Memorandum

MIAMI-DADE COUNTY

Date: April 9, 2013

To: Honorable Chairwoman Rebeca Sosa
and Members, Board of County Commissioners

From: Carlos A. Gimenez
Mayor

Subject: Stadium Modification Agreement with South Florida Stadium LLC and Stephen M. Ross; and Non-Relocation Agreement with Miami Dolphins, Ltd.

This serves to provide the Board of County Commissioners (Board) with information on the two documents that will be released shortly for tomorrow's Special Meeting:

1) Stadium Modification Agreement with South Florida Stadium LLC ("Stadium LLC") and Stephen M. Ross, controlling owner of Stadium LLC and Miami Dolphins, Ltd. ("MDL" or "Team"); and
2) Non-Relocation Agreement with the Team.

These Agreements were negotiated with the overriding tenant that the County would not issue or guarantee debt, and that the County's general fund would be protected. It is also important to note that the County receives property taxes from Sun Life Stadium. Improvements to Sun Life Stadium, such as these, have the potential to increase the property's taxable value; therefore, increasing the amount of property taxes generated for essential County services such as police, fire, parks, and public works, among others, as well as public schools.

The two agreements will be executed only upon:

a. Approval by the voters of Miami-Dade County at a referendum;
b. The payment of election costs by the Dolphin organization;
c. An award of Super Bowl 50 or 51 by the National Football League owners at their meeting of May 22, 2013; and
d. The levy of an additional Tourist Development Tax ("TDT").

Background

The Miami Dolphins organization has been a fixture in Miami-Dade County since 1966. On January 14, 2013, the Team unveiled plans for the modernization/renovation of Sun Life Stadium. The financing of the modernization was contemplated to be over 50% privately financed with the balance financed by public funds through the:

1) Imposition of an additional Tourist Development Tax ("TDT") also known as the "2nd cent Professional Sport Tax" to be enacted by the State and implemented by the County. The TDT would be levied on all persons (mostly visitors and tourists) lodging on the mainland of Miami-Dade County, which under current law, would exclude Miami Beach, Surfside, and Bal Harbour; and
2) A State sales tax rebate of up to $3 million per year for 30 years.

On January 23, 2013, the Dolphins made a presentation to the Board about their stadium modernization plans. At this meeting, the Board adopted Resolution R-67-13, sponsored by Commissioner Barbara J. Jordan, urging the Florida Legislature to enact legislation that would authorize the additional penny of professional sports bed tax, grant the State sale tax rebates on goods and services sold at Sun Life Stadium and authorize the use of the bed tax and sales tax rebates to fund a portion of the modernization, provided that the renovations to the facility would be in excess of $250 million.

At this meeting, the Board also directed me to begin negotiations with the Dolphins regarding the commitment and use of the TDT for the modernization project. Board members suggested various issues to be brought up in the negotiations with the Dolphins, such as having all Super Bowl activities hosted in Miami-Dade County and requiring local employment opportunities. I stated that I would commence negotiations with the Dolphins and only bring forward a recommendation to the Board if I felt that it served the economic interests of the public and that the County's General Fund was protected.
Below are listed the main points of the two agreements before the Board:

Stadium Modernization Agreement (SMA)

1) Stadium LLC will modernize Sun Life Stadium at a total construction project cost inclusive of hard and soft construction costs estimated at a minimum $350 million which are eligible costs under proposed State legislation for funding by the TDT and State sale tax rebate proceeds (see Exhibit B of the SMA for a listing of the contemplated improvements). The project is designed to modernize the stadium and to enhance patron experience. However, it is the potential economic benefits that the modernization may permit that is the reason why the County should commit public tourist bed taxes to fund a portion of the renovation. Should the final construction costs come in under $350 million, the County and Stadium LLC will proportionally share in the savings while construction cost overruns will be the sole responsibility of Stadium LLC.

2) Once approved, the County will grant Stadium LLC the lesser of $7.5 million per year, with growth capped at 3% per annum, or 75% of the TDT collections to finance the stadium modernization. Given today's interest rate environment and funding options available to Stadium LLC, a 26 year commitment will generate $112 million of proceeds for the project (see Exhibit D for the TDT Funding commitment). Assuming that all conditions precedent occur, the actual financing is not expected to occur any earlier than September 2013. Should the interest rate environment become more favorable or better options for financing become available to Stadium LLC, the financing may be increased to $120 million. Given the parameters of the proposed debt, a maximum of $289.1 million of TDT Funding will be made available to this project over the course of the next 26 years. Additionally, the County will fund a $4 million replenishing debt service reserve account from the 75% of TDT collections over the scheduled TDT Funding commitment.

