



January 27, 2007

Ms. Johnny Pickett  
Vice President, Business & Finance  
Iowa State University  
1350 Beardshear Hall  
Ames, Iowa 50011-2038

**RE: Review of Financing Plan for Jack Trice Stadium Improvements**

Dear Ms. Pickett:

Conventions, Sports & Leisure International (“CSL”) is pleased to present interim findings regarding our independent assessment of the financing plan for the proposed \$19.5 million (Phase I) project at Jack Trice Stadium. This interim progress report focuses on the reasonableness of financing plan assumptions related to specific revenue sources identified for debt repayment including revenues from the addition of private suites, the enhancement of existing club seat amenities and the re-indexing of the National Cyclone Club.

Due to various circumstances, detailed market surveys to test the underlying assumptions of the financing plan have not been completed to date. Preliminary conclusions reached to date are based solely on a review of peer institution benchmarks, a review of historical and projected Athletic Department operations, independent verification of letters of interest and CSL’s industry experience. Further analysis is ongoing and will involve market surveys and a detailed assessment of the overall Athletic Department financial pro forma during the spring of 2007.

## **Financing Plan Overview**

Phase I renovations of Jack Trice Stadium will include the addition of 22 private suites on the west side of the stadium, the enlargement of two existing private suites, retrofitting of all existing private suites with operable glass windows, renovation of the existing Cyclone Club section, new restrooms and other aesthetic improvements to the stadium. Renovations are expected to be completed by the fall of 2008.

Total project costs associated with the Jack Trice Stadium Improvements are estimated to be \$19.5 million. Major gifts totaling \$3.5 million have already been committed by donors to the ISU Foundation and will be applied to stadium project costs. The balance of stadium project costs, the retirement of \$2.4 million in outstanding stadium debt and reserve requirements will be funded through issuance of approximately \$20 million in Athletic Facilities Enterprise Bonds.

It is anticipated that revenues from new suites, club seats and from the re-indexing of the National Cyclone Club donation requirements will provide the necessary incremental revenues to meet debt service payments. Annual debt service payments are estimated to be approximately \$1.5 million.

As prepared by University representatives, the Athletic Department's 10-year financial projections include the following revenue enhancements to provide the capacity to meet the debt service requirements for the bonds.

***Suite Revenues:*** The existing suites at Jack Trice Stadium have been re-priced and leases have been renewed or resold for the fall 2007 (FY08) season. Total revenue generation of \$630,000 will be available for debt service on the bonds in FY08. The Athletic Department has secured signed letters of intent for all but six of the new suites that will be available in fall 2008 and expects to complete commitments for the remaining suites by May 2007. The new suite leases are estimated to generate an additional \$960,000 in annual revenue beginning in FY09 with an inflation adjustment in subsequent years.

***Club Section Revenues:*** There are no additional club section seats in the proposed project. However, club section ticket prices have not been adjusted for many years. Club section season tickets will be re-priced for the fall 2008 season (FY09). There will be offsetting expenses related to the club section because the new package will include catering and parking privileges. Net annual revenue available for debt service will be approximately \$500,000 beginning in FY09.

***National Cyclone Club (NCC) Giving Levels:*** Annual giving levels required to qualify for preferred-seating in both Jack Trice Stadium and Hilton Coliseum will be increased (also referred to as "re-indexed") for the calendar year beginning

January 1, 2008. The total potential incremental revenue would be \$2.7 million if all preferred-seat ticket holders renew at the higher giving levels. However, current ticket holders may elect to be reseated rather than increase their giving levels. To be conservative, the financial plan assumes that reseating will result in net revenue of \$750,000.

The remainder of this interim report assesses the reasonableness of the financing plan as it relates to the specific revenue sources identified for debt repayment including suite, club seat and National Cyclone Club revenues.

### **Suite Revenues**

Currently, Jack Trice Stadium has 25 private suites located in the press box on the stadium's west side. Most of these private suites were added during a renovation of the press box in 1997.

