

Arizona Sports & Tourism Authority

**Minutes of 112th Meeting of the Arizona Sports & Tourism Authority
Board of Directors**

Tuesday, November 15, 2011
1:00 p.m.

University of Phoenix Stadium
AZSTA Board Room
1 Cardinals Drive
Glendale, AZ 85305

In Attendance

Members

Judy Bernas, Chairman
Jody Harwood, Vice Chairman
Brad Wright
David Eberhart
Verma Pastor
Bill Peltier
Jeff Meyer

Staff

Tom Sadler, President | CEO
Robin Matteson, Office Manager | Executive Asst.
Kevin Daniels, CFO

Authority General Counsel

Sarah Strunk – Fennemore Craig

Guests

Jaime Molera, Molera Alvarez Group
John Drum, Arizona Cardinals
Peter Sullivan, Global Spectrum
Melissa Wasson, Global Spectrum
Brad Curtis, Cactus League
Ken Wilson, Rojo Hospitality
Andrew Spillman, Eide Bailey, LLC.
Paul Evans, Eide Bailey, LLC.
Scott Norton, Global Spectrum

Guests

John Snider, RBC
Andrew Sielaff, Atonement Lutheran School
Barb Quinlan, UofA College of Medicine
Dan Haren, Miracle League of Arizona
Mark Musgrove, St. Francis Athletic Association
Tom Hartmann, St. Francis Athletic Association
Brenda Carrier, Gilbert Softball Little League
Michael Hassett, St. Francis Athletic Association

1. Call to Order A public meeting of the of the Arizona Sports & Tourism Authority (the "Authority") Board of Directors (the "Board") was held in the AZSTA Conference Room at 1 Cardinals Drive, Glendale AZ 85305 on Tuesday, November 15, 2011 at 1:00 p.m. A quorum being present and the meeting having been duly noticed and called, Board Chair Bernas called the one hundred and twelfth meeting of the Board to order. Board Chair Bernas also indicated that due to several guests that are in attendance having time constraints, the order of the agenda would be revised.

Board Chair Bernas acknowledged the passing of Robert Brinton by asking for a moment of silence.

2. Consideration of September 13, 2011 Board Meeting Minutes Board Chair Bernas asked for a motion to approve the minutes of the Board for the meeting held on September 13, 2011 attached hereto as **Exhibit A**. Upon motion duly made by Member Harwood and seconded by Mr. Brad Wright the minutes were unanimously approved.
3. Legislative Update Mr. Tom Sadler introduced Mr. Jaime Molera of Molera Alvarez Group who presented to the board the Legislative update for the 2011 Legislative Session. Mr. Alvarez reported the positive relationship between AZSTA and the current Legislature. He also updated the board on the upcoming issues surrounding Cactus League as well as the Arizona Office of Tourism formula funding.

4. Recommendation by Youth and Amateur Sports Committee regarding 2012 Biennial Grant Applications
Board Chair Bernas recognized the guests in attendance for the purpose of the Youth and Amateur Sports 2012 Biennial Grant Awards. Member Pastor – Youth and Amateur Sports Committee Chair thanked the AZSTA staff and committee for their hard work in reviewing the grant applications received and taking the recommendations to the board. Mr. Sadler presented the staff recommendations for the award of the 2012 Biennial Grants attached hereto as **Exhibit B**.

- a. Grant applications to receive 100% funding - President Tom Sadler presented to the board those organizations the committee recommended at 100% or 91.41% of their requested funding. They are as follows:

1. Atonement Lutheran School - \$49,632
2. Chandler High School Booster Club - \$10,000
3. Foundation for Blind Children - \$4,600
4. Town of Gila Bend - \$132,995
5. Gilbert Softball Little League - \$6,700
6. ICAN (Improving Chandler Area Neighborhoods) - \$162,000
7. Mesa Parks & Recreation - \$200,000
8. New Way Academy - \$8,850
9. St. Francis Xavier - \$200,000
10. Veritas Preparatory Academy - \$250,000
11. One Step Beyond recommended at 91.41% funding - \$26,335
 - (AZSTA staff reduced \$2475 from the budget for swimsuits which did not fit the sustainability portion of the criteria).

