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PRESIDENT'S REPORT

September 2001

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FAA Update— Reduction In Localizer Approach Rescinded; Stadium No Longer ‘Too Tall’; Public Comment Period Extended For Two Weeks; FAA Final Report Expected In Late October

The TSA continues to work with our aviation experts to satisfy FAA concerns regarding the Multipurpose Facility (MPF) at the new location. On September 6, the FAA temporarily rescinded their planned 300 foot reduction in the so-called minimum “localizer only” approach for landings into Runway 26L (the north runway). Instead, the FAA set the LOC ONLY minimum at 1,740 feet for approaches from the east, passing to the north of the MPF. The FAA had to rescind the new lower approach when they became convinced that the height of existing structures such as the TOSCO building and the SRP Information Service Building would, in fact, preclude such a reduction.

We have also learned that the FAA finds no derogation of electronic navigational aids due to the presence of the MPF at the new location. There is no impact on the VORTAC.

This means that the only remaining issues are “engine out procedures”, when a plane loses an engine on takeoff, and “pilot visual distractions”, being the belief that the MPF could distract a pilot when landing. The TSA’s aviation consultants continue to accumulate evidence that these are not significant issues and will present supplemental information to the FAA shortly.

We now anticipate the FAA’s final determination to be delivered at the end of October. Responding to pressure from the Airline Pilots’ Association, the Air Transport Association, and the City of Phoenix, that requested a 60-day extension, the FAA

extended the public comment period from October 7 to October 22. The TSA supported this extension as a reasonable response to the turmoil that enveloped the aviation industry in the two weeks following September 11. However, FAA Regional Administrator Bill Withycombe told TSA President Ted Ferris that the FAA would take steps to compile the final report as quickly as possible after the comment deadline, and would attempt to deliver their determination by the end of October.

Lawsuit Update

The City of Phoenix initiated discussions for a possible “stand-down” with the TSA regarding the City of Phoenix injunction lawsuit. In order to avoid further litigation costs and given that no construction was actually taking place at the Tempe site, the TSA agreed to not initiate any construction until October 15, and to provide Phoenix with 5 business days notice in the event we are prepared to resume construction at any point thereafter.

With respect to the Long lawsuit, the TSA has already scored a significant victory when Judge Mark Santana rejected the Long motion to bar the TSA from invoking the doctrine of laches as a defense. Simply put, the laches argument says that John Long waited too long to bring suit, and as a result of his having attempted to benefit from the statute and then waiting an additional 7 months, has resulted in numerous parties having spent millions of dollars and committed in a variety of ways to promote the purposes of Proposition 302. Specifically, John Long attempted to influence the legislation (SB 1220) as it was developed; thereafter, he promoted the benefits of Prop 302 and was featured in a newspaper ad with a strong statement of support for Prop 302; after its passage he offered land within his Algodon development in West Phoenix as a possible location for the new stadium; his site came in second out of 5 sites in the competition, and prior to the final vote, on February 12, Jacob Long wrote to the TSA and said “let me express our appreciation for the time which you and the volunteer board members of the TSA and its counsel have devoted to this process. It is reassuring that all of you have been so conscientious about fulfilling your

statutory responsibilities. Regardless of the outcome, as taxpayers, we appreciate your tireless efforts.”
Apparently, he has had a change of heart.

Between February 13 and August, John Long did nothing to suggest that he had concerns regarding the decisions of the TSA or the constitutionality of the law. On August 10, Long asked Attorney General Janet Napolitano to rule on 5 specific complaints regarding the TSA’s actions on site selection and other matters. On September 6, the Attorney General opined that the TSA’s actions were in full conformance with the law and the Long allegations were without merit. At the same time, the Attorney General chose to respond to another question that had been posed by Attorney Neil Wake, with no known client. Wake asked the A.G. to give her opinion as to whether the Act creating the TSA (SB 1220) was a Special Act and, therefore, unconstitutional. The A.G. ruled that it was not.

Undaunted by the A.G.’s opinion, John Long hired attorneys Neil Wake and Ron Cohen and brought suit against the TSA on September 10. Long’s action was an attempt to force the A.G. and Maricopa County Attorney Rick Romley to stop the TSA from the “illegal expenditure” of public monies. When they declined, Long brought suit in his own capacity as a private citizen.

The case was assigned to Maricopa County Superior Court Judge Mark Santana. As mentioned, the Judge has already denied the Long motion to bar the doctrine of laches. He has also set an aggressive schedule which is good news given that time is of the essence. The TSA response to the Long claim was filed October 5, the Long response is due October 19, and an all-day hearing is set for October 24.

