

**RESOLUTION ADDRESSING OLYMPIC FINANCING**

1998 GENERAL SESSION

STATE OF UTAH

**Sponsor: Alarik Myrin**

A JOINT RESOLUTION OF THE LEGISLATURE AFFIRMING THE LEGISLATURE'S CONDITIONS ON THE APPROVAL OF THE SALE OF CERTAIN FACILITIES TO THE ORGANIZING COMMITTEE; CLARIFYING WHAT LINE OF CREDIT HAS PRIORITY TO THE STATE'S SECURITY INTEREST; ADDRESSING PAYMENT OF AND DISTRIBUTION OF THE PURCHASE PRICE; ADDRESSING THE STATE'S SECURITY INTEREST IN REVENUES RECEIVED BY THE ORGANIZING COMMITTEE; AND PROVIDING FOR THE PAYMENT OF ORGANIZING COMMITTEE REVENUES TO THE STATE TO MAKE MONIES AVAILABLE TO PAY CERTAIN BONDS.

*Be it resolved by the Legislature of the state of Utah:*

WHEREAS as used in this resolution:

(1) "authorized bond amount" means the amount authorized by Subsection 63B-7-501(9) as enacted by H.B. 2 (1998 General Session);

(2) "bond obligations" means the principal, interest, issuance costs, debt reserve requirements, capitalized interest, and all other charges incurred by the State Building Ownership Authority with respect to the State Building Ownership Authority bond or by the state to perfect its security interest and collect revenues to pay the State Building Ownership Authority bond;

(3) "credit agreement" means the credit agreement among the organizing committee, a limited liability company established by the organizing committee, and NationsBank and various other financial institutions entered into December 22, 1997, with all accompanying documentation;

(4) "Olympics" means the Olympic Winter Games of 2002 to be hosted by Salt Lake City;

(5) "organizing committee" means the Salt Lake Organizing Committee for the Olympic Winter Games of 2002;

(6) "organizing committee revenues" means all revenues that have been or may be received by the organizing committee or any of its wholly owned subsidiaries including revenues received from any contract into which the committee has entered or may enter and proceeds

payable under insurance contracts;

(7) "purchase agreement" means the August 1, 1994 Winter Sports Facility Purchase Agreement; and

(8) "State Building Ownership Authority bond" means the bond or bonds issued by the State Building Ownership Authority as authorized by the Legislature during the 1998 Annual General Session to provide up to \$25,000,000 for the cost of constructing, furnishing, and equipping housing facilities at the University of Utah contingent on the state receiving a perfected security interest in the organizing committee revenues in accordance with this resolution.

WHEREAS S.J.R. 17 (1994 General Session) governs the sale of the Winter Sports Park and the payment of the purchase price of up to \$99,000,000 depending on the actual total funds expended or incurred by the Utah Sports Authority through the closing date referred to in the purchase agreement, except to the extent that a specific requirement of S.J.R. 17 is superseded by a subsequent joint resolution of the Legislature;

WHEREAS on August 1, 1994, the Utah Sports Authority entered into an agreement to sell the Winter Sports Park to the organizing committee for a purchase price of up to \$99,000,000, which agreement was affirmed by S.J.R. 5 (1996 General Session);

WHEREAS because the organizing committee required one or more revolving or other lines of credit to pay for the costs incurred prior to the Olympics in preparing for and hosting the Olympics, prior to the 1997 General Session the organizing committee sought clarification of the state's security interest in organizing committee revenues;

WHEREAS S.J.R. 11 (1997 General Session) more specifically defined the state's security interest to reflect the state's status as the second largest creditor of the organizing committee, second in priority only to the institution or institutions that will provide the organizing committee one or more revolving or other lines of credit;

WHEREAS in as much as the Utah Sports Authority is an agency of the state any security interest or right to payment from the organizing committee held by the Utah Sports Authority is held by the state in organizing committee revenues;

