but neither the execution and delivery of such an amendment to the MOU nor a waiver by the Team of its right to terminate are conditions precedent to the delivery of the 2003A Bonds.

*As described under "THE 2003A BONDS -- Redemption Provisions -- Extraordinary Redemption," herein, unless on or prior to October 1, 2003, the Authority has delivered to the Trustee a Certificate of an Authorized Officer stating that (1) the contribution to be made toward costs of the Multipurpose Facility by the Team pursuant to Section 2 of the MOU, or similar provisions of successor agreements between the Authority and the Team, including the Project Management Agreement, described below, has been fully satisfied in a manner acceptable to the Authority that authorizes expenditure of the contribution for costs of the Multipurpose Facility, and (2) the Team's right to terminate the Cardinals Use Agreement pursuant to Section 2 of the MOU, or similar provisions of successor agreements between the Authority and the Team, as described in the preceding paragraph, has been waived or terminated in a manner acceptable to the Authority, the Trustee shall commence proceedings for the redemption of 2003A Bonds with unspent proceeds of the 2003A Bonds and any other monies furnished by the Authority for that purpose on the earliest date practicable for which notice can be given. See also "APPENDIX B -- SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE -- Senior Bond Proceeds Subaccount of the Construction Fund."*

There is no provision in the Indenture preventing the expenditure of proceeds of the 2003A Bonds by the Authority in unlimited amounts for payment of costs associated with the Multipurpose Facility at any time from and after delivery of the 2003A Bonds.

*The Construction Contract.* Under the MOU, the Multipurpose Facility is to be constructed under a guaranteed maximum price contract (the "Construction Contract") among the Authority, the Team and a general contractor (the "Contractor"), which is still to be negotiated and will not be finalized or signed prior to the delivery of the 2003A Bonds, but the Authority expects that it will be in effect prior to September 2003. As described above, if the initial construction estimate exceeds the Maximum Construction Budget, the MOU requires that the Authority and the Team will implement scope reductions in the Multipurpose Facility to bring the construction budget within the Maximum Construction Budget.

*If scope reductions are necessary in order to bring the construction budget within the Maximum Construction Budget, such reductions could cause a decrease in size or the elimination of features of the Multipurpose Facility which will limit the number of activities and events that can be held at the Multipurpose Facility and adversely affect its potential to generate revenues.*

If and when the Construction Contract is executed, applicable law requires the Authority to receive customary 100% payment and performance bonds.

The Authority expects that excavation in preparation for construction of the Multipurpose Facility will commence by June 2003 and that the Multipurpose Facility will be completed by June 2006.

*The Project Management Agreement.* The Authority and the Team are currently negotiating a Project Management Agreement (the "Project Management Agreement"), which, if and when signed, will include the substantive provisions contained in the MOU, as amended, including the Maximum Construction Budget, and will terminate the MOU. The Authority does not expect that the Project Management Agreement will be completed and executed before the delivery of the 2003A Bonds.

In general, the Project Management Agreement is expected to set forth the decision-making process as between the Authority and the Team related to the design and construction of the Multipurpose Facility. The Project Management Agreement is also expected to: (i) provide that the Team, working in consultation with the representative of Authority, will be responsible for day-to-day oversight, coordination and monitoring of design and construction of the Multipurpose Facility, (ii) establish the time periods for making design and construction-related decisions; (iii) require the parties to cooperate with one another in the design and construction process and to share project-related information and documents, and (iv) prescribe the manner in which certain design and construction-related disputes are to be resolved.

The Project Management Agreement is expected to set forth certain milestones requiring consultation with and approval by the Board of Directors of the Authority and the Team on the design, budget, schedule and scope of work to be incorporated into the Construction Contract during the period prior to the execution of the Construction Contract. After execution of the Construction Contract, the Project Management Agreement is expected to require that the budget, schedule and scope of work will be updated monthly and that a monthly report be provided to the Authority on the status of the design and construction of the Multipurpose Facility.

Under the Project Management Agreement, it is expected that the Authority will have responsibility to identify items that are considered part of the "public interest criteria" of the Authority and, after identification, the Team is required to consult with the Authority related to the identified public interest criteria. The term "public interest criteria" is expected to include, in addition to a list of specifically described design and building features, quality standards and components, any material change that would result in diminished functionality of the Multipurpose Facility or any material change which would either materially increase the Authority's estimate of operating and maintenance costs or materially increase the likelihood and frequency of necessary capital repairs.

The Project Management Agreement will reserve to the Board of Directors of the Authority the responsibility to approve: (i) all design and construction contracts to which the Authority is a party, including the Construction Contract; (ii) the selection of the contractor, the architect and all project consultants; (iii) the design, budget, schedule and scope of work to be incorporated into the Construction Contract; (iv) all change orders resulting from a material change in the design, budget, schedule or scope of work; and (v) all change orders resulting from a change considered to be part of the public interest criteria.

The Project Management Agreement is expected to require that the Authority and the Team enter into a construction trust agreement providing for a construction trust account to be established as a subaccount of the Construction Account. The Authority anticipates that the construction trust account would be used to hold an agreed upon form of assurance of the Team's commitment to pay construction costs and deposits made by the Team to pay its share of costs during the construction of the Multipurpose Facility.

*Acquisition of Site for Multipurpose Facility.* The site for the Multipurpose Facility consists of two parcels, currently owned by different owners, which are expected to be acquired by the Team with Team monies, on behalf of Glendale, and conveyed to the Authority in furtherance of Glendale's obligations under the below-described Glendale IGA with the Authority. Under the Cardinals Development Agreement (defined below) with Glendale, the Team has entered into a real estate purchase contract directly with the current owner for the acquisition of one of the parcels, which would be conveyed to the Authority, after closing of the purchase. The purchase contract required a closing on December 1, 2002, but is being extended in accordance with its terms by a series of monthly additional payments by the Team to the owner, which are permitted to continue through September 2003.

A condition precedent for a closing of the sale contract is the annexation of the parcel into Glendale, primarily so that Glendale may include it within one or more community facilities districts which Glendale intends to form to meet its commitment to finance parking and other infrastructure associated with the Multipurpose Facility. An annexation ordinance was adopted by the Mayor and Council of Glendale on January 14, 2003 and will become effective on February 13, 2002, following a constitutional referendum period unless a petition challenging annexation is filed.

If a referendum petition is filed within the petition period and the question on the annexation is referred to the voters, Glendale has advised the Authority that it may, as an alternative, attempt to have the parcel purchased by its municipal property corporation, a nonprofit corporation formed to assist Glendale with the acquisition and financing of municipal facilities, which is authorized to own property outside the boundaries of Glendale.

The other parcel for the Multipurpose Facility site, which is currently within Glendale's boundaries, is expected to be acquired in a two-stage transaction. In the first stage, the parcel is expected to be acquired by Glendale from the current owner through condemnation of the parcel, which was commenced by Glendale in September 2002 and is currently pending. On August 29, 2002, Glendale and the current owner entered into an agreement, at a fixed purchase price, which calls for the seller to sign a stipulation for judgment and order of condemnation prepared by Glendale, and for Glendale to submit the stipulated judgment and order to the court for its approval.

In the second stage, Glendale is expected to sell the same parcel to the Team at a stated purchase price equal to the price set out in the condemnation award. On November 10, 2002, Glendale and the Team entered into a real estate purchase agreement and escrow instructions for the Team's acquisition of the parcel.

Both the August 29, 2002 agreement with the current owner and Glendale's contract to sell the parcel to the Team required a closing on or prior to December 1, 2002, but each is being extended in accordance with its terms by a series of monthly additional payments, with Team monies, which are permitted to continue through September 2003.

Issuance of the 2003A Bonds is a condition precedent to a closing on each of the present real estate agreements relating to the Multipurpose Facility site. Accordingly, the Authority does not expect that either of the parcels for the Multipurpose Facility site will be acquired by Glendale, the Team or the Authority prior to the delivery of the 2003A Bonds.

*Glendale IGA, Cardinals Development Agreement and Associated Infrastructure.* In connection with the development of the Multipurpose Facility, Glendale and the Authority entered into a Development and Disposition and Intergovernmental Agreement (the "Glendale IGA"), and Glendale and the Team entered into a Development Agreement (the "Cardinals Development Agreement"). The Glendale IGA calls for Glendale to cause to be delivered to the Authority, in construction-ready condition, fee simple title (subject to reversion to the Team as described below) to the site underlying the Multipurpose Facility and an adjacent pedestrian plaza. Glendale or the Glendale CFD (defined below) retains title to parking areas and other infrastructure. Glendale is required to spend

up to \$38 million to provide the infrastructure described in the Glendale IGA, at the times meeting the Authority's project schedule. Such infrastructure includes (i) at least 14,000 surface parking spaces adjacent to the Multipurpose Facility and an additional 12,000 spaces within a one-mile radius for event use, including free shuttle bus service to the off-site locations, (ii) construction and event staging areas for the Multipurpose Facility, (iii) development of the pedestrian plaza, and (iv) roadways, curbs, utility connections and public transportation accommodations and signage. In exchange for receiving a one-time \$2,000,000 impact fee from the Authority, Glendale is also required to provide necessary water and sewer infrastructure for the development. In addition, Glendale makes agreements concerning city plan approvals and zoning, agrees to cap its permit fees at approximately \$1,200,000, and agrees to make an annual payment to the Authority of \$300,000, escalating at 3% annually, for marketing events at the Multipurpose Facility.

In the Glendale IGA, Glendale is responsible for operation, maintenance, repair and security of the parking facilities, up to certain dollar limits. The Team has assumed Glendale's responsibilities for these activities in the Cardinals Development Agreement, in exchange for receipt of certain revenues.

In exchange for Glendale's undertakings, the Authority agrees in the Glendale IGA that it or the Team will require collection of a surcharge (escalating at five percent per year) (the "Ticket Surcharge") of (i) \$4.00 per ticket for Team home games and other events with a projected attendance of 10,000 or more; (ii) \$2.00 per ticket for events with a projected attendance of 6,000 to 10,000; and (iii) no surcharge for events of under 6,000. The Authority also agrees to require in all contracts and to collect a facility user fee (the "Facility User Fee") equal to 0.20% of the gross proceeds of all activities that are subject to Glendale's transaction privilege tax (other than construction activity) at the Multipurpose Facility. Revenues from the Ticket Surcharge and the Facility User Fee are to be paid over to Glendale or the Glendale CFD in order to secure or provide payment on bonds or other obligations issued by Glendale or the Glendale CFD to finance its infrastructure improvements.

Glendale currently expects to finance some or all of the required infrastructure through the formation and use of one or more community facilities districts (collectively, the "Glendale CFD"), which are authorized to be formed by cities in the State for the purpose of financing and providing public infrastructure and are authorized to issue revenue bonds. Although formation of such districts has been requested by the Team in the Cardinals Development Agreement and approved by the Glendale Mayor and Council, none of such districts has been formed and no financing has been completed for such purposes. Under the Cardinals Development Agreement, bonds issued by the Glendale CFD would be payable from (i) Glendale transaction privilege taxes in connection with activities at the Multipurpose Facility, (ii) the Ticket Surcharges (net of amounts paid to the Cardinals for assuming Glendale's maintenance and operation obligations under the Glendale IGA), and (iii) the Facility User Fees. The Cardinals Development Agreement provides for the Team to provide an additional standby contribution agreement of approximately \$5 million at a future date, as additional security for the Glendale CFD bonds.

The Glendale IGA provides that it ends 60 years after the Operations Start Date (being the date of the first Team home game or Fiesta Bowl game played in the Multipurpose Facility), subject to earlier termination upon reversion of the site for the Multipurpose Facility to the Team, which can occur, at the Team's option, (a) at any time after September 3, 2006, if no construction has commenced on the Multipurpose Facility, or (b) at any time more than 30 years from the Operation Start Date, if the Cardinals Use Agreement is no longer in effect and certain other conditions exist. The land conveyed to Glendale or to the Glendale CFD by the Team is subject to reversion to the Team (i) at the same time as the site for the Multipurpose Facility reverts to the Team, or (ii) if earlier, upon retirement of all Glendale CFD bonds, and is also subject to reacquisition by the Team for development purposes at any time for a nominal sum.

### **Use and Operation of the Multipurpose Facility**

*Cardinals Use Agreement.* When completed, the Multipurpose Facility will be used as the home field for the Team under an existing 30-year Use Agreement with the Authority, as amended (the "Cardinals Use Agreement"), which calls for periodic payments to the Authority. See "SOURCES OF PLEDGED REVENUES--Multipurpose Facility Revenues--Use Agreement with the Team" herein. The Cardinals Use Agreement includes a provision that if during its term the Team, in violation of the Cardinals Use Agreement, plays a home game at another location elsewhere than the Multipurpose Facility or notifies the Authority or the public that the Team will play a home game at a location other than the Multipurpose Facility, the Authority may: (i) seek an injunction,

specific performance or other court order to require the Team to play the home game in the Multipurpose Facility or (ii) terminate the Cardinals Use Agreement and recover from the Team, as liquidated damages, an amount required to repay the principal of, premium, if any, and interest on the then-outstanding 2003A Bonds.

The Cardinals Use Agreement currently requires the Authority to commence construction at the Facility Site on or before December 1, 2002, which did not occur. The Authority anticipates that the Cardinals Use will be amended prior to delivery to provide for a later construction commencement date, but neither the execution and delivery of such an amendment to the Cardinals Use Agreement nor a waiver by the Team of its rights or remedies under the Cardinals Use Agreement are conditions precedent to the delivery of the 2003A Bonds.

*Fiesta Bowl Use Agreement.* When completed, the Multipurpose Facility will also be the host venue for the Fiesta Bowl, an annual NCAA post-season football game, under an existing 30-year Fiesta Bowl Use Agreement, as amended (the "Fiesta Bowl Use Agreement") between the Authority and the nonprofit corporation sponsor of the event (the "Fiesta Bowl"). See "SOURCES OF PLEDGED REVENUES--Multipurpose Facility Revenues--*Use Agreement with Fiesta Bowl*" herein.

The Fiesta Bowl Use Agreement, in its current form, contains a covenant by the Authority that the Multipurpose Facility will be fully operational and meet the minimum standards required for the Fiesta Bowl to be played in December 2005 or January 2006. In the event of a breach by the Authority in this covenant, the Fiesta Bowl Use Agreement does not grant the Fiesta Bowl the right to terminate the agreement, but does require the Authority to pay to the Fiesta Bowl all of its fees, costs and expenses arising out of or relating to the Fiesta Bowl's inability to play its first scheduled Fiesta Bowl game on the specified date, including relocation fees, costs and expenses in finding an alternative and adequate facility at which to play such game.

As discussed under "Development of the Multipurpose Facility -- *The Construction Contract*" above, the Authority does not expect the Multipurpose Facility to be available to meet the date required for the initial Fiesta Bowl game to occur in December 2005 or January 2006, as specified in the Fiesta Bowl Use Agreement. The Authority has commenced discussions with the Fiesta Bowl and anticipates that the Fiesta Bowl Use Agreement will be amended to substitute a later date for the initial such game, but no such amendment will be in place prior to the delivery of the 2003A Bonds. If the Fiesta Bowl Use Agreement is not so amended, the Authority could be liable to the Fiesta Bowl for the damages prescribed therein.

*Other Uses.* The Authority also expects to market the Multipurpose Facility as a venue for various conventions, entertainment, sporting and meeting events that are consistent with its obligations under the use agreements.

*Operation of the Multipurpose Facility.* The Authority's present expectation is that it will not use Authority staff to operate the Multipurpose Facility. Prior to completion of the Multipurpose Facility, the Authority expects to select and enter into agreements with various parties relating to the operation and marketing of the Multipurpose Facility, including food and beverage service, security, advertising, event booking and maintenance. None of such agreements are currently in place.

### **Multipurpose Facility Not Security for the 2003A Bonds**

Although certain of the Pledged Revenues are derived from the use of, or other activities related to, the Multipurpose Facility, the Multipurpose Facility does not constitute any part of the Senior Bond Trust Estate or the Subordinate Bond Trust Estate and neither the Trustee nor any Owner of 2003A Bonds shall have any claim upon, or rights to proceed against, or foreclose upon, the Multipurpose Facility upon the occurrence of an Event of Default under the Indenture. Further, payment of debt service on the 2003A Bonds does not constitute an indebtedness of Glendale, the Team or any other party involved in the construction, operation or use of the Multipurpose Facility.

### **Reliance Upon Future Actions and Completion of Agreements**

As discussed above, acquisition of the site for the Multipurpose Facility, including necessary annexations, and development, construction, completion and operation of the Multipurpose Facility in accordance with the Authority's expectations will be dependent upon future actions to be taken by other parties, including the acquisition

and transfer to the Authority of the site parcels for the Multipurpose Facility and the formation of community facilities districts or other infrastructure financing vehicles by Glendale and the successful completion of such financings, and the completion, execution and performance of agreements or amendments to current agreements which are not presently in place, including, without limitation, an amendment to the MOU, the Project Management Agreement, the Construction Contract, amendments to the Cardinals Use Agreement and the Fiesta Bowl Use Agreement, and agreements relating to the operation, insuring and marketing of the Multipurpose Facility. Failure or delay in the completion of any or all of these actions or agreements could prevent or delay completion or operation of the Multipurpose Facility and materially and adversely affect the production of Pledged Revenues or result in an extraordinary redemption of the 2003A Bonds. See "RISK FACTORS -- Failure to Complete or Delayed Completion of Multipurpose Facility" and "THE 2003A BONDS -- Redemption Provisions -- *Extraordinary Redemption*" herein.

### SOURCES AND USES OF FUNDS

The proceeds of the Series 2003A Bonds will be applied as follows, exclusive of accrued interest which will be used to pay interest on the Series 2003A Bonds.

Sources of Funds:	
Par Amount of Bonds	\$221,950,000.00
Net Reoffering Premium	<u>4,901,597.50</u>
Total:	<u>\$226,851,597.50</u>
Uses of Funds:	
Senior Bond Proceeds Subaccount	\$220,725,000.00
Issuance Expenses*	<u>6,126,597.50</u>
Total:	<u>\$226,851,597.50</u>

\*Includes bond insurance premium and Underwriters' discount.

### SOURCES OF PLEDGED REVENUES

#### Authority for Pledged Revenues

*Tourism Tax Revenues.* The Car Rental Surcharge and the Hotel Tax were each levied and imposed by the electors of the County voting at an election held on November 7, 2000, pursuant to authority granted in the Act. Levy of the Car Rental Surcharge and the Hotel Tax commenced on March 1, 2001 and each is to be levied for 360 months (30 years) thereafter through February, 2031. Because of the payment and processing delays between the dates of monthly collection of the Car Rental Surcharge and the Hotel Tax revenues by the Arizona Department of Revenue and the dates of receipt of such revenues by the Authority, as described below and under SECURITY AND SOURCES OF PAYMENT FOR THE 2003A BONDS -- Description of Pledged Revenues -- *Tourism Tax Revenues*," the Authority received its first Car Rental Surcharge and Hotel Tax revenues in May 2001 and expects to continue receiving such revenues through April 2031. On the second Tuesday of each month, the Indenture requires the Trustee to distribute the Tourism Tax Revenues received since the prior month's distribution as described under "SECURITY AND SOURCES OF PAYMENT FOR THE 2003A BONDS -- Deposit and Flow of Pledged Revenues." As such, the final distribution of Tourism Tax Revenues to the Senior Bond Debt Service Subaccount is anticipated to occur in May 2031, which will be one month before the Authority's final scheduled monthly deposit into the Senior Bond Debt Service Subaccount for payment of the 2003A Bonds and two months before the final maturity of the 2003A Bonds.

Car Rental Surcharge and Hotel Tax revenues are collected by the State Department of Revenue on the 20th day of each month for amounts owed for the preceding month. There is a grace period that extends through the working day prior to the last business day of the month or mailed transmittals postmarked no later than the 25th of the month. Upon collection by the State Department of Revenue, the tax revenues are deposited with the State Treasurer on a daily basis. The State Treasurer distributes the receipts to the Authority, following the close of business for the month of deposit. Under current practices of the State Department of Revenue and the State

Treasurer's Office, the Authority generally receives its distribution approximately six weeks following the close of each monthly calculation period.

Under the Act, the State Department of Revenue is responsible for administration of the Car Rental Surcharge and the Hotel Tax. The Authority must rely upon the State Department of Revenue for the collection of the Car Rental Surcharge and the Hotel Tax revenues and for monitoring compliance by parties owing Tourism Taxes and enforcement measures ensuring payment of such taxes. The Authority must rely upon the State Treasurer for distributing the Tourism Tax Revenues to the Authority.

*Facility Tax Revenues.* The Multipurpose Facility Sales Tax Revenues and the Facility Income Tax Revenues were each levied and imposed by the Act. The Authority began receiving revenues from the Multipurpose Facility Sales Tax Revenues in approximately August, 2001 with respect to professional football contests held at Sun Devil Stadium, the current location of Team home games. Pursuant to the Act, payments to the Authority of amounts related to the Facility Income Tax Revenues began in July, 2001. As described below under "Facility Income Tax Revenues--*Judicial Limitations Imposed on the Pledge of Facility Income Tax Revenues*," judicially imposed limitations have been imposed on the pledge of certain Facility Income Tax Revenues as Pledged Revenues for payment of any Senior Bonds, including the 2003A Bonds, and any Subordinate Bonds.

*Other Authority Revenues.* The Act authorizes the Authority to construct, finance, operate, market and promote the Multipurpose Facility and to charge for the use of its facilities. The Authority does not expect to receive significant amounts of revenue from its activities until following completion and operation of the Multipurpose Facility, which is currently expected in the first half of calendar year 2006. Upon commencement of operation, anticipated sources of revenue include amounts received pursuant to the Cardinals Use Agreement with the Team and the Fiesta Bowl Use Agreement, relating to the annual Fiesta Bowl college football game, as well as from various convention, entertainment and meeting events at the Multipurpose Facility and from food service, beverage, retail and advertising activities. See "Multipurpose Facilities Revenues" herein. As noted below, amounts to be received by the Authority from use of the Multipurpose Facility by the Team and the Fiesta Bowl are limited as to source and/or amount and are not expected to produce significant amounts of Pledged Revenues for payment of the 2003A Bonds. The Authority is only able to make estimates of amounts to be received by the Authority from other uses of the Multipurpose Facility. Such estimated figures are subject to change and the effect could be significant and materially adverse. See "RISK FACTORS" herein.

*Agreement of State.* The State has, in the Act, pledged to and agreed with the holders of the bonds authorized by the Act (including the Senior Bonds and the Subordinate Bonds) that the State will not limit, alter or impair the rights vested in the Authority under the Act to receive the monies necessary to fulfill the terms of any agreements made with the holders of the bonds, or in any way impair the rights and remedies of the bondholders, until all bonds issued under the Act, together with interest on the bonds, interest on any unpaid installments of principal or interest and all costs and expenses in connection with any action or proceedings by or on behalf of the bondholders, are fully met and discharged, and has authorized the Board of Directors of the Authority, as agent for the State, to include this pledge and undertaking in its resolutions and indentures authorizing and securing its bonds.

The foregoing agreement of the State may not prevent future legislation which reduces or eliminates sources of revenues which constitute Facility Income Tax Revenues Not Pledged, since such revenues do not constitute Pledged Revenues under the Indenture. See "SOURCES OF PLEDGED REVENUES--Facility Income Tax Revenues--*Judicial Limitations Imposed on the Pledge of Certain Facility Income Tax Revenues*" and "RISK FACTORS" herein.

### Car Rental Surcharge Revenues

Collection of the Car Rental Surcharge commenced on March 1, 2001. The Authority receives distributions of the Car Rental Surcharge from the State Treasurer in the month following collection by the State Department of Revenue. (See "SOURCES OF PLEDGED REVENUES – Authority for Pledged Revenues – Tourism Tax Revenues" herein.) Therefore, the first distribution of the Car Rental Surcharge to the Authority occurred in May 2001. The table below shows the Authority's monthly receipts of the Car Rental Surcharge from its initial receipt by the Authority in May 2001 to date.

	Fiscal Year Ending June 30		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
July	\$	\$451,776	\$616,741
August	-	542,315	696,802
September-	-	408,329	608,722
October	-	474,976	385,543
November	-	323,569	423,819
December	-	544,836	578,095
January	-	443,779	667,012
February	-	384,395	
March	-	529,161	
April-	-	558,030	
May	638,752	1,028,537	
June	<u>895,664</u>	<u>815,823</u>	
	\$1,534,416	\$6,505,526	\$3,976,734

Source: Arizona Tourism and Sports Authority

### Hotel Tax Revenues

Collection of the Hotel Tax commenced on March 1, 2001. The Authority receives distributions of the Hotel Tax from the State Treasurer in the month following collection by the State Department of Revenue. (See "SOURCES OF PLEDGED REVENUES – Authority for Pledged Revenues – Tourism Tax Revenues" herein.) Therefore, the first distribution of the Hotel Tax to the Authority occurred in May 2001. The table below shows the Authority's monthly receipts of the Hotel Tax from its initial receipt by the Authority in May 2001 to date.

	Fiscal Year Ending June 30		
	<u>2001</u>	<u>2002</u>	<u>2003</u>
July	\$	\$841,920	\$775,136
August	-	591,081	567,865
September-	-	480,818	447,001
October	-	484,080	466,772
November	-	485,838	603,400
December	-	794,449	869,677
January	-	837,932	816,503
February	-	656,557	
March	-	914,251	
April-	-	1,211,018	
May	1,577,238	1,522,147	
June	<u>1,173,738</u>	<u>1,080,935</u>	
	\$2,750,976	\$9,901,026	\$4,546,354

Source: Arizona Tourism and Sports Authority

While the only history of the 1% Hotel Tax as it relates to the Authority is contained in the table above, there has been a State sales tax on the "transient lodging" category for a number of years. Based upon Maricopa

County hotel sales figures of the Arizona Department of Revenue, a hotel tax equal to 1% of the cost of the transaction would have produced the following tax collections for each of the fiscal years 1997-2001:

<u>Fiscal Year</u>	<u>Annual Sales</u>	<u>Percent Growth From Prior Year</u>	<u>1% of Sales</u>
1996-97	\$927,827,623	11.28%	\$9,278,276
1997-98	993,531,392	7.08%	9,935,314
1998-99	1,031,042,585	3.78%	10,310,426
1999-00	1,079,194,884	4.67%	10,791,949
2000-01	1,133,959,170	5.07%	11,339,592
2001-02	983,424,200	-13.28%	9,834,242

### **Multipurpose Facility Sales Tax Revenues**

The Act provides that the State Treasurer is to transmit to the Authority each month an amount equal to the State's base transaction privilege (sales) tax collected related to sales, including all ticket and concession sales, in connection with (i) Team games to be held at ASU Sun Devil Stadium after July 1, 2001 and (ii) all events (i.e. both football and non-football-related events) held at the Multipurpose Facility. From July 1, 2001 through June 30, 2002, the Authority received \$946,394 from this source, representing taxable sales associated with the Team's home games played at Sun Devil Stadium. The Authority is projecting receipt of approximately \$979,471 in Multipurpose Facility Sales Tax Revenues in fiscal year 2002-03 of which \$694,942 has been received through December, 2002. In the first full fiscal year of operation of the Multipurpose Facility (expected to be 2006-07), the Authority is projecting approximately \$3,050,000 in Multipurpose Facility Sales Tax Revenues, reflecting projected taxable sales associated with both football and non-football related events at the Multipurpose Facility.