The TSA is being represented by Bill Maledon and Dave Campbell of Osborn-Maledon, assisted by Lee Stein of Fennemore Craig. While we fully expect to prevail in this action, it is unfortunate that the unwarranted Long suit is requiring a vigorous and undoubtedly expensive defense.

Design of TSA/Cardinals Multipurpose Facility

The TSA and the Cardinals have finalized their input and direction to the contractor and designers. Later this month, the contractor will provide a complete guaranteed maximum price (GMP) basis package that will include drawings, specifications, program, estimate, allowances, contract, exceptions, construction schedule, and related documents. Our consultant teams will conduct a thorough review of these materials and provide recommendations to help facilitate a final determination of the budget. At this time, we are targeting a September 2004 facility opening, which assumes that the football exhibition season will be missed.

The facility design at the repositioned site provides a tremendous number of improvements over the former site. Some 5,000 parking spaces, both surface and structured, will be developed on land west of the

facility, allowing a steady flow of pedestrian traffic towards the building. The open slot on the west end will allow club patrons to enter enclosed lobbies on either side of the field at elevation 1,134 feet. Another pedestrian population with tickets to the upper grandstand will enter the northwest corner of the facility at the main concourse level of 1,173 feet. Fans arriving on shuttle buses will be able to enter the northeast corner at the 1,163 foot mezzanine level.

The expanded site creates acreage on both sides of Center Parkway that will allow secure parking for players and their families, and the placement of loading docks, chillers, transformers and other back-of-house features.

The service level will contain 70,000 square feet of meeting rooms, exhibition lobby, and a 107,000 square foot event floor with a utility grid that can support concerts, trade shows and many other events. The mezzanine level will be improved along the southern and eastern sides for TSA, Cardinals, and Fiesta Bowl administrative offices. A parking lot will be built directly across from our offices for staff and visitors. The main concourse will include a multitude of concession areas, restrooms, and the Cardinals team store.

The adjacent development will include retail/entertainment projects near the outboard field by opening day, followed by future hotel and office projects. We are proud of the collective efforts of our comprehensive team that has continued embellishing the design of our fabulous multipurpose facility. Nationally renowned architect Peter Eisenman will complete his work on the skin this month to enclose the building and incorporate special design features.

Three resolutions related to the Multipurpose Facility and Spring Training Facility in Surprise were reviewed and approved by the TSA Board of Directors at the September 28 meeting at the Wigwam Resort. Passage of these resolutions will allow the TSA to move forward with issuing bonds in the near future.

Youth & Amateur Sports (YAS) Facilities Update

On September 28, the Board of Directors approved a grant request from the City of Avondale to help fund a large regional youth and amateur sports complex, which includes nine soccer/football fields (five fields will have lights), along with two lighted baseball fields on thirty acres of land just east of the Agua Fria River between I-10 and McDowell Road. When combined with Avondale’s Phase I, 12 soccer/football fields and 3 baseball fields will make up the complex. The TSA contribution will be \$3.4 million, which is two-thirds of the total project cost. With the construction of this project, the West Valley will be in a position to host large soccer and Pop Warner football tournaments, but more importantly, provides much needed sports fields that can be used by West Valley youth.

The TSA has received 22 grant proposals from 17 different organizations located throughout the Valley for Youth & Amateur sports funding totaling

approximately \$10.7 million dollars. Over the course of the next 6 - 8 weeks, the staff, in conjunction with the YAS Committee, will be reviewing the requests and making a recommendation to the Board of Directors.

Cactus League (City of Surprise) Update

The City of Surprise has been moving forward with their dual-team facility - the new Spring training home for the Texas Rangers and Kansas City Royals. The bowl has been dug and the city is ready to go vertical with the structure. This phase of the project, however, may be delayed due to the John F. Long lawsuit against the TSA.

His lawsuit restricts the TSA from moving forward with the sale of bonds to raise \$26 million the TSA would otherwise deliver to Surprise by October 31. This is a clear threat to the project as Surprise does not have the financial ability to raise the funds necessary to cover the TSA's commitment as well as their own. Surprise has filed their own motion to intervene against John F. Long and the two MLB teams have expressed their support in this matter. There have been recent discussions as to how the TSA and Surprise can combine forces to keep the project moving forward while we battle Long in court. The TSA has preliminarily committed their willingness to modify the terms of the existing IGA in order to provide Surprise with a better financial remedy than exists today.