3) Up to the one year anniversary of the 30 year term of SMA, the Primary Owner of the Stadium LLC and Miami Dolphins, Ltd. must pay back to the County the public contribution, which may range from $112 million to $120 million. This payment is secured by the personal guaranty of the Primary Owner, currently Stephen M. Ross.

4) Should Mr. Ross sell a controlling interest of the Team and Stadium LLC within five years of the contract's execution, Mr. Ross must pay the County $20 million.

5) The reason for the County's grant of public bed tax monies is to generate economic development and attract marquee events for our community. To ensure that the expected economic benefits are achieved, the SMA provides for the payment of up to $120 million in penalties if certain point totals for events as described below are not achieved by the end of the 30 year term of the agreement. Each point that is achieved is worth a $1 million reduction in the overall penalty.

Stadium LLC must host the following events that are assigned relative weights (in the form of points) indicative of economic benefits to the community:

Tier I Events (total 100 Points)
a. Four (4) Super Bowls – 15 points each.
b. A World Cup Soccer Final game is an equivalent 15 point event.
c. Four (4) BCS Championship games – 10 points each.
d. A World Cup Soccer non-Final match can be a substitute for a BCS Championship game.
e. Commencing with the fifth (5^{th}) Super Bowl Game and each Super Bowl thereafter would be worth twenty (20) points.

Tier II Events (total 20 Points)
Twenty (20) International Soccer games that are internationally televised – 1 point each.

Tier 1 events may be substituted for Tier II events but not vice versa. Other events that generate comparable and similar economic benefits to the community may be substituted for the above projects if either, the Greater Miami Visitors and Convention Bureau formally determines that they are similar and comparable or, the Board passes a resolution approving the substitution.
As an example of how the incentive system would work, if the Stadium hosts three Super Bowls and 10 International Soccer games during the term of the agreement, the Primary Owner will be assessed a $65 million penalty [$120 million less $45 million (3 times $15 million) for the Super Bowls and less $10 million for the ten International Soccer games].

6) Stadium LLC shall ensure that any Super Bowl bids during the term of the agreement are conditioned on the participating team headquarters, the NFL's primary operations center, the NFL media center and the NFL Experience (of future equivalent event) all being located in Miami-Dade County subject to the County's ability to host such events.

7) The SMA additionally calls for:
   a. Performance bonds for all work contracted;
   b. Adherence to the County's procurement policies as it relates to Community Small Business Enterprises (CSBEs);
   c. Use of South Florida Workforce to recruit workers,
   d. Aspirational goals to have at least 50% of the workers to be Miami-Dade County residents, 5% or which are to be Miami Gardens residents, and at least 35% of the firms hired as subcontractors to be located in Miami-Dade County;
   e. Payment of certain County expenses incurred for construction and SBE monitoring ($390,000); due diligence work by consultants ($50,000), and the cost of financial advisory services in connection with the optimization of the borrowing associated with the TDT Funding.

Non-Relocation Agreement
The non-relocation agreement requires the Dolphins to play all of their home games at Sun Life Stadium over the 30 years of the agreement, with certain exceptions for items considered to be Force Majeure and the possibility of one home game per season pursuant to NFL rules and regulations. As an added protection, the agreement also requires an additional 10 year non-relocation period to provide the County time to seek remedies should a future owner not fully satisfy his/her payment obligations.

Conclusions

The agreements before the Board are the result of intense negotiations between the County and the Dolphins organization. As with any successful business negotiation, both sides did not get all that they wanted but they obtained what was necessary to close the deal. The benefits to the County in this public-private-partnership with the Dolphins organization include new economic development in the form of construction work and opportunities to bring to our community marquee events that will increase tourism and that will have significant economic impacts.