### **Facility Income Tax Revenues**

*Facility Income Tax Revenues Made Available Under the Act.* The Act provides that the State Treasurer is to transmit to the Authority each month, commencing July 1, 2001, the greater of (A) one-twelfth (1/12) of the amount reported as the Facility Income Tax Revenues paid by the Team and by resident and nonresident employees of the Team and their spouses, or (B) the annual amounts shown below as presently prescribed in the Act (the "Minimum Annual Facility Income Tax Revenue Amount") (representing \$292,000 per month during fiscal year 2001-02, increasing in each subsequent fiscal year by an additional 8% over the prior fiscal year).

<u>Fiscal Year</u>	<u>Amount</u>	<u>Fiscal Year</u>	<u>Amount</u>	<u>Fiscal Year</u>	<u>Amount</u>
2001-02	\$3,504,000	2011-12	\$7,564,237	2021-22	\$16,331,994
2002-03	3,784,320	2012-13	8,170,063	2022-23	17,638,553
2003-04	4,087,066	2013-14	8,823,668	2023-24	19,049,638
2004-05	4,414,031	2014-15	9,529,562	2024-25	20,573,609
2005-06	4,767,153	2015-16	10,291,926	2025-26	22,219,497
2006-07	5,148,526	2016-17	11,115,281	2026-27	23,997,057
2007-08	5,560,408	2017-18	12,004,503	2027-28	25,916,822
2008-09	6,005,240	2018-19	12,964,863	2028-29	27,990,167
2009-10	6,485,659	2019-20	14,002,052	2029-30	30,229,381
2010-11	7,004,512	2020-21	15,122,217	2030-31	32,647,731

Note: The amounts shown above are the scheduled Minimum Annual Facility Income Tax Revenue Amount, calculated as presently prescribed in the Act, through the scheduled maturity of the 2003A Bonds. The distribution of Facility Income Tax Revenues does not have a scheduled termination date.

Notwithstanding the provisions of the Act, which includes within Facility Income Tax Revenues State income taxes owed by professional football franchise organizations domiciled in the State (currently only the Team) and resident and nonresident employees of such organizations and their spouses, an Arizona Court of Appeals decision has prohibited the Authority from pledging to the payment of its bonds and other obligations, including the 2003A Bonds, (i) Facility Income Tax Revenues, or (ii) the Minimum Annual Facility Income Tax Revenue

Amount, in either case, to the extent that such revenues exceed the amount of Facility Income Tax Revenues which are related to professional football activities, all as described below under "*Judicial Limitations Imposed on the Pledge of Facility Income Tax Revenues.*"

The Authority received a distribution of Facility Income Tax Revenues in the amount of \$4,420,872 in fiscal year 2001-02, which was \$920,872 in excess of the Minimum Annual Facility Income Tax Revenue Amount shown in the table above. The Authority received its first monthly distribution in July 2001.

The Arizona Department of Revenue has notified the Authority that for fiscal year 2002-03, the distribution of Facility Income Tax Revenues to the Authority will be the Minimum Annual Facility Income Tax Revenue Amount shown in the table above -- \$3,784,320.

*Judicial Limitations Imposed on the Pledge of Facility Income Tax Revenues.* In September, 2001, a lawsuit was filed in Maricopa County Superior Court challenging, on various state constitutional grounds, the formation of the Authority under the Act and the Authority's ability to issue bonds and other obligations and to spend or pledge public monies in furtherance of its activities. In November, 2001, the trial court denied the plaintiff's claims and held that the Act did not violate any constitutional provisions.

Upon appeal of the case by the plaintiff, the Arizona Court of Appeals affirmed the trial court's decision and upheld the constitutionality of the Act and the Authority, but imposed limitations upon the Authority's ability to pledge Facility Income Tax Revenues to the payment of its bonds or other obligations, including the 2003A Bonds. The Court of Appeals' decision held that, in order to stay within previously articulated principles of the State's "special fund doctrine" for determining whether an obligation constitutes constitutionally prohibited State debt, Facility Income Tax Revenues received by the Authority, whether determined based upon actual State income taxes paid by the Team and its employees or their spouses or based upon the Minimum Annual Facility Income Tax Revenue Amount, could not be pledged to the payment of its obligations to the extent that such revenues exceed the amount of State income taxes paid which are related to professional football activities. The court's opinion indicates that amounts which cannot be constitutionally pledged are income taxes derived from non-football activities and Minimum Annual Facility Income Tax Revenue Amounts which exceed the amount of professional football-related State income taxes collected. The court's opinion made no attempt to alter the sources or amounts prescribed by the Act for transfer to the Authority. The Arizona Supreme Court denied a petition for review of the case on December 3, 2002, and affirmed the Court of Appeals' conclusions.

As a result of the Court of Appeals' decision, the Authority expects that only a portion of the Facility Income Tax Revenues which it receives under the Act, being an amount equal to State income taxes related to professional football activities (defined as Facility Income Tax Revenues Pledged), will be available for inclusion in Pledged Revenues. Any amount of Facility Income Tax Revenues in excess of Facility Income Tax Revenues Pledged (which constitute Facility Tax Revenues Not Pledged), whether determined based upon actual State income taxes owed under the Act or based upon the Minimum Annual Facility Income Tax Revenue Amount, may not be included in Pledged Revenues, and are not so included under the Indenture.

The Indenture requires that the Authority use its best efforts to estimate, based upon the information available to it, the amount of each distribution by the State Treasurer of Facility Tax Revenues that constitutes Facility Income Tax Revenues Pledged and Facility Income Tax Revenues Not Pledged. The Authority will cause the amount estimated to be Facility Income Tax Revenues Pledged to be transferred to the Trustee for deposit in the Facility Revenue Clearing Subaccount Held by the Trustee. The Authority will deposit the amount estimated to be the Facility Tax Revenues Not Pledged to the Facility Revenue Clearing Subaccount Held by the Authority. On the second Tuesday of each month, the Authority will transfer all amounts in the Facility Revenue Clearing Subaccount Held by the Authority to the Operating Current Expense Subaccount of the Operating Account, where it will be used only for operating costs of the Authority. To the extent that Facility Income Tax Revenues Not Pledged are paid to the Trustee, whether through imprecise estimation, erroneous calculation or otherwise, the Indenture provides that such amounts do not constitute a part of the Senior Bond Trust Estate or the Subordinate Bond Trust Estate. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2003A BONDS--Application of Pledged Revenues" and "RISK FACTORS" herein.

The judicially imposed limitations on the availability of Facility Income Tax Revenues under the Act could adversely affect the amount of Pledged Revenues available to pay Senior Bonds, including the 2003A Bonds, and Subordinate Bonds and the effect could be significant and materially adverse. For example, the Authority was advised that the actual Facility Income Tax Revenues reported to the Arizona Department of Revenue for purposes of calculating the amount to be distributed to the Authority during fiscal year 2002-03 were \$3,578,944, or \$205,376 less than the \$3,784,320 Minimum Annual Facility Income Tax Revenue Amount which the Authority is directed to receive under the Act. Based upon available information, the Authority estimates that \$3,364,207 or 94% of such Facility Income Tax Revenues were related to professional football activities and would constitute Facility Income Tax Revenues Pledged. Based upon that information, an estimated \$420,113 or 11% of the amount the Authority is directed to receive during fiscal year 2002-03 pursuant to the Act would constitute Facility Income Tax Revenues Not Pledged. The percentage of Facility Income Tax Revenues Pledged to all Facility Income Tax Revenues in each future year will vary, perhaps widely. In addition, there is no assurance of the current level or the continued existence in the Act of the Minimum Annual Facility Income Tax Revenue Amount or of amounts related to State income taxes for activities not derived from professional football activities; each is subject to repeal or reduction at any time by future action of the Arizona Legislature. The production of Facility Income Tax Revenues Pledged will depend upon the continued operation and financial viability of the Team, and State income taxes generated and reported by such organization and its professional football-related payroll. No financial or other information has been included in this Official Statement regarding the Team and the Authority is only able to estimate levels of Facility Income Tax Revenues Pledged for any subsequent period. Such estimated figures are subject to change and the effect could be significant and materially adverse. See "RISK FACTORS" herein.

### **Multipurpose Facility Revenues**

*Use Agreement with the Team.* Under the Cardinals Use Agreement, the Team is required to play all of its home games at the Multipurpose Facility and to pay to the Authority an annual rental payment of \$250,000, which rental payment escalates at a rate of 2.0% per year for subsequent years. The Authority is required to deposit rental payments received into the Facility Revenue Clearing Subaccount Held by the Trustee, to be applied as provided in the Indenture.

The Cardinals Use Agreement has an initial term of 30 years, commencing with the first Team football game after completion of the Multipurpose Facility. The Authority expects the Multipurpose Facility to be completed by June 2006 and be available for home games of the Team beginning with the 2006 season and for the initial term of the Cardinals Use Agreement to expire in late 2036. After the initial term, the Team has been given six additional 5-year options to extend the agreement, on terms to be negotiated in the future.

The Cardinals Use Agreement currently requires the Authority to commence construction at the Facility Site on or before December 1, 2002, which did not occur. The Authority anticipates that the Cardinals Use Agreement will be amended prior to delivery to provide for a later construction commencement date, but neither the execution and delivery of such an amendment to the Cardinals Use Agreement nor a waiver by the Team of its rights or remedies under the Cardinals Use Agreement are conditions precedent to the delivery of the 2003A Bonds.

Under the Cardinals Use Agreement, the Team controls all football uses of the Multipurpose Facility, other than a major college bowl game, currently the Fiesta Bowl, and college football exhibition games, conference championships, playoffs and certain games involving non-local teams. The Team also controls use of the Multipurpose Facility for time periods during and surrounding its home games and has priority scheduling rights for certain community relations, corporate sponsor and promotional events at the facility, at the Team's expense to the extent that expenses exceed normal maintenance costs. The Authority retains the rights to assign usage for events at other times.

The Team will receive revenues derived from its home games, including tickets, suites, concessions, advertising and media rights and also will receive revenues derived from naming rights relating to the Multipurpose Facility.

*Use Agreement with Fiesta Bowl.* Pursuant to a Fiesta Bowl Use Agreement, dated February 12, 2002, between the Authority and the Fiesta Bowl, a nonprofit corporation which is the sponsor of an annual NCAA College post-season football game, the Authority is to receive the proceeds of a per ticket surcharge to be collected

for each bowl game held after completion of the Multipurpose Facility (anticipated to be in January 2007). The surcharge will initially be \$2.50 per ticket, escalating \$0.20 per year. If the Multipurpose Facility were completely sold out to its expected capacity in the first year, the Authority estimates that the surcharge would result in approximately \$182,500 in revenue to the Authority. In addition, the Authority is to be paid the expenses of operating the Multipurpose Facility on each game day. Amounts received from the Fiesta Bowl are to be deposited into the Facility Revenue Clearing Account and applied as provided in the Indenture. The Fiesta Bowl Use Agreement has a term of 30 years commencing with the first bowl game after completion of the Multipurpose Facility.

The Fiesta Bowl Use Agreement, in its current form, contains a covenant by the Authority that the Multipurpose Facility will be fully operational and meet the minimum standards required for the Fiesta Bowl to be played in December 2005 or January 2006. In the event of a breach by the Authority in this covenant, the Fiesta Bowl Use Agreement does not grant the Fiesta Bowl the right to terminate the agreement, but does require to Authority to pay to the Fiesta Bowl all of its fees, costs and expenses arising out of or relating to the Fiesta Bowl's inability to play its first scheduled Fiesta Bowl game on the specified date, including relocation fees, costs and expenses in finding an alternative and adequate facility at which to play such game.

As discussed under "Development of the Multipurpose Facility -- *The Construction Contract*" above, the Authority does not expect the Multipurpose Facility to be available to meet the date required for the initial Fiesta Bowl game to occur in December 2005 or January 2006, as specified in the Fiesta Bowl Use Agreement. The Authority has commenced discussions with the Fiesta Bowl and anticipates that the Fiesta Bowl Use Agreement will be amended to substitute a later date for the initial such game, but no such amendment will be in place prior to the delivery of the 2003A Bonds. If the Fiesta Bowl Use Agreement is not so amended, the Authority could be liable to the Fiesta Bowl for the damages prescribed therein and Multipurpose Facility Revenues related to use by the Fiesta Bowl could be delayed or reduced.

*Revenues from Other Events and Uses.* The Authority also expects to market the Multipurpose Facility, following completion, as a venue for various conventions, entertainment, sporting and meeting events that are consistent with its obligations under the Use Agreements, and to receive revenues from rental charges, admissions, concessions and other proceeds from such events and from advertising, marketing and broadcasting charges. However, no other revenue-producing events have reserved the Multipurpose Facility presently, the Authority has not yet retained a management or marketing consultant for the Multipurpose Facility and the Multipurpose Facility has no prior history of hosting such events or a history of earnings or the Authority's costs for operating and maintaining the Multipurpose Facility for such activities. Accordingly, the Authority can only makes estimates of amounts of revenues that might be received as a result of these other activities.

**ARIZONA TOURISM AND SPORTS AUTHORITY  
PROJECTED REVENUES FISCAL YEARS 2002-03 TO 2011-12**

Set forth below is the Authority's projection of revenues provided under the Act for the fiscal years 2002-03 through 2011-12. For a discussion of some of the factors affecting future levels of such revenues, and judicial limitations imposed on the pledge of certain Facility Income Tax Revenues, see "RISK FACTORS" and "SOURCES OF PLEDGED REVENUES - Facility Income Tax Revenues - *Judicial Limitations Imposed on the Pledge of Facility Income Tax Revenues.*"

12-Month Ending	Tourism Tax Revenues		Facility Tax Revenues		Multipurpose Facility Revenues/Other Authority Revenues				Total
	Car Rental		Facility Income	MPF Sales Tax	Cardinals	Fiesta Bowl	Other Event	Investment	Projected
	6/30	Hotel Tax <sup>(1)</sup>	Surcharge <sup>(2)</sup>	Tax Revenues <sup>(3)</sup>	Revenues <sup>(4)</sup>	Payments <sup>(5)</sup>	Payments <sup>(6)</sup>	Revenues <sup>(7)</sup>	Earnings <sup>(8)</sup>
2003	\$10,673,458	\$6,830,802	\$3,784,320	\$979,518	\$ -	\$ -	\$ -	\$ 126,474	\$ 22,394,572
2004	11,445,890	7,172,342	4,087,066	1,013,801	-	-	-	200,636	23,919,735
2005	12,018,185	7,530,960	4,414,031	1,049,284	-	-	-	287,375	25,299,834
2006	12,619,094	7,907,508	4,767,153	1,336,009	-	-	500,000	382,894	27,512,657
2007	13,250,048	8,302,883	5,148,526	3,048,800	250,000	532,500	2,000,000	426,701	32,959,457
2008	13,912,551	8,718,027	5,560,408	3,155,508	255,000	559,350	2,070,000	431,359	34,662,203
2009	14,608,178	9,153,928	6,005,240	3,265,951	260,100	586,629	2,142,450	435,915	36,458,391
2010	15,338,587	9,611,625	6,485,659	3,380,259	265,302	614,351	2,217,436	442,238	38,355,458
2011	16,105,517	10,092,206	7,004,512	3,498,568	270,608	642,533	2,295,046	472,962	40,381,952
2012	16,749,737	10,495,894	7,564,873	3,621,018	276,020	671,190	2,375,373	520,923	42,275,029

- (1) Projected receipts from the Hotel Tax. Collections for fiscal years 2003 and 2004 project applicable sales to grow 7.8% and 7.2%, respectively. Post-fiscal year 2004 collections project 5.0% growth through fiscal year 2011. Fiscal year 2012 collections project 4.0% growth over fiscal year 2011.
- (2) Projected receipts from the Car Rental Surcharge. Fiscal year 2003 through fiscal year 2011 project 5.00% annual growth. Fiscal year 2012 collections project 4.00% growth over 2011.
- (3) Projected receipts equal to the Minimum Annual Facility Income Tax Revenue Amount established in State statute. Note: The amount of the Facility Income Tax Revenues that may be pledged to the Bonds is limited. See "Facility Income Tax Revenues - *Judicial Limitations Imposed on the Pledge of Facility Income Tax Revenues.*"
- (4) Projected receipts from Multipurpose Facility Sales Tax Revenues derived from all taxable sales at the Multipurpose Facility and from Cardinal games held at Sun Devil Stadium.
- (5) Scheduled rental payments under the Cardinals Use Agreement.
- (6) Projected payments under the Fiesta Bowl Use Agreement. Projections include payments to cover expense of operating the Multipurpose Facility on each game day (projected to be \$350,000 in the initial year, growing at 3.5% per year) plus the scheduled Fiesta Bowl ticket surcharge assuming the sale of 73,000 tickets each year.
- (7) Authority projection of net revenues associated with non-football events held at the Multipurpose Facility.
- (8) Investment earnings on unspent Authority cash and reserve balances. Earnings are based on the average annual balance at an average investment rate of 4.00% over the life of the program.

**ARIZONA TOURISM AND SPORTS AUTHORITY**  
**PROJECTED EXPENDITURES AND NET CASH FLOW FISCAL YEARS 2002-03 TO 2011-12**

Set forth below is the Authority's projection of expenditures and net cash flow for the fiscal years 2002-03 through 2011-12. For a discussion of some of the factors affecting future levels of such expenditures and net cash flow, see "RISK FACTORS."

FYE 6/30	Total Projected Revenues <sup>(1)</sup>	Projected Expenditures					Total Projected Expenditures	Projected Revenues Over Expenditures <sup>(7)</sup>
		Bond Payments <sup>(2)</sup>	Tourism Promotion <sup>(3)</sup>	Cactus League <sup>(4)</sup>	Youth & Amateur Sports <sup>(5)</sup>	TSA & Stadium Operations <sup>(6)</sup>		
2003	\$ 22,394,572	\$ 9,302,786	\$ 4,217,500	\$ 3,000,000	\$ 1,108,333	\$ 2,696,966	\$ 20,325,585	\$ 2,068,987
2004	23,919,735	11,143,906	4,428,375	3,000,000	1,208,333	2,500,000	22,280,615	1,639,121
2005	25,299,834	11,143,906	4,649,794	3,000,000	1,308,333	2,500,000	22,602,033	2,697,800
2006	27,512,657	11,143,906	4,882,283	3,000,000	1,408,333	5,000,000	25,434,523	2,078,134
2007	32,959,457	11,648,906	5,126,398	3,000,000	1,508,333	11,563,605	32,847,242	112,215
2008	34,662,203	12,498,756	5,382,717	3,083,333	1,608,333	11,968,331	34,541,471	120,732
2009	36,458,391	12,603,956	5,651,853	4,000,000	1,708,333	12,387,223	36,351,366	107,026
2010	38,355,458	13,582,756	5,934,446	4,000,000	1,808,333	12,820,775	38,146,311	209,147
2011	40,381,952	13,479,256	6,231,168	4,166,667	1,908,333	13,269,503	39,054,927	1,327,025
2012	42,275,029	12,918,969	6,542,727	6,000,000	2,008,333	13,733,935	41,203,964	1,071,065

- (1) Represents all projected revenues of the Authority, not all of which are Pledged Revenues. See "PROJECTED REVENUES FISCAL YEARS 2002-03 TO 2011-12" herein.
- (2) Net debt service on the 2003A Bonds. Fiscal Year 2003 payment includes \$5,000,000 repayment on a line of credit that was fully repaid on December 31, 2002.
- (3) Distributions from the Tourism Revenue Clearing Account to the Tourism Fund, as scheduled under State statute.
- (4) Distributions from the Tourism Revenue Clearing Account to the Cactus League Promotion Account, as scheduled under State statute. Subordinate Bond debt service will be paid from amounts distributed to the Subordinate Bond Debt Service Account from amounts scheduled for distribution to the Cactus League Promotion Account.
- (5) Distributions from the Tourism Revenue Clearing Account to the Youth and Amateur Sports Facilities Subaccount, as scheduled under State statute.
- (6) Projected distributions to the Operating Account to cover operating costs of the Multipurpose Facility and Authority administration costs.
- (7) Reserves for amateur and youth sports, operations capital repair and replacement are anticipated to be funded from cumulative annual surpluses.

## DEBT SERVICE REQUIREMENTS

Set forth below is the Authority's projection of Pledged Revenues, debt service requirements for the 2003A Bonds and projected debt service coverage of the 2003A Bonds. Also reflected is the estimated debt service requirements of the Authority's 2003 Subordinate Bonds, which are anticipated to be issued in February 2003 for Cactus League Purposes.

12-Month Ending June 30	(1) Projected Pledged Revenues <sup>(1)</sup>	(2) 2003A Bonds <sup>(2)</sup>	(3)=(1)/(2) Projected Senior Bond Coverage	(4) Tourism Fund Distribution <sup>(3)</sup>	(5)=(1)-(2) Net Pledged Revenues Available for Subordinate Bonds	(6) 2003 Subordinate Bonds <sup>(4)</sup>	(7)=(2)+(6) Total Annual Debt Service Requirements	(8)=(1)/[(2)+(4)+(6)] Projected Subordinate Bond Coverage
2003	\$21,974,460	\$4,302,786 <sup>(5)</sup>	5.11	\$4,217,500	\$13,454,174	\$633,354	\$4,936,140	2.40
2004	23,314,624	11,143,906	2.09	4,428,375	7,742,343	2,320,050	13,463,956	1.30
2005	24,489,626	11,143,906	2.20	4,649,794	8,695,926	2,307,050	13,450,956	1.35
2006	26,475,461	11,143,906	2.38	4,882,283	10,449,271	2,329,912	13,473,818	1.44
2007	31,671,437	11,648,906	2.72	5,126,398	14,896,133	2,318,137	13,967,043	1.66
2008	33,097,418	12,498,756	2.65	5,382,717	15,215,945	2,706,997	15,205,753	1.61
2009	34,588,621	12,603,956	2.74	5,651,853	16,332,811	3,620,597	16,224,553	1.58
2010	36,150,010	13,582,756	2.66	5,934,446	16,632,807	3,634,522	17,217,278	1.56
2011	37,807,458	13,479,256	2.80	6,231,168	18,097,034	3,807,378	17,286,634	1.61
2012	39,295,225	12,918,969	3.04	6,542,727	19,833,530	4,687,506	17,606,475	1.63
2013		13,360,125				4,736,453	18,096,578	
2014		13,369,525				4,779,501	18,149,026	
2015		13,367,000				4,801,377	18,168,377	
2016		13,366,863				4,821,824	18,188,711	
2017		19,108,575				-	19,108,575	
2018		19,107,125				-	19,107,125	
2019		19,269,188				-	19,269,188	
2020		19,265,238				-	19,265,238	
2021		19,267,263				-	19,267,263	
2022		19,268,381				-	19,268,381	
2023		19,266,981				-	19,266,981	
2024		19,266,450				-	19,266,450	
2025		19,269,200				-	19,269,200	
2026		19,266,450				-	19,266,450	
2027		19,268,650				-	19,268,650	
2028		19,266,000				-	19,266,000	
2029		19,268,500				-	19,268,500	
2030		19,266,250				-	19,266,250	
2031		19,267,500				-	19,267,500	

(1) Includes all of the Authority's projected revenues (net of the Minimum Annual Facility Income Tax Amount) plus projected Facility Income Tax Revenues Pledged. Facility Income Tax Revenues Pledged is estimated to be \$3,364,207 in fiscal year 2003, growing 3.5% per year thereafter.

(2) Average interest rate of 5.02% per annum.

(3) Reflects statutorily required funding to State Tourism Fund.

(4) Interest calculated at an average assumed rate of 4.89% per annum.

(5) Net of accrued interest.

Pursuant to the Indenture, the Authority may issue Additional Senior Bonds, Completion Senior Bonds, Refunding Senior Bonds, Additional Subordinate Bonds and Refunding Subordinate Bonds subject to meeting certain ratios of historical Pledged Revenues to Debt Service or the other conditions contained in the Indenture. For additional information concerning these conditions, see "SECURITY AND SOURCES OF PAYMENT FOR THE 2003A BONDS - Additional Senior Bonds" and "- Subordinate Bonds."

## **RISK FACTORS**

### **General**

*The purchase of the 2003A Bonds involves certain investment risks that are discussed throughout this Official Statement. Accordingly, each prospective 2003A Bond purchaser should make a careful review and an independent evaluation of all the information presented herein. Certain of these investment risks are described below. The list of risks described below is not intended to be definitive or exhaustive and the order in which the following factors are presented is not intended to reflect relative importance of risks.*

### **Limited Obligation**

The 2003A Bonds are special obligations of the Authority and are payable solely from the sources specified in the Indenture. The 2003A Bonds are not obligations, general, special or otherwise, of the State, the County or any municipality, including, without limitation, Glendale, do not constitute a legal debt of the State, the County or any entity other than the Authority and are not enforceable against the Authority out of any funds other than the Pledged Revenues as provided in the Indenture.

### **Limitations on Remedies; No Recourse to Multipurpose Facility**

Upon the occurrence and continuance of any Event of Default under the Indenture, the Trustee may, and upon direction from the Insurer or, if the Insurer is in default under its financial guaranty insurance policy, from not less than a majority in aggregate principal amount of Senior Bonds and Subordinate Bonds Outstanding, shall file suit or otherwise enforce its rights under the Indenture, but the Trustee has no right to accelerate the scheduled payment of principal of the 2003A Bonds.

Although certain of the Pledged Revenues are derived from the use of, or other activities related to, the Multipurpose Facility, the Multipurpose Facility does not constitute any part of the Senior Bond Trust Estate or the Subordinate Bond Trust Estate and neither the Trustee nor any Owner of 2003A Bonds shall have any claim upon, or rights to proceed against, or foreclose upon, the Multipurpose Facility upon the occurrence of an Event of Default under the Indenture.

### **Failure to Complete or Delayed Completion of Multipurpose Facility**

The production of the portion of Pledged Revenues constituting Facility Sales Tax Revenues and Other Authority Revenues will be directly related, and the production of the remaining portion of Pledged Revenues constituting Tourism Tax Revenues and Facility Income Tax Revenues Pledged will be indirectly related, to Glendale's ability to deliver title to the site for the Multipurpose Facility in a timely manner which will not delay or prevent commencement of acquisition and construction of the Multipurpose Facility, to the ability to complete the acquisition and construction of the Multipurpose Facility for its intended uses and on a timely basis and to Glendale's and the Team's ability to acquire title to and to finance and develop the sites and infrastructure called for in the Glendale IGA which is necessary in connection with the completion and operation of the Multipurpose Facility. The completion of the Multipurpose Facility is dependent upon numerous factors, including the Authority's acquisition of the site for the Multipurpose Facility, which has not yet been completed, the final negotiation and execution of a guaranteed maximum price construction contract for the Multipurpose Facility, which will not be in place at the time of the delivery of the 2003A Bonds, within the Maximum Construction Budget or otherwise with terms which permit construction of the Multipurpose Facility to proceed under the MOU and/or the Project Management Agreement, receipt of any and all government permits or approvals for the completion of the Multipurpose Facility, and performance by the Team, Glendale and numerous other parties of their respective contractual undertakings and the payment of amounts in connection with the delivery of the Multipurpose Facility. Some of these factors are beyond the control of the Authority, If the Authority is unable to secure, or is delayed in

securing, all necessary property rights and agreements, the commencement of construction and/or the completion of the Multipurpose Facility could be prevented or delayed, which could materially and adversely affect the receipt of Pledged Revenues by the Authority and the Trustee and the Authority's projections for such Pledged Revenues contained in this Official Statement.