Mr. Sadler reported that YMCA of the Southwest Valley and Boys & Girls Club of Scottsdale withdrew their applications due to project construction continuing beyond AZSTA's grant requirements. Mr. Sadler reported that the Committee recommended not awarding the grant application of the Phoenix Regional Sports Commission. Mr. Sadler explained that the Hall of Fame was a two phase project. The first phase is the actual Hall of Fame itself and the second phase being sports fields and lighting. According to the follow up questions, the first phase would not be completed until December 2013. The grant application was written to request funding for the first phase. Mr. Sadler reported that the committee recommended that PRSC be highly encouraged to apply again in 2013 and that the Committee and board would try to give this phase of the project a favorable review as long as it meets YAS selection criteria. Mr. Sadler indicated with the removal of Southwest Valley YMCA, Boys & Girls Club of Scottsdale and Phoenix Regional Sports Commission, there was an additional \$205,000 to redistribute to the grant applicants. Due to the responses from the grant recipients in their follow up questions the committee recommended that the following organizations receive 100% of their funding request.

12. Arizona Recreation Center for the Handicapped – 100% \$52,144
13. Miracle League of Arizona – 100% \$183,000

- b. Grant applications to receive 30% or 60% of requested funding Mr. Sadler reported that the Committee recommend to the full Board the following grants at the following percentages.

14. Town of Buckeye – 69.31% of their requested funding - \$172,278.02
15. Boys & Girls Club of Metropolitan Phoenix – 34.65% of their requested funding - \$20,686.42
16. Children's Museum of Phoenix – 35.12% of their requested funding - 34,477.36
17. City of El Mirage – 34.66% of their requested funding - \$86,193.41
18. Phoenix Regional Sports Commission – 0% - denied
19. YMCA Southwest Valley – 0% - withdrawn
20. Boys & Girls Club of Scottsdale – 0% withdrawn

Board Chair Bernas asked if there were any further questions. Having no further questions Board Chair Bernas asked for a motion to approve the 2012 Youth and Amateur Biennial grant awards as recommended. Upon motion duly made by Member Pastor and seconded by Member Harwood the motion was approved.

5. Overview of Outstanding Bonds and monitoring processes Mr. Sadler introduced Mr. John Snider, Managing Director of Municipal Finance and Market of RBC. Mr. Sadler explained that this item was included on the agenda as a result of questions asked by Board Member Mike Galloway. Mr. Snider summarized a presentation given to the board providing explanation of the history of the AZSTA Outstanding Municipal Bonds, attached hereto as **Exhibit C**.
6. 2011 Financial Statement Overview by Eide Baily, LLP Board Chair Bernas introduced Mr. Andrew Spillman and Mr. Paul Evans who gave an overview 2011 Financial Statement attached hereto as **Exhibit D**. Mr. Sadler also updated the board as to the roll of Eide Baily preparing the financial statements for AZSTA.
7. Nomination and Election for the office of Secretary for the remainder of FY2012 Board Chair Bernas explained that due to the loss of Robert Brinton as Secretary a new Secretary would need to be voted upon. Board Chair Bernas asked for nominations for the position of Secretary. Mr. Member Peltier nominated Brad Wright. Upon motion made by Member Harwood and seconded by Mr. Peltier, the motion was unanimously approved.
8. Consideration of the adoption of additional procurement policies as recommended by the Auditor Generals Special Audit in December 2010 Board Chair Bernas asked Mr. Sadler on an update on the Procurement Policy to be adopted. Mr. Sadler explained that during the 2010 Special Audit performed by the Auditor General, they had specific recommendations to add to our Procurement Policy. Staff included the recommendations into the Procurement Policy attached hereto as **Exhibit E**. Mr. Sadler asked for a motion to formally adopt this policy. Upon made by Member Pastor and seconded by Mr. Eberhart, the motion to adopt the policy was unanimously approved.
9. Super Bowl Update Mr. Sadler updated the Board on Super Bowl 2015 being played in Arizona. Mr. Sadler commended Arizona Cardinals President Michael Bidwell in his leadership role in bringing the game back to Arizona. After giving a review of the bid process in Houston Mr. Sadler asked Ron Minegar to explain the role the stadium and Super Bowl Host Committee played in the bid process. Ms. Sarah Strunk explained there will be a use agreement made with the NFL which will memorialize the commitment AZSTA will have for the event including the sales tax recapture.
10. Cactus League Update Due to the loss of Robert Brinton Board Chair Bernas appointed Member Jeff Meyer as Chair of the Cactus League Committee. Mr. Sadler explained that at this time neither the cities involved nor the Cactus League has asked AZSTA to set up a meeting regarding funding at this time. Mr. Galloway asked for clarification on the monies set aside for specific funding. Both Kevin Daniels and Sarah Strunk explained the role of AZSTA and what we are statutorily required to do.
11. Fiesta Bowl Update Mr. Sadler gave the Board an update to the operational and logistical challenges of the Fiesta Bowl being less than 24 hours after the Cardinals vs. Seahawks game and commended Global, Cardinals and Rojo staff on the preparations being done to insure the games and fan experience will be a positive one.
12. Announcements of Future Meeting Dates The next regularly scheduled meeting will be January 2012.
13. Adjournment There being no further business, Board Chair Bernas requested a motion to adjourn the meeting. Upon motion duly made by Mr. Galloway and seconded by Member Pastor, the motion to adjourn was unanimously approved.