Of the 25 suites at Jack Trice Stadium, one is reserved for the University's President with the remaining 24 revenue-generating suites made available to private individuals and companies. All 24 revenue-generating suites were leased for the 2006 football season. In 2006 (FY07), 18 suites generated \$430,000 in fundraising revenue. The remaining six suites were leased on a long term, pre-paid basis with revenues received upfront in previous years. During the 2006 season, the average annual lease price of existing suites including those that were pre-paid was approximately \$25,000 per suite.

For the 2007 football season (FY08), the 24 revenue-generating suites at Jack Trice Stadium have been re-priced and all suites have been renewed for multi-year terms. With this re-pricing, revenues generated by existing suites will increase by nearly 47 percent to \$630,000 in FY08. The average annual lease price of existing suites has been increased by approximately 20 percent with the average suite leasing for approximately \$30,000 in the 2007 football season (FY08). In addition, a 3.5 percent annual increase will be instituted on all existing suite renewals beginning after the 2007 football season.

Renovation plans for Jack Trice Stadium are proposed to include 24 additional private suites on the west side of the stadium including 20 new 16-seat suites, two new 22-seat suites and the expansion of two existing suites (32 seats each). Revenues generated from the new private suites will be used to meet project debt service payments.

The proposed new/expanded suites at Jack Trice Stadium will lease for an average of approximately \$40,000 annually and will include tickets, parking and will initially have 7-year or 10-year lease terms. Assuming that all 24 newly created suites are leased, \$960,000 in additional would be generated towards stadium debt payments. As is the

case with existing suites, new suite leases will also include an annual 3.5 percent price escalator.

After renovation, Jack Trice Stadium would contain 48 private suites at an average annual price of \$35,000, generating approximately \$1.7 million annually. In order to evaluate the ability to support 48 private suites in a renovated Jack Trice Stadium, comparative benchmark information regarding the suite inventory and pricing at other Big 12 Conference was assembled. The following table summarizes the private suite inventory, percentage of inventory sold, average annual price and total revenue generated by other schools in the Big 12 Conference.

**Private Suite Inventory and Pricing  
Big 12 Conference**

University	Inventory	Percent Sold	Inventory Sold	Average Annual Fee <sup>(1)</sup>	Actual Annual Revenue
Texas	64	100%	64	\$76,000	\$4,864,000
Oklahoma	63	100%	63	\$63,000	\$3,969,000
Oklahoma State	51	100%	51	\$76,000	\$3,876,000
Nebraska	55	100%	55	\$70,000	\$3,850,000
Texas A&M	68	100%	68	\$25,000	\$1,700,000
Texas Tech	54	100%	54	\$45,000	\$2,430,000
Colorado	40	93%	37	\$50,000	\$1,850,000
Iowa State - Proposed	48	100%	48	\$35,000 <sup>(2)</sup>	\$1,680,000 <sup>(3)</sup>
Missouri	35	100%	35	\$46,000	\$1,610,000
Kansas	36	100%	36	\$42,000	\$1,512,000
Kansas State	31	100%	31	\$40,000	\$1,240,000
Baylor	34	94%	32	\$36,000	\$1,152,000
Iowa State - Existing	24 <sup>(4)</sup>	100%	24	\$25,000	\$600,000 <sup>(5)</sup>
<b>Average (Excluding Iowa State)</b>	<b>48</b>	<b>99%</b>	<b>49</b>	<b>\$52,000</b>	<b>\$2,550,000</b>

(1) Annual lease fees include required donation and tickets. Fees rounded to nearest '000.

(2) Represents the average annual suite price for 24 existing suites at \$30,000 and 24 proposed suites at \$40,000.

(3) Represents the potential of \$960,000 generated by the sale of new suites and the potential generation of \$720,000 from existing suites. Actual suite revenues from existing suites in fiscal year 2008 will be \$630,000 due to the fact that three existing suite leases were pre-paid in prior fiscal years.

(4) Excludes one suite reserved for the University President.

(5) Actual suite revenues in fiscal year 2007 were \$430,000 due to the fact that six suite leases were pre-paid in prior fiscal years.

As shown in the table, the current suite inventory, pricing and annual revenue generated from Jack Trice Stadium suites rank as the lowest in the Big 12 Conference. In comparison, the average number of suites available at Big 12 Conference schools is 48

(with 99 percent of those suites leased at an average annual price of \$52,000), generating an average of \$2.6 million annually.