In preparation for the negotiations, we met with the Greater Miami Convention and Visitors Bureau to discuss, and reviewed reports regarding, the local economic benefits of Super Bowls. The Dolphins supplied us with a summary operational cash flow schedule covering several fiscal years. We retained qualified consultants to review the audited financial statements underlying the summary information and to opine on whether they thought the Dolphins organization needed outside assistance to fund the costs of modernization project. Both consultants agreed that the Dolphins could not support the necessary financing by themselves. The review was limited to the consolidated audited financial statements of Stadium LLC and MDL, and the review did not extend to Mr. Ross' personal financial situation. Attachment I has the summary operational cash flow schedule as well as reports from the consultants.

The agreements that are being recommended serve the economic interests of the public and protect the County's general fund. The County is neither issuing nor guaranteeing any debt for the contemplated improvements and has entered into an economic development grant agreement that sets significant performance measures with financial penalties for non-compliance. The County has limited its participation to up to $120 million which represents 34% of the modernization project and with the principal repayment in 30 years, the County's participation level drops to 24.6%, measured in today's dollars. Finally, this public-private-partnership will enrich our community for many years to come. Before I commenced negotiations with the Dolphins, I stated I would only bring forward a recommendation to the Board if I felt that it serves the economic interests of the public and protects the County's General Fund. The item before you achieves both of these goals.

If you have any questions or concerns, please feel free to contact Deputy Mayor Edward Marquez or me directly.

c: R. A. Cuevas, Jr., County Attorney
Office of the Mayor Senior Staff

Miami Dolphins and South Florida Stadium
Consolidated Financial Results

	2008 Season FYE 3/31/09	2009 Season FYE 3/31/10	2010 Season FYE 3/31/11	2011 Season FYE 3/31/12	2012 Season FYE 3/31/13	2013 Season FYE 3/31/14
EBIDA	23,876,429	4,784,392	23,427,878	25,753,688	24,764,746	(13,545,146)
Interest & Financing Fees	14,941,653	11,611,693	14,690,360	16,900,320	12,846,052	11,078,255
Adjusted EBIDA	8,934,776	(6,827,301)	8,737,518	8,853,368	11,918,694	(24,623,401)
Principal Payments	808,863	870,912	930,017	4,865,766	11,200,000	11,683,000
CapEx	5,722,627	19,655,514	7,387,824	2,126,699	5,079,000	5,131,675
	6,531,490	20,526,426	8,317,841	6,992,465	16,279,000	16,814,675
Cash Flow	2,403,285	(27,353,726)	419,677	1,860,903	(4,360,306)	(41,438,076)

Note: Cash Flow is defined as Adjusted EBIDA less Principal and CapEX

	FYE 3/31/09	FYE 3/31/10	FYE 3/31/11	FYE 3/31/12	FYE 3/31/13	FYE 3/31/14	Total
Capital Contributions	24,000,000	25,901,958	-	-	-	42,000,000	**91,901,958**

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April 9, 2013

Memorandum

To: Ed Marquez, Deputy Mayor / Finance Director

From: Public Financial Management, Inc.

Re: Miami Dolphins Stadium Renovation

At the request of the Office of the Mayor, Public Financial Management was directed to review certain financial information made available by the Miami Dolphins organization, as part of Miami-Dade County's due diligence with respect to the proposed Miami Dolphins Stadium Renovation plan. We, along with the County's Sports Industry consultant, Stafford Sports ("Stafford"), were asked to review the audited financials for both the Dolphins Team and Stadium (defined below). The primary objective of our review was to confirm for the County that audited financial statements for the Team and Stadium tied to the information that was made publicly available in the form of a summary consolidated financial statement.

This memorandum serves to report our review of the audited financial statements for the two entities provided by the team representatives (herein the "Representatives") on April 3, 2013. For purposes of the review the team reps provided access to view audited financials. We were not able to take possession of, or make copies of, any documents. Audited Financials were provided for South Florida Stadium LLC. ("Stadium") and Miami Dolphins, Ltd. ("Team"). The Representatives showed an organizational chart depicting all corporations and owners related to all operations. It was verbally represented by the Representatives that the two entities for which audited financial statements were provided represent, and account for all Team and Stadium revenues and expenses.