EXHIBIT A

Arizona Sports & Tourism Authority

Minutes of 111th Meeting of the Arizona Sports & Tourism Authority Board of Directors

Tuesday, September 13, 2011

8:30 a.m.

University of Phoenix Stadium

AZSTA Board Room

1 Cardinals Drive

Glendale, AZ 85305

In Attendance

Members

Judy Bernas, Chairman

Jody Member Harwood, Vice Chairman

Asst.

Brad Wright

David Eberhart

Robert Brinton

Bill Peltier

Jeff Meyer

Staff

Tom Sadler, President | CEO

Robin Matteson, Office Manager | Executive

Kevin Daniels, CFO

Authority General Counsel

Sarah Strunk – Fennemore Craig

Guests

Jaime Molera, Molera Alvarez Group

John Drum, Arizona Cardinals

Peter Sullivan, Global Spectrum

Melissa Wasson, Global Spectrum

Brad Curtis, Cactus League

1. Call to Order A public meeting of the of the Arizona Sports & Tourism Authority (the "Authority") Board of Directors (the "Board") was held in the AZSTA Conference Room at 1 Cardinals Drive, Glendale AZ 85305 on Tuesday, September 13, 2011 at 8:30 a.m. A quorum being present and the meeting having been duly noticed Board Chair Board Chair Bernas called the one hundred and eleventh meeting of the Board to order. Board Chair Bernas then introduced the guests and welcomed them to the meeting.
2. Consideration of June 1, 2011 Board Meeting Minutes Board Chair Bernas asked for a motion to approve the minutes of the Board for the meeting held on June 1, 2011 attached hereto as **Exhibit A**. Upon motion duly made by Member Wright and seconded by Mr. Robert Brinton the minutes were unanimously approved. Board Chair Bernas also introduced and welcomed Mr. Kevin Daniels AZSTA's new CFO.
3. Review of Board Member Manual President Tom Sadler thanked the Board of Directors as well as the partners of AZSTA for their attendance and all of the direction offered to AZSTA and the continuing positive relationships. Mr. Sadler then reviewed the Board Member Manual for the Board Members. The table of contents is attached hereto as **Exhibit B**.
4. Cactus League Review Mr. Sadler and Kevin Daniels gave a presentation to the board regarding the Cactus League attached hereto as **Exhibit C**. Mr. Sadler reminded the board that the economic impact of Spring Training in Arizona is similar to hosting a Super Bowl each year. Mr. Brinton shared

that in 1993 Arizona had seven Major League teams doing their spring training in Arizona, in 2011 we had 15 teams. Mr. Sadler and Mr. Daniels presented the funding priorities and projections. Several board members asked questions regarding specific teams and funding. Board Chair Bernas suggested that perhaps AZSTA set up a working group to help come to a better understanding of the complex issues surrounding the Cactus League and our continuing role and whether AZSTA should revise any policies.