After renovation, the inventory of suites at Jack Trice Stadium would meet the average of Big 12 Conference stadiums, while the average price of \$35,000 per suite would be among the lowest in the Big 12 Conference. Overall, Iowa State's potential suite revenue of approximately \$1.7 million per year would rank eighth among the twelve peer schools in their conference.

As an additional means of comparison, the University of Iowa's Kinnick Stadium has 46 suites (of which 45 are leased at an average price of approximately \$55,000), generating approximately \$2.5 million annually.

Currently, the ISU Athletic Department has secured signed letters of intent to lease 18 of the proposed 24 new suites and has received verbal commitments for two additional suites. The Department anticipates receiving signed letters of intent for the two verbal commitments within 30 days. All 18 signed letters of intent were made available for CSL's independent review. In addition to a careful review of each letter of intent, CSL randomly contacted a number of the potential lessees that signed a letter of intent. This was done in order to verify the intent to actually lease a suite should renovations to Jack Trice Stadium take place. In each of the instances where potential lessees were contacted, they indicated their full intent to lease a suite upon completion of the stadium renovation. The majority of those that have signed a letter of intent have had long-standing associations with the Athletic Department as either athletic donors or sponsors, providing further assurance of the commitment level of this group.

The intent of the Athletic Department is to secure letters of intent for the six remaining suites for which they do not yet have commitments. The Athletics Department is seeking to obtain commitments for the remaining suites by a self-imposed deadline of May 2007. At that time, the Department plans to prioritize the signed commitments based on past giving levels and move forward with the process of arranging formal lease agreements with those individuals.

In conclusion, given the letters of intent received to date and a review of private suite inventory, pricing and sales at comparable Big 12 Conference stadiums, it appears that the addition of 24 private suites at Jack Trice Stadium at an average annual price of \$40,000 appears reasonable through the term on current suite lease commitments (7 to 10 years). However, it is suggested that formal lease agreements be secured with non-refundable deposits on the new suites prior to the issuance of bonds in order to provide further security that the suites will be leased. The annual price escalator of 3.5 percent to be instituted on future leases of existing and new suites will provide the University with additional, growing revenues in future years that could be used to cover any suite revenue reductions due to any future unleased suites. Also, while it appears likely that all new

suites will be leased in the initial years of bond indebtedness, assuming suites are 100 percent leased throughout the life of the stadium bonds is an aggressive assumption. Therefore, it is recommended that a lease reduction factor be applied to future suite revenue projections beyond the initial term of commitment (beyond the initial 7 to 10 year terms). As an example, Kinnick Stadium financial planning prior bond issuance and suite marketing (i.e. receiving letters of commitment) assumed that 80 percent of suites were leased.

### **Club Seat Revenues**

Currently, there are 542 seats in the club seat section at Jack Trice Stadium and renovation plans do not include an increase in the overall club seat inventory. Renovation plans at Jack Trice Stadium include substantially upgrading the existing club lounge which is located on the east side of the stadium and is accessible only to club seat patrons/donors. Plans include the expansion of the club lounge by 6,195 net square feet as well as a modern remodeling of lounge décor. It is anticipated that club seat patrons will receive complimentary food and beverage service in the redeveloped club space as well as parking privileges (amenities they do not receive as part of the current club seat pricing structure).

In 2006, the annual average donation (including ticket price) to obtain a club seat at Jack Trice Stadium was approximately \$863 (excluding food and beverage and parking privileges) and 531 club seats were sold. This pricing structure will remain in effect through the 2007 football season.

Currently, there are two different types of club seat patron accounts at Jack Trice Stadium. One type of club seat account is classified as a non-stadium-option account. Non-stadium-option account holders are required to make an annual contribution to athletics in order to become eligible for club seats at the stadium. Presently, non-stadium-option account holders purchase approximately 48 percent of the stadium's club seat inventory. The second type of club seat account is classified as a stadium-option account under which the remaining 52 percent of the club seat inventory is currently leased. Stadium-option accounts consist of individuals and companies that made significant capital contributions toward the initial construction of Jack Trice Stadium in 1975. The original capital contributions entitle stadium-option account holders the right to lease club seats. These patrons are required only to purchase tickets each year and are not required to make the minimum annual donations that are required of the non-stadium account patrons.