The objectives of the meeting with team representatives and review of the financials was the following:

1. Identification of the specific entity (ies) for which audited financial statements are provided, presumably the holding company for both Stadium and Team operations as referenced in the letter from Goldman Sachs (Dolphins lead banker) to the County.
2. Discuss our review of the audited financial statements (as provided by the Dolphins) and whether the audited financial results can be confirmed to match the summary of consolidated financial results that were previously provided.
3. In the review of the audited financial statements, evaluate the footnotes to the financial statements in order to highlight ownership and debt characteristics and bring those to the County's attention. Provide additional comments related to certain footnotes, as necessary.
4. Detail any material related party transactions as stated in the footnotes and clearly identified as such in the audited financial statements, to the extent related party transactions are evident and noted in the audited financials. There may be additional related party transactions in the audited financials which are not described or clearly identified as such.
5. Provide general commentary regarding financing.

The following documents were provided for our review:

- Audited Financials for years ending March 31, 2009 through 2012 (separate audits for Team and Stadium)

- A one-page unaudited summary income statement for consolidated (Team and Stadium) operations for fiscal year ended March 31, 2013. No balance sheet or cash flow statements supporting schedules were provided.
- A one page summary (preliminary) budget projection for consolidated operations for the fiscal year ending March 31, 2014. However please note that because the level of detail for the projected budget was high-level only, and that the Team makes certain assumptions for budgeting purposes that may or may not materialize, we could not rely on projection data in our review.
- A one-page summary income statement for consolidated operations for FY 2009 through 2012 (actual), FY 2013 (unaudited), and FY 2014 (current plan)

Our analysis of the Financial Statements was limited in scope, and does not constitute a full forensic audit. We relied upon information that was made available to us and represented as audited financial statements and year-end consolidated summary, and consolidated budget summary. Based on the provided information and our discussion with Representatives, we have made the following findings/ comments:

1. Representatives provided an organizational chart of the structure of the Team and Stadium ownership, including specific partnership shares. The two primary entities include South Florida Stadium, LLC. ("Stadium") and Miami Dolphins Ltd. ("Team"). The organizational chart and explanation of Representatives also identified related, but non-relative operating entities that capture specific revenues and pay specific expenses related to events at the stadium (parking, etc.). It was represented that all net operating revenues of these entities flows back into the primary entities (Team and Stadium).
2. Based on discussions with the Representatives about the structure, it is reasonable to consider the two entities on a consolidated basis for the purposes of this review. While there are certain inter-company activities (such as rent) that are not netted in the consolidated numbers, they would have no net impact on the bottom line.
3. The audited financials for the two entities that were provided by the Representatives, when combined, tie to the summary consolidated financial statement provided to the County on March 25, 2013.
4. We were provided the opportunity to independently review the audited financial statements for the years provided. In our review of the audited financial statements we did not identify any material footnotes that would not be typical of these types of entities. We do note that there were certain one-time realized earnings resulting from certain hedge-related transactions. Additionally, we note that net revenues from the Marlins will not be realized after FY2012.
5. Our review was based primarily on historical information, and we did not attempt to make a forecast on future earnings and cash flows of the entities.
6. In our review of the financial statements we did not find any material transactions that would suggest that ownership was receiving a payment, either in the form of interest, dividend, or fees, from Team or Stadium operations. Further, we directly asked Representatives to indicate if ownership received any compensation from the Team or Stadium operations, and they specifically represented that there was no payment to ownership in any form. They did highlight one specific capital expenditure that was made for stadium maintenance and subsequently paid back to ownership. In addition, we reviewed the related-party transactions such as concession, janitorial, and other general maintenance payments and again directly asked Representatives to identify the firms providing such services and whether ownership had any interest in these firms. Again the response from Representatives was that ownership had no relation to these firms. Additionally, we noted, per the financial statements, that (significant) additional capital had been provided by the owners to the entities over the four year period represented by the audits.
7. With respect to the financing for the stadium improvements, upon review of the audited financial statements, it is reasonable that the Team and Stadium entities would likely not be able to secure funding for the entire amount of stadium improvements solely from the combined operations of these two entities.

That is clearly a different question then as to whether the ownership group could secure funding from other means, which was outside the scope of this review.

Note: While it is not within the scope of our review, and we did not receive direct information from the Representatives or perform a detailed analysis of the Team's overall financing package, we would like to make mention of our understanding of the likely financing sources. Based on our understanding of the NFL G4 Loan program (Tranches 1-2), the Team will be eligible for approximately $150 million of NFL lending. The NFL loans are repaid from Team/Stadium revenues that would otherwise have been paid to the NFL for other purposes, making that portion of the financing cash flow neutral to the Team/Stadium. However it is also important to note that (a) the Team/Stadium operations must meet certain improved performance metrics to meet the more favorable loan terms and, (b) the large portion of the NFL loans are fully guaranteed by Ownership in the event Team/Stadium revenues are insufficient. Further it is our understanding that the Team would be unlikely to have access to the NFL loan program without some level of public/private (non-Team related) support.