5. Review of Pending Issues Board Chair Bernas introduced Mr. John Drum, Vice President of Stadium Operations of the Arizona Cardinals and Mr. Peter Sullivan, General Manager of Global Spectrum who both presented status of issues and events being held at the stadium. Mr. Sadler thanked Mr. Drum and Mr. Sullivan regarding the coordinating of events, specifically the upcoming January 1, 2012 Cardinals game and January 2, 2012 Fiesta Bowl. Mr. Sadler reviewed the operational details of hosting both games and coordinating parties and other events in such a short time frame. Mr. Daniels gave a brief status to the 2012 budget. Mr. Sadler updated the board on the stadium roof repairs that were required as a result of the storm damage from August 2011. Mr. Sadler also updated the board on the issues of Public Relations, Tourism and Youth and Amateur Sports.
6. Recess Board Chair Bernas asked for a motion to recess the meeting for lunch, upon motion duly made by Member Wright and seconded by Member Meyer, the meeting was recessed.
7. Return to Board Meeting Board Chair Bernas asked for a motion to return to the meeting after recess, upon motion duly made by Member Wright and seconded by Mr. Brinton, the meeting was reconvened.
8. Review of Staff Goals Mr. Sadler reviewed the 2011 Staff Goals and Accomplishments and presented the proposed 2012 Goals and Accomplishments. Mr. Brinton asked the staff to send out regular updates to the board about stadium events and on going projects or issues with staff.
9. Public and Legislative Relations Mr. Jaime Molera of Molera, Alvarez Group presented a year end legislative report to the board.
10. Legal Overview Ms. Sarah Strunk, of Fennemore Craig and AZSTA General Council gave an update to the board on current legal issues pending. Ms. Strunk presented Conflict of Interest forms to the board members who were asked to complete them and turn them in to Ms. Matteson to be kept on file. Mr. Member Eberhart asked for clarification on both the gift ban policy and open meeting laws. Ms. Jody Member Harwood asked Ms. Strunk to explain Executive Session rules.
11. Committee Assignments Board Chair Bernas announced the 2012 AZSTA Committees to the Board attached hereto as **Exhibit D**.
12. Announcements of Future Meeting Dates Board Chair Bernas suggested to the Board that there be regularly scheduled meetings of the Board of Directors. After discussion it was agreed to try to hold meetings bimonthly at the stadium with lunch preceding. The next regularly scheduled meeting will be November 2, 2011.
13. Adjournment There being no further business, Board Chair Bernas requested a motion to adjourn the meeting. Upon motion duly made by Ms. Member Harwood and seconded by Mr. Member Eberhart, the motion to adjourn was unanimously approved.

EXHIBIT B

AZSTA 2012 BIENNIAL GRANTS APPLICANTS/ YAS COMMITTEE RECOMMENDATIONS TO BOARD - NOVEMBER 15, 2011

- 1. Recommended to Board (2 years, and/or 3) awards.
- 2. Recommended to Board (2 yrs. and/or 3 yrs.
- 3. Recommended to Board to allow applicants to re-eval project scope and submit their revisions by January 15, 2012.
- 4. Recommended to Board (2 yrs.