In the 2008 football season (FY09), a re-pricing of the club seats will take place to reflect the enhanced value of the club seating section. Club seat purchases made by non-stadium-option account holders will require a minimum donation of \$5,000 to the

National Cyclone Club. The minimum \$5,000 donation will grant the donor the right to purchase from one to four season tickets in the club section at a price of \$1,500 per seat, which would be in addition to the required minimum donation. The Athletic Department's financial projections assume that each non-stadium-option donor will purchase four season tickets at a price of \$1,500 per seat plus the minimum required donation. This is a conservative assumption because it results in the lowest possible prorated donation per seat. Non-stadium-account-patrons electing to purchase less than four club seats would effectively increase the prorated per seat donation received by the Athletic Department. Non-stadium-account patrons wishing to lease more than four seats will be required to make a donation of \$1,250 per additional seat and pay the \$1,500 ticket price for each additional seat. Current club seat patrons classified as stadium-option account holders will not be required to make a minimum donation for club seat eligibility. The club seat ticket price for stadium-option account holders will also be re-priced at \$1,500 per seat in the 2008 season. Increased club seat ticket prices reflect the value associated with a larger, updated club lounge space and the inclusion of food and beverages and parking privileges.

The financing plan assumes that 93 percent of the club seat inventory at Jack Trice Stadium will be sold in the 2008 football season (FY09), generating approximately \$596,000 in new annual revenue. This represents an approximate 130 percent increase in club seat revenue from the 2006 football season. However, the addition of food and parking amenities will result in incremental expenses of approximately \$96,000. The financing plan assumes net revenue available for debt service of \$500,000.

To assess the reasonableness of the financing plan assumptions related to club seats, the Athletic Department's assumptions were benchmarked against the club seat programs at other Big 12 Conference football stadiums. The table on the following page summarizes the club seat inventory, percentage of inventory sold, average annual price and total revenue generated by other schools in the Big 12 Conference.

**Current Club Seat Inventory and Pricing  
Big 12 Conference**

<u>University</u>	<u>Total Inventory</u>	<u>Percent Sold</u>	<u>Inventory Sold</u>	<u>Average Annual Fee <sup>(1)</sup></u>	<u>Actual Annual Revenue <sup>(2)</sup></u>
Texas	2,800	100%	2,800	\$5,258	\$14,722,000
Oklahoma State	4,000	70%	2,800	\$1,900	\$5,320,000
Texas A&M	1,948	100%	1,948	\$2,445	\$4,763,000
Nebraska	2,525	100%	2,525	\$1,836	\$4,636,000
Oklahoma	3,400	100%	3,400	\$1,250	\$4,250,000
Texas Tech	1,100	99%	1,094	\$3,070	\$3,359,000
Missouri	1,000	100%	1,000	\$2,766	\$2,766,000
Kansas State	2,000	100%	2,000	\$1,230	\$2,460,000
Colorado	1,903	53%	1,000	\$1,850	\$1,850,000
Iowa State - Proposed	542	93%	502	\$2,100 <sup>(3)</sup>	\$1,054,000 <sup>(4)</sup>
Baylor	650	100%	650	\$1,190	\$774,000
Iowa State - Existing	542	98%	531	\$863	\$458,000 <sup>(5)</sup>
Kansas	n/a	n/a	n/a	n/a	n/a
<b>Average (Excluding Iowa State)</b>	<b>2,133</b>	<b>92%</b>	<b>1,922</b>	<b>\$2,279</b>	<b>\$4,490,000</b>

(1) Annual lease fees include required donation and tickets.

(2) Actual annual revenue rounded to nearest '000.

(3) The sale of 502 seats at \$1,500 per seat will generate \$753,000 in club seat ticket revenue. Currently, 48 percent of club seats sold require a minimum annual donation. It has been assumed that this will remain constant and apply to approximately 241 of the 502 club seats sold. Under proposed club seating eligibility requirements, the minimum donation required will be \$5,000 for 1-4 tickets. It has been conservatively estimated that those making the \$5,000 minimum donation for club seat eligibility will purchase four tickets, making the minimum annual donation requirement \$1,250 per seat. It has been assumed that 241 seats will require the minimum \$1,250 contribution and generate \$301,250 in donation revenue. Including ticket price and required donations, the effective average annual fee is estimated to be \$2,100 per club seat.