Commencement of construction or completion of the Multipurpose Facility can be prevented or delayed by many factors, including unexpected technical and engineering hurdles, economic hardship or bankruptcy encountered by other parties, lack of qualified personnel, labor strife, materials shortages or price levels, terrorist attack, sabotage or vandalism, lack of cooperation from other parties or the need for the Authority to seek judicial or other remedies to enforce agreements, weather delays, environmental conditions, governmental hearings or approval processes or national or local emergencies. In addition change orders might be required that could increase the cost of, or delay the timing for, completing the project. Cost increases could require redesigning portions of the Multipurpose Facility and delays in completion could further increase costs through inflationary or other adverse economic conditions

Also, as noted under "THE MULTIPURPOSE FACILITY -- The Construction Contract," if scope reductions are necessary in the design of the Multipurpose Facility in order to bring the construction budget within the Maximum Construction Budget, such reductions could cause a decrease in size or the elimination of features of the Multipurpose Facility which will limit the number of activities and events that can be held at the Multipurpose Facility and adversely affect its potential to generate revenues.

#### **Economic Downturns; Terrorist Attacks; Adverse Effects on Tourism Tax Revenues**

A number of factors, many of which may be beyond the control of the Authority, the County or the State could have an adverse impact on the level of Car Rental Surcharge Revenues and Hotel Tax Revenues received by the Authority, including adverse changes in the national economy and levels of corporate travel and tourism, terrorist attacks, the outbreak of war or other hostilities, competition for tourism revenues from areas outside the State or from other counties within the State, energy and water availability and cost, governmental rules and policies and weather, environmental and other disasters. Corporate travel and tourism are highly dependent upon gasoline and other fuel prices, airline fares, and the national economy.

#### **Adequacy of Cash Flow to Fund All of Authority's Statutory Purposes**

As discussed under "THE AUTHORITY -- Financial Commitments of the Authority" herein, in addition to constructing, financing, operating and promoting the Multipurpose Facility, the Act also imposes upon the Authority the transfer of monies to various other responsibilities, including: (i) promoting tourism in the County by transferring monies to the State Tourism Fund, (ii) acquiring, constructing, financing and promoting the use of professional baseball training facilities located in the County, and (iii) constructing, financing, furnishing and promoting the use of community youth and amateur sports facilities, recreational facilities and other community facilities or programs in the County.

The foregoing commitments are in addition to the Authority's obligations to pay costs related to the acquisition and construction of the Multipurpose Facility, as described under "THE MULTIPURPOSE FACILITY" and to pay debt service on the Senior Bonds, including the 2003A Bonds, and the Subordinate Bonds, as described under "SECURITY AND SOURCES OF PAYMENT FOR THE 2003A BONDS." The amounts and priorities of the Authority's commitments with respect to Tourism Promotion, Cactus League Promotion, and Youth and Amateur Sports Promotion, and its establishment of a reserve for repair and replacement costs associated with the Multipurpose Facility are mandated by statute, are not subject to reallocation by the Authority and, together with amounts required for the payment of debt service on the Senior Bonds, including the 2003A Bonds, and Subordinate Bonds, will reduce the amount of monies available to the Authority for its operations and for maintenance, marketing, insuring or improvement of the Multipurpose Facility. Moreover, the Authority is only able to estimate future revenues, including Pledged Revenues, and future expenses, including those associated with the Multipurpose Facility, and either lower-than-estimated revenues or higher-than-estimated expenses, or both, in the future could prevent the Authority from having sufficient funds to meet all of its statutory and contractual commitments, pay its administrative expenses and operate, market, maintain or improve the Multipurpose Facility in a manner necessary to produce significant Multipurpose Facility Revenues.

## **Assumptions Underlying Authority's Projections Are Subject to Change**

As described in the footnotes to "ARIZONA TOURISM AND SPORTS AUTHORITY PROJECTED REVENUES FISCAL YEARS 2002-03 TO 2011-12" herein, the Authority's projections for each source of revenues under the Act, including Pledged Revenues, which is not based upon statutory or contractual fixed amounts, is based upon projected rates of growth in future years. Similarly, as described in the footnotes to "ARIZONA TOURISM AND SPORTS AUTHORITY PROJECTED EXPENDITURES AND NET CASH FLOW FISCAL YEARS 2002-03 TO 2011-12" herein, the Authority's projections for its operating and Multipurpose Facility expenditures and reserve and surplus amounts are based on certain assumptions regarding the future availability of funds.

All such projections, assumptions and estimates are "forward looking statements," which must be read with an abundance of caution and which may not be realized or may not occur in the future. Any or all of the sources of revenues, including Pledged Revenues, could decline or fail to achieve the level of growth assumed by the Authority due to numerous economic, political or other factors, including some discussed elsewhere in the "RISK FACTORS" section, and many of which are beyond the control of the Authority. Likewise, the Authority's expenditures could exceed, possibly by a significant amount, those assumed by the Authority in making its projections. To the extent that any source of revenue, including Pledged Revenues, declined or failed to achieve the level of growth assumed by the Authority in making its projections, or to the extent that the Authority's expenditures exceeded those assumed by the Authority, the projected net cash flow and projected debt service coverage levels might deviate, possibly materially and adversely, from the levels projected by the Authority. It is likely that actual future revenues and expenditures will vary over time from the Authority's projections and it is not possible to assess whether those variations will be favorable or unfavorable for the Authority.

## **Changes in Law**

Description of and references to provisions of Arizona and federal law are descriptions and references to provisions of law currently in effect. Those provisions are subject to being amended, repealed or supplemented.

## **Judicially Imposed Limitations on the Availability of Facility Income Tax Revenues**

As described under "SOURCES OF PLEDGED REVENUES--Facility Income Tax Revenues," there have been limitations imposed by an Arizona Court of Appeals decision, prohibiting the pledge of Facility Income Tax Revenues, including the Minimum Annual Facility Income Tax Revenue Amount, to the payment of the Authority's bonds, including the 2003A Bonds, to the extent that such revenues or amounts exceed State income taxes received which are related to professional football. The Indenture provides that Facility Income Tax Revenues Not Pledged are deposited into the Operating Current Expenses Subaccount of the Operating Account and do not constitute Pledged Revenues. The amount of Facility Income Tax Revenues Pledged as a percentage of all Facility Income Tax Revenues will vary each year, perhaps widely. In addition, there is no assurance of the continued existence in the Act of the Minimum Annual Facility Income Tax Revenue Amount; it may be subject to repeal or reduction at any time by the Arizona Legislature. The Authority is only able to estimate levels of Facility Income Tax Revenues Pledged for any subsequent period. Such estimated figures are subject to change and the effect could be significant and materially adverse.

## **Continued Use and Viability of Team and Other Users of the Multipurpose Facility**

The production of Facility Income Tax Revenues Pledged, revenues to be received by the Authority under the Cardinals Use Agreement and other sources of Pledged Revenues will be dependent, either directly or indirectly, upon the continued operation and financial viability of the Team, including State income taxes generated and reported by such organization and its professional football-related payroll, and the Team's continued use of the Multipurpose Facility during the term of the Cardinals Use Agreement. No financial or other information has been provided to the Authority or included in this Official Statement regarding the Team and the Authority is only able to estimate levels of Facility Income Tax Revenues Pledged for any subsequent period. Such estimated figures are subject to change and the effect could be significant and materially adverse.

The Authority's ability to generate Pledged Revenues from the Team's use of the Multipurpose Facility could be limited or adversely affected by events related to national events or to professional football generally, as

well as events related to the Team or the Authority specifically, including work stoppages, lock-outs, strikes, war, national emergencies or civil unrest.

In addition, the production of Multipurpose Facility Sales Tax Revenues and Other Authority Revenues will be affected by the continued operation and financial viability of the Fiesta Bowl and its ability to continue hosting its event, and the ability of other users of the Multipurpose Facility to pay for use of the facility. No financial other information has been included in this Official Statement regarding the Fiesta Bowl or any other user or prospective user of the Multipurpose Facility.

### **Authority's Ability to Generate Revenues from Multipurpose Facility**

The production of Multipurpose Facility Revenues, which are a portion of the revenues pledged to the payment of debt service on the Bonds, at the levels currently projected is dependent upon the Authority's ability to operate the Multipurpose Facility for events other than Team home games and the annual Fiesta Bowl game in a manner which will produce net revenues. The Multipurpose Facility, as a new venue, has no operating history and the Authority has no prior experience in the operation of sports or entertainment facilities. Although the Authority intends to retain experienced personnel for the operation and marketing of the Multipurpose Facility, there is no assurance that net revenues from such facility will be produced in the amounts currently projected. The Multipurpose Facility will also have to be successful in competing with other existing and future venues in the County, including a new multipurpose arena facility being constructed in close proximity to the Multipurpose Facility to be used by the Phoenix Coyotes National Hockey League franchise organization, to attract events which will be necessary to produce revenues.

The Authority's ability to generate revenues at the Multipurpose Facility could also be adversely affected by damage, destruction or condemnation of part or all of the facility which limits or precludes the use of the Multipurpose Facility for an extended period of time. Although the Authority is required in the Glendale IGA to maintain property damage and liability insurance, it is possible that repair or reconstruction are not practicable or will extend over a period of time, during which no revenues would be generated. Under certain circumstances the Cardinals Use Agreement permits the Team to play its home games at an alternate venue while the Multipurpose Facility remains in a diminished-use condition, which would adversely affect the production of Multipurpose Facility Revenues.

### **Future Litigation Affecting the Multipurpose Facility, Pledged Revenues or the Authority**

Although as described under "LITIGATION" herein, there is presently no litigation or administrative action pending in any court or, to the best knowledge of the Authority, threatened, which would restrain, enjoin or affect the validity of the 2003A Bonds or the collection, pledge or application of Pledged Revenues, or the acquisition or construction of the Multipurpose Facility, there has been previous litigation in this regard which has been resolved favorably to the Authority and there could be litigation filed at any time in the future raising similar or different legal issues. Any such litigation, while pending and if ultimately resolved adversely to the Authority, could prevent or delay construction and completion of the Multipurpose Facility or materially and adversely affect the Authority's receipt of Pledged Revenues for the payment of debt service on the 2003A Bonds.

In addition, because of the involvement of numerous parties associated with the acquisition, construction, operation and marketing of the Multipurpose Facility, there could also be disputes between or among such parties, whether or not involving the Authority, which ends in litigation, arbitration or similar proceeding in a manner that delays completion or prevents use of the Multipurpose Facility and adversely affects the Authority's ability to generate Pledged Revenues, especially Pledged Revenues derived from use of the Multipurpose Facility.

Also, although the Indenture requires the Authority to use its best efforts to identify the amount of Facility Income Tax Revenues Not Pledged, which are not a part of the Pledged Revenues, and to cause the State Treasurer to pay such amounts directly to the Authority, it is possible that other creditors of the Authority could in the future file demands against the Authority and/or the Trustee that result in litigation or a claim in bankruptcy or similar proceeding, contending that some of the monies held by the Trustee constitute Facility Income Tax Revenues Not Pledged which were inadvertently paid to the Trustee.

## Investment of Pledged Revenues

The Indenture provides that monies held by the Trustee under the Indenture shall be invested in accordance with instructions from the Authority in investments permitted by the Indenture.

The Indenture does not prescribe investments for monies held by the Authority comprising Facility Income Tax Revenues Not Pledged and amounts in the Current Expense Subaccount or the Operating General Subaccount of the Operating Account, which do not constitute Pledged Revenues. Such amounts may be invested by the Authority in legally permissible investments from time to time. If and to the extent that the Authority incurs losses on such investments, such losses might, with respect to amounts in the Operating General Subaccount, reduce the amount of funds available for debt service on all Bonds, including the 2003A Bonds and, with respect to Facility Income Tax Revenues Not Pledged or amounts in the Current Expense Subaccount, reduce the amount of funds available to the Authority to pay its operating costs or costs other than payment of debt service on the Bonds.

In addition, Tourism Tax Revenues collected by the State Department of Revenue are turned over to the State Treasurer and held until distributed to the Trustee. While held by the State Treasurer, such amounts may be invested in legally permissible investments from time to time, including the following:

1. Obligations issued or guaranteed by the United States or any of its agencies, sponsored agencies, corporations, sponsored corporations or instrumentalities;
2. Collateralized repurchase agreements purchased from securities dealers that make markets in those securities listed in paragraph 1;
3. Bonds or other evidences of indebtedness of the State or any of the counties or incorporated cities, towns or duly organized school districts;
4. Commercial paper whose issuer is rated in one of the two highest rating categories for short-term obligations by any two nationally recognized statistical rating organizations;
5. Bills of exchange or time drafts known as bankers acceptances which are drawn on and accepted by a commercial bank;
6. Negotiable certificates of deposit issued by a nationally or state chartered bank or savings and loan association;
7. Bonds, debentures, notes or other evidences of indebtedness which are issued by entities organized and doing business in the United States and which carry as a minimum one of the "Baa" ratings of Moody's Investors Service or one of the "BBB" ratings of Standard and Poor's Rating Service, or their successors;
8. Securities of or any other interests in any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, if both of the following are met:
  - (a) The investment company or investment trust takes delivery of the collateral for any repurchase agreement either directly or through an authorized custodian; and
  - (b) The investment policy of the investment company or investment trust includes seeking to maintain a constant share price;
9. Certificates of deferred property taxes as provided by Arizona statutes;
10. Treasurer's warrant notes or registered warrants of a county if the yield is equal to or greater than the yields on eligible investment instruments of comparable maturities;
11. Shares in the State Treasurer's Local Government Investment Pool, provided that the investment policies of the pool seek to maintain a constant share price; or
12. State Transportation Board funding obligations, under certain specified conditions.

The Authority does not participate in any investment decisions made by the State Treasurer, does not monitor the investment of monies by the State Treasurer and does not verify that monies held by the State

Treasurer are invested in conformance with applicable law. If and to the extent that the State Treasurer incurs losses on such investments, such losses might reduce the amount of Tourism Tax Revenues distributed to the Authority.

*Recent Investment Losses in the State Treasurer's Local Government Investment Pool.* Pursuant to statutory authority, a portion of monies held by the State Treasurer is invested in the State Treasurer's Local Government Investment Pool (LGIP), which was established in 1980 for the collective investment of State and local government monies. Monies in the LGIP may be invested in the types of investments listed above. In December 2002, the State Treasurer announced that the LGIP currently holds \$130.986 million of asset-backed securities issued by NPF-12 trust that are serviced by National Century Financial Enterprises (NCFE). Recently, NCFE has come under investigation by the Federal Bureau of Investigation, the Securities and Exchange Commission and various state authorities for possible fraud and violations of federal and state laws. NCFE has since declared bankruptcy and the trustee for the bonds has informed the State Treasurer that the interest payment due December 1, 2002 was not received.

All LGIP participants have been allocated a proportional share of the value of the NPF-12 securities and such securities have been placed by the State Treasurer into a separate pool (the "Separate LGIP Pool"). It is likely that the LGIP will incur a loss on the total securities held of \$130.986 million. The State is pursuing legal action to the fullest extent possible to protect the interests of the LGIP participants.

The Authority has not been notified by the State Treasurer that it has incurred any losses as a result of the investment described above. Under the Act and the Indenture, neither monies in the Bond Proceeds Account nor monies in the Debt Service Account may be invested in the LGIP.

#### **Internal Revenue Service Audit Program**

As part of a larger reorganization of the IRS, in December 1999, the IRS commenced operation of its Tax Exempt and Government Entities Division (the "TE/GE Division"), as successor to its Employee Plans and Exempt Organizations division. The TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. Public statements by IRS officials indicate that the number of tax-exempt bond examinations is expected to increase significantly under the TE/GE Division. The examinations will include targeted audits (pursuant to a broad initiative) of certain types of transactions, as well as random audits of transactions and audits initiated based on a unique structure or other aspects of a transaction that are brought to the attention of the IRS.

Examples of initiated and publicly announced, targeted IRS examinations include audits of bonds issued for the benefit of certain 501(c)(3) health care organizations in order to accomplish so-called acquisition financings, audits of bonds issued to finance sports facilities, audits of bonds issued to securitize tobacco settlement payments, and audits of bonds issued to prepay for natural gas deliveries. A number of other transactions that are not included in a specific targeted group presently are under examination. In some cases, the announcement of the audits of these bonds adversely affected the value of those bonds.

It is possible that the IRS will commence other audit initiatives or may respond to transactions brought to its attention. Such initiatives could result in the Senior Bonds or the Subordinate Bonds, or similar bonds, being subject to audit. Pursuant to the Continuing Disclosure Undertaking attached hereto as Appendix C, the Authority will notify the national information repositories if it learns of the commencement of any IRS audit of its Bonds. Any IRS examination of the Senior Bonds, including the 2003A Bonds or the Subordinate Bonds or similar bonds, may adversely affect their market value. The 2003A Bonds are not subject to redemption in the event that, for any reason, interest on the 2003A Bonds is determined not to be excluded from any Owner's gross income for federal income tax purposes.

Bond Counsel will render an approving opinion with respect to the 2003A Bonds at the time of delivery of the 2003A Bonds, a copy of which is attached as Appendix A hereto. Bond Counsel's opinion is not binding on the IRS in the event of an audit. See the caption "TAX EXEMPTION."

## **Possibility of Extraordinary Redemption of 2003A Bonds**

As described under "THE 2003A BONDS -- Redemption Provisions -- Extraordinary Redemption," herein, unless on or prior to October 1, 2003, the Authority has delivered to the Trustee a Certificate of an Authorized Officer stating that (1) the contribution to be made toward costs of the Multipurpose Facility by the Team pursuant to Section 2 of the MOU, or similar provisions of successor agreements between the Authority and the Team, has been fully satisfied in a manner acceptable to the Authority that authorizes expenditure of the contribution for costs of the Multipurpose Facility, and (2) the Team's right to terminate the Cardinals Use Agreement pursuant to Section 2 of the MOU, or similar provisions of successor agreements between the Authority and the Team, as described under "THE MULTIPURPOSE FACILITY -- Development of the Multipurpose Facility -- *The MOU*" herein, has been waived or terminated in a manner acceptable to the Authority, then the 2003A Bonds shall be subject to redemption in whole or in part in inverse order of maturities and within any maturity by lot from unspent proceeds of the 2003A Bonds and any other moneys furnished by the Authority for that purpose on the single earliest date practicable for which notice of redemption can be given, as provided under "THE 2003A BONDS -- Redemption Provisions -- *Extraordinary Redemption*."

There is no provision in the Indenture preventing the expenditure of proceeds of the 2003A Bonds by the Authority in unlimited amounts for payment of costs associated with the Multipurpose Facility at any time from and after delivery of the 2003A Bonds.

## **Regulatory and Environmental Matters**

The design, construction and operation of the Multipurpose Facility are subject to various federal, State and local laws and regulations governing health, safety, environmental and other matters. In general, these laws and their application or enforcement could hinder, prevent or delay the completion of the Multipurpose Facility or could adversely affect the operation of the Multipurpose Facility or its suitability for particular uses. Environmental regulations could also result in liability to the owner of the facility or the underlying property for remediating adverse environmental conditions on or relating to the Multipurpose Facility, whether arising from preexisting conditions or conditions arising as a result of current activities conducted in connection with the ownership and operation of the Multipurpose Facility. Costs incurred by the Authority with respect to environmental remediation or liability could adversely impact its financial condition or limit or adversely affect its ability to complete or operate the Multipurpose Facility. If excessive costs are incurred by the Authority in connection with remediating environmental problems or from liability to third parties, such costs could make it more difficult to successfully operate the facility. Other regulatory restrictions could also block or diminish the Authority's ability to use, operate or market the Multipurpose Facility and reduce its revenue-production potential.

## **CANCELLATION OF CONTRACTS**

A State statute, Section 38-511, Arizona Revised Statutes, as amended (the "Conflict Statute"), provides that the State, its political subdivisions, or any department or agency of either may, within three years after its execution, cancel any contract, without penalty or further obligation, if any person significantly involved in initiating, negotiating, securing, drafting or creating the contract on behalf of the State, its political subdivisions, or any of the departments or agencies of either is, while the contract or any extension thereof is in effect, an employee or agent of any other party to the contract in any capacity or a consultant to any other party of the contract with respect to the subject matter of the contract. The Indenture is by its express terms subject to cancellation by the Authority to the extent set forth in such statutory provision. Cancellation of the Indenture by the Authority could adversely affect the 2003A Bonds and the security therefor. Similar cancellation rights will exist with respect to other contracts to which the Authority is a party, such as contracts for use of the Multipurpose Facility.

## **LITIGATION**

There is no litigation or administrative action pending in any court or, to the best knowledge of the Authority, threatened, which would restrain or enjoin the issuance, sale or delivery of the 2003A Bonds or in any way contest or affect the validity of the 2003A Bonds, or which concerns the proceedings of the Authority taken in connection with the issuance and sale of the 2003A Bonds or the collection, pledge or application of Pledged

Revenues, or the pledge and application of any funds provided for their payment, or the acquisition and construction of the Multipurpose Facility, or which contests the powers of the Authority, with respect to the foregoing.

As described under "SOURCES OF PLEDGED REVENUE -- Facility Income Tax Revenues -- *Judicial Limitations Imposed on the Pledge of Facility Income Tax Revenues*" herein, there has previously been litigation challenging the formation of the Authority under the Act and the Authority's ability to issue its bonds and other obligations and to spend public monies in furtherance of its activities, which litigation has been resolved favorably to the Authority. However, there could be litigation filed at any time in the future involving the Authority by the same or other parties and raising similar or different legal issues, some of which could include the authorization, issuance or payment of its bonds or other obligations, including the 2003A Bonds.

## **LEGAL INVESTMENT**

To the extent governed by Arizona law, the Act provides that the 2003A Bonds are securities in which all public officers and bodies of the State and all municipalities and political subdivisions of the State, all insurance companies and associations and other persons carrying on an insurance business, all financial institutions, investment companies and other persons carrying on a banking business, all fiduciaries and all other persons authorized to invest in government obligations, may properly and legally invest money. The 2003A Bonds are also securities which may be deposited with and may be received by all public officers and bodies of the State and all municipalities and political subdivisions of the State for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized.

## **UNDERWRITING**

The Underwriters have agreed, subject to certain conditions, to purchase the 2003A Bonds from the Authority at a price of \$224,887,340.00 plus accrued interest. Based upon the initial offering yields of the 2003A Bonds as shown on the inside cover hereof, the Underwriters will receive compensation of \$1,964,257.50. The public offering prices may be changed from time to time by the Underwriters. The Underwriters may offer and sell the 2003A Bonds to dealers (including dealers depositing the 2003A Bonds into investment trusts) and others at prices lower than such initial public offering prices. The Underwriters will be obligated to purchase all of the 2003A Bonds if any are purchased.

One of the Underwriters is Banc One Capital Markets, Inc. ("BOCM"). BOCM is not a bank but is a broker-dealer and an indirect subsidiary of Bank One Corporation ("Bank One"). Bank One is a multi-bank holding company. Any obligations of BOCM are its sole obligations and do not create any obligations on the part of any affiliate of BOCM, including any affiliated banks. Securities sold, offered or recommended by BOCM are not deposits, are not insured by the Federal Deposit Insurance Corporation, are not guaranteed by any affiliated bank of BOCM and are not otherwise an obligation or responsibility of any such affiliated bank.

## **TAX EXEMPTION**

### **General**

In the opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, under existing law (i) interest on the 2003A Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations and (ii) such interest is exempt from Arizona state income tax. Bond Counsel will express no opinion as to any other tax consequences regarding the 2003A Bonds.

The opinion on tax matters will be based on and will assume the accuracy of certain representations and certifications as to facts, circumstances, estimates and expectations and compliance with certain covenants of the Authority to be contained in the supplemental resolution for the 2003A Bonds and the transcript of proceedings and which are intended to evidence and assure the foregoing, including that the 2003A Bonds are and will remain obligations, the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the certifications and representations made by the Authority.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which, including provisions for potential payments by the issuer to the federal government, require future or continued compliance after issuance of the obligations in order for the interest to be and to remain to be so excluded from the date of issuance. Noncompliance with these requirements could cause the interest on the 2003A Bonds to be included in gross income for federal income tax purposes and thus to be subject to federal income tax retroactively to the date of their issuance. The Authority has covenanted to take all such actions that may be required of it for the interest on the 2003A Bonds to be and to remain excluded from gross income for federal income tax purposes and not to take any actions that would adversely affect that exclusion.

Under Code provisions applicable only to corporations (as defined for federal income tax purposes), a portion of the excess of adjusted current earnings (which includes interest on all tax-exempt bonds, including interest on the 2003A Bonds) over other alternative minimum taxable income is included in alternative minimum taxable income which may be subject to a corporate alternative minimum tax. In addition, the interest on the 2003A Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and a tax imposed on excess net passive income of certain S corporations.

Under the Code, the exclusion of interest from gross income for federal income tax purposes can have certain adverse federal income tax consequences on items of income, deductions or credits for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations and individuals otherwise eligible for the earned income credit. The applicability and extent of these or other tax consequences will depend upon the particular tax status or other tax items of the owner of the 2003A Bonds. Bond Counsel expresses no opinion regarding those consequences.

#### **Original Issue Discount/Original Issue Premium**

Certain of the 2003A Bonds ("Discount Bonds") may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of such Discount Bonds. The issue price of a Discount Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of Underwriters or wholesalers) at which a substantial amount of the Discount Bonds of the same maturity are sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Bond over the period to maturity based on the constant interest rate method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of the Discount Bond (i) is interest excludable from that purchaser's gross income for federal income tax purposes to the same extent and subject to the same considerations discussed above as to other interest on the 2003A Bonds, and (ii) is added to that owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Bond. A purchaser of a Discount Bond at its issue price in the initial public offering who holds such Discount Bond to maturity will realize no gain or loss upon the retirement of that Discount Bond.

Certain of the 2003A Bonds ("Premium Bonds") may be offered and sold to the public at an issue price in excess of their stated redemption price (the principal amount) at maturity. This excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of that Premium Bond, compounded semiannually. No portion of such bond premium is deductible by an owner of Premium Bonds. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in a Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes upon the sale of a Premium Bond for an amount equal to or less than the amount paid by that owner for the Premium Bond. A purchaser of a Premium Bond at its issue price in the initial public offering who holds such Premium Bond to maturity will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Discount or Premium Bonds should consult their own tax advisers as to the determination for federal income tax purposes of the amount of the OID or amortizable bond premium properly accruable in any

period with respect to the Discount or Premium Bonds and as to other federal tax consequences and the treatment of the OID or amortizable bond premium for state and local tax purposes.