	Applicant Organization	Project Total Amount	AZSTA Requested \$	AZSTA Requested %	Applicant Contributed \$	Applicant Contributed %	Committee Recommendation \$	AZSTA % of Requested \$	AZSTA % of Total Project \$
1	Alonement Lutheran School	\$ 75,200	\$ 46,032	60.00%	\$ 29,168	39.00%	\$ 46,032	100.00%	60.00%
2	Chandler High School Hoopster Club	\$ 10,000	\$ 10,000	100.00%	\$ 0	0.00%	\$ 10,000	100.00%	100.00%
3	Foundation for Blind Children	\$ 7,000	\$ 4,000	57.14%	\$ 3,000	42.86%	\$ 4,000	100.00%	57.14%
4	Town of Gila Bend	\$ 120,000	\$ 120,000	100.00%	\$ 0	0.00%	\$ 120,000	100.00%	100.00%
5	Gilbert Softball/Little League	\$ 10,000	\$ 6,000	60.00%	\$ 4,000	40.00%	\$ 6,000	100.00%	60.00%
6	ICAN (Improving Chandler Area Neighborhoods)	\$ 5,050,000	\$ 102,000	2.02%	\$ 4,948,000	97.98%	\$ 102,000	100.00%	2.02%
7	Mass Park and Recreation	\$ 300,000	\$ 200,000	66.67%	\$ 100,000	33.33%	\$ 200,000	100.00%	66.67%
8	New Way Academy	\$ 10,410	\$ 8,350	79.9%	\$ 2,060	19.9%	\$ 8,350	100.00%	79.9%
9	St. Francis Xavier	\$ 500,000	\$ 200,000	40.00%	\$ 300,000	60.00%	\$ 200,000	100.00%	40.00%
10	Veritas Preparatory Academy / Great Hearts Academies	\$ 420,000	\$ 250,000	59.52%	\$ 170,000	40.48%	\$ 250,000	100.00%	59.52%
11	One Step Beyond	\$ 40,000	\$ 20,000	50.00%	\$ 20,000	50.00%	\$ 20,000	50.00%	50.00%
12	Arizona Recreation Center for the Handicapped (ARCA)	\$ 77,827	\$ 51,884	66.67%	\$ 25,943	33.33%	\$ 51,884	100.00%	66.67%
13	Miracle League of Arizona	\$ 275,500	\$ 187,000	67.87%	\$ 88,500	32.13%	\$ 187,000	100.00%	67.87%
14	Town of Huachuca, Community Services Department	\$ 3,580,004	\$ 250,000	6.98%	\$ 3,330,004	93.02%	\$ 250,000	100.00%	6.98%
15	Boys & Girls Club of Metropolitan Phoenix	\$ 80,000	\$ 80,000	100.00%	\$ 0	0.00%	\$ 80,000	100.00%	100.00%
16	Children's Museum of Phoenix	\$ 140,000	\$ 98,000	70.00%	\$ 42,000	30.00%	\$ 98,000	100.00%	70.00%
17	City of Tempe	\$ 525,000	\$ 250,000	47.62%	\$ 275,000	52.38%	\$ 250,000	100.00%	47.62%
18	Phoenix Regional Sports Commission - Arizona Hall of Fame	\$ 500,000	\$ 250,000	50.00%	\$ 250,000	50.00%	Devoid	0.00%	0.00%
19	YMCA, Southwest Valley	\$ 1,000,000	\$ 250,000	25.00%	\$ 750,000	75.00%	Withdraw Application	0.00%	0.00%
20	Boys & Girls Club of Scottsdale	\$ 800,000	\$ 200,000	25.00%	\$ 600,000	75.00%	Withdraw Application	0.00%	0.00%
Totals		\$ 14,664,530	\$ 2,645,000	18.04%	\$ 12,019,530	81.96%	\$ 2,645,000	82.4%	18.04%
Totals - Recommended Applicants Only		\$ 11,895,071	\$ 1,845,000	15.49%	\$ 10,050,071	84.51%	\$ 1,845,000	82.4%	15.49%

AZSTA Grant \$ 1,800,000
 (short) under \$ 0

Acknowledgment of Role

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AZSTA – Summary of Outstanding Bonds

- > AZSTA currently has \$290.92 million in Senior and Subordinate Tax Revenue Bonds outstanding
 - Tourism Tax Revenues, Facility Tax Revenues and all other Authority revenues have been pledged to the repayment of the outstanding bonds
 - Revenues are allocated pursuant to statutorily designated priorities

> The table below summarizes AZSTA's outstanding Tax Revenue Bonds:

Senior Tax Revenue Bonds				Underlying Ratings: A1 (Moody's) / A (Fitch)		
Issue	Outstanding Par	Coupon Range	Tax Status	Final Maturity	Callable Par	Call Features
Series 2003A	\$127,835,000	4.125% - 5.375%	Tax Exempt	2031	\$111,775,000	7/1/2013 @ Par
Series 2007A	89,440,000	4.000% - 5.000%	Tax Exempt	2024	80,660,000	7/1/2017 @ Par
Series 2008	53,050,000	Variable	Tax Exempt	2036	53,050,000	Anytime @ Par
Total	\$270,325,000				\$245,485,000	

Subordinate Tax Revenue Bonds				Underlying Ratings: A3 (Moody's) / BBB+ (Fitch)		
Issue	Outstanding Par	Coupon Range	Tax Status	Final Maturity	Callable Par	Call Features
Series 2003	\$20,595,000	5.000% - 5.000%	Tax Exempt	2016	\$13,060,000	7/1/2013 @ Par
Total	\$20,595,000				\$13,060,000	