However, make no mistake about it -- if Long wins his lawsuit, the TSA funding will not occur and there is no "Plan B" for getting monies to the City of Surprise. There have been misguided suggestions by supporters of the Long lawsuit that they will simply have the legislature provide replacement funding for the Cactus League, youth sports and tourism promotion through tourism taxes, without the funding for a new TSA/Cardinals stadium, this will not happen. With the legislature facing a projected \$1.6 billion deficit, there will be no tax increase, especially since it would require a two-thirds majority for approval. Furthermore, the tourism industry would be unlikely to support a replacement plan. *In fact, all of the groups are intervening against Long.*

Short-term Tourism Forecast is Cloudy; Long-term Prospects Remain Bright

The events of September 11, 2001 are tragic enough on their own, but the trickle down effect on our nation's economy and especially travel and tourism is being felt directly here at home in Arizona. 80% of the total incoming visitors to Arizona are here for leisure/vacation activities. Individuals and groups alike cancelled their reservations in the wake of the September 11th terrorist attacks. However, according to Mark McDermott, Director, Arizona Office of Tourism, things have already begun to rebound. Air travel and hotel reservations have started to pickup in the few weeks since the attacks and he believes (barring further terrorist attacks) that there will be a return to normalcy here in the

state in the next three to six months. The short-term focus of the Arizona Office of Tourism is on those markets that are within driving distance to our state. At the beginning of 2002 there will be a concerted marketing effort to get people from "flying" markets to make their plans and come to Arizona.

The TSA also believes that we will experience a near-term downturn in our tourism revenues (i.e. the hotel bed tax and the car rental surcharge) due to cancellation of conventions and meetings, but we are very bullish on the long-term outlook for Arizona and, hence, the TSA. We further believe that people will return to Arizona once there is greater confidence in their ability to travel safely. We are re-tooling our forecast for tourism revenues for the remainder of FY2002. We are projecting that we could absorb a 30% reduction in these dollars (about \$7.0 million) in the current fiscal year

ending next June 30, and still meet our distribution requirements for debt service, tourism promotion, Cactus League, operating expenses and youth and amateur sports. *Additionally, we are looking for ways to cut our operating expenses to further reduce the impact of this temporary downturn in tourism.* We are able to absorb such a sharp downturn in tourism taxes, because in FY 2002, we do not have a full debt service payment for stadium bonds. However, it is too early to say what percent decline we may be facing. Government and industry officials are taking steps to "soften the flow."

Ernst & Young Audit Team Compiling First Annual Audit of TSA

Ernst and Young LLP, the TSA's audit firm, is in the process of completing the first annual audit for the TSA. Field work was completed the second week of September. Results will be shared at the October 2001 Board of Directors meeting following a review with the Finance Committee.

Operational Issues

Office Relocation – After nearly five months of looking, an ideal solution to the TSA's interim office requirements surfaced. The TSA will be moving to the Northsight Financial Center located at 14500 N Northsight Blvd, Suite 312, Scottsdale, AZ 85260. It provides the staff with an existing layout that meets its current office needs and expansion into the future until the stadium is completed. This suite is complete with eight built-out offices, a conference room, a large meeting area (with its own separate outside entrance) that will accommodate our board meetings, copier/fax/storage room, network room and a lobby area. The move allows us to remain along the Loop 101 in North Scottsdale, which is just 20-30 minutes from the stadium site in Tempe, downtown Phoenix, and the offices of Hunt Construction Group.

Finding this new office space will result in a FY2002 budget savings of nearly \$90,000, since there will be no need for tenant improvements and another \$30,000 in annualized savings because of a lower lease

rate than anticipated. Fortunately for the TSA, we are able to sub-lease this space from a “dot-com” company that is downsizing. We had found it very difficult to find a landlord willing to provide a 3-year lease, to cover the period until the anticipated opening of the new stadium. The sub-lease runs through April 2003, with two 6-month extensions available to the TSA.

October 15 is our first day at the new location. Friday, October 12 has been designated as our moving day and the office will be closed.

Arizona State Retirement System

Membership – The TSA and its staff were officially welcomed to the Arizona State Retirement System as of September 1.

Data Security Measures Heightened – The TSA has taken steps to ensure that inbound and outbound email are 100% scanned and scrubbed for viruses using a third party Internet provider - Mail Watch. This additional safeguard, in addition to existing firewall and tape backup and offsite storage procedures, is helping to ensure a quick and complete return to operations in the event of a software and/or hardware disaster.