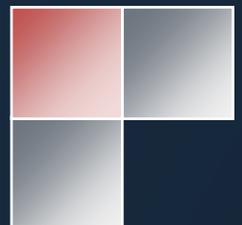


March 2013

**Pro Forma
Summary Report**
*City of Boaz Regional
Sports Complex*
(Boaz, AL)

Prepared for:
The City of Boaz

Prepared by:
The Sports Facilities Advisory, LLC



March 27, 2013

Mayor Tim Walker
City of Boaz
112 North Broad Street
Boaz, AL 35957

Mr. Mayor

It has been a pleasure working with you and the City of Boaz in analyzing the potential for a sport, entertainment, and recreation center. This letter is meant to serve as a summary of the SFA findings, and you will also find attached the back-up detailed projections. We look forward to a continued relationship and playing whatever role is helpful during the City's decision-making process.

OVERVIEW

The Sports Facilities Advisory (SFA) was engaged by the City of Boaz to analyze and study the feasibility of a multi-sport complex in Boaz, Alabama. In October 2012, SFA completed a market and demographic analysis as well as an on-site visit and needs assessment. Following this work, the project team and SFA held various strategy sessions delving into the vision, value proposition, resources, programs, products, services, and many more critical aspects of the project. Starting in January 2013, SFA spent the next three months developing a five year financial projection. Based on the findings of the needs assessment, it became clear to the SFA project team that it was crucial to provide analysis for two different facility models.

The outcome of the needs assessment and strategy sessions provided, SFA and the project team with clear direction that the facility will need to be a regional destination that positively impacts the local community and economy. The facility will create jobs for local community members, facilitate community development, and create a draw for regional competition. This regional draw will allow the facility to attract teams, players, and spectators from outside the City of Boaz which generates additional spending in local businesses, hotels and lodging. Also the facility will generate tax revenue, facilitate business and industry development, as well as increase the property values in the surrounding area.

The two models were an outcome of the needs assessment. The first model includes components and spaces that many in the City of Boaz deem necessary to the community. The second model has been developed by SFA to demonstrate a more financially effective solution, but it does reduce the space and some amenities that incur heavy operational and development expenses.



Below are descriptions of each model:

Model 1: Ideal Boaz Facility

- Courts: 3
- Walking Track
- Competition Aquatics
- Recreation Aquatics
- Fitness Center
- Family Entertainment Center
- Banquet/Meeting Area

Model 2: Optimized Facility

- Courts: 2
- Walking Track
- No Competition Aquatics
- Recreation Aquatics
- Reduced Fitness Center
- Family Entertainment Center
- Reduced Banquet/Meeting Area

Total Square Feet: 147,076

Total Square Feet: 97,300

As the above table demonstrates, the significant difference between the models is the reduction of the competitive aquatic pool, which is costly to develop and operate. Model 2 also reduces the footprint of the basketball/volleyball courts, banquet space, and fitness center.

These adjustments impact the total square footage. Thus, the development cost is impacted, which translates to reduced debt service amount in the financial model. It should be noted that SFA completed this analysis simply to help the City of Boaz understand the financial outcomes of the decisions to move forward with different aspects in the Model 1 scope of work. SFA recognizes the community need for many of these amenities and is not providing judgment on their validity outside of the financial reality.

The financial comparison of the two models is demonstrated in the tables on the following page.

FINANCIAL SUMMARY

SFA analyzed the financial findings of both models. The following charts show a comparison of these findings:

Construction & Start-up Summary

	Model 1	Model 2
Site Prep/Demo Costs	\$250,000	\$250,000
Sitework, Hard Costs	\$12,235,231	\$8,771,240
Equipment/Sport	\$7,200,528	\$5,056,975
Pre-opening/Soft Costs	\$3,251,251	\$2,611,183
Total Constr. & Start-up Costs	\$22,937,010	\$16,689,398

Total Revenue and Expense Summary

	Year 1		Year 2		Year 3		Year 4		Year 5	
	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2	Model 1	Model 2
Revenue	\$2,238,861	\$2,149,229	\$2,482,542	\$2,382,846	\$2,802,091	\$2,688,750	\$2,951,607	\$2,830,792	\$3,215,626	\$3,082,526
Expense	\$2,564,952	\$2,099,232	\$2,653,099	\$2,170,676	\$2,795,430	\$2,292,926	\$2,886,809	\$2,366,668	\$3,014,940	\$2,474,405
Income From Operations	(\$326,091)	\$49,996	(\$170,557)	\$212,171	\$6,661	\$395,824	\$64,798	\$464,124	\$200,686	\$608,122
Debt Service	\$1,151,799	\$823,477	\$1,151,799	\$823,477	\$1,151,799	\$823,477	\$1,151,799	\$823,477	\$1,151,799	\$823,477
Net Income	(\$1,477,889)	(\$773,481)	(\$1,322,356)	(\$611,306)	(\$1,145,138)	(\$427,653)	(\$1,087,001)	(\$359,353)	(\$951,112)	(\$215,356)
Add Backs	\$1,010,000	\$1,010,000	\$1,010,000	\$1,010,000	\$1,010,000	\$1,010,000	\$1,010,000	\$1,010,000	\$1,010,000	\$1,010,000
Financial Impact	(\$467,889)	\$236,519	(\$312,356)	\$398,694	(\$135,138)	\$582,347	(\$77,001)	\$650,647	\$58,888	\$794,644
Economic Impact	\$6mm-\$10mm		\$9mm-\$15mm		\$10mm-\$22mm		\$10.7mm-\$26mm		\$11.3mm-\$31mm	

Figure1: Note that SFA has not yet analyzed or forecasted the economic impact of this development. The Economic impact noted in the above table is a range of other projects of which SFA has been associated. In addition, the "Add Backs" are based on financial data provided by the City. It should be a consideration in "Model 2" that the total amount of "Add Back" would be less if the City were required to continue maintaining and operating the existing competitive pool.

CONCLUSION

After factoring in add backs, such as current gym and pool revenue, alcohol sales revenue, surplus, vacant space lease revenue, theatre and bowling surcharge, job creation, business and industry recruitment, increased property value and potential economic impact, as well as the facility's debt service, The Sports Facilities Advisory has concluded that this project will meet the primary goals of attracting visitors to the City of Boaz. The financial viability of the project is contingent on the following factors, which will be critical to the facility to ensure financial success:

1. The model or blend of models, which the City elects to move forward.
2. Add backs: The ability to follow through on utilizing those revenue streams as income subsidies to the complex.
3. Debt Service: The City's capability of achieving the terms projected as of the time of this analysis. As financial markets move, this number will be a variable. The total amount of debt is driven by the development costs so the City's ability to manage the construction and start-up expenses at or below the budgeted allowances will be critical.
4. Marketing: the ability of the facility to market and sell programs and memberships per the pro forma. Of specific interest will be "in-house" tournaments and events as well as rental tournaments and events. In addition, the facility will need to market and successful run Monday-Thursday programs that will contribute to the bottom line of the facility and keep it full during the week.
5. Alliances: The facility will want to form strong local alliances that will help contribute to the participation in programs, memberships, and other services.
6. Expense Efficiency: The staffing model and expense assumptions in the pro forma were built around "best-practices" for sports and recreational facilities. The operating/management company will need to adhere to these expense models to hit the financial goals.

Enclosed with this summary letter is a pro forma for each model.

Sincerely,



Jason Clement

Chief Operating Officer

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