Senior Variable Rate Demand Revenue Refunding Bonds, Series 2008

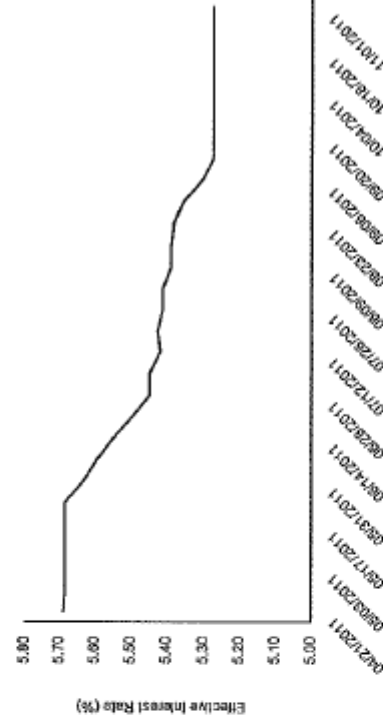
- Issued initially in 2005 and refinanced with new credit enhancement in 2008, the Senior Variable Rate Demand Revenue Refunding Bonds, Series 2008 are currently outstanding in the principal amount of \$53,050,000
- Issued as synthetic fixed rate bonds at request of Authority to provide additional bond proceeds for Stadium construction needs. Synthetic fixed rate bonds entail:
 - Issuance of variable rate bonds with interest rate reset on a weekly basis
 - A separate interest rate swap contract where the Authority pays a fixed rate and receives a variable rate
- Variable rate bond payments, in combination with the associated swap payments or receipts, change on a weekly basis. Based on the weekly variable rate on the Bonds as of November 1, net swap payment and letter of credit and remarketing fees, the recent effective rate paid was as follows:

Current Effective Rate

Rate	Rate Component
0.650%	Base Variable Rate (Week of November 1, 2011)
3.341%	Net Fixed Pay Swap Payment ⁽¹⁾
1.250%	Letter of Credit Fee (Compass Bank)
0.100%	Remarketing Fee (RBC Capital Markets)
5.341%	Current Effective Rate

⁽¹⁾ 3.516% fixed pay rate less 72% of LIBOR for current month

Recent Effective Rate History



Outstanding Bonds – Risks and Other Considerations

- Current market opportunities to refinance for savings are limited by (i) the cost to defease outstanding fixed rate bonds and (ii) the cost to terminate the interest rate swap in connection with the variable rate bonds (see below)
- Impact of Credit Markets on Variable Rates and Swap Indices
 - Market events of past 36-48 months have resulted in volatile relationships between various financial indices, causing the net effective payments by AZSTA to be higher than expected at times
- Termination Values
 - Swap agreements are financial instruments that have a market value that is based at any time on the relative current levels of the various indices associated with the swap contracts
 - Current estimated termination value to AZSTA of the outstanding fixed payer swap is (\$9.03) million
- Change in Credit Rating
 - Credit rating downgrades or credit concerns regarding the letter of credit provider (Compass Bank) will result in higher variable rate interest rates and increased payments by AZSTA
 - Credit rating downgrades of AZSTA due to financial conditions or legal issues could also increase the variable rate paid on the bonds
 - AZSTA credit concerns would also increase the cost of any new financing or refinancing by the Authority
 - Current legal issue is the biggest credit obstacle to AZSTA at present
- Renewal of the Letter of Credit
 - Existing letter of credit expires in April 2014
 - Non-renewal or inability to secure another credit enhancement provider would likely require refinancing bonds into fixed rate mode and termination of the swaps (at the then current termination value)

Series 2008 – Risk Mitigation

- > As remarketing agent, RBC is immediately aware of any credit stress associated with the variable rate Series 2008 Bonds
 - As the bonds are remarketed on a weekly basis, investor feedback to credit or other concerns is immediate
 - RBC promptly notifies AZSTA when any credit or investor concerns arise
- > In the event of a credit or other event that impacts AZSTA's payments associated with the Series 2008 Bonds, the Authority would look to the following options:
 - Replacement of letter of credit provider
 - In April AZSTA replaced its letter of credit from Allied Irish Bank with a letter of credit from Compass Bank due to the increased credit risk of Allied Irish Bank
 - Conversion of Series 2008 Bonds to fixed rate debt
 - AZSTA maintains the option to convert the Series 2008 Bonds to fixed rate bonds
 - Conversion to fixed rate would require the termination of the existing swap
 - Convert to another variable rate structure such as a direct bank placement or floating rate note
 - Option, if available, that avoids need for letter of credit
 - Would not require termination of swap and payment of termination fee
- > As AZSTA's investment banker, RBC regularly reviews the Series 2008 Bonds and AZSTA's other bonds for restructuring and refunding opportunities as market conditions change

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EXHIBIT D



October 28, 2011

To the Board of Directors
Arizona Sports and Tourism Authority

We have audited the financial statements of Arizona Sports and Tourism Authority (the Authority) for the year ended June 30, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 16, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Arizona Sports and Tourism Authority are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2011. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatement detected as a result of audit procedures was corrected by management:

- To adjust depreciation expense. This adjustment decreased depreciation expense and accumulated depreciation by \$122,792.
- To reduce liability due to the Fiesta Bowl Foundation due to an agreement reach subsequent to fiscal year end between the Fiesta Bowl and the Authority. This entry reduced the liability and expense by \$65,377.