(4) Includes \$753,000 in ticket revenue and \$301,250 in donation revenue.

(5) Includes \$138,060 in ticket revenue (531 seats x \$260) and required annual donations of approximately \$320,100.

As shown above, the current club seat inventory, pricing and annual revenue generated from Jack Trice Stadium club seats rank as the lowest in the Big 12 Conference (other than the University of Kansas which does not have stadium club seats). In comparison to the 542 available at Jack Trice Stadium, the average number of club seats available at peer Big 12 Conference schools is 2,133 (with percent 92 percent of those club seats leased at an average annual price of \$2,279), generating an average of \$4.3 million annually. After renovations, club seat inventory at Jack Trice Stadium will remain at 542 seats with the average price, including tickets and required donations, increasing to \$2,100 per seat. Under current plans, Iowa State will still rank among the lowest in the Big 12 Conference in terms of club seat inventory (11<sup>th</sup> out of 12 schools) and potential revenue (10<sup>th</sup> out of 12 schools). However, the proposed average annual fee of \$2,100 per club seat would rank Iowa State fifth out of the eleven Big 12 schools that currently have club seats and bring the average price per club seat more in line with the Big 12 average of \$2,279. Conservative financing plan assumptions are that 93 percent of club

seats in a renovated Jack Trice Stadium will be leased compared to the 98 percent currently leased at Jack Trice Stadium. An average of 92 percent of all club seats in the Big 12 are currently leased.

As an additional means of comparison, the University of Iowa's Kinnick Stadium has a combined total of 1,150 outdoor and indoor club seats of which approximately 1,075 are leased (93 percent) at an average price of approximately \$2,200 per seat, generating approximately \$2.4 million annually.

In conclusion, based on the historical lease rates of the existing club seats at Jack Trice Stadium (98 percent), it appears that the financing plan assumptions related to club seat revenue are reasonable. The percentage of club seats leased has been reduced from historical levels (98 percent to 93 percent) as a hedge against the potential impact of price increases. However, considering the price increase in the context of the value added amenities associated with the renovation of the club space (larger club, modernized décor, and inclusion of food and beverages and parking privileges) and the club seat prices at comparable Big 12 Conference schools, it is likely the market would support the new club seat pricing plan.

Further research on the club seats is expected to be completed this spring and will involve a market survey to assess the likelihood of renewal under the proposed new pricing plan and amenities. In the absence of written or verbal commitments for club seats, CSL will gauge the primary market's purchase intent for re-priced club seats through a market survey designed specifically to measure seating demand and purchase intent. CSL has conducted similar studies for myriad NCAA football programs including a 2003/2004 study that aided in estimating premium seating demand at Kinnick Stadium at the University of Iowa.

Ideally, a market study would have been completed prior to this preliminary report. However, it was determined that the best course of action would be to allow the Athletic Department to contact season ticket holders, club seat patrons and donors through a series of letters outlining the proposed changes to the Athletics program prior to engaging in a market study. The first in this series of letters was sent to season ticket holders in early January. In February and March, informational letters will be sent to club seat patrons and National Cyclone Club members respectively. Shortly after the last mailing is completed by the Athletic Department, CSL will conduct a formal market study estimating seating demand at Jack Trice Stadium. The results of the market surveys will be included in CSL's final report, which will be presented to the University prior to the scheduled bond issuance in the summer of 2007.

## **National Cyclone Club Re-Indexing**

The National Cyclone Club is Iowa State Athletic Department's giving program in support of the University's scholar athletes. National Cyclone Club giving is also tied to a priority points system which rewards donors for annual and lifetime giving as well as the purchase of season tickets to Iowa State sports. Over the past year, membership in the National Cyclone Club has increased by more than 20 percent, going from 5,398 members in 2005 to more than 6,600 members in 2006.