### **INDEPENDENT AUDITORS**

The audited financial statements portion of the Authority's annual financial report as of June 30, 2002 and for its fiscal year then ended, which are included in Appendix F of this Official Statement, have been audited by Ernst & Young LLP, as stated in the opinion which appears in Appendix F

The Authority neither requested nor obtained the consent of Ernst & Young LLP to include such financial statements and Ernst & Young LLP has not reviewed this Official Statement or performed any procedures subsequent to rendering the opinion on such financial statements.

### **CONTINUING DISCLOSURE UNDERTAKING**

In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "Commission"), the Authority will execute a written Continuing Disclosure Undertaking (the "Disclosure Undertaking"), substantially in the form set forth as Appendix C, wherein the Authority will agree, for the benefit of the beneficial owners of the 2003A Bonds, to provide, or cause to be provided, certain annual financial information and operating data that is generally consistent with the information contained under the heading "SOURCES OF PLEDGED REVENUES--Car Rental Surcharge Revenues, "--Hotel Tax Revenues, "--Multipurpose Facility Sales Tax Revenues, "--Facility Income Tax Revenues, and "--Multipurpose Facility Revenues" herein, and notice of the occurrence of certain events or failures to take certain required actions with respect to the 2003A Bonds.

The Authority may from time to time choose to provide notice of the occurrence of other events, in addition to those required in the Disclosure Undertaking, but the Authority does not undertake to commit to provide any notice of the occurrence of any event except those events listed in the Disclosure Undertaking, if material.

The obligations of the Authority described in the Disclosure Undertaking will remain in effect until the 2003A Bonds are no longer outstanding (within the meaning of the Indenture) or the Rule no longer applies to the 2003A Bonds. The Disclosure Undertaking may be amended or waived upon receipt by the Authority of an opinion of independent counsel to the effect that the amendment or waiver would not, in and of itself, cause the Disclosure Undertaking to violate the Rule.

A beneficial owner of a 2003A Bond may seek to enforce the undertakings of the Authority in the Disclosure Undertaking by an action for specific performance in any court of competent jurisdiction in Phoenix, Arizona after providing the Authority with 30 days prior written notice of its failure to perform. Any failure of the Authority to comply with any of its obligations in the Disclosure Undertaking shall not be a default or Event of Default with respect to the 2003A Bonds under the Indenture.

The Authority currently has no other disclosure undertaking pursuant to the Rule.

### **RATINGS**

Moody's Investors Service ("Moody's") and Fitch, Inc. ("Fitch") have assigned the 2003A Bonds the ratings of "Aaa" and "AAA," respectively, on the understanding that the Policy insuring the timely payment of the principal and interest represented by the 2003A Bonds will be issued by the Insurer upon delivery of the 2003A Bonds. Moody's and Fitch have also assigned the 2003A Bonds uninsured ratings of "A2" and "A-," respectively. No application was made to any other rating service for the purpose of obtaining additional ratings on the 2003A Bonds. The Authority has furnished Moody's and Fitch with certain information and materials, which have not been included in this Official Statement.

Such ratings reflect only the view of Moody's and Fitch. An explanation of the significance of such ratings may be obtained from Moody's at 99 Church Street, New York, New York 10004, and from Fitch at One State Street Plaza, New York, New York 10004. The ratings are not a recommendation to buy, sell or hold the 2003A

Bonds and there is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's or Fitch, if in their judgment, circumstances so warrant. Any withdrawal or downgrading may adversely affect the market price of the 2003A Bonds.

The Authority expects to furnish Moody's and Fitch with information and materials that they may request. The Authority, however, assumes no obligation to furnish requested information materials, and may issue debt for which a rating is not requested. Failure to furnish requested information and materials, or the issuance of debt for which a rating is not requested, may result in the suspension or withdrawal of a rating on the 2003A Bonds.

#### **CERTAIN LEGAL MATTERS**

Legal matters incident to the issuance of the 2003A Bonds and with regard to the exclusion of interest from gross income for Federal income tax purposes (see "TAX EXEMPTION") are subject to the legal opinion of Squire, Sanders & Dempsey L.L.P., Bond Counsel, whose legal services have been retained by the Authority. The signed legal opinion, dated and premised on law in effect as of the date of original delivery of the 2003A Bonds, will be delivered to the Authority at the time of original delivery. The text of that opinion will be printed on the 2003A Bonds. Certain legal matters will be passed upon for the Authority by its counsel, Fennemore Craig P.C., and for the Underwriters by their counsel, Snell & Wilmer L.L.P.

#### **RELATIONSHIPS OF THE PARTIES**

The Trustee, Bank One Trust Company, N.A., and Banc One Capital Markets, Inc., one of the Underwriters, are both subsidiaries of Bank One Corporation. Snell & Wilmer L.L.P. represents the Underwriters in connection with the 2003A Bonds and represented the Fiesta Bowl in its negotiations with the Authority on the Fiesta Bowl Use Agreement and may do so again in the future.

#### **MISCELLANEOUS**

Copies of the Indenture discussed herein may be obtained from the Underwriters, c/o RBC Dain Rauscher Inc. at 2398 East Camelback Road, Suite 700, Phoenix, Arizona, 85016 (telephone: 602-381-5365).

All statements in this Official Statement involving matters of opinion, estimates, forecasts, projections, or the like, whether or not expressly stated to be such, are intended as such and not as representations of fact or certainty and no representation is made that any of those statements have been or will be realized. The agreements of the Authority are fully set forth in the Indenture in accordance with the Act and neither this Official Statement nor any statements that may have been or that may be made orally or in writing is to be construed as a contract or agreement between the Authority and the purchasers or Owners of any of the 2003A Bonds.

This Official Statement is submitted in connection with the original sale of the 2003A Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. This Official Statement has been duly authorized and approved by the Authority and duly executed and delivered on their behalf by the officials signing below.

ARIZONA TOURISM AND SPORTS AUTHORITY

\_\_\_\_\_  
/s/ James J. Grogan  
Chairman

\_\_\_\_\_  
/s/ Ted A. Ferris  
President and Chief Executive Officer

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## APPENDIX A

### PROPOSED FORM OF OPINION OF BOND COUNSEL

February 12, 2003

To: Arizona Tourism and Sports Authority  
Scottsdale, Arizona

We have examined the transcript of proceedings (the "Transcript") relating to the issuance by the Arizona Tourism and Sports Authority (the "Authority") of its \$221,950,000 aggregate principal amount of bonds designated the Arizona Tourism and Sports Authority Tax Revenue Bonds (Multipurpose Stadium Facility Project) Series 2003A (the "Series 2003A Bonds"), dated as of February 1, 2003. The Series 2003A Bonds are issued pursuant to the provisions of Title 5, Chapter 8, Arizona Revised Statutes, as amended (the "Act"), a resolution adopted by the Board of Directors of the Authority on September 28, 2001 (the "Resolution"), a Trust Indenture and a Senior Series 2003A Supplemental Indenture, each dated as of February 1, 2003, between the Authority and Bank One Trust Company, N.A., as trustee (collectively, the "Indenture"). The documents in the Transcript include a certified copy of the Resolution and the executed Indenture. All capitalized terms not defined herein shall have the meanings set forth in the Indenture. We have also examined a conformed copy of a Series 2003A Bond of the first maturity.

Based on this examination, we are of the opinion that, under existing law:

1. The Series 2003A Bonds and the Indenture are valid, legal, binding and enforceable in accordance with their respective terms, subject to bankruptcy laws and other laws affecting creditors' rights and to the exercise of judicial discretion.
2. The Series 2003A Bonds constitute special obligations of the Authority, and the principal of, premium, if any, and interest (collectively, "debt service") on the Series 2003A Bonds, together with debt service on any additional Senior Bonds that may subsequently be issued pursuant to the Indenture on a parity with the Series 2003A Bonds as provided in the Indenture, are payable from and secured solely by those monies constituting the Senior Trust Estate (as defined in the Indenture). The Series 2003A Bonds and the payment of debt service thereon are not secured by an obligation or pledge of any monies raised by taxation other than the Senior Trust Estate, and the Series 2003A Bonds do not represent or constitute a general obligation or a pledge of the full faith and credit of the Authority, the State of Arizona or any political subdivision thereof.
3. The Indenture creates a valid lien on and pledge of the monies that constitute the Senior Trust Estate, which is subject to no prior liens or pledges granted under the Act.
4. The interest on the Series 2003A Bonds is excluded from gross income for federal income tax purposes under Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not treated as an item of tax preference under Section 57 of the Code for purposes of the alternative minimum tax imposed on individuals and corporations. The interest on the Series 2003A Bonds is exempt from Arizona state income tax. We express no opinion as to any other tax consequences regarding the Series 2003A Bonds.

Under the Code, portions of the interest earned on the Series 2003A Bonds by certain corporations may be subject to a corporate alternative minimum tax and interest on the Series 2003A Bonds may be subject to a branch profits tax imposed on certain foreign corporations doing business in the United States and to a tax imposed on excess net passive income of certain S corporations.

In giving the foregoing opinions, we have assumed and relied upon compliance with the covenants of the Authority and the accuracy, which we have not independently verified, of representations and certifications of the Authority, all as contained in the Transcript. The accuracy of those representations and certifications, and the compliance by the Authority with those covenants, may be necessary for the interest on the Series 2003A Bonds to be and to remain excluded from gross income for federal income tax purposes and for certain of the other tax effects stated above. Failure to comply with certain of those covenants subsequent to issuance of the Series 2003A Bonds

could cause interest to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2003A Bonds.

Respectfully submitted,

## APPENDIX B

### SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. This summary does not purport to be a full statement of the terms of the Indenture and, accordingly, is qualified by reference thereto and is subject to the full text thereof.

Capitalized terms not defined in this summary or in the Official Statement have the meanings given them in the Indenture.

The Bond Insurer will in most instances be treated as the Owner of the 2003A Bonds for purposes of demands, requests, consents, waivers or other actions by Owners of the 2003A Bonds for purposes of the Indenture. See "Credit Support Provider Treated as Owner of Bonds" and "Bond Insurer Treated as Owner of 2003A Bonds."

#### Definitions

*"Accreted Amount"* means, as of any date, the amount or portion of the amount payable on Bonds at maturity that is accrued to or payable on the particular date in accordance with the applicable Bond Documents and that is in excess of the Aggregate Outstanding Principal Amount described in clauses (a), (b) and (c) of the definition of that term. Accreted Amount does not include interest payable on the outstanding principal amount of a Bond, except for interest on a Bond that is payable only at that Bond's principal maturity.

*"Act"* means Title 5, Chapter 8, Arizona Revised Statutes.

*"Aggregate Outstanding Principal Amount"* means, with respect to Bonds Outstanding as of any date: (a) with respect to any Outstanding Bonds on which no interest is payable, the aggregate discounted offering price at which the Bonds are initially sold to the public, disregarding any purchase price discount to the original purchaser from the Authority; (b) with respect to any Outstanding Bonds on which no interest is payable prior to principal maturity, their aggregate face amount; (c) with respect to any Outstanding Bonds involving other compound Accreted Amounts or accreted values, the Aggregate Outstanding Principal Amount of those Bonds as defined in and calculated in accordance with the Bond Documents authorizing them or, if no such definition or provision for that calculation is so provided, then in accordance with generally accepted accounting principles; and (d) with respect to any other Outstanding Bonds, their aggregate face amount.

*"Authority"* means the Tourism and Sports Authority, a corporate and political body of the State of Arizona created and existing pursuant to the Act.

*"Board"* means the Board of Directors of the Authority.

*"Bond"* or *"Bonds"* means Bonds of the Authority issued pursuant to the Act, the Indenture and a Series Supplemental Indenture.

*"Bond Counsel Opinion"* means an opinion letter of Squire, Sanders & Dempsey L.L.P., or another firm of attorneys of national reputation experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds, appointed by the Authority.

*"Bond Documents"* means the Indenture and the applicable Series Supplemental Indenture, and other resolutions, Credit Support Instruments, agreements, and certificates, and amendments of and supplements to or any combination of them, authorizing or providing for the terms and conditions and agreements applicable to, or providing for the security for, liquidity or sale of, or the terms contained in, the applicable Bonds.

*"Bond Payment Date"* means any date on which Bond Service Charges are due and payable on any Bonds.

"*Bond Service Charges*" means the principal (as payable at stated maturity, on mandatory sinking fund redemption or other mandatory redemption, by acceleration or otherwise), Accreted Amount, interest and any redemption premium required to be paid by the Authority on the Bonds and other amounts payable by the Authority and described in this paragraph. In determining Bond Service Charges for any period, mandatory sinking fund redemption requirements for that period shall be taken into account, and principal maturities or interest or Accreted Amount payments for which mandatory sinking fund redemption requirements are imposed and complied with in a prior period, to that extent, shall be excluded. In the case of payment of Bond Service Charges by a person other than the Authority pursuant to a Credit Support Instrument, "Bond Service Charges" means the reimbursement by the Authority to the provider of that Credit Support Instrument of the amount so paid. "Bond Service Charges" for Bonds supported by a Credit Support Instrument include any periodic fees payable by the Authority to the Credit Support Provider. In the case of Bond Service Charges paid from a debt service reserve or similar fund, "Bond Service Charges" include replenishment to such fund of the Bond Service Charges so paid. "Bond Service Charges" for Bonds with respect to which the Authority enters into a Swap Agreement in accordance with the provisions described under "Swap Agreements" include the Authority's periodic payment obligations (but not any early termination payment) pursuant to the Swap Agreement.

"*Bond Year*" means the period beginning on July 1 of each calendar year and ending on June 30 of the following year.

"*Car Rental Surcharge Revenues*" mean the car rental surcharge revenues to be distributed to the Authority in accordance with A.R.S. Section 5-839.

"*Code*" means the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder.

"*Consultant*" means a firm appointed by the Authority which is qualified to pass upon questions relating to expected Facility Tax Revenues, Tourism Tax Revenues and Other Authority Revenues with a favorable reputation for skill and experience in such matters.

"*Credit Support Instrument*" means an insurance policy, including a policy of bond insurance, letter of credit or other credit enhancement, support or liquidity device provided pursuant to an agreement to which the Authority is a party and which is used to enhance the security or liquidity of any Bonds or Series or two or more Series or part of a Series of Bonds.

"*Credit Support Provider*" means the provider of a Credit Support Instrument relating to all or any portion of a Series of Bonds so long as those Bonds are Outstanding, and so long as that Credit Support Instrument is in effect.

"*Defeasance Obligations*" means, except to the extent provided otherwise as to Bonds in the applicable Bond Documents for those Bonds:

- (a) Cash;
- (b) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series ("SLGs"));
- (c) Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGERS and similar securities;
- (d) Resolution Funding Corp. (REFCORP). Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable;
- (e) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P. If however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition; and

(f) Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:

- U.S. Export-Import Bank (Eximbank) Direct obligations or fully guaranteed certificates of beneficial ownership
- Farmers Home Administration (FmHA) Certificates of beneficial ownership.
- Federal Financing Bank.
- General Services Administration Participation certificates.
- U.S. Maritime Administration. Guaranteed Title XI financing.
- U.S. Department of Housing and Urban Development (HUD)
  - Project Notes
  - Local Authority Bonds
    - New Communities Debentures – U.S. government guaranteed debentures
    - U.S. Public Housing Notes and Bonds
    - U.S. government guaranteed public housing notes and bonds.

"*Facility Income Tax Revenues*" means the tax revenues to be distributed to the Authority pursuant to A.R.S. Section 42-1116(C).

"*Facility Income Tax Revenues Not Pledged*" means the amount of Facility Income Tax Revenues that exceeds the portion of the amount reported by the Arizona Department of Revenue pursuant to A.R.S. 43-209.C and representing taxes on income not related to professional football.

"*Facility Income Tax Revenues Pledged*" means the amount of Facility Income Tax Revenues that does not exceed the portion of the amount reported by the Arizona Department of Revenue pursuant to A.R.S. 43-209.C and representing taxes on income related to professional football.

"*Facility Revenue Clearing Account*" means the Account so designated by the Act, and includes within it the Facility Revenue Clearing Subaccount Held by the Trustee and the Facility Revenue Clearing Subaccount Held by the Authority.

"*Facility Revenue Clearing Subaccount Held by the Authority*" means the Account so designated as a Subaccount within the Facility Revenue Clearing Account as described in the Indenture.

"*Facility Revenue Clearing Subaccount Held by the Trustee*" means the Account so designated as a Subaccount within the Facility Revenue Clearing Account as described in the Indenture.

"*Facility Tax Revenues*" means the Multipurpose Facility Sales Tax Revenues and the Facility Income Tax Revenues.

"*Funded Interest*" means amounts irrevocably deposited in escrow to pay interest on Bonds and interest earned on amounts irrevocably deposited in escrow to the extent such interest earned is required to be applied to pay interest on Bonds, including funds held in connection with an advance refunding or cross-over refunding of Bonds.

"*Hotel Tax Revenues*" means revenues from the sales tax on hotels to be distributed to the Authority in accordance with A.R.S. Section 5-840.

"*Maximum Rate*" for Variable Rate Bonds means the highest interest rate per annum payable on such Bonds, and the Authority must specify the Maximum Rate in the Bond Documents for Variable Rate Bonds.

"*Monthly Debt Service Amount*" means Bond Service Charges as accrued on a monthly basis. The portion of the Monthly Debt Service Amount relating to principal of the Bonds means, during each period of twelve (12) calendar months preceding a date on which Bonds mature or are subject to mandatory redemption, one-twelfth (1/12th) of the principal and, if applicable, Accreted Amount to become payable on such date (provided that if principal of a Series of Bonds is payable more frequently than annually, the principal and, if applicable, Accreted Amount is to be accumulated based upon the number of months between the dates on which principal is payable, for

example, semiannual payments of principal and, if applicable, Accreted Amount is to be accumulated over the six (6) months preceding the principal payment date at the rate of one-sixth (1/6th) per month ). The portion of the Monthly Debt Service Amount relating to interest on the Bonds means the interest which has accrued and will accrue on the Bonds during the current calendar month, and, for Variable Rate Bonds, (1) based on actual interest rates for Rate Periods for which the interest rate has been determined and (2) if one or more new Rate Periods for which the interest rate has not been determined will commence before the last day of the month, based on the Maximum Rate for the days in the month for which the actual interest rate is not known. On the second Tuesday of the first subsequent month on which the actual interest rate has been determined for a Rate Period for Variable Rate Bonds for which the Maximum Rate was originally used in determining the Monthly Debt Service Amount, the Monthly Debt Service Amount may be reduced by the amount by which interest on those Bonds at the Maximum Rate exceeds interest on those Bonds at the actual interest rate for that Rate Period. Each Monthly Debt Service Amount for Senior Bonds and Subordinate Bonds may be reduced by the amount of interest earnings actually received and credited to the Senior Bond Debt Service Subaccount and the Subordinate Bond Debt Service Subaccount, respectively, during the previous calendar month.

"*Multipurpose Facility*" has the meaning given that term by the Act, currently: any facility that is suitable to be used to accommodate professional football franchises, major college football bowl sponsors, other sporting events and entertainment, cultural, civic, meeting, trade show or convention events or activities and may include a stadium, on-site infrastructure, parking garages and lots and related commercial uses within the facility.

"*Multipurpose Facility Sales Tax Revenues*" means the state sales tax revenues to be distributed to the Authority pursuant to A.R.S. Section 42-5032.01.A.

"*Other Authority Revenues*" means payments received by the Authority from leasing, subleasing or renting property owned, leased or controlled by the Authority; revenues received by the Authority from admissions, concessions and other proceeds from events held at a Multipurpose Facility owned or leased by the Authority; gifts, grants and donations received for operating purposes from any public or private source; proceeds from the sale of any of the Authority's property; and financial participation for operating costs received from the county or municipality in which a Multipurpose Facility owned or leased by the Authority is located.

"*Outstanding*" or "*outstanding*" means, when used with respect to Bonds, as of any date, all Bonds authenticated and delivered under the Indenture except:

- (a) any Bond canceled or delivered to the Trustee for cancellation on or before such date;
- (b) any Bond (or any portion of any Bond) (1) for the payment or redemption of which there is held in trust under the Indenture and set aside for such payment or redemption, monies and/or Defeasance Obligations maturing or redeemable at the option of the holder thereof not later than such maturity or redemption date, which, together with income to be earned on such Defeasance Obligations prior to such maturity or redemption date, will be sufficient to pay the principal or Redemption Price thereof, as the case may be, together with interest thereon to the date of maturity or redemption, and (2) in the case of any Bond (or any portion of any Bonds) to be redeemed prior to maturity, notice of the redemption of has been given or provided for in a manner satisfactory to the Trustee;
- (c) any Bond in lieu of or exchange for which another Bond has been authenticated and delivered pursuant to the Indenture; and
- (d) any Bond deemed to have been paid pursuant to its terms or as provided in the Indenture or its applicable Bond Documents.

"*Owner*," "*Bondholder*" or "*Holder*" or "*Holders of Bonds*" or similar term when used with respect to a Bond or Bonds, means any person who is the registered owner of any Bond.

"*Rate Period*" for Variable Rate Bonds means a period during which a particular rate of interest determined for those Variable Rate Bonds is to remain in effect until a subsequently determined rate of interest becomes

effective, with the final Rate Period ending on (and including) the day immediately preceding the maturity date of such Bonds.

"*Rating*" means a rating maintained on any of the Bonds by a Rating Agency at the request of the Authority.

"*Rating Agency*" means any rating agency which is maintaining a Rating on any Bonds at the request of the Authority, and, if any such rating agency no longer maintains a Rating on any Bonds solely because it no longer performs the functions of a securities rating agency, "Rating Agency" is deemed to refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Trustee.

"*Rating Category*" means one of the major Rating Categories of the Rating Agency, based upon the Rating Categories in effect at the time of issuance or incurrence of the Bonds in question, or their equivalents, without regard to numerical or other modifiers within the major Rating Categories.

"*Senior Bond Revenue Amount*" means, for any period, the aggregate amount available to be distributed to the Senior Bond Debt Service Subaccount from the Tourism Revenue Clearing Account as described in paragraphs (1) and (3) under "Tourism Revenue Clearing Account and Facility Revenue Clearing Subaccount Held by the Trustee" and from the Facility Revenue Clearing Subaccount Held by the Trustee as described in paragraph (2) "Tourism Revenue Clearing Account and Facility Revenue Clearing Subaccount Held by the Trustee."

"*Senior Bond Trust Estate*" means the monies and investments in the Senior Bond Debt Service Subaccount, the Senior Bond Proceeds Subaccount and the Operating General Subaccount and the interest of the Authority in the Senior Bond Revenue Amount, subject to application of such monies and investments as provided or as permitted by the Indenture. The Senior Bond Trust Estate will not include or be deemed to include any interest of any type or nature whatsoever in the Facility Income Tax Revenues Not Pledged, notwithstanding that, through imprecise estimation, erroneous calculation or otherwise, Facility Income Tax Revenues Not Pledged may be, or may be determined to have been, from time to time deposited and held in or disbursed from any Account or Fund held pursuant to the Indenture.

"*Series of Bonds*," "*Series*" or "*Bonds of a Series*" means a series of Bonds issued under the Indenture and designated as a "Series" and authorized by a separate Series Supplemental Indenture.

"*Subordinate Bond Reserve Guarantor*" means the issuer of a Subordinate Bond Reserve Guaranty.

"*Subordinate Bond Reserve Guaranty*" means a letter of credit, surety bond or similar arrangement representing the irrevocable obligation of the Subordinate Bond Reserve Guarantor to pay to the Trustee upon request made by the Trustee up to an amount stated therein for application as described under "Bond Debt Service Account – Subordinate Bond Reserve Subaccount."

"*Subordinate Bond Reserve Guaranty Coverage*" means the amount available at any particular time to be paid to the Trustee under the terms of the Subordinate Bond Reserve Guaranties.

"*Subordinate Bond Reserve Requirement*" means the lowest of (1) ten percent (10%) of the original principal amount of all Series of Subordinate Bonds any of which remain Outstanding, (2) the largest amount of Bond Service Charges scheduled to become due and payable on all Outstanding Subordinate Bonds in the then current or any succeeding Bond Year and (3) one hundred twenty five percent (125%) of the average amount of Bond Service Charges scheduled to become due and payable on all Outstanding Subordinate Bonds for the then current and any succeeding Bond Year. For purposes of determining the Subordinate Bond Reserve Requirement, the amount of Bond Service Charges scheduled to become due and payable on Subordinate Bonds which are Variable Rate Bonds for periods for which the actual interest rate has not yet been determined shall be based on an interest rate equal to the 30-year Revenue Bond Index as published in The Bond Buyer no more than two (2) weeks prior to the date of determination of the Subordinate Bond Reserve Requirement.

"*Subordinate Bond Reserve Value*" means the sum of (a) the amount of monies credited to the Subordinate Bond Reserve Subaccount, and (b) the fair market value of investments credited to the Subordinate Bond Reserve Subaccount, plus accrued interest, and (c) the amount available to be drawn under any Subordinate Bond Reserve Guaranties credited to the Subordinate Bond Reserve Subaccount.

"*Subordinate Bond Revenue Amount*" means, for any period, the aggregate amount available to be distributed to the Subordinate Bond Debt Service Subaccount from the Tourism Revenue Clearing Account as described in paragraphs (5) and (7) under "Tourism Revenue Clearing Account and Facility Revenue Clearing Subaccount Held by the Trustee" and from the Facility Revenue Clearing Subaccount Held by the Trustee as described in paragraph (6) under "Tourism Revenue Clearing Account and Facility Revenue Clearing Subaccount Held by the Trustee."

"*Subordinate Bond Trust Estate*" means the monies and investments in the Subordinate Bond Debt Service Subaccount, the Subordinate Bond Reserve Subaccount, the Subordinate Bond Proceeds Subaccount and the Cactus League Promotion Account, and, to the extent not needed to fund the Senior Bond Debt Service Subaccount, the Operating General Subaccount, and the Authority's interest in the Subordinate Bond Revenue Amount, subject to application of such monies and investments as provided or as permitted by the Indenture. The Subordinate Bond Trust Estate will not include or be deemed to include any interest of any type or nature whatsoever in the Facility Income Tax Revenues Not Pledged, notwithstanding that, through imprecise estimation, erroneous calculation or otherwise, Facility Income Tax Revenues Not Pledged may be, or may be determined to have been, from time to time deposited and held in or disbursed from any Account or Fund held pursuant to the Indenture.

"*Swap Agreement*" means an interest rate exchange, hedge or similar agreement entered into by the Authority in accordance with the provisions described under "Swap Agreements" herein, which agreement may include, without limitation, an interest rate swap, a forward or futures contract or an option (e.g. a call, put, cap, floor or collar).

"*Tourism Tax Revenues*" means the Car Rental Surcharge Revenues and the Hotel Tax Revenues.