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- To adjust deferred revenue and long-term debt related to the agreement with Rojo for concessions. The adjustment recognized revenues of \$250,000, and reclassified to current liabilities \$750,000 of deferred revenue from non-current liabilities.
- To correct intercompany accounts. There were two proposed entries. The first entry recognized expense that was recorded as an asset in an intercompany account on the balance sheet. The entry increased 2011 expense by \$10,181,607 which all related to funding of the University of Phoenix Stadium operations. The second entry was proposed to reconcile sales tax recapture accounts and intercompany accounts. The net result of the second entry decreased intercompany due to by \$647,460 and increased the investment in stadium account by \$5,243,874. The net effect of these combined entries increased total expenses by \$4,290,273.
- To adjust bond issuance cost amortization expense, which decreased current year accumulated amortization by \$177,430.
- To decrease amortization of bond premiums by \$137,874.
- To accrue for audit fees related to the fiscal 2011 audit of \$42,500.
- To record accrued interest payable to the Arizona Cardinals related to the long-term debt with the Arizona Cardinals in the amount of \$379,253.
- To reclassify interest swap receipts from interest income to interest expense in the amount of \$206,275 which decreased interest income and interest expense by that amount.
- To accrue the expense related to the July 2011 payment to the Arizona Department of Tourism in the amount of \$542,965.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 28, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of Arizona Sports and Tourism Authority and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Eide Bailly LLP

EXHIBIT E

Policy No. 300.01 Policy Category: OPERATIONS

Eff: January 1, 2005

Revision: November 2011

Description: Procurement

Overview

The Authority is a municipal corporation that operates within the confines of Maricopa County and, like other political subdivisions of the state, is exempt from the State's procurement requirements. The Authority, however, believes that a sound procurement policy is in the best interest of the Authority and those to whom we are responsible.

Policy

The following guidelines will be used by the Authority for the procurement of goods and services:

PROCUREMENT AREA	THRESHOLD	PROCEDURE
Goods and/or services – Major	Total acquisition or contract value of \$25,000 or greater <i>Proposed addition</i>	The Authority will use an RFP (Request for Proposal) process to acquire goods and/or services when they are general in nature and do not require a specialized expertise or in situations where competition is not practicable. In those cases where there exists a select group of providers the Authority will use written quotations and other documentation to support its final decision without going to an RFP.. <i>Requests for proposals (RFP) will specify the business needs, scope of work desired, and the proposal evaluation criteria and weighting factors;</i> <i>Proposals will be received appropriately and evaluated objectively. The Authority will take all necessary measures to ensure that contracts will be awarded fairly; and</i> <i>Contract provisions will define the scope of work, contract terms, allowable renewals, and procedures for any changes; provide specific measurable deliverables and reporting requirements; and describe the methods of payment and payment schedules.</i>
Goods and/or services – Minor	Total acquisition or contract value of \$25,000 or less	The Authority will primarily use written and/or verbal quotations to procure these goods and/or services. Goods and services

PROCUREMENT AREA	THRESHOLD	PROCEDURE
		that are part of the Authority's normal everyday business operations and are part of the annual adopted budget do not require a quotation but we will perform a price comparison in order to prove that a competitive price was obtained. Those that are acquired on a less frequent basis (ex. leased copiers, computers, software, audit services, etc.) will be supported by pricing information and/or quotations and will have been pre-approved by the President/CEO.
Contracts Requiring Board Ratification	All values per established board policy	The President/CEO may enter into contracts/agreements with a value up to \$100,000 without prior board ratification provided that the contract/agreement notes that board ratification must be later secured. These contracts/agreements will be brought before the board at the next board meeting following the contract's execution by all parties.
Monitoring of Contracts	All	Prior to making contractual payments, the Authority will verify that the goods/services have been provided/received according to the terms and conditions set forth in the contract.

====End of Policy====