The annual National Cyclone Club (NCC) giving levels required to qualify for preferred seating in Jack Trice Stadium will be increased or re-indexed starting on January 1, 2008. The re-indexing of required donation levels of preferred seat ticket holders will center on seat location within the stadium. Those wishing to sit in seats designated as preferred football seats will be required to make the minimum annual donation to remain in the preferred seating sections. Those that do not wish to increase their giving levels to remain within that level of preferred seating will be given the opportunity to be re-seated within the stadium.

The Athletics Department projects that if all 2006 season ticket holders were to renew their memberships at the re-indexed giving level, incremental annual revenues generated would be approximately \$2.7 million. However, financing plan assumptions developed by the Athletics Department assume that the re-indexing program will result in net annual incremental revenues of \$750,000 or approximately 28 percent of the estimated incremental revenue potential. This conservative approach was employed given that a number of current preferred-seat ticket holders are likely to remain at their current giving levels and choose to be re-seated rather than increase their donation.

The table on the following page represents the most recently available statistics with respect to donations towards athletics foundations in the Big 12 Conference. The table outlines the Big 12 athletics foundations, the number of donors at each school, cumulative athletics giving and average giving per donor in the year 2005

2005 Athletic Giving  
Big 12 Conference

School	Athletics Foundation	Donors	Annual Giving	Average Giving per Donor
Kansas	Williams Educational Fund	4,200	\$8,000,000	\$1,905
Texas Tech	Red Raider Club	7,000	\$13,000,000	\$1,857
Oklahoma	Sooner Club	9,500	\$16,500,000	\$1,737
Texas	Longhorn Foundation	11,823	\$20,500,000	\$1,734
Kansas State	Mike Ahearn Scholarship Fund	7,200	\$12,100,000	\$1,681
Missouri	Tiger Scholarship Fund	4,700	\$6,700,000	\$1,426
Texas A&M	12th Man Foundation	23,000	\$25,000,000	\$1,087
Oklahoma State	Posse	6,400	\$6,900,000	\$1,078
Colorado	Buff Club	6,000	\$6,000,000	\$1,000
Baylor	Baylor Bear Foundation	2,800	\$2,500,000	\$893
Iowa State - Proposed Re-indexing	National Cyclone Club	5,398	\$4,455,000	\$825
Nebraska	Huskers Athletics Fund	13,500	\$11,000,000	\$815
Iowa State - Existing Giving Levels	National Cyclone Club	5,398	\$3,705,000	\$686
<b>Average (Excluding Iowa State)</b>		<b>8,738</b>	<b>\$11,655,000</b>	<b>\$1,383</b>

Note: Based on 2005 donor bases. Iowa State donor base has increased to approximately 6,600 in 2006.

As illustrated, Iowa State ranked last behind all eleven other schools in the Big 12 in average giving per donor and only Baylor University had lower cumulative giving levels in 2005. Using the most recent year for which there is reliable athletics donation data in the Big 12 Conference, 2005 giving levels at Iowa State were increased by \$750,000 as a means of comparing the proposed re-indexing projections to peer schools in the Big 12 Conference. With an assumed 20 percent increase in donation levels after re-indexing, the average giving per donor at Iowa State would remain among the lowest in the conference (11<sup>th</sup> out of 12 schools).

In order to more fully analyze the reasonableness of the re-indexing program and the reaction of donors to price level changes as well as any potential impact on giving levels, it will be essential to conduct a market study of the National Cyclone Club donor base. CSL will perform a market study assessing the implications of National Cyclone Club re-indexing in conjunction with market surveys to be conducted with club seat patrons in the spring of 2007. The results of the study will be included in CSL's final report, which will be presented to the University prior to the scheduled bond issuance in the summer of 2007.

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This interim briefing constitutes our preliminary findings regarding our independent assessment of the financing plan for the proposed \$19.5 million (Phase I) project at Jack Trice Stadium. Further analysis is ongoing and will involve market surveys and an assessment of the overall Athletic Department financial pro forma during the Spring of 2007.

In the meantime, CSL representatives will be available at the February 2007 Board of Regents meeting to answer any questions regarding this preliminary report.

Very truly yours,

*CSL International*

CSL International