"*Trust Estate*" means the property and interests granted to the Trustee for the benefit of the Owners of Senior Bonds and Subordinate Bonds, respectively, by the Granting Clauses in the Indenture. The Trust Estate will not include or be deemed to include any interest of any type or nature whatsoever in the Facility Income Tax Revenues Not Pledged, notwithstanding that, through imprecise estimation, erroneous calculation or otherwise, Facility Income Tax Revenues Not Pledged may be, or may be determined to have been, from time to time deposited and held in or disbursed from any Account or Fund held pursuant to the Indenture.

"*Variable Rate Bonds*" means any series of Bonds the rate of interest on which is not established at the time of issuance as one or more numerical rates applicable throughout the term thereof or for specified periods during the term thereof, so that at the time of issuance or at the time of any calculation with respect thereto the numerical rate of interest which will be in effect during all remaining portions of the term thereof cannot be determined.

"*Variable Rate Debt Interest Rate*" means, with respect to any Variable Rate Bonds, a fixed interest rate equal to the highest interest rate borne at any time during the twenty four (24) months prior to the date of determination by any Outstanding Variable Rate Bonds of the same class as the Variable Rate Bonds proposed to be issued (i.e., Senior Bonds or Subordinate Bonds) or, if there are not any such Variable Rate Bonds Outstanding on the date of determination, the highest interest rate borne at any time during the preceding twenty four (24) months by debt obligations that meet each of the following requirements: (a) the interest on which is treated for federal income tax purposes in the same manner as interest on the Variable Rate Bonds, (b) are assigned ratings by a Rating Agency comparable to the ratings assigned or to be assigned to the Variable Rate Bonds, (c) the interest rate on which is determined in a comparable manner or by reference to an index comparable to the index that is to be utilized in determining the interest rate on the Variable Rate Bonds; provided that such rate shall not be lower than the 30-year Revenue Bond Index as published in The Bond Buyer no more than two (2) weeks prior to the date of sale of the Variable Rate Bonds proposed to be issued.

## **Granting Clause**

The Authority, in order to secure the payment of the Bond Service Charges on the Bonds issued and to be issued under the Indenture and the performance and observance of the covenants in the Indenture and the Bonds, has granted, bargained, sold, assigned, transferred, conveyed, warranted, pledged and set over, to the Trustee and to its successor or successors in the trust and to its assigns forever: (1) for the benefit of Owners of Senior Bonds, the Senior Bond Trust Estate; (2) for the benefit of Owners of Subordinate Bonds, the Subordinate Bond Trust Estate; and (3) any and all other property of every name and nature from time to time hereafter by delivery or by writing of any kind conveyed, assigned or transferred, or in which a security interest is granted, by the Authority to the Trustee, subject to the application of that property in accordance with the provisions of the Indenture.

## **Authorization of Bonds**

The Authority may issue Bonds in separate Series from time to time as authorized by a Series Supplemental Indenture. The Bonds are payable and secured as provided in the Indenture and are entitled to the benefits of the Indenture. The aggregate principal amount of the Bonds or the Bonds of a Series that may be issued is not limited, except as provided by the Indenture and by law and as may be provided by any applicable Bond Documents.

All Senior Bonds are payable from and secured by the Senior Bond Trust Estate equally and ratably with all other Senior Bonds.

All Subordinate Bonds are payable from and secured by the Subordinate Bond Trust Estate equally and ratably with all other Subordinate Bonds.

Additional classes of Bonds may be created which are payable from and secured by the Trust Estate on a basis junior and subordinate to that of all Senior Bonds and all Subordinate Bonds as provided in one or more Supplemental Indentures.

Bonds with the same claim on the Trust Estate are coequal as to priority of such claim as to payment at any particular time as to amounts which have become due and payable, notwithstanding that they are issued and delivered on different dates and that they have different terms and are payable on different dates.

## **General Conditions for Issuance of Bonds**

Bonds may not be issued unless the Trustee has received the following: (1) a Series Supplemental Indenture authorizing the issuance of the Bonds of such Series; (2) a Bond Counsel Opinion to the effect that the issuance of the Bonds will be in compliance with the Indenture and all conditions precedent to issuance of the Bonds have been satisfied; and (3) a Bond Counsel Opinion to the effect that the issuance of the Bonds and application of their proceeds as contemplated by the Series Supplemental Indenture will not cause the interest on any Tax-Exempt Bonds to be includable in gross income for federal income tax purposes.

## **Additional Conditions for Issuance of Senior Bonds**

(1) The Authority may issue one or more series of Senior Bonds if and to the extent that upon the issuance of such Series the aggregate principal amount of all Series of Senior Bonds that have been issued and the Series of Senior Bonds proposed to be issued does not exceed \$250,000,000.

(2) In addition to Senior Bonds issued as described in paragraph (1) above, the Authority may issue Senior Bonds for the purpose of financing the completion of the Multipurpose Facility in a principal amount required to provide a completed and equipped facility of substantially the same type and scope contemplated at the time of issuance of the Senior Bonds issued as described in paragraph (1) above and to pay the costs and expenses of issuing such Bonds, but not exceeding ten percent (10%) of the aggregate principal amount of all Series of Senior Bonds issued as described in paragraph (1).

(3) In addition to Senior Bonds issued as described in paragraphs (1) and (2) above, the Authority may issue Senior Bonds if (a) all payments and deposits with respect to all Bonds then Outstanding are current; (b)

for each Bond Year for which Bond Service Charges are or will be due on Outstanding Senior Bonds or the Senior Bonds proposed to be issued, the Senior Bond Coverage Ratio (as defined below) is at least 1.30 and (c) for each Bond Year for which Bond Service Charges are or will be due on Outstanding Subordinate Bonds, the Subordinate Bond Coverage Ratio (as defined below) is at least 1.15, all as shown in a Certificate of an Authorized Officer of the Authority with accompanying schedules filed with the Trustee.

For purposes of paragraph (3) above and paragraph (2) under "Additional Conditions for Issuance of Subordinate Bonds," the following terms have the following meanings:

"*Senior Bond Coverage Ratio*" means for any Bond Year, the ratio of (1) the greatest aggregate amount of Tourism Tax Revenues, Multipurpose Facility Sales Tax Revenues and Other Authority Revenues received by the Authority in any twelve (12) of the most recent eighteen (18) months prior to the issuance of the proposed Bonds to (2) the aggregate Bond Service Charges in that Bond Year for Outstanding Senior Bonds and any Senior Bonds proposed to be issued.

"*Subordinate Bond Coverage Ratio*" means for any Bond Year, the ratio of (1) the greatest aggregate amount of Tourism Tax Revenues, Facility Income Tax Revenues Pledged, Multipurpose Facility Sales Tax Revenues and Other Authority Revenues received by the Authority in any twelve (12) of the most recent eighteen (18) months prior to the issuance of the proposed Bonds to (2) the sum of (A) the aggregate Bond Service Charges in that Bond Year for Outstanding Senior Bonds and any Senior Bonds proposed to be issued, (B) the amount to be distributed to the Tourism Fund in that Bond Year as described under "Tourism Revenue Clearing Account and Facility Revenue Clearing Subaccount Held by the Trustee" and (C) the aggregate Bond Service Charges in that Bond Year for Outstanding Subordinate Bonds and any Subordinate Bonds proposed to be issued.

For purposes of calculating the Senior Bond Coverage Ratio and the Subordinate Bond Coverage Ratio, if subsequent to the beginning of the twelve (12) month period used in computing the Senior Bond Coverage Ratio and the Subordinate Bond Coverage Ratio the rates of any of the Facility Tax Revenues and/or Tourism Tax Revenues have been increased, there may be added to the Facility Tax Revenues and/or Tourism Tax Revenues for that period the additional amounts which would have been received during that period had the increase been in effect throughout the period.

For purposes of calculating the Senior Bond Coverage Ratio and the Subordinate Bond Coverage Ratio, Bond Service Charges are to be computed taking the following into account: (a) interest is excluded from the calculation to the extent Funded Interest is available to pay such interest; (b) principal payments are excluded from the calculation to the extent such principal is not Outstanding; (c) Bond Service Charge requirements on Variable Rate Bonds shall be deemed to be the amount equal to the Bond Service Charge payments that would be required for an issue of Bonds in the same principal amount bearing interest at a rate equal to the Variable Rate Debt Interest Rate; (d) debt service on Bonds supported by a Credit Support Instrument will not be based upon the terms of any reimbursement obligation to a Credit Support Provider; and (e) Bonds as to which the Authority has entered into a Swap Agreement as described under "Swap Agreements" are deemed to bear interest for the period of time that such Swap Agreement is in effect at a net rate which takes into account the interest payments made by the Authority on such Bonds and the payments made or received by the Authority on such Swap Agreement.

(4) In addition to Senior Bonds issued as described in paragraphs (1), (2) and (3) above, the Authority may issue Senior Bonds to refund Senior Bonds if taking into account the issuance and the application of the proceeds thereof the Bond Service Charges in any Bond Year on all Senior Bonds Outstanding will not be increased by more than ten percent (10%).

#### **Additional Conditions for Issuance of Subordinate Bonds**

(1) The Authority may issue additional Subordinate Bonds after the issuance of the first Series of Subordinate Bonds if all payments and deposits with respect to all Bonds then Outstanding are current; and for each Bond Year for which Bond Service Charges are or will be due on Outstanding Subordinate Bonds or the Subordinate Bonds proposed to be issued, the Subordinate Bond Coverage Ratio is at least 1.15, all as shown in a Certificate of an Authorized Officer of the Authority with accompanying schedules filed with the Trustee.

(2) In addition to Subordinate Bonds issued as described in paragraph (1) above, the Authority may issue Subordinate Bonds to refund Subordinate Bonds if taking into account the issuance and the application of the proceeds thereof the Bond Service Charges in any Bond Year on all Subordinate Bonds Outstanding will not be increased by more than ten percent (10%).

#### **Additional Conditions for Issuance of Variable Rate Bonds**

The Authority may issue and the Trustee may authenticate Variable Rate Bonds if all of the following are satisfied:

(a) A Maximum Rate is specified in the Bond Documents for the Variable Rate Bonds, including a Maximum Rate for interest payable to a Credit Support Provider.

(b) A Credit Support Provider providing liquidity for the Variable Rate Bonds must be rated in the highest short term Rating Category of each Rating Agency.

(c) Any accelerated principal payments due to a Credit Support Provider providing liquidity and any interest due in excess of the normal Variable Rate Bond interest rate must be subordinate to the payment of Bond Service Charges on all Bonds of the same class (i.e., Senior Bonds or Subordinate Bonds), unless the tests described under "Additional Conditions for Issuance of Senior Bonds" or "Additional Conditions for Issuance of Subordinate Bonds," as applicable, have been satisfied based on the Maximum Rate for interest payable to the Credit Support Provider and the accelerated principal repayment schedule to the Credit Support Provider.

(d) The Trustee, any Paying Agent and any tender agent must be commercial banks with trust powers. Any remarketing agent must have trust powers if it is responsible for holding monies or receiving Bonds unless the Bond Documents provide that if the remarketing agent is removed, resigns or is unable to perform its duties, the Trustee must assume the responsibilities of the remarketing agent until a substitute acceptable to each Credit Support Provider for Outstanding Bonds of the same class (i.e., Senior Bonds or Subordinate Bonds) is appointed and acting.

#### **Establishment of Funds and Accounts**

(1) The Trustee is to create the following Accounts, all of which are considered to be accounts within the General Fund of the Authority to be held in trust for application only in accordance with the provisions of the Indenture and the terms of any applicable Supplemental Indenture:

The Senior Bond Proceeds Subaccount which is considered to be a subaccount within the Construction Account of the Authority.

The Tourism Revenue Clearing Account.

The Facility Revenue Clearing Subaccount Held by the Trustee.

The Debt Service Account and within the Debt Service Account the Senior Bond Debt Service Subaccount, the Subordinate Bond Debt Service Subaccount and the Subordinate Bond Reserve Subaccount.

The Cactus League Promotion Account and within the Cactus League Promotion Account the Cactus League General Subaccount and the Subordinate Bond Proceeds Subaccount.

The Authority is to create (1) the Operating Account, which will not be held in trust by the Trustee, but which is to be considered to be an account within the General Fund of the Authority, and within the Operating Account an Operating Current Expense Subaccount and an Operating General Subaccount, (2) the Construction Account, which, except for the Senior Bond Proceeds Subaccount, will not be held in trust by the Trustee, but is to be considered an account within the General Fund of the Authority, both of which accounts will be held in trust by the Authority for application only in a manner not inconsistent with the provisions of the Indenture and the terms of any applicable Supplemental Indenture and (3) the Facility Revenue Clearing Subaccount Held by

the Authority, which will not be held in trust by the Trustee and which will be considered to be a subaccount within the Facility Revenue Clearing Account within the General Fund of the Authority.

The Authority may also establish by Supplemental Indenture or otherwise one or more separate Accounts relating to a particular Series of Bonds or for other purposes. All such Accounts are to be held by the Trustee or by the Authority in trust for application only in accordance with the provisions of the Indenture and the terms of any applicable Supplemental Indenture.

#### **Senior Bond Proceeds Subaccount of the Construction Account**

The Authority is to deposit in the Senior Bond Proceeds Subaccount the net proceeds of Senior Bonds that are to be used for Multipurpose Facility Purposes. Monies on deposit in the Senior Bond Proceeds Subaccount are to be used to pay the costs of the Multipurpose Facility that are paid by the Authority. Amounts in the Senior Bond Proceeds Account may be transferred to the Senior Bond Debt Service Account as described under "Bond Debt Service Account – Senior Bond Debt Service Subaccount."

Unless on or prior to October 1, 2003, the Authority has delivered to the Trustee a Certificate of an Authorized Officer stating that (1) the contribution to be made toward costs of the Multipurpose Facility by the Team pursuant to Section 2 of the MOU between the Authority and the Team, or similar provisions of successor agreements between the Authority and the Team, has been fully satisfied in a manner acceptable to the Authority that authorizes expenditure of the contribution for costs of the Multipurpose Facility, and (2) the Team's right to terminate the Cardinals Use Agreement pursuant to Section 2 of the MOU, or similar provisions of successor agreements between the Authority and the Team, as described under "THE MULTIPURPOSE FACILITY -- Development of the Multipurpose Facility -- *The MOU*" herein, has been waived or terminated in a manner acceptable to the Authority, then the Trustee shall (i) reserve in the Senior Bond Proceeds Account of the Construction Fund an amount sufficient to pay all Requisitions received by the Trustee but not yet paid, (ii) transfer all amounts remaining in the Senior Bond Proceeds Account not reserved to pay Requisitions already received pursuant to (i) above to the Senior Bond Debt Service Subaccount, and (iii) commence proceedings for the redemption of 2003A Bonds which can be redeemed with the amount transferred pursuant to (ii) above together with any additional moneys furnished by the Authority for that purpose on the earliest date practicable for which notice of redemption can be given.

#### **Tourism Revenue Clearing Account and Facility Revenue Clearing Subaccount Held by the Trustee**

The Authority covenants that for so long as the Authority owes debt service on bonds or other obligations payable from revenues or monies deposited in the Tourism Revenue Clearing Account to transfer to the Trustee for deposit into the Tourism Revenue Clearing Account all amounts from Tourism Tax Revenues received from the State Treasurer pursuant to A.R.S. Sections 5-839 and 5-840 as soon as is practicable. The Authority covenants that for so long as the Authority owes debt service on bonds or other obligations payable from revenues or monies deposited in the Facility Revenue Clearing Subaccount Held by the Trustee to transfer all Facility Income Tax Revenues Pledged and all Multipurpose Facility Sales Tax Revenues received from the State Treasurer and all Other Authority Revenues to the Trustee as soon as is practicable after receipt by the Authority for deposit into the Facility Revenue Clearing Subaccount Held by the Trustee. The Authority will use its best efforts to estimate, based on information available to it, the amount of each distribution by the State Treasurer of Facility Income Tax Revenues that constitutes Facility Income Tax Revenues Pledged and Facility Income Tax Revenues Not Pledged. The Authority will cause the amount estimated to be Facility Income Tax Revenues Pledged to be transferred to the Trustee for deposit in the Facility Revenue Clearing Subaccount Held by the Trustee. The Authority will deposit the amount estimated to be Facility Income Tax Revenues Not Pledged to the Facility Revenue Clearing Subaccount Held by the Authority and on the second Tuesday of each month shall transfer all amounts in the Facility Revenue Clearing Subaccount Held by the Authority to the Operating Current Expense Subaccount of the Operating Account. The Authority will spend amounts in the Operating Current Expense Subaccount for the purposes for which monies in the Operating Account may lawfully be spent before spending amounts in the Operating General Subaccount for those purposes, provided, however, in no event will amounts in the Operating Current Expense Subaccount be used for the payment of Bond Service Charges or for transfer to the Debt Service Account.

On the second Tuesday of each month, the Trustee is to distribute all monies in the Tourism Revenue Clearing Account and the Facility Revenue Clearing Subaccount Held by the Trustee as follows and in the following order of priority:

(1) From the Tourism Revenue Clearing Account to the Senior Bond Debt Service Subaccount an amount equal to the monthly amount specified in a schedule accompanying a Certificate of an Authorized Officer of the Authority delivered to the Trustee as being the amount to be so distributed that month pursuant to A.R.S. Section 5-835.B.1, plus all amounts necessary to make up deficiencies in such distributions from earlier months.

(2) From the Facility Revenue Clearing Subaccount Held by the Trustee to the Senior Bond Debt Service Subaccount an amount equal to the Monthly Debt Service Amount for Outstanding Senior Bonds, net of deposits being made that day to the Senior Bond Debt Service Subaccount from the Tourism Revenue Clearing Account pursuant to (1) above, plus any amounts necessary to make up deficiencies in deposits to the Senior Bond Debt Service Subaccount from earlier months.

(3) From the Tourism Revenue Clearing Account to the Senior Bond Debt Service Subaccount an amount equal to the Monthly Debt Service Amount for Outstanding Senior Bonds, net of deposits being made that day to the Senior Bond Debt Service Subaccount from the Tourism Revenue Clearing Account pursuant to (1) above and from the Facility Revenue Clearing Subaccount Held by the Trustee pursuant to (2) above, plus any amounts necessary to make up deficiencies in deposits to the Senior Bond Debt Service Subaccount from earlier months.

(4) After completing distributions pursuant to (1) through (3), from the Tourism Revenue Clearing Account to the Tourism Fund established pursuant to A.R.S. Section 41-2306, an amount equal to the monthly amount specified in a schedule accompanying a Certificate of an Authorized Officer of the Authority delivered to the Trustee as being the amount to be so distributed that month pursuant to A.R.S. Section 5-835.B.2.

(5) After completing distributions pursuant to (1) through (4), from the Tourism Revenue Clearing Account to the Subordinate Bond Debt Service Subaccount the lesser of (A) an amount equal to the Monthly Debt Service Amount for Outstanding Subordinate Bonds issued for Cactus League Purposes, plus any amounts necessary to make up deficiencies in deposits to the Subordinate Bond Debt Service Subaccount from earlier months and (B) the monthly amount specified in a schedule accompanying a Certificate of an Authorized Officer of the Authority delivered to the Trustee as being the amount to be so distributed that month pursuant to A.R.S. Section 5-835.B.3.

(6) After distributions pursuant to (1) through (5), from the Facility Revenue Clearing Subaccount Held by the Trustee to the Subordinate Bond Debt Service Subaccount an amount equal to the Monthly Debt Service Amount for Outstanding Subordinate Bonds, net of deposits being made that day to the Subordinate Bond Debt Service Subaccount from the Tourism Revenue Clearing Account pursuant to (5) above, plus any amounts necessary to make up deficiencies in deposits to the Subordinate Bond Debt Service Subaccount from earlier months and to restore amounts from the Subordinate Bond Reserve Subaccount which have been applied to pay Bond Service Charges on Subordinate Bonds.

(7) After distributions pursuant to (1) through (6), from the Tourism Revenue Clearing Account to the Subordinate Bond Debt Service Subaccount an amount equal to the Monthly Debt Service Amount for Outstanding Subordinate Bonds, net of deposits being made that day to the Subordinate Bond Debt Service Subaccount from the Tourism Revenue Clearing Account pursuant to (5) above and from the Facility Revenue Clearing Subaccount Held by the Trustee pursuant to (6) above, plus any amounts necessary to make up deficiencies in deposits to the Subordinate Bond Debt Service Subaccount from earlier months and to restore amounts from the Subordinate Bond Reserve Subaccount which have been applied to pay Bond Service Charges on Subordinate Bonds.

(8) After completing distributions pursuant to (1) through (7), from the Tourism Revenue Clearing Account to the Cactus League General Subaccount an amount equal to the monthly amount specified in a schedule accompanying a Certificate of an Authorized Officer of the Authority delivered to the Trustee as being the amount to be so distributed that month pursuant to A.R.S. Section 5-835.B.3, less the amount transferred that day from the Tourism Revenue Clearing Account to the Subordinate Bond Debt Service Subaccount pursuant to (5) and (7) above.

(9) After completing distributions pursuant to (1) through (8), from the Tourism Revenue Clearing Account to the Authority for deposit into the Authority's Youth and Amateur Sports Facilities Account an amount equal to the monthly amount specified in a schedule accompanying a Certificate from an Authorized Officer of the Authority delivered to the Trustee as being the amount to be so distributed that month pursuant to A.R.S. Section 5-835.B.4.

(10) After distributions pursuant to (1) through (9), from the Tourism Revenue Clearing Account to the Authority for deposit into the Authority's Operating General Subaccount of the Operating Account an amount equal to the monthly amount specified in a schedule accompanying a Certificate of an Authorized Officer of the Authority delivered to the Trustee as being the amount to be so distributed that month pursuant to A.R.S. Section 5-835.B.4.

(11) After distributions pursuant to (1) through (10), from the Tourism Revenue Clearing Account to the Authority for deposit into the Authority's Youth and Amateur Sports Facilities Account to fund the statutorily required reserve in that account an amount equal to the monthly amount specified in a schedule accompanying a Certificate of an Authorized Officer of the Authority delivered to the Trustee as being the amount to be so distributed that month pursuant to A.R.S. Section 5-835.B.5.

(12) After distributions pursuant to (1) through (11), to the Authority for deposit into the Authority's Operating General Subaccount of the Operating Account any monies remaining in both the Tourism Revenue Clearing Account and the Facility Revenue Clearing Subaccount Held by the Trustee.

The Authority may specify in a Certificate of an Authorized Officer of the Authority accompanying one or more schedules delivered to the Trustee that the schedule is to be followed and used by the Trustee in making distributions and transfers until that schedule is superseded by a new schedule accompanying a new Certificate of an Authorized Officer of the Authority. The Authority may, but is not obligated to, direct the Trustee in any month or months (a) to make up deficiencies in deposits from earlier months with respect to distributions pursuant to any of paragraphs (4), (8), (9) and (10) before making further distributions in such month; provided that all distributions must be made in the order of priority specified above; and provided further that deficiencies in deposits to the Tourism Fund from earlier months pursuant to paragraph (4) are not to be made up in any month if and to the extent that making up such deficiencies would result in a deficiency in deposits to the Subordinate Bond Debt Service Subaccount in that month; and (b) to reduce the amount to be deposited to either or both of the Senior Bond Debt Service Subaccount and the Subordinate Bond Debt Service Subaccount pursuant to any of paragraphs (1), (2), (3), (5), (6) and (7) by an amount equal to amounts voluntarily transferred by the Authority from the Operating General Subaccount of the Operating Account to the Trustee for deposit into the Senior Bond Debt Service Subaccount and the Subordinate Bond Debt Service Subaccount, respectively.

### **Bond Debt Service Account**

*Senior Bond Debt Service Subaccount.* The Trustee is to deposit in the Senior Bond Debt Service Subaccount any amounts received as accrued interest upon the issuance of Senior Bonds, and all amounts to be deposited therein from (A) the Tourism Revenue Clearing Account as described in paragraphs (1) and (3) under "Tourism Revenue Clearing Account and Facility Revenue Clearing Subaccount Held by the Trustee," (B) the Facility Revenue Clearing Subaccount Held by the Trustee as described in paragraphs (2) under "Tourism Revenue Clearing Account and Facility Revenue Clearing Subaccount Held by the Trustee" and (C) the Senior Bond Proceeds Subaccount and/or the Operating General Subaccount of the Operating Account as described in the following paragraph. Monies in the Senior Bond Debt Service Subaccount are to be used to pay Bond Service Charges on Senior Bonds as the same becomes due.

If on the seventh Business Day before each Bond Payment Date for Senior Bonds the amount on deposit in the Senior Bond Debt Service Subaccount is not sufficient to pay Bond Service Charges due on Senior Bonds on that Bond Payment Date, the Trustee is to notify the Authority and the Authority agrees that upon receiving such notification the Authority will cause to be deposited in the Senior Debt Service Subaccount no later than the last Business Day before the Bond Payment Date amounts which in the aggregate are equal to the amount of the deficiency by (A) directing the Trustee to transfer amounts to the Senior Bond Debt Service Subaccount from the Senior Bond Proceeds Subaccount, (B) paying to the Trustee from the Operating General Subaccount of the Operating Account for deposit in the Senior Bond Debt Service Subaccount or (C) a combination of (A) and (B).

The Authority may also transfer amounts from the Operating General Subaccount of the Operating Account to the Trustee for deposit into the Senior Bond Debt Service Subaccount at any time.

*Subordinate Bond Debt Service Subaccount.* The Trustee is to deposit in the Subordinate Bond Debt Service Subaccount any amounts received as accrued interest upon the issuance of Subordinate Bonds, and all amounts to be deposited therein from (A) the Tourism Revenue Clearing Account as described in paragraphs (5) and (7) under "Tourism Revenue Clearing Account and Facility Revenue Clearing Subaccount Held by the Trustee," (B) the Facility Revenue Clearing Subaccount Held by the Trustee as described in paragraph (6) under "Tourism Revenue Clearing Account and Facility Revenue Clearing Subaccount Held by the Trustee," (C) the Subordinate Bond Reserve Subaccount as described below under "*Subordinate Bond Reserve Subaccount*" and (D) the Cactus League General Subaccount, the Subordinate Bond Proceeds Subaccount or the Operating General Subaccount of the Operating Account pursuant as described in the following paragraph. Monies in the Subordinate Bond Debt Service Subaccount are to be used to pay Bond Service Charges on Subordinate Bonds as the same becomes due.

If on the seventh Business Day before each Bond Payment Date for Subordinate Bonds the amount on deposit in the Subordinate Bond Debt Service Subaccount is not sufficient to pay Bond Service Charges due on Subordinate Bonds on that Bond Payment Date the Trustee shall transfer amounts in the Subordinate Bond Reserve Subaccount to the Subordinate Bond Debt Service Subaccount to remedy such deficiency. If the amounts available in the Subordinate Bond Reserve Subaccount are insufficient for that purpose, the Trustee is to so notify the Authority specifying the amount of the deficiency and the Authority agrees that upon receiving such notification the Authority will cause to be deposited in the Subordinate Bond Debt Service Subaccount no later than the last Business Day before the Bond Payment Date amounts which in the aggregate are equal to the amount of the deficiency by (A) directing the Trustee to transfer amounts to the Subordinate Bond Debt Service Subaccount from the Cactus League General Subaccount and/or the Subordinate Bond Proceeds Subaccount, (B) paying to the Trustee from amounts in the Operating General Subaccount of the Operating Account not needed to fund the Senior Bond Debt Service Subaccount, for deposit in the Subordinate Bond Debt Service Subaccount or (C) a combination of (A) and (B). The Authority may also transfer amounts from the Operating General Subaccount of the Operating Account to the Trustee for deposit into the Subordinate Bond Debt Service Subaccount at any time.