In conclusion, the results of our review confirmed that the summary consolidated financial statements provided to the County are supported by the audited financial statements of the Team and Stadium. We did not find any material disclosures in the footnotes to the financial statements, and we did not find any significant payments made to ownership from Team or Stadium revenues. This was additionally supported by representations made by the Team Representatives present at the meeting. PFM also discussed the findings with the County's specific sports industry consultant (Stafford) and we were in agreement with the review of the financial statements.

April 07, 2013

Mr. Edward Marquez
Deputy Mayor
Miami-Dade County
Stephen P. Clark Center
111 NW 1st Street
Miami, FL 33128

Dear Ed:

At the request of the Office of the Mayor of Miami-Dade County, Stafford Sports, in conjunction with Positive Impact Management Group (the "Consulting Team") has reviewed the combined Statement of Operations (the "Statement") for the Miami Dolphins (the "Dolphins") and Sun Life Stadium (the "Stadium"). Our review focused on operating statements. The review is based on the sports consulting experience of the Consulting Team, is not a forensic audit and is reliant on the information provided to the Consulting Team by representatives of the Dolphins.

The Consulting Team met, and spoke with, financial representatives of the Dolphins on Friday, April 5, 2013. During this meeting, the Consulting Team spoke via telephone with Mr. Ron Katz of the Dolphins to review the ownership structure of the Dolphins and the Stadium. The ownership organizational structure shows identical ownership of both the Dolphins and the Stadium. We reviewed the operating statements for any evidence of unusual transfers between the entities and found none. We inquired of Mr. Katz as to the existence of any management fees paid to entities under the control of Mr. Ross. Mr. Katz indicated that there are no management agreements and there were no management fees paid. We found nothing in the operating statements to the contrary.

We asked Mr Katz to review the current debt structure of the entities. He outlined the current debt situation for both the Dolphins and the Stadium. The summary was in line with the operating statements. Mr Katz also reviewed the Capital Contributions that have been made by ownership, which also tied into the operating statements. Additionally, Mr. Katz provided information on the debt structure for the Project, including the use of various financing strategies and the G4 Fund provided by the NFL. Mr. Katz indicated that Mr. Stephen Ross, who owns 95% of the Dolphins and the Stadium, would provide a personal and estate guaranty to re-pay the principal provided by Miami-Dade County and the State of Florida. Our review focused on the Dolphins and the Stadium and did not look at Mr. Ross' personal financial situation. Although it

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is widely known that Mr. Ross has a significant net worth with a variety of assets, the Consultants did not investigate the strength of the guaranty. Mr. Katz indicated that under the ownership structure, the Dolphins function as a tenant in the Stadium. Based on our sports consultancy experience and the information provided by Mr. Katz, the Consulting Team did not identify any ownership or structure issues that would hinder the financing of the Project.

In conjunction with our phone conversation with Mr. Katz, the Consulting Team met with Mr. Jeremy Campos of the Dolphins to review a variety of supporting materials. The materials provided by the Dolphins in this meeting provided support for the Consolidated Financial Results for the Miami Dolphins and Sun Life Stadium, which have been previously been publically released by the Dolphins.

We confirmed that the Dolphins and the Stadium have a landlord/tenant relationship, with the Dolphins paying rent to the Stadium. The revenue streams allotted to the Dolphins are limited to only their games. The Stadium, which bears most of the debt, receives all of the revenue from non Dolphins events and a large portion of Dolphins event revenue.

Capital expenditures are consistent and appropriate with previous operating years, given the age and condition of the Stadium.

The Consulting Team has reviewed the information made available to us. We found representatives of the Dolphins to be open and responsive. The question we were asked to answer was whether the consolidated entity could issue or support the issuance of debt in sufficient amounts to fund the approximate $390 million stadium modernization without outside assistance. Based on our review, the combined entity could not fund this Project without outside assistance.

Sincerely yours,

Carl Hirsh
Managing Partner
Stafford Sports, LLC