*Subordinate Bond Reserve Subaccount.* The Authority must transfer monies from either or both of the Operating General Subaccount of the Operating Account and the Cactus League General Subaccount to the Subordinate Bond Reserve Subaccount, or to provide to the Trustee one or more Subordinate Bond Reserve Guaranties to be credited to the Subordinate Bond Reserve Subaccount, so as to cause the Subordinate Bond Reserve Value to be at least equal to the Subordinate Bond Reserve Requirement (determined with respect to the first Series of Subordinate Bonds only) by the date which is five (5) years after the date of issuance of the first Series of Subordinate Bonds. Upon the issuance of additional Subordinate Bonds, the Authority likewise must cause the Subordinate Bond Reserve Value to be increased to be at least equal to the Subordinate Bond Reserve Requirement by the date that is five (5) years after the date of issuance of the additional Subordinate Bonds.

The Trustee is to transfer amounts credited to the Subordinate Bond Reserve Subaccount to the Subordinate Bond Debt Service Subaccount to the extent amounts in the Subordinate Bond Debt Service Subaccount are insufficient. Amounts in the Subordinate Bond Reserve Subaccount shall be used in the following order: first, cash; second, proceeds of liquidating investments; and third, draws on any Subordinate Bond Reserve Guaranties. Any amounts so applied are to be restored by transfers to the Subordinate Bond Reserve Subaccount as described in paragraphs (6) and (7) under "Tourism Revenue Clearing Account and Facility Revenue Clearing Account." If and to the extent the amounts so applied were drawn on a Subordinate Bond Reserve Guaranty, the amounts restored may be applied to reimburse the Subordinate Bond Reserve Guarantor.

On the first Business Day of each Bond Year, the Trustee is to determine the Subordinate Bond Reserve Value and report it to the Authority. If upon the valuation on a date more than five (5) years after the date of issuance of the first Series of Subordinate Bonds the Subordinate Bond Reserve Value is less than the amount required for a reason other than application of amounts in the Subordinate Bond Reserve Subaccount, the Authority is to transfer monies from the Operating General Subaccount of the Operating Account to the Subordinate Bond Reserve Subaccount, or to provide to the Trustee one or more Subordinate Bond Reserve Guaranties to be credited to the Subordinate Bond Reserve Subaccount, so as to cause the Subordinate Bond Reserve Value to be at least equal to the Subordinate Bond Reserve Requirement within six (6) months of being notified of the deficiency. If

upon any such valuation the Subordinate Bond Reserve Value exceeds the Subordinate Bond Reserve Requirement, the amount of the excess may at the written direction of an Authorized Officer of the Authority be transferred to any account of the Authority, whether held by the Trustee or not. Additional determinations of the Subordinate Bond Reserve Value for purposes of the preceding sentence may be carried out at such times and with such frequency as the Authority shall request and the Trustee shall agree to.

If at any time the Authority shall deliver to the Trustee a Subordinate Bond Reserve Guaranty that complies with the terms of the Indenture, then the Trustee shall accept the Subordinate Bond Reserve Guaranty and promptly surrender any previously held Subordinate Bond Reserve Guaranty, if applicable, to the issuer thereof for cancellation. If there is at the time a Rating in effect on any Outstanding Subordinate Bond that is not based on a Credit Support Instrument, the Trustee must receive evidence that the acceptance of the Subordinate Bond Reserve Guaranty will not result in the reduction or withdrawal of any Rating on any Outstanding Subordinate Bond. If there is at the time a Credit Support Instrument in effect with respect to any Outstanding Subordinate Bond, the Trustee must receive evidence that the acceptance of the Subordinate Bond Reserve Guaranty is acceptable to the Credit Support Provider.

In each month during the twelve (12) month period preceding the final maturity or mandatory redemption date of all Outstanding Subordinate Bonds, monies in the Subordinate Bond Reserve Subaccount may be transferred to the Subordinate Bond Debt Service Subaccount if and to the extent that after giving effect to the transfer the Subordinate Bond Reserve Value will be at least equal to the Subordinate Bond Reserve Requirement less the amounts so transferred during such twelve (12) month period pursuant to this paragraph.

#### **Cactus League Promotion Account**

*Cactus League General Subaccount.* The Trustee is to deposit in the Cactus League General Subaccount all amounts under "Tourism Revenue Clearing Account and Facility Revenue Clearing Account." Amounts in the Cactus League General Subaccount are to be (A) paid out as directed by the Authority to pay costs for Cactus League Purposes, upon receipt by the Trustee of a Requisition of an Authorized Officer of the Authority, (B) transferred to the Subordinate Bond Debt Service Account or (C) transferred to the Subordinate Bond Reserve Subaccount, as described under "Debt Service Account – Subordinate Bond Debt Service Subaccount."

*Subordinate Bond Proceeds Subaccount.* The Authority is to deposit in the Subordinate Bond Proceeds Subaccount the net proceeds of Subordinate Bonds to be used for Cactus League Purposes. Amounts in the Subordinate Bond Proceeds Subaccount are to be (A) paid out as directed by the Authority to pay costs for Cactus League Purposes, upon receipt by the Trustee of a Requisition of an Authorized Officer of the Authority or (B) transferred to the Subordinate Bond Debt Service Account as described under "Debt Service Account – Subordinate Bond Debt Service Subaccount."

#### **Investment of Monies Held by the Trustee**

Monies in all Accounts held by the Trustee are to be invested to the fullest extent possible in accordance with directions given to the Trustee by an Authorized Officer of the Authority provided that the maturity date or the date on which such investments may be redeemed at the option of the holder thereof must coincide as nearly as practicable with (but in no event later than) the date or dates on which monies in the Accounts for which the investments were made will be required. Investments in the Subordinate Bond Reserve Subaccount may not have maturities extending beyond five (5) years except as approved by each Credit Support Provider for Subordinate Bonds. Monies in the Accounts held by the Trustee may be invested in any of the following to the extent the same are at the time lawful for the investment of the Authority's funds:

(1) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(2) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

- a. U.S. Export-Import Bank (Eximbank)  
Direct obligations or fully guaranteed certificates of beneficial ownership
- b. Farmers Home Administration (FmHA)  
Certificates of beneficial ownership
- c. Federal Financing Bank
- d. Federal Housing Administration Debentures (FHA)
- e. General Services Administration  
Participation certificates
- f. Government National Mortgage Association (GNMA or “Ginnie Mae”)  
GNMA – guaranteed mortgage-backed bonds  
GNMA – guaranteed pass-through obligations  
(not acceptable for certain cash-flow sensitive issues)
- g. U.S. Maritime Administration  
Guaranteed Title XI financing
- h. U.S. Department of Housing and Urban Development (HUD)  
Project Notes  
Local Authority Bonds  
New Communities Debentures - U.S. government guaranteed debentures  
U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds

(3) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

- a. Federal Home Loan Bank System  
Senior debt obligations
- b. Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”)  
Participation Certificates  
Senior debt obligations
- c. Federal National Mortgage Association (FNMA or “Fannie Mae”)  
Mortgage-backed securities and senior debt obligations
- d. Student Loan Marketing Association (SLMA or “Sallie Mae”)  
Senior debt obligations
- e. Resolution Funding Corp. (REFCORP) obligations
- f. Farm Credit System  
Consolidated systemwide bonds and notes

(4) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G,” “AAA-m” or “AA-m” and if rated by Moody’s rated “Aaa,” “Aa1” or “Aa2.”

(5) Certificates of deposit secured at all times by collateral described in (1) and/or (2) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party, and the bondholders must have a perfected first security interest in the collateral.

(6) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

(7) Investment Agreements, including GIC's, Forward Purchase Agreements and Reserve Fund Put Agreements acceptable to MBIA.

(8) Commercial paper rated, at the time of purchase, "Prime-1" by Moody's and "A-1" or better by S&P.

(9) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest long-term rating categories assigned by such agencies.

(10) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P.

(11) Repurchase Agreements for 30 days or less must follow the following criteria. Repurchase Agreements which exceed 30 days must be acceptable to MBIA.

Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

- A. Repos must be between the municipal entity and a dealer bank or securities firm
  - i. Primary dealers on the Federal Reserve reporting dealer list which are rated "A" or better by S&P and Moody's, or
  - ii. Banks rated "A" or above by S&P and Moody's.
- B. The written repo contract must include the following:
  - i. Securities which are acceptable for transfer are:
    - (a) Direct U.S. governments, or
    - (b) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)
  - ii. The term of repo may be up to 30 days
  - iii. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).
  - iv. Valuation of Collateral

(a) The securities must be valued weekly, marked-to-market at current market price plus accrued interest

(1) The value of collateral must be equal to 104 of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

C. Legal opinion which must be delivered to the municipal entity:

i. Repo meets guidelines under state law for legal investment of public funds.

(12) Any state administered pool investment fund in which the issuer is statutorily permitted or required to invest will be deemed a permitted investment.

Amounts credited to an Account may be invested, together with amounts credited to one or more other Accounts, in the same investment, provided that (1) each such investment complies in all respects with the requirements of the Indenture for each Account for which the joint investment is made and (2) the Trustee maintains separate records for each Account. The Trustee may make any investment permitted by this Section through its own bond department, commercial banking department, or commercial paper department. Absent any express direction from the Authority directing the sale or presentation for redemption of particular investments, the Trustee is to sell at the best price obtainable, or present for redemption, any investment purchased by it as an investment whenever it is necessary in order to provide monies to meet any payment or transfer from the Account for which such investment was made. With respect to all investments, the Authority must make such determinations of amounts required to be rebated pursuant to Section 148 of the Code to the United States of America at such times as may be required by Section 148(f) of the Code. To the extent necessary to pay any rebate or penalty under Section 148(f) of the Code or similar provision, the Authority may, notwithstanding any other provision of the Indenture, apply any funds in the Accounts for that purpose.

The Trustee is not be liable or responsible for the making of any investment authorized or required by the provisions of the Indenture or for any loss resulting from any such investment so made, except for its own intentional misconduct, negligence or willful neglect.

### **Swap Agreements**

The Authority may enter into one or more Swap Agreements and provide for the Authority's payment obligations to be secured by and payable from the Trust Estate. At or before the time the Authority enters into a Swap Agreement, the Authority is to deliver to the Trustee (1) a copy of the Swap Agreement, (2) evidence satisfactory to the Trustee that the long-term credit rating of the counterparty to the Swap Agreement (or the guarantor) is one of the two highest Rating Categories of any Rating Agency and (3) a Certificate of an Authorized Officer stating that the Swap Agreement is being entered into in order to manage interest rate risk with respect to the interest payable on all or a portion of one or more Series of Bonds, and identifying those Bonds to which the Swap Agreement relates. The Authority's payment obligation pursuant to a Swap Agreement constitutes part of the Bond Service Charges for the Bonds to which the Swap Agreement relates for purposes of the Indenture. At or before the time the Authority enters into a Swap Agreement, the Trustee is to create a subaccount in the Debt Service Account into which amounts payable by the Authority pursuant to the Swap Agreement are to be deposited in the same manner and with the same priority as Bond Service Charges on the Bonds to which the Swap Agreement relates, and amounts in the subaccount are to be used to pay the Authority's payment obligations pursuant to the Swap Agreement. At or before the time the Authority enters into a Swap Agreement, the Trustee is to create a subaccount in the Debt Service Account into which amounts received by the Authority pursuant to the Swap Agreement are to be deposited. Amounts in the subaccount are to be used to pay interest, Accreted Amounts or both on the Bonds to which the Swap Agreement relates, and are to be taken into account as a reduction in the amount otherwise to be deposited to the Debt Service Account for such interest, Accreted Amounts or both on such Bonds.

## **Certain Covenants**

Pursuant to the Indenture, the Authority covenants and agrees, so long as any Bonds are Outstanding that:

(1) It will faithfully perform at all times any and all covenants and provisions in the Indenture and each Series Supplemental Indenture and will promptly pay, but only from the sources specified in the Indenture, the Bond Service Charges on every Bond.

(2) It will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds, or the time of payment of any Bond Service Charges.

(3) The Authority and the Trustee will each, as appropriate, keep proper books of record and account with complete and correct entries of its transactions relating to all Accounts established by the Indenture or any Series Supplemental Indenture, which demonstrate the Authority's compliance with the Act and the Indenture and are at all reasonable times subject to the inspection by the Owners of at least a majority in Aggregate Outstanding Principal Amount of Bonds or their duly authorized representatives.

(4) The State of Arizona has, in the Act, pledged to and agreed with the holders of the bonds authorized by the Act (including the Senior Bonds and the Subordinate Bonds) that the State will not limit, alter or impair the rights vested in the Authority under the Act to receive the monies necessary to fulfill the terms of any agreements made with the holders of the bonds, or in any way impair the rights and remedies of the bondholders, until all bonds issued under the Act, together with interest on the bonds, interest on any unpaid installments of principal or interest and all costs and expenses in connection with any action or proceedings by or on behalf of the bondholders, are fully met and discharged, and has authorized the Board of Directors of the Authority, as agent for the State, to include this pledge and undertaking in its resolutions and indentures authorizing and securing its bonds.

(5) The Authority covenants that it will not, except as otherwise permitted by the Indenture, create or suffer to be created or to remain any debt, mortgage, lien, encumbrance, charge, pledge, security interest or conditional sale or other title retention agreement upon, in or with respect to the interest of the Authority or of the Trustee in the Trust Estate, or any part of them that would constitute a lien prior to or upon a parity with the lien of the Indenture upon the Trust Estate. The Authority covenants that it will satisfy or cause to be discharged, or will make adequate provision to satisfy and discharge, within sixty (60) days after they accrue, all lawful claims and demands (excepting such as may arise from or in connection with the acquisition and construction of improvements and that are payable from proceeds of Bonds) for labor, materials, supplies or other items that, if not satisfied, might by law become a lien upon the Trust Estate. However, the Authority is not required to satisfy or discharge any lien, encumbrance, charge, claim or demand so long as its validity is being contested in good faith and by appropriate legal proceedings.

(6) The Authority, to the extent within its control, covenants that it will not knowingly take any action, or fail to take any action, if any such action or failure to take such action would adversely affect the exclusion from gross income of the interest on any Tax-Exempt Bonds under Section 103(a) of the Code or cause the interest on any Tax-Exempt Bonds to become an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code, and in the event of such action or omission, it will, promptly upon having such brought to its attention, take such reasonable actions based upon a Bond Counsel Opinion as may rescind or otherwise negate such action or omission. The Authority, to the extent within its control, will not knowingly directly or indirectly use or permit the use of any proceeds of any Tax-Exempt Bonds or any other funds of the Authority or take or omit to take any action, that would cause any Tax-Exempt Bonds to be or become "arbitrage bonds" within the meaning of Section 148(a) of the Code or to fail to meet any other applicable requirement of Sections 103, 141, 148, 149 and 150 of the Code or cause the interest on any Tax-Exempt Bonds to become an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations under the Code. To that end, the Authority will comply with all applicable requirements of Sections 103, 141, 148, 149 and 150 of the Code to the extent applicable to the Tax-Exempt Bonds.

## **Events of Default**

Each of the following events constitutes, an "Event of Default" under the Indenture:

(1) The Authority fails to pay any Bond Service Charges on any Bond when due; or

(2) The Authority commences a voluntary case or other proceeding seeking liquidation, reorganization, or other relief with respect to itself or its debts under any bankruptcy, insolvency, or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property; or an involuntary case or other proceeding is commenced against the Authority seeking liquidation, reorganization, or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian, or other similar official of it or any substantial part of its property; and in any such case the action or proceeding is not dismissed within sixty (60) days; or

(3) If the Authority materially defaults in the due and punctual performance of any other of the covenants, conditions, agreements and provisions on its part to be performed as provided in the Indenture and such default continues for thirty (30) days after written notice specifying such default and requiring the same to be remedied has been given to the Authority by the Trustee; the Trustee may give such notice in its discretion and must give such notice at the written request of the Owners of not less than a majority in Aggregate Outstanding Principal Amount of Bonds; provided, however, that if any such default can be cured by the Authority but cannot be cured within the thirty (30) day curative period described above, it will not be an Event of Default if corrective action is instituted by the Authority within such thirty (30) day period and diligently pursued until the default is corrected.

The provisions described in the preceding paragraph are subject to the following limitations. If by reason of acts of God; fires; epidemics; landslides; floods; strike, lockout or like disturbance; acts of public enemies; act or order of governmental authority; insurrection; riot; civil disturbance; explosion; breakage or accident to machinery or equipment; failure of utilities; or any cause or event not reasonably within the control of the Authority, the Authority is unable to carry out its agreements as a result of which an Event of Default under paragraph (3) above would have occurred but for the provisions of this paragraph, then no Event of Default will have occurred so long as the Authority uses its best efforts to remedy with all reasonable dispatch the cause or causes preventing the Authority from carrying out its agreements, but the Authority is not required to settle strikes, lockouts or other like disturbances by acceding to the demands of the opposing party or parties when such action is, in the reasonable judgment of the Authority, unfavorable to it.

### **Right to Direct Proceedings**

The Owners of a majority in Aggregate Outstanding Principal Amount of Bonds have the right, but only during the continuance of an Event of Default, by a writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings; provided that such direction is not otherwise than in accordance with the provisions of law and of the Indenture.

### **Remedies and Enforcement of Remedies**

Upon the occurrence and continuance of any Event of Default, the Trustee may, and upon written request of the Owners of not less than a majority in Aggregate Outstanding Principal Amount of the Bonds, together with indemnification of the Trustee to its satisfaction, must, proceed to protect and enforce its rights and the rights of the Owners by such suits, actions or proceedings as the Trustee, being advised by counsel, deems expedient, including but not limited to: (1) civil action to recover money or damages due and owing; (2) civil action to enjoin any acts or things, which may be unlawful or in violation of the rights of the Owners of Bonds; and (3) with or without litigation or arbitration enforcement of any other right of the Authority and the Owners, provided that no recovery in favor of the Owners may be had from any source other than the Trust Estate pledged pursuant to the Indenture.

### **Application of Monies After Default**

During the continuance of an Event of Default all monies received by the Trustee pursuant to any right given or action taken under the default and remedies provisions of the Indenture, after payment of the costs and expenses of the proceedings resulting in the collection of such monies and of the fees, expenses and advances

incurred or made by the Trustee, are to be deposited with the Trustee, and, along with all other assets in the Trust Estate, be deposited in the Debt Service Account and applied as follows:

(a) Unless the principal amount of all Outstanding Bonds has become due and payable, amounts comprising the Senior Bond Trust Estate will be applied to the payment of amounts due on Senior Bonds, and amounts comprising the Subordinate Bond Trust Estate will be applied to the payment of amounts due on Subordinate Bonds, and within each such class of Bonds:

First: To the payment to the persons entitled thereto of all installments of interest (including interest on amounts unpaid when due on the Bonds) then due on the Bonds in the order of the maturity of such installments, and, if the amount available is not sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal or Accreted Amount or redemption price of any Bonds which have become due (other than Bonds previously called for redemption for the payment of which monies are held pursuant to the provisions of the Indenture), whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available are not sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal installments or Accreted Amount or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

(b) If the principal amount of all Outstanding Bonds has become due and payable, to the payment of the principal and Accreted Amount and interest then due and unpaid upon the Senior Bonds from the Senior Bond Trust Estate, to payment of amounts due on Subordinate Bonds from the Subordinate Bond Trust Estate, and within each such class of Bonds, without preference or priority, ratably, according to the amounts due respectively for principal and Accreted Amount and interest, to the persons entitled thereto without any discrimination or preference.

### **Individual Owner Action Restricted**

No Owner of any Bond has the right to institute any suit, action or proceeding to enforce the Indenture unless: (1) the Owners of at least a majority in Aggregate Outstanding Principal Amount of Bonds have made written request to the Trustee to proceed; and (2) such Owners have offered the Trustee indemnity; and (3) the Trustee has failed or refused to proceed for a period of sixty (60) days after receipt by it of such request and offer of indemnity; and (4) during such sixty (60) day period no inconsistent direction has been delivered to the Trustee by the Owners of a greater majority in Aggregate Outstanding Principal Amount of Bonds then Outstanding.

No one or more Owners of Bonds has any right to affect, disturb or prejudice the security of the Indenture or to enforce any right except in the manner provided in the Indenture and for the equal benefit of the Owners of all Senior Bonds Outstanding or Subordinate Bonds Outstanding, as the case may be.

Except as provided in the Indenture regarding priority of payment, the provisions of the Indenture are not to affect or impair the right of the Owner of any Bond (1) to receive payment of the principal of or interest or Accreted Amount on such Bond, as the case may be, on or after the due date thereof or (2) to institute suit for the enforcement of any such payment on or after such due date; provided, however, no Owner of any Bond may institute or prosecute suit or enter judgment if and to the extent that , the suit or judgment would, under applicable law, result in the surrender, impairment, waiver or loss of the lien of the Indenture on the monies, funds and properties pledged for the equal and ratable benefit of all Owners of Senior Bonds or Subordinate Bonds Outstanding, as the case may be.

### **Waiver of Event of Default**

Unless instructed otherwise by the Owners of a majority in Aggregate Outstanding Principal Amount of Bonds, the Trustee may waive any Event of Default which in its opinion has been remedied before the entry of final judgment in any suit, action or proceeding or before the completion of the enforcement of any other remedy. The Trustee, upon the written request of the Owners of at least a majority of the Aggregate Outstanding Principal Amount of Bonds, must waive any Event of Default; provided failure by the Authority to pay any Bond Service

Charges when due may not be waived without the written consent of the Owners of all the Bonds as to which such Event of Default occurred. The Trustee is not responsible to anyone for waiving or refraining from waiving any Event of Default in accordance with the Indenture.

### **Notice of Event of Default**

Within thirty (30) days after (a) the occurrence of an Event of Default described in paragraph (1) or (2) under "Events of Default" of which the Trustee is deemed to have notice, or (b) receipt by the Trustee of actual knowledge or notice of an Event of Default described in paragraph (3) under "Events of Default, the Trustee must, unless such Event of Default has been cured, give written notice by first class mail to each Owner of a Bond then Outstanding, provided that, except in the case of a default in the payment of Bond Service Charges on any of the Bonds, the Trustee may withhold such notice if, in its sole judgment, it determines that the withholding of such notice is in the best interests of the Owners.

### **Removal and Resignation of Trustee**

The Trustee may resign at any time. The Trustee may also be removed at any time either by one or more writings signed by the Owners of not less than a majority in Aggregate Outstanding Principal Amount of Bonds, or, if no Event of Default or event which, with the giving of notice or the passage of time, or both, would become an Event of Default has occurred and is continuing and if no direction to the contrary is received from the Owners of a majority in Aggregate Outstanding Principal Amount of Bonds Outstanding, by an instrument in writing signed by an Authorized Officer of the Authority. Written notice of such resignation or removal is to be given by the Trustee to the Authority and to each Owner and Credit Support Provider and such resignation or removal will take effect only upon the appointment and qualification of a successor Trustee. In the event a successor Trustee has not been appointed and qualified within sixty (60) days of the date notice of resignation or removal is given, the Trustee or the Authority may apply to any court of competent jurisdiction for the appointment of a successor Trustee to act until such time as a successor is appointed.

In the event of the resignation or removal of the Trustee or in the event the Trustee is dissolved or otherwise becomes incapable to act as the Trustee, the Authority is entitled to appoint a successor Trustee. If the Owners of a majority of the Aggregate Outstanding Principal Amount of Bonds object to the successor Trustee so appointed by the Authority and if such Owners designate another person qualified to act as the Trustee, the Authority must then appoint as the Trustee the person so designated by such Owners.

Unless otherwise ordered by a court or regulatory body having competent jurisdiction, or unless required by law, any successor Trustee must be a trust company or bank having the powers of a trust company as to trusts, qualified to fulfill the obligations of the Trustee under the Indenture and having an officially reported combined capital, surplus, undivided profits and reserves aggregating at least \$100,000,000, if there is such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

### **Supplemental Indentures Not Requiring Consent of or on Behalf of Owners of Bonds**

The Authority and the Trustee may, without the consent of or notice to any of the Owners but with notice to all Credit Support Providers enter into one or more Supplemental Indentures for one or more of the following purposes:

- (1) To cure any ambiguity or formal defect or omission or to correct or supplement any provision which may be inconsistent with any other provision;
- (2) To grant or confer upon the Owners any additional rights, remedies, powers or authority that may lawfully be granted or conferred upon them;
- (3) To secure additional revenues or provide additional security or reserves for payment of the Bonds;
- (4) To comply with the requirements of any state or federal securities laws or the Trust Indenture Act of 1939, as from time to time amended, if required by law or regulation;

- (5) To provide for the appointment of a successor trustee pursuant to the terms of the Indenture;
- (6) To preserve the exclusion of the interest on any Tax-Exempt Bonds from gross income for purposes of federal or State income taxes and to preserve the power of the Authority to continue to issue bonds or other obligations the interest on which is likewise exempt from federal and State income taxes;
- (7) To provide for the refunding or advance refunding of any Bonds, including the right to establish and administer an escrow fund and to take related action;
- (8) To provide for the issuance of additional Bonds in accordance with the provisions of the Indenture or of other obligations subordinated to Bonds;
- (9) To make provisions and amendments applicable only to Bonds issued and sold on the basis of the effectiveness of those provisions and amendments with respect to those Bonds, or applicable only to Bonds issued and subject to tender by their terms the owner of which are given reasonable notice of the proposed provisions or amendments and the opportunity to tender their Bonds for purchase at the tender price prior to the effective date of the provisions or amendments;
- (10) To conform to the requirements of any Securities Depository for any Series of Bonds, to provide for a Securities Depository for any Series of Bonds or to remove any Securities Depository for any Series of Bonds, so long as such action is not inconsistent with the provisions of the Indenture or the Series Supplemental Indenture pertaining to such Bonds;
- (11) To make changes or modifications necessary to provide a Credit Support Instrument for any Bonds, including without limitation the creation of, or modification of, rights commonly afforded to issuers of bond insurance policies, letters of credit and similar credit facilities such as the rights of the provider to receive notices and information, to control the exercise of remedies and to consent to amendments to the Indenture; and
- (12) To make such other modifications or amendments which are determined by the Trustee not to be of material prejudice to the rights of the Owners of the Bonds.

#### **Supplemental Indentures Requiring Consent of or on Behalf of Owners of Bonds**

The Owners of not less than a majority in Aggregate Outstanding Principal Amount of the Bonds have the right to consent to and approve the execution by the Authority and the Trustee of Supplemental Indentures deemed necessary and desirable by the Authority and the Trustee for the purpose of modifying, altering, amending, adding to or rescinding any of the terms or provisions contained in the Indenture; provided, however, that a Supplemental Indenture may not: (1) extend the stated maturity of or time for paying interest or Accreted Amounts on any Bond or reduce the principal amount of or the redemption premium or rate of interest or Accreted Amounts payable on any Bond without the consent of the Owner of such Bond; (2) prefer or give a priority to any Senior Bond over any other Senior Bond or any Subordinate Bond over any other Subordinate Bond without the consent of the Owner of each such Bond then Outstanding not receiving such preference or priority; (3) reduce the Aggregate Outstanding Principal Amount of Bonds the consent of the Owners of which is required to authorize such Supplemental Indenture without the consent of the Owners of all Bonds then Outstanding; or (4) reduce the redemption price of any Bond upon optional redemption or reduce any period of time prior to commencement of any optional redemption period without the consent of the Owner of such Bond.

When the Trustee determines that the requisite consents have been obtained for a Supplemental Indenture requiring consent of the Owners, the Trustee is to date and file a certificate to that effect in its records and notify the Authority. Such determination by the Trustee is conclusive. Upon the filing of such certificate, the Supplemental Indenture becomes effective without liability or responsibility to any Owner of any Bond, whether or not such Owner has consented.

Consent of Owners may be evidenced by Bonds being sold on the basis of the effectiveness of the proposed Supplemental Indenture or in any other manner acceptable to the Trustee. If the Supplemental Indenture will not take effect so long as any particular Bonds remain Outstanding, the consent of the Owners of such Bonds is not

required and such Bonds are not deemed to be Outstanding for the purpose of determining the required consents. It is not necessary for the consent of the Owners to approve the particular form of any proposed Supplemental Indenture, but it is sufficient if consent is given to its substance. Any such consent is binding upon the Owner of the Bond giving such consent and upon any subsequent Owner of such Bond and of any Bond issued in exchange (whether or not the subsequent Owner has notice), unless such consent is revoked in writing by the Owner of such Bond giving such consent or by a subsequent Owner thereof by filing with the Trustee such revocation, prior to the execution by the Trustee of such Supplemental Indenture. If the Owners of the required amount or number of the Bonds Outstanding have consented to the execution of such Supplemental Indenture, no Owner of any Bond has any right to object to the execution thereof, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.

### **Discharge of Indenture**

If payment of all Bond Service Charges on all of the Bonds is made, or is provided for as described under this heading, and if all other sums, if any, payable by the Authority pursuant to the Indenture are paid, then the liens, estates and security interests granted by the Indenture cease. Upon satisfaction of all conditions precedent to the satisfaction and discharge of the lien of the Indenture, the Trustee is to execute and deliver proper instruments acknowledging such satisfaction and discharging the lien of the Indenture and the Trustee is to transfer all property held by it, other than monies or obligations held by the Trustee for payment of amounts due or to become due on the Bonds, to or as directed by the Authority. The Authority may at any time surrender to the Trustee for cancellation any Bonds previously authenticated and delivered which the Authority may have acquired in any manner whatsoever and such Bonds upon such surrender and cancellation are deemed to be paid and retired.

### **Providing for Payment of Bonds**

Any Bond or portion thereof in Authorized Denominations may be deemed paid and defeased as described under this heading.

Any Bond or portion thereof is deemed paid and defeased: (1) if there is deposited with the Trustee monies or Defeasance Obligations or both which, with the maturing principal of and interest on such Defeasance Obligations, if any, will be sufficient, as evidenced by a certificate or report of an accountant in form and substance acceptable to the Trustee, to pay the Bond Service Charges on such Bond or portion thereof as the same matures, comes due or becomes payable upon prior redemption; and (2) if such defeased Bond or portion thereof is to be redeemed, notice of such redemption has been given in accordance with provisions of the Indenture or the Authority has submitted to the Trustee instructions expressed to be irrevocable as to the date upon which such Bond or portion thereof is to be redeemed and as to the giving of notice of such redemption.

If any such defeased Bond or portion thereof will not mature or be redeemed within sixty (60) days of the deposit referred to in clause (1) of the preceding paragraph, the Trustee is to give notice of such deposit by first-class mail to each registered Owner of such Bond.

Bonds the payment of which have been provided for as described under this heading are no longer be deemed Outstanding under or secured by the Indenture. The Owners are thereafter be entitled to payment only from the monies or Defeasance Obligations deposited with the Trustee to provide for the payment of such Bonds.

If, in connection with a redemption of all or any part of the Bonds, or in connection with providing for payment of all or any part of the Bonds, monies and/or Defeasance Obligations are deposited with the Trustee sufficient to pay Bond Service Charges on all or a portion of the Bonds to any date after the first date on which the Bonds may be redeemed, the Authority may expressly reserve and retain the right to subsequently change the date on which any Bonds for which such an escrow has been established are to be redeemed. The Authority may further reserve and retain the right to restructure the monies and/or Defeasance Obligations in the escrow and to apply any of the proceeds available following such restructuring for any lawful corporate purpose. If the Authority desires to reserve and retain any such rights, the Authority is to so advise the Trustee at the time of the deposit and the Trustee is to include a statement of such reserved and retained rights in the notice given to Owners.

### **Credit Support Provider Treated as Owner of Bonds**

A Series Supplemental Indenture may provide that the Credit Support Provider for all or any portion of a Series of Bonds may be treated as the Owner of such Bonds for purposes of demands, requests, consents, waivers or other actions by Owners of Bonds for purposes of the Indenture.

### **Bond Insurer Treated as Owner of 2003A Bonds**

The Bond Insurer will be treated as the Owner of all of the 2003A Bonds for purposes of demands, requests, consents, waivers or other actions by Owners of the Bonds to be taken under the Indenture; provided, however, that if any action is to be taken only with the consent or approval of the Bond Insurer, if at any time such consent or approval would otherwise be called for the Bond Insurer is in bankruptcy, receivership, insolvency or similar proceedings or is in default of or is contesting its obligations under the Bond Insurance Policy, as the case may be, then the consent or approval of the Bond Insurer shall not be required. However the Indenture does not permit, without the consent of the Owners of all Outstanding 2003A Bonds, (a) an extension of the maturity of any such Bond or any installment of interest thereon, (b) a reduction in the principal amount of any such Bond or the redemption premium or the rate of interest thereon, (c) the creation of a lien upon or a pledge of revenues ranking prior to the lien or pledge created by the Indenture, (d) a preference or priority of any Subordinate Bond or Bonds over any other Subordinate Bond or Bonds, (e), a reduction in the aggregate principal amount of Bonds required to consent to Supplement Indentures, or (f) a reduction in the aggregate principal amount of Bonds required to waive an Event of Default.

**APPENDIX C**  
**CONTINUING DISCLOSURE UNDERTAKING**

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## APPENDIX C

### CONTINUING DISCLOSURE UNDERTAKING

THIS CONTINUING DISCLOSURE UNDERTAKING ("Undertaking"), dated as of February 12, 2003, is executed and delivered by the ARIZONA TOURISM AND SPORTS AUTHORITY (the "Issuer") in connection with the issuance by the Authority of its \$221,950,000 Tax Revenue Bonds (Multipurpose Stadium Facility Project) Series 2003A, dated as of February 1, 2003 (the "Bonds").

The Authority covenants and agrees as follows:

**Section 1.** Purpose of this Undertaking. This Undertaking is executed and delivered by the Issuer, as of the date set forth below, in accordance with the Rule (defined below) for the benefit of the beneficial owners of the Bonds.

**Section 2.** Definitions. The terms set forth below shall have the following meanings in this Undertaking, unless the context clearly otherwise requires.

"*Annual Information*" means the type of financial information and operating data set forth under the following headings under the caption "SOURCES OF PLEDGED REVENUES" in the final Official Statement, dated February 4, 2003, for the Bonds: "Car Rental Surcharge Revenues," "Hotel Tax Revenues," "Multipurpose Facility Sales Tax Revenues," "Facility Income Tax Revenues," "Multipurpose Facility Revenues" and "Revenues from Other Events and Uses."

"*Audited Financial Statements*" means the audited financial statements of the Issuer prepared in conformity with generally accepted accounting principles.

"*Filing Date*" means the first day of the eighth month following the end of each Fiscal Year (or the next succeeding business day if that day is not a business day), beginning February 1, 2004.

"*Fiscal Year*" means each fiscal year of the Authority commencing with the fiscal year that begins July 1, 2002 and ends June 30, 2003.

"*MSRB*" means the Municipal Securities Rulemaking Authority.

"*NRMSIRs*" means, as of any date, any Nationally Recognized Municipal Securities Information Repository then recognized by the Securities and Exchange Commission for purposes of the Rule. As of the date of this Undertaking, the NRMSIRs are:

Bloomberg Municipal Repositories  
100 Business Park Drive  
Skillman, New Jersey 08558  
Phone: (609) 279-3225  
Fax: (609) 279-5962  
Internet: Munis@Bloomberg.com

Standard & Poor's J.J. Kenny Repository  
55 Water Street, 45th Floor  
New York, New York 10041  
Phone: (212) 438-4595  
Fax: (212) 438-3975  
Internet: nrmsir\_repository@sandp.com

DPC Data, Inc.  
One Executive Drive  
Fort Lee, New Jersey 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107  
Internet: NRMSIR@dpccdata.com

FT Interactive Data  
Attn: NRMSIR  
100 William Street  
New York, New York 10038  
Phone: (212) 771-6999  
Fax: (212) 771-7390  
Internet: NRMSIR@interactivedata.com

"*Rule*" means Rule 15c2-12, as adopted by the Securities and Exchange Commission under the Securities and Exchange Act of 1934, as the same may be amended from time to time.

"*SID*" means any public or private repository designated by the State as the state repository and recognized as such by the Securities and Exchange Commission for purposes of the Rule. As of the date of this Agreement, no SID exists within the State.

"*Specified Event*" means the occurrence of any of the events with respect to the Bonds set forth in Exhibit I hereto.

"*State*" means the State of Arizona.

**Section 3.** Filing of Annual Information and Audited Financial Statements. The Issuer is the only Obligated Person (as defined in the Rule) for the Bonds. The Issuer hereby agrees to provide or cause to be provided to each NRMSIR and to any SID:

- (a) Annual Information for the preceding Fiscal Year and unaudited financial statements of the Issuer if Audited Financial Statements are not provided at the same time, not later than the Filing Date for each Fiscal Year; and
- (b) Audited Financial Statements for the preceding Fiscal Year, not later than the later of the Filing Date for each Fiscal Year or 30 days after receipt thereof by the Issuer.

Audited Financial Statements are expected to be available together with the Annual Information. The Issuer is required to deliver, or cause to be delivered, such information in such manner and by such time so that such entities receive the information on or before the date specified.

**Section 4.** Notice of Material Specified Events and Failure to Provide Annual Information. The Issuer agrees to provide or cause to be provided to each NRMSIR or to the MSRB and to any SID, in a timely manner:

- (a) notice of the occurrence of any Specified Event with respect to the Bonds, if that Specified Event is material; and
- (b) notice of its failure to provide or cause to be provided the Annual Information on or prior to the applicable Filing Date.

If the responsible officials of the Issuer become aware of the occurrence of a Specified Event, the Issuer shall diligently proceed to determine whether that Specified Event is material and, if so, the Issuer shall prepare and provide or cause to be provided notice of the occurrence of that material Specified Event in accordance with this Section.

**Section 5.** Additional Information. Nothing in this Undertaking shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Undertaking or any other means of communication, or including any other information in any Annual Information or providing notice of the occurrence of an event, in addition to that which is required by this Undertaking. If the Issuer chooses to include any information from any document or notice of occurrence of an event in addition to that which is specifically required by this Undertaking, the Issuer shall have no obligation under this Undertaking to update such information or include it in any future Annual Information or notice of material Specified Events.

**Section 6.** Failure to Perform. The Issuer agrees that its agreements set forth in Sections 3 and 4 of this Undertaking are intended to be for the benefit of the beneficial owners from time to time of the Bonds. Any beneficial owner of a Bond may enforce the Issuer's obligation to provide or cause to be provided a filing that is due in accordance with Section 3 or 4 hereof by commencing an action in a court of competent jurisdiction in Phoenix, Arizona to seek specific performance by court order to compel the Issuer to make such filings; provided that any beneficial owner seeking to require the Issuer to comply with this Undertaking shall first provide at least 30 days' prior written notice to the Issuer of the Issuer's failure, giving reasonable detail of such failure, following which notice the Issuer shall have 30 days to comply. The right of a beneficial owner to enforce any provision of this Undertaking shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder and provided further that any failure of the Issuer to comply with any provisions of this Undertaking shall not be a default or an Event of Default with respect to the Bonds under the Indenture (as defined in the Bonds).

**Section 7.** Amendments; Waiver. Notwithstanding any other provision of this Undertaking, the Issuer may amend this Undertaking, and any provision of this Undertaking may be waived, if such amendment or waiver is supported by a legal opinion, addressed to the Issuer, of an independent counsel who is expert in federal securities laws selected by the Issuer, to the effect that such amendment or waiver would not, in and of itself, cause this Undertaking to violate the Rule. The Annual Information prepared immediately following any amendment or waiver shall explain the reason for the amendment or waiver and the impact of the change in the type of information being provided.

**Section 8.** Termination of Undertaking. This Undertaking shall terminate when (a) the Bonds are no longer outstanding (within the meaning of the Indenture) or (b) the Rule no longer applies to these Bonds.

**Section 9.** Dissemination Agent. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Undertaking, and may discharge any such agent, with or without appointing a successor dissemination agent.

**Section 10.** Beneficiaries. This Undertaking shall inure solely to the benefit of the Issuer and the beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity.

**Section 11.** Recordkeeping. The Issuer shall maintain records of all Annual Information and notice of material Specified Events including the content of such disclosure, the names of the entities with whom such disclosures were filed and the date of filing such disclosure.

**Section 12.** Governing Law. This Undertaking shall be governed by the laws of the State.

Dated: February 12, 2003.

ARIZONA TOURISM AND SPORTS AUTHORITY

By: \_\_\_\_\_  
Its: President and Chief Executive Officer

**EXHIBIT I**  
**SPECIFIED EVENTS**

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the security;
7. Modifications to rights of security holders;
8. Bond calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the securities;
11. Rating changes; and
12. The Issuer learns of the commencement of any Internal Revenue Service audit of its bonds.

**APPENDIX D**  
**BOOK-ENTRY-ONLY SYSTEM**

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## APPENDIX D

### BOOK-ENTRY-ONLY SYSTEM

**The following information concerning DTC and DTC's book-entry system is based solely on information provided by DTC. Accordingly, the Authority takes no responsibility for the accuracy thereof. The Beneficial Owners should confirm this information with DTC or the DTC participants.**

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the 2003A Bonds. The 2003A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2003A Bond certificate will be issued for each maturity of the 2003A Bonds, each in the aggregate the principal amount of the 2003A Bonds, and will be deposited with DTC. The owners of book-entry interest will not receive or have the right to receive physical delivery of 2003A Bonds.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of beneficial interests in the 2003A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2003A Bonds on DTC's records. The ownership interest of each actual purchaser of a beneficial interest in a 2003A Bond ("Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct Participant or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of beneficial ownership interests in the Series 2003A Bonds are to be accomplished by entries made on the books of Direct Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 2003A Bonds, except in the event that use of the book-entry system for the 2003A Bonds is discontinued.

To facilitate subsequent transfers, all 2003A Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2003A Bonds with DTC and their registration in the name of Cede & Co. or such other nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2003A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2003A Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2003A Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the 2003A Bonds such as redemptions, defaults, and proposed amendments to the Indenture. Beneficial Owners of 2003A Bonds may wish to ascertain that the nominee holding the 2003A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, or in the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2003A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the 2003A Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2003A Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2003A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest payments represented by the 2003A Bonds will be made by the Paying Agent to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2003A Bonds at any time by giving reasonable notice to the Trustee or the Authority. Under such circumstances, in the event that a successor securities depository is not obtained, 2003A Bonds are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2003A Bonds will be printed and delivered.

THE AUTHORITY WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO DTC, TO DIRECT PARTICIPANTS OR TO INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (2) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE 2003A BONDS UNDER THE INDENTURE; (3) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE 2003A BONDS; (4) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE 2003A BONDS; (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF 2003A BONDS; OR (6) ANY OTHER MATTERS.

So long as Cede & Co. is the registered Owner of the 2003A Bonds, as nominee for DTC, references in this Official Statement to "Owner" or registered owners of the 2003A Bonds (other than under the caption "TAX EXEMPTION") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of such 2003A Bonds.

When reference is made in this Official Statement to any action which is required or permitted to be taken by the Beneficial Owners, such reference shall only relate to those permitted to act (by statute, regulation or otherwise) on behalf of such Beneficial Owners for such purposes. When notices are given, they shall be sent by the Authority or the Trustee to DTC only.

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**APPENDIX E**

**SPECIMEN OF FINANCIAL GUARANTY INSURANCE POLICY**

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**FINANCIAL GUARANTY INSURANCE POLICY**

**MBIA Insurance Corporation  
Armonk, New York 10504**

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

**[PAR]**

**[LEGAL NAME OF ISSUE]**

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with State Street Bank and Trust Company, N.A., in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to State Street Bank and Trust Company, N.A., State Street Bank and Trust Company, N.A. shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

**MBIA Insurance Corporation**

\_\_\_\_\_  
President

Attest:

\_\_\_\_\_  
Assistant Secretary

SPECIMEN

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**APPENDIX F**  
**AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2002**

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## Report of Independent Auditors

The Board of Directors  
Tourism and Sports Authority

We have audited the accompanying statements of net liabilities of the Tourism and Sports Authority (the "Authority") as of June 30, 2002 and 2001, and the related statements of revenues, expenses and changes in net liabilities, and cash flows for the year ended June 30, 2002, and the period from August 9, 2000 (inception) through June 30, 2001. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

The management's discussion and analysis included herein 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 supplementary information. However, we did not audit the information and express no opinion on it.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tourism and Sports Authority at June 30, 2002 and 2001, and the results of its operations and its cash flows for the year ended June 30, 2002, and the period from August 9, 2000 (inception) through June 30, 2001 in conformity with accounting principles generally accepted in the United States.

*Ernst + Young LLP*

September 13, 2002, except for note  
13[b] for which the date is  
December 3, 2002

# Tourism and Sports Authority

## Statements of Net Liabilities

	<b>June 30</b>	
	<b>2002</b>	<b>2001</b>
<b>Assets</b>		
Current assets:		
Cash – restricted	\$ 5,574,877	\$ 6,264,299
Hotel tax and car rental surcharge receivable	2,656,544	2,427,092
Other assets	8,246	12,638
Total current assets	<u>8,239,667</u>	<u>8,704,029</u>
Noncurrent assets:		
Property and equipment, less accumulated depreciation of \$15,882 and \$3,075 for 2002 and 2001, respectively	20,717,267	5,196,805
Capital lease equipment, less accumulated depreciation of \$15,566 and \$3,113 for 2002 and 2001, respectively	21,794	34,247
Total noncurrent assets	<u>20,739,061</u>	<u>5,231,052</u>
Total assets	<u><u>\$ 28,978,728</u></u>	<u><u>\$ 13,935,081</u></u>
<b>Liabilities</b>		
Current liabilities:		
Accounts payable	\$ 6,167,359	\$ 3,674,614
Accrued expenses	443,245	1,111,481
Line of credit	–	1,000,000
Stadium Term Loan	5,000,000	3,912,500
Payable to City of Surprise	26,342,803	–
Payable to South Mountain YMCA	150,000	–
Current portion of payable to City of Avondale	138,542	–
Current portion of obligation under capital lease	12,748	11,426
Total current liabilities	<u>38,254,697</u>	<u>9,710,021</u>
Noncurrent liabilities:		
Payable to City of Surprise	–	26,000,000
Payable to South Mountain YMCA	–	150,000
Payable to City of Avondale	3,292,278	–
Long-term portion of obligation under capital lease	9,308	22,056
Total noncurrent liabilities	<u>3,301,586</u>	<u>26,172,056</u>
Total liabilities	<u>41,556,283</u>	<u>35,882,077</u>
<b>Net liabilities</b>		
Investment in capital assets, less related debt	20,717,005	5,197,570
Restricted	8,231,421	8,691,391
Unrestricted deficit	(41,525,981)	(35,835,957)
Total net liabilities	<u>(12,577,555)</u>	<u>(21,946,996)</u>
Total liabilities and net liabilities	<u><u>\$ 28,978,728</u></u>	<u><u>\$ 13,935,081</u></u>

*See accompanying notes.*

## Tourism and Sports Authority

### Statements of Revenues, Expenses and Changes in Net Liabilities

	<b>Year Ended June 30, 2002</b>	<b>Period from August 9, 2000 (inception) through June 30, 2001</b>
<b>Operating revenues</b>		
User fees	\$ —	\$ 25,000
Other operating revenues	494	647
Total operating revenues	494	25,647
<b>Operating expenses</b>		
Legal	1,390,313	938,584
Arizona tourism distribution	4,033,333	666,666
Consulting	763,492	585,040
Payroll	707,331	201,838
Professional fees	568,624	424,431
Marketing and promotion	118,767	190,728
Bank service charge	16,537	38,839
Insurance	138,584	30,956
Travel	12,561	25,678
Office	56,432	21,805
Site selection	172,973	19,810
Communications	38,420	13,518
Rent	93,591	17,011
Depreciation	27,628	6,188
Total operating expenses	8,138,586	3,181,092
Operating loss	(8,138,092)	(3,155,445)
<b>Nonoperating revenues (expenses)</b>		
Cactus League facility expense	(3,600,000)	(26,000,000)
South Mountain YMCA facility expense	—	(150,000)
City of Avondale facility expense	(3,430,820)	—
Hotel bed tax	9,811,027	4,183,977
Rental car tax	6,824,977	2,528,507
NFL tax	4,420,872	—
Sales tax recapture	946,394	—
Interest income	136,887	2,851
Interest expense	(58,011)	(14,470)
Loss on disposal of property and equipment	(1,114,316)	—
Total nonoperating revenues (expenses)	13,937,010	(19,449,135)
Net income (loss) before contributions	5,798,918	(22,604,580)
Capital contributions	3,570,523	657,584
Increase (decrease) in net liabilities	9,369,441	(21,946,996)
Net liabilities, beginning of period	(21,946,996)	—
Net liabilities, end of period	\$(12,577,555)	\$(21,946,996)

*See accompanying notes.*

# Tourism and Sports Authority

## Statements of Cash Flows

	<b>Year Ended June 30, 2002</b>	<b>Period from August 9, 2000 (inception) through June 30, 2001</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	\$ –	\$ 25,000
Payments to suppliers	(10,856,969)	(1,498,747)
Payments to employees	(628,035)	(145,772)
Other receipts	21,914,792	4,288,900
Net cash provided by operating activities	10,429,788	2,669,381
<b>Cash flows from capital and related financing activities</b>		
Capital contributions	3,570,523	657,584
Proceeds from line of credit	2,000,000	1,000,000
Payments on line of credit	(3,000,000)	0
Proceeds from stadium term loan	8,087,500	3,912,500
Payments on stadium term loan	(7,000,000)	0
Payments on capital leases	(11,426)	(3,878)
Net cash provided by capital and related financing activities	3,646,597	5,566,206
<b>Cash flows from non-capital financing activities</b>		
Payments for Cactus League facility – City of Surprise	(3,257,197)	–
Net cash used in non-capital financing activities	(3,257,197)	–
<b>Cash flows from investing activities</b>		
Acquisition and construction of property and equipment	(11,508,610)	(1,971,288)
Net cash used in investing activities	(11,508,610)	(1,971,288)
Net (decrease) increase in cash	(689,422)	6,264,299
Cash at beginning of period	6,264,299	–
Cash at end of period	\$ 5,574,877	\$ 6,264,299
<b>Reconciliation of net income (loss) to net cash provided by operating activities</b>		
Net income (loss)	\$ 5,798,918	\$(22,604,580)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	27,628	6,188
Cactus League Facility expense	3,600,000	26,000,000
Note payable to City of Avondale	3,430,820	–
South Mountain YMCA facility expense	–	150,000
Loss on disposal of property and equipment	1,114,316	–
Changes in operating assets and liabilities:		
Receivables	(229,452)	(2,427,092)
Other assets	4,392	(12,638)
Accounts payable	(2,648,598)	446,022
Accrued expenses	(688,236)	1,111,481
Net cash provided by operating activities	\$ 10,429,788	\$ 2,669,381
<b>Supplemental Noncash Investing Activities</b>		
Note payable issued to City of Surprise	\$ 3,600,000	\$ 26,000,000
Acquisition of property and equipment with accounts payable	\$ 5,141,344	\$ 3,228,593

See accompanying notes.

# Tourism and Sports Authority

## Notes to Financial Statements

June 30, 2002

### **1. Organization and Reporting Entity**

Tourism and Sports Authority (the “Authority”), was formed on August 9, 2000 as a political subdivision of the State of Arizona empowered, among other things, (i) to construct, finance, furnish, maintain, improve, own, operate, market, and promote the use of a multipurpose facility suitable to be used to accommodate sporting events and entertainment, cultural, civic, meeting, trade show or convention events or activities, including a stadium, on-site infrastructure, parking garages and lots and related commercial uses within the facility in Maricopa County, (ii) to acquire land or construct, finance, furnish, improve market or promote the use of existing or proposed major league baseball spring training facilities located in Maricopa County, and (iii) to acquire land or construct, finance, furnish, maintain, improve, operate, market or promote the use of community youth and amateur sports facilities, recreational facilities and other community facilities or programs in Maricopa County.

### **2. Summary of Significant Accounting Policies**

#### *Basis of Accounting*

The accounting policies of the Authority conform to accounting principles generally accepted in the United States as applicable to an enterprise fund of a governmental unit. 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. The Authority 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*, and GASB Statement No. 29, *The Use of Not-for-Profit Accounting and Financial Reporting Principles by Governmental Entities*, not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989. The Authority has elected to implement GASB Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis – for State and Local Government*, as well as GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The Authority’s books and records include separate accounts that are described as funds: a general fund, construction account, revenue clearing account, and facility revenue clearing account. These “funds” have been combined in the accompanying financial statements. All material interfund transactions have been eliminated.

#### *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.

# Tourism and Sports Authority

## Notes to Financial Statements

### **2. Summary of Significant Accounting Policies (continued)**

#### *Cash Equivalents*

The Company considers all highly liquid investments with a maturity of three months or less at the time of acquisition to be cash equivalents.

#### *Property and Equipment*

Property and equipment are stated at cost. Assets are depreciated on the straight-line method over the estimated useful lives of the assets ranging from three to five years. Amortization of property and equipment acquired through a capital lease is included in depreciation expense.

#### *Tax Status*

The Authority is a municipal corporation and is exempt from federal and state income tax.

#### *Revenue Recognition*

The Authority records revenue from car rental surcharges, hotel tax, income taxes related to a professional football franchise, sales tax recapture, event earnings and facility user rentals on the accrual basis. The car rental surcharge is a 3.25 percent surcharge on applicable rental car contracts in Maricopa County. The hotel tax is a 1 percent tax on lodging transactions in Maricopa County. Maricopa County collects the car rental surcharge and hotel tax on behalf of the Authority and remits the funds to the Authority when collected. The income taxes related to a professional football franchise are a distribution of funds related to income taxes paid by the Arizona Cardinals (“Cardinals”), employees and their spouses. Sales tax recapture are funds collected by the State of Arizona related to sales taxes collected at the multipurpose facility and sales taxes collected on construction activity for the multipurpose facility. Event earnings are amounts collected as non-football events are held at the multipurpose facility. Facility user rentals are amounts to be paid by the Cardinals and the Fiesta Bowl for use of the multipurpose facility. The Cardinals will pay \$250,000 per year growing at two percent per year thereafter. The Fiesta Bowl will have a ticket surcharge of \$2.50 per ticket with an annual escalation of \$0.20 per ticket. Revenue from each of the revenue sources is recognized as it is earned, except for income taxes related to a professional football franchise, sales tax recapture and the Fiesta Bowl ticket surcharge that are recognized when paid.

# Tourism and Sports Authority

## Notes to Financial Statements

### 2. Summary of Significant Accounting Policies (continued)

#### *Legal Expense*

Legal expenses were comprised of the following:

	<b>Year Ended June 30, 2002</b>	<b>Period from August 9, 2000 (Inception) Through June 30, 2001</b>
General:		
Multipurpose facility project	\$ 79,061	\$ 50,429
Youth and amateur sports	20,751	6,213
Cactus league	42,814	58,605
John F. Long lawsuit	636,404	—
Other	508,015	686,762
Bond counsel	103,268	136,575
	<u>\$1,390,313</u>	<u>\$ 938,584</u>

#### *Descriptions of Accounts (“Funds”)*

##### Tourism Revenue Clearing Account

The Tourism Revenue Clearing Account (the “TRCA”) receives the tourism tax revenues from the hotel bed tax and the car rental surcharge. The taxes began in March 2001 and will be collected through February 2031. These revenues are then distributed the following month in the following order of priority. The first priority is to the actual debt service on bonds issued to finance the construction of the multipurpose facility. The debt service amount to be distributed from the TRCA is limited to \$165.5 million of the total bond principal amount. The second funding priority is to the tourism fund based on \$4.0 million in the first twelve months growing by five percent every twelve-month period thereafter during the term of the tourism taxes. The third funding priority is to promote and market Cactus League baseball. This fund will receive \$250,000 per month during the first eighty-four months and increases per the statute’s requirements thereafter. The fourth funding priority is youth and amateur sports, which is to receive \$1.0 million in its first twelve months increasing by \$100,000 every twelve-month period thereafter during the term of the tourism taxes. The next priority is the Authority’s annual operating budget, which is reviewed and approved by the board of directors in June of each year. The distribution is based on the total fiscal year’s operating budget divided into equal monthly installments. The final funding priorities are for three reserve accounts: the youth and amateur sports reserve, the operating reserve and a capital repair and replacement reserve.

# Tourism and Sports Authority

## Notes to Financial Statements

### 2. Summary of Significant Accounting Policies (continued)

#### Facility Revenue Clearing Account

The Facility Revenue Clearing Account (the “FRCA”) receives the following revenue sources: the NFL Franchise income tax related to the Cardinals organization and its employees, the state sales tax recapture revenues from ticket sales and hard and soft concession sales at Cardinals home games played currently at ASU’s Sun Devil Stadium (this will also apply once the multipurpose facility is open and operating), a ticket surcharge on Tostito’s Fiesta Bowl tickets at the rate of \$2.50 per ticket increasing at \$0.20 per year thereafter over the term of the lease agreement, annual rent paid to the Authority by the Cardinals (\$250,000 in year one increasing by 2.0 percent per year over the term of the lease) and other events revenues from the multipurpose facility’s operations. These revenues are used for one primary purpose – to fund the debt service for the multipurpose facility bonds and the Cactus League bonds.

On August 27, 2002, the Arizona Court of Appeals ruled that the Authority cannot constitutionally pledge income taxes paid by Arizona Cardinals employees or their spouses on income unrelated to professional football. The Authority also is prohibited from pledging monies received under A.R.S. § 42-1116(C) in excess of the income taxes paid by the Cardinals and by Cardinals employees on income related to professional football. The Court’s ruling only affects the Authority’s ability to pledge these tax revenues for repayment of bonds, not its ability to receive the revenues provided by the TSA legislation.

### 3. Deposits

Deposits are carried at cost plus accrued interest. The carrying amount of deposits is separately displayed as restricted cash.

	<b>June 30</b>	
	<b>2002</b>	<b>2001</b>
Insured (FDIC Insured)	\$ –	\$ 500,000
Uninsured (Category 3)	5,574,877	5,764,299
Total	<u>5,574,877</u>	<u>6,264,299</u>

### 4. Operations

In October 2000, the Authority entered into a binding Memorandum of Understanding with the Cardinals and the Arizona Sports Foundation (the “Foundation”) working on behalf of the Fiesta Bowl. The Cardinals originally agreed and are statutorily obligated to contribute \$85 million (see Note 13) toward the development and construction costs of the multipurpose facility (as further discussed in Note 10) and entered into a 30-year use agreement with the Authority with the

# Tourism and Sports Authority

## Notes to Financial Statements

### 4. Operations (continued)

term commencing with the first home game after the completion of the multipurpose facility. The Cardinals will pay rent in the amount of \$250,000 with a two percent annual increase from base rent. The Cardinals will receive use of the multipurpose facility for all home games, space in the team shop, office space, video production, locker room and training room space. The Cardinals will sell and receive the gross proceeds from all tickets for pre-season, regular season and post-season NFL games conducted at the facility in which the Cardinals are a participant. The Cardinals are responsible for marketing the luxury suites and club seats and will receive all revenues generated thereby. The Cardinals will also receive all net concession from home games and naming rights revenues from the facility. The Authority is responsible for all operating expenses of the facility. On September 3, 2002, the Authority and the Cardinals amended their agreement through a Memorandum of Understanding which further obligates the Cardinals to an additional \$24.3 million in project costs up to a total project maximum price of \$355.3 million. The Cardinals also agreed to purchase the land for the multipurpose facility and donate it to the Authority as well as be responsible for project cost overruns which are not the responsibility of the design-builder.

The Foundation agreed to a 30-year use agreement for the annual Fiesta Bowl to commence with the first Fiesta Bowl scheduled after the completion of the facility. The Foundation shall have unqualified scheduling priority for the Fiesta Bowl from December 31 through January 6 of each and every year of the agreement. All revenues related to the suites in the facility for the Fiesta Bowl shall be the sole and exclusive property of the Foundation. The Authority will pay net concessions and parking revenues related to the Fiesta Bowls to the Foundation. The Foundation agrees to pay to the Authority all actual and reasonable game day expenses for the hosting, managing, staging and production of Fiesta Bowls held in the facility. The only exception is that the Authority is responsible for providing the additional temporary seating which is estimated to be between 5,000 and 10,000 extra seats. Commencing with the first Fiesta Bowl conducted in the facility, the Foundation agrees to pay to the Authority an amount equal to \$2.50 per Fiesta Bowl ticket sold, escalating by \$0.20 every year thereafter.

### 5. Restricted Assets

Restricted assets consisted of the following at June 30:

	<u>2002</u>	<u>2001</u>
Cash	\$5,574,877	\$6,264,299
Hotel tax and car rental surcharge receivable	2,656,544	2,427,092
Total	<u>\$8,231,421</u>	<u>\$8,691,391</u>

## Tourism and Sports Authority

### Notes to Financial Statements

#### 6. Property and Equipment

Property and equipment activity consisted of the following for the year ended June 30, 2002 and the period from August 9, 2000 (inception) through June 30, 2001:

	<b>Balance at August 9, 2000</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance at June 30, 2001</b>
Multipurpose facility	\$ —	\$5,131,993	\$ —	\$5,131,993
Computer equipment	—	36,860	—	36,860
Furniture and fixtures	—	26,844	—	26,844
Office equipment	—	1,266	—	1,266
Capitalized software	—	2,917	—	2,917
Assets under capital lease	—	37,360	—	37,360
	—	5,237,240	—	5,237,240
Accumulated depreciation	—	(6,188)	—	(6,188)
<b>Total</b>	<b>\$ —</b>	<b>\$5,231,052</b>	<b>\$ —</b>	<b>\$5,231,052</b>

	<b>Balance at June 30, 2001</b>	<b>Additions</b>	<b>Disposals</b>	<b>Balance at June 30, 2002</b>
Multipurpose facility	\$5,131,993	\$16,603,805	\$(1,113,089)	\$20,622,709
Computer equipment	36,860	3,955	(1,227)	39,588
Furniture and fixtures	26,844	27,961	—	54,805
Office equipment	1,266	9,521	—	10,787
Capitalized software	2,917	2,343	—	5,260
Assets under capital lease	37,360	—	—	37,360
	5,237,240	16,647,585	(1,114,316)	20,770,509
Accumulated depreciation	(6,188)	(27,628)	2,368	(31,448)
<b>Total</b>	<b>\$5,231,052</b>	<b>\$16,619,957</b>	<b>\$(1,111,948)</b>	<b>\$20,739,061</b>

During the year ended June 30, 2002, the Authority wrote off \$1,114,316 of property and equipment. The majority, \$1,113,089, related to the original multipurpose facility site in Tempe which was originally capitalized and subsequently abandoned in November 2001.

## Tourism and Sports Authority

### Notes to Financial Statements

#### **7. Credit Facility**

In January 2001, the Authority entered into a \$15 million bridge financing agreement with a bank, \$3 million of the credit facility is to be used for operations of the Authority and the remaining \$12 million is to be used for construction costs. The credit facility is collateralized by the pledged tax revenues to be received by the Authority as set forth by Arizona Senate Bill 1220. The line has a variable interest rate of LIBOR +1.5 percent (4.681 percent at June 30, 2002).

The balances outstanding as of June 30, 2002 on the operating (line of credit) and construction stadium term loan components of the credit facility are \$0 and \$5,000,000, respectively. The construction loan is due on December 31, 2002.

The Authority incurred \$573,090 and \$79,404 of interest on borrowings of which \$515,079 and \$65,434 was capitalized and \$58,011 and \$14,470 was expensed during the year ended June 30, 2002 and the period from August 9, 2000 (inception) through June 30, 2001, respectively.

#### **8. Payable to the City of Surprise**

In May 2001, the Authority committed to contribute an amount not to exceed \$26 million to the City of Surprise Cactus League Project for the construction of a new Cactus League facility. Subsequent to that time, the Authority has been unable to issue the bonds related to the payment of the \$26 million to the City of Surprise because of the John F. Long lawsuit. In order to provide additional financial assistance to allow Surprise to continue forward with the project and not incur any delays or additional project construction costs, the Authority and Surprise entered into two separate amendments to the original Intergovernmental Agreement. The first amendment was executed in December 2001 and provided to Surprise, on a loan basis, the funds that were being deposited into the Authority's Cactus League Promotion Account at the rate of \$250,000 per month. The second amendment, executed in January 2002, agreed to provide Surprise with up to an additional \$6.0 million in bond proceeds if the Authority was unable to issue bonds between January and October of 2002. The agreement stated that for every month the Authority was unable to issue bonds, an additional \$600,000 would be accrued as a liability by the Authority. Through June 30, 2002 the Authority has accrued an additional \$3,600,000 in liability while paying \$3,257,197 to Surprise from the Cactus League Promotion Account. It is expected that the Authority will record the full \$6,000,000 liability by the end of October 2002 and will continue to provide the \$250,000 monthly loan until the Long lawsuit is ultimately resolved. The Authority has recorded the amount committed as a note payable. See Note 12 for additional discussion of payment timing.

# Tourism and Sports Authority

## Notes to Financial Statements

### 9. Leases

The Authority leases certain office facilities under noncancelable operating leases that expire in various years through 2003.

Future minimum payments under noncancelable operating leases with initial terms of one year or more and under capital leases at June 30, 2002 are summarized as follows:

	<b>Capital Leases</b>	<b>Operating Leases</b>
2003	\$14,544	\$88,221
2004 and thereafter	9,697	—
	<u>24,241</u>	<u>\$88,221</u>
Less amount representing interest	<u>(2,185)</u>	
Present value of minimum lease payment	<u><u>\$22,056</u></u>	

Total rental expense for all operating leases was approximately \$93,591 and \$17,011 for the year ended June 30, 2002 and the period from August 9, 2000 (inception) through June 30, 2001, respectively.

### 10. Contributed Capital

The Authority has received commitments from the Cardinals for contributions toward the construction of the multipurpose facility. The Cardinals initially pledged \$85,000,000 which has been increased by \$24.3 million under the terms and conditions of the September 3, 2002 Memorandum of Understanding and may be higher if the project results in cost overruns that are determined to be the responsibility of the Cardinals. The Cardinals' contributions are for the construction of the multipurpose facility to be paid to the Authority over the period that the multipurpose facility is to be constructed contingent upon the completion of the design and bond financing related to the facility. As the Authority has not met each of these conditions, the pledge has not been reflected in the accompanying financial statements. During the initial phases of the Authority's formation and preliminary site construction work, the Cardinals contributed \$657,584 to the Authority during fiscal year 2001 and an additional \$3,570,523 during fiscal year 2002 for a total of \$4,228,107 which has been included as contributed capital. In November 2001, the Authority formally abandoned the Tempe site for the location of the multi-purpose facility (see Note 12).

#### *General*

In September 2000, the Authority entered into a letter of intent with a construction company for the design-build of the multipurpose stadium facility at a cost of \$331 million. During the course

# Tourism and Sports Authority

## Notes to Financial Statements

### **11. Commitments and Contingencies**

of the multipurpose stadium's construction, the Authority will provide the funding for the construction from proceeds from the sale of bonds to be repaid from the hotel and car rental taxes as well as the NFL income tax, state sales tax recapture and revenues from future events to be held at the multipurpose facility discussed herein. Certain pre-construction costs have been incurred related to this project which have been paid through a bridge loan until the bond offering occurs. The Authority, as of June 30, 2002 owes \$5,141,344 related to the multipurpose facility construction costs including design work as well as for roof steel that was purchased in late 2001 to avoid cost increases and import tariffs.

The Authority, in its regular course of business, is party to litigation. In the opinion of management, the disposition of such matters will not result in any material liability to the Authority.

#### *John F. Long Legal Issues*

John F. Long, a private citizen and former site proposer for the multipurpose facility, has pursued legal action challenging the constitutionality of the Tourism and Sports Authority (the "Authority") legislation. In August 2001, Long requested that the Arizona Attorney General opine on this issue. In September 2001, the Attorney General issued an opinion that the Authority is constitutional. Mr. Long subsequently filed a special action in the same month with the Arizona Superior Court. On November 2, 2001, the Court ruled in favor of the Authority on all constitutional challenges brought by Long. The Superior Court also held that Long's claims were barred by the doctrine of laches because he had delayed too long in filing his lawsuit. Long filed a motion for a new trial which was denied by the Superior Court on December 13, 2001. On January 11, 2002, Long appealed the case to the Arizona Court of Appeals. On January 15, 2002, the Authority requested that the case be transferred to the Arizona Supreme Court for immediate review and decision, and also requested that proceedings be expedited in the Court of Appeals. The Arizona Supreme Court denied the Authority's request for transfer, but the Court of Appeals agreed to expedite the appeal in part. The Court of Appeals heard oral arguments in the case on June 3, 2002 and returned its opinion on August 27, 2002. The three-judge panel ruled unanimously that a narrow portion of the Authority's statute is unconstitutional, that the invalid portion can be severed from the remainder of the statute, and that the remainder of the statute is constitutional.

#### *Grants*

The Authority, as part of its original charter, is to fund the youth and amateur sports account with \$1 million in year one growing at \$100,000 per year thereafter for 30 years. During this period, the Authority will have granted \$73.5 million to various projects and organizations. The Authority through its Youth and Amateur Sports Committee has implemented a formal grant

# Tourism and Sports Authority

## Notes to Financial Statements

### **11. Commitments and Contingencies (continued)**

process. Currently, the Authority's board of directors has approved two projects. The first grant was approximated on May 21, 2001 for \$150,000 for the South Mountain YMCA. The second grant was approved on September 28, 2001 for \$3.4 million for the City of Avondale. The grant will fund a regional multipurpose sport fields project that would be front funded by the City of Avondale with the Authority's contributions being made over a twelve-plus year time period through 2013. During the term of the contributions, the Authority will provide 5 percent in financing costs in addition to the \$3.4 million. The Authority has also agreed to provide \$1.0 million in funding to the City of Glendale for youth and amateur sports fields in proximity to the multipurpose facility site. The amount is to be paid in \$250,000 increments over the course of the next three years. Additional requests for grants have been received by the Authority and are under consideration. At June 30, 2002, the Authority has accrued \$3,580,820 in its financial statements for these grants.

### **12. Reclassifications**

Certain reclassifications have been made to the 2001 consolidated financial statements to conform with the 2002 presentation.

### **13. Subsequent Events**

- [a] On September 3, 2002, the Authority entered into a Memorandum of Understanding with the Cardinals whereby the Cardinals place a "hard cap" on the multipurpose facility project of \$355.3 million, it increases the Cardinals' capital contribution by up to an additional \$24.3 million for a total of \$109.3 million and provides for a commitment by the Cardinals to be responsible for project cost overruns which are not the responsibility of the design-build contractor.
  
- [b] On October 4, 2002, John F. Long filed a Motion to Reconsider with the Court of Appeals that was denied without comment. On October 17, 2002, Long filed a petition for review with the Arizona Supreme Court asking that it review the Court of Appeals decision. The Authority and other parties filed a response that opposes the Supreme Court review. On December 3, 2002, the Arizona Supreme Court formally denied Long's petition for review. This ruling puts an end to Long's legal challenge and will allow the Authority to move forward on a number of issues including issuing bonds for the multipurpose facility project and the Cactus League facility in Surprise, Arizona. The Long lawsuit has required the Authority to spend significant monies defending itself in court and has impeded the Authority's efforts to issue bonds both for the multipurpose facility project and for the Cactus League baseball facility which is nearing completion in the City of Surprise, Arizona.

## Report of Independent Auditors on Other Financial Information

The Board of Directors  
Tourism and Sports Authority

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Tourism and Sports Authority as of June 30, 2002, and for the year then ended taken as a whole. The following financial information on pages 16 through 19 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Ernst & Young LLP*

September 13, 2002

# Tourism and Sports Authority

## Schedule of Net Liabilities - by Fund

June 30, 2002

	Total	General Fund	Construction Account	Tourism Revenue Clearing Account	Facility Revenue Clearing Account
<b>Assets</b>					
Current assets:					
Cash – restricted	\$ 5,574,877	\$ 2,127,364	\$ 834	\$ 3,078,130	\$ 368,549
Hotel tax and car rental surcharge receivable	2,656,544	–	–	2,656,544	–
Other assets	8,246	8,246	–	–	–
Total current assets	8,239,667	2,135,610	834	5,734,674	368,549
Noncurrent assets:					
Property and equipment, net	20,717,267	94,558	20,622,709	–	–
Capital lease equipment, net	21,794	21,794	–	–	–
Total noncurrent assets	20,739,061	116,352	20,622,709	–	–
Total assets	\$ 28,978,728	\$ 2,251,962	\$ 20,623,543	\$ 5,734,674	\$ 368,549
<b>Liabilities and net assets (liabilities)</b>					
Current liabilities:					
Accounts payable	\$ 6,167,359	\$ 1,026,015	\$ 5,141,344	\$ –	\$ –
Accrued expenses	443,245	93,245	–	350,000	–
Line of credit	5,000,000	–	5,000,000	–	–
Current portion of note payables	26,631,345	–	–	26,631,345	–
Current portion of obligation under capital lease	12,748	12,748	–	–	–
Total current liabilities	38,254,697	1,132,008	10,141,344	26,981,345	–
Noncurrent assets (liabilities):					
Payable to City of Avondale	3,292,278	–	–	3,292,278	–
Notes payable, less current	9,308	9,308	–	–	–
Total noncurrent liabilities	3,301,586	9,308	–	3,292,278	–
Total liabilities	41,556,283	1,141,316	10,141,344	30,273,623	–
<b>Net liabilities</b>					
Investment in capital assets, less related debt	20,717,005	94,296	20,622,709	–	–
Restricted	8,231,421	2,127,364	834	5,734,674	368,549
Unrestricted	(41,525,981)	(1,111,014)	(10,141,344)	(30,273,623)	–
Total net assets (liabilities)	(12,577,555)	1,110,646	10,482,199	(24,538,949)	368,549
Total liabilities and net liabilities	\$ 28,978,728	\$ 2,251,962	\$ 20,623,543	\$ 5,734,674	\$ 368,549

**Tourism and Sports Authority**  
**Schedule of Revenues, Expenses and Changes in Net Liabilities – By Fund**  
Year Ended June 30, 2002

	Total	General Fund	Construction Account	Tourism Revenue Clearing Account	Facility Revenue Clearing Account
<b>Operating revenues</b>					
Other operating revenues	\$ 494	\$ 494	\$ –	\$ –	\$ –
Total operating revenues	494	494	–	–	–
<b>Operating expenses</b>					
Legal	1,390,313	1,390,313	–	–	–
Arizona tourism distribution	4,033,333	–	–	4,033,333	–
Consulting	763,492	763,492	–	–	–
Payroll	707,331	707,331	–	–	–
Professional fees	568,624	568,624	–	–	–
Marketing and promotion	118,767	118,767	–	–	–
Bank service charge	16,537	16,537	–	–	–
Insurance	138,584	138,584	–	–	–
Travel	12,561	12,561	–	–	–
Office	56,432	56,432	–	–	–
Site selection	172,973	172,973	–	–	–
Communications	38,420	38,420	–	–	–
Rent	93,591	93,591	–	–	–
Depreciation	27,628	27,628	–	–	–
Total operating expenses	8,138,586	4,105,253	–	4,033,333	–
Operating loss	(8,138,092)	(4,104,759)	–	(4,033,333)	–
<b>Nonoperating revenues (expenses)</b>					
Cactus League facility expense	(3,600,000)	–	–	(3,600,000)	–
City of Avondale facility expense	(3,430,820)	–	–	(3,430,820)	–
Hotel bed tax	9,811,027	–	–	9,811,027	–
Rental car tax	6,824,977	–	–	6,824,977	–
NFL income tax	4,420,872	–	–	–	4,420,872
State sales tax recapture	946,394	–	–	–	946,394
Interest income	136,887	57,120	50,325	26,441	3,001
Interest expense	(58,011)	(58,011)	–	–	–
Loss on disposal of property and equipment	(1,114,316)	(1,227)	(1,113,089)	–	–
Total nonoperating revenues (expenses)	13,937,010	(2,118)	(1,062,764)	9,631,625	5,370,267
Net income (loss) before contributions (transfers)	5,798,918	(4,106,877)	(1,062,764)	5,598,292	5,370,267
Interfund transfers	–	6,005,261	7,480,211	(8,483,735)	(5,001,737)
Capital contributed	3,570,523	–	3,570,523	–	–
Increase (decrease) in net liabilities	9,369,441	1,898,384	9,987,970	(2,885,443)	368,530
Net assets (liabilities), beginning of period	(21,946,996)	(787,738)	494,229	(21,653,506)	19
Net assets (liabilities), end of period	\$(12,577,555)	\$ 1,110,646	\$10,482,199	\$(24,538,949)	\$ 368,549

Tourism and Sports Authority  
Schedule of Cash Flows – By Fund

Year Ended June 30, 2002

	Total	General Fund	Construction Account	Tourism Revenue Clearing Account	Facility Revenue Clearing Account
<b>Cash flows from operating activities</b>					
Receipts from customers	\$ —	\$ —	\$ —	\$ —	\$ —
Payments to suppliers	(10,856,969)	9,359,288	(2,714,121)	(12,500,399)	(5,001,737)
Payments to employees	(628,035)	(628,035)	—	—	—
Other receipts	21,911,196	57,614	50,324	16,432,991	5,370,267
Net cash provided by (used in) operating activities	10,426,192	8,788,867	(2,663,797)	3,932,592	368,530
<b>Cash flows from capital and related financing activities</b>					
Capital contribution	3,570,523	—	3,570,523	—	—
Proceeds from line of credit	2,000,000	2,000,000	—	—	—
Payments on line of credit	(3,000,000)	(3,000,000)	—	—	—
Proceeds from stadium term loan	8,087,500	—	8,087,500	—	—
Payments on stadium term loan	(7,000,000)	(7,000,000)	—	—	—
Payments on capital leases	(11,426)	(11,426)	—	—	—
Net cash provided by (used in) capital and related financing activities	3,646,597	(8,011,426)	11,658,023	—	—
<b>Cash flows from non-capital financing activities</b>					
Payments for Cactus League facility – City of Surprise	(3,257,197)	—	—	(3,257,197)	—
Net cash used in non-capital financing activities	(3,257,197)	—	—	(3,257,197)	—
<b>Cash flows from investing activities</b>					
Acquisition and construction of property and equipment	(11,505,014)	(44,921)	(11,460,093)	—	—
Net cash used in investing activities	(11,505,014)	(44,921)	(11,460,093)	—	—
Net (decrease) increase in cash	(689,422)	732,520	(2,465,867)	675,395	368,530
Cash at beginning of period	6,264,299	1,394,844	2,466,701	2,402,735	19
Cash at end of period	\$ 5,574,877	\$ 2,127,364	\$ 834	\$ 3,078,130	\$ 368,549

Tourism and Sports Authority  
 Schedule of Cash Flows – By Fund (continued)

Year Ended June 30, 2002

<b>Reconciliation of net income (loss) to net cash provided by operating activities</b>					
Net income (loss)	\$ 5,798,918	\$ (4,106,877)	\$ (1,062,764)	\$ 5,598,292	\$ 5,370,267
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation	27,628	27,628	—	—	—
Cactus League Facility expense	3,600,000	—	—	3,600,000	—
Note payable to City of Avondale	3,430,820	—	—	3,430,820	—
Loss on disposal of property and equipment	1,114,316	1,227	1,113,089	—	—
Changes in operating assets and liabilities:					
Receivables	(229,452)	—	—	(229,452)	—
Prepaid and other assets	4,392	4,392	—	—	—
Accounts payable	(2,648,598)	7,007,685	(9,656,283)	—	—
Accrued expenses	(671,832)	(150,449)	(538,050)	16,667	—
Interfund transfers	—	6,005,261	7,480,211	(8,483,735)	(5,001,737)
Net cash provided by (used in) operating activities	\$ 10,426,192	\$ 8,788,867	\$ (2,663,797)	\$ 3,932,592	\$ 368,530
<b>Supplemental noncash investing activities</b>					
Note payable issued to City of Surprise	\$ 3,600,000	\$ —	\$ —	\$ 3,600,000	\$ —
Acquisition of property and equipment with accounts payable	\$ 5,141,343	\$ —	\$ 5,141,343	\$ —	\$ —