WHEREAS S.J.R. 11 (1997 General Session) required the Utah Sports Authority to execute

such other agreements and take such further actions consistent with S.J.R. 11 (1997 General Session) as was required by the institution or institutions extending the organizing committee a line or lines of credit to evidence subordination and subrogation of the state's security interest to the security interest of such institution or institutions;

WHEREAS the University of Utah has planned the construction of university housing the timing of which is designed to allow use of the university housing for the athlete village during the Olympics;

WHEREAS because the costs of constructing the university housing may require monies in addition to those obtained through a revenue bond issued by the University of Utah and supported by estimated future housing rents;

WHEREAS the organizing committee has entered into an agreement with the University of Utah to pay the University of Utah \$28,000,000 by April 1, 2002, for the use of the university housing and other related facilities and support services;

WHEREAS financing a portion of the costs of constructing university housing through the State Building Ownership Authority bond makes funds available to the University of Utah that allow it to begin construction of the university housing in 1998;

WHEREAS financing a portion of the costs of constructing university housing through the State Building Ownership Authority bond gives the organizing committee until 2004 to pay its financial obligations related to use of the university housing, which is more consistent with the organizing committee's cash flow after the Olympics;

WHEREAS the University of Utah and the organizing committee will modify their agreement so that instead of the University of Utah receiving \$28,000,000 by April 1, 2002:

(1) the University of Utah receives net bond proceeds equal to the present value of the \$28,000,000 calculated by using the four-year United States Treasury Note rate of interest at a date two weeks prior to the bond sale date which net bond proceeds may not exceed the authorized bond amount; and

(2) the state receives an amount equal to the bond obligations owed with respect to the State Building Ownership Authority bond in accordance with its terms;

WHEREAS on December 22, 1997, the organizing committee obtained a line of credit from NationsBank under the credit agreement;

WHEREAS on December 18, 1997, the Utah Sports Authority and the organizing committee entered into a memorandum of understanding;

WHEREAS the organizing committee will complete a zero-based budget analysis during 1998, providing additional information on revenues and expenditures and allowing a more accurate evaluation by all parties of how to better align cash expenses with organizing committee revenue; and

WHEREAS the organizing committee has pledged that the expenses of the Olympic Winter Games of 2002 will be sized to meet organizing committee revenues:

NOW, THEREFORE, BE IT RESOLVED that, the Legislature reaffirms S.J.R. 17 (1994 General Session), S.J.R. 5 (1996 General Session), and S.J.R. 11 (1997 General Session) as modified by this resolution.

BE IT FURTHER RESOLVED that the Legislature finds that the line of credit under the credit agreement, which may not exceed the principal sum at any one time outstanding of \$170,000,000, is the one or more revolving or other lines of credit provided by an institution or institutions to the organizing committee referred to in S.J.R. 11 (1997 General Session) that has a first priority security interest in the organizing committee revenues.

BE IT FURTHER RESOLVED that the organizing committee may not execute the credit agreement or any supporting documents in a form that would compromise or reduce the security position of the state in the organizing committee revenues as provided by S.J.R. 11 (1997 General Session) and this joint resolution.

BE IT FURTHER RESOLVED that a default by the organizing committee under the credit agreement will constitute a default under the purchase agreement.

BE IT FURTHER RESOLVED that failure to pay the amount up to \$59,000,000 due to the Utah Sports Authority on or before January 10, 2002, will constitute a default under the purchase agreement, allowing the Utah Sports Authority to accelerate the obligation to pay the entire remaining balance of the purchase price.

BE IT FURTHER RESOLVED that the organizing committee shall make the \$40,000,000 payment to the Utah Athletic Foundation that is formed in accordance with S.J.R. 17 (1994 General Session) on or before March 7, 2002, unless the organizing committee provides collateral sufficient to ensure payment by no later than May 1, 2002, that is accepted by the Legislature through a joint resolution.

BE IT FURTHER RESOLVED that upon execution of the amendment to the purchase agreement necessitated by the credit agreement, the Utah Sports Authority shall be granted a perfected security interest in all collateral, as defined by the credit agreement, second in priority only to the security interests to be granted to the lenders under the credit agreement.

BE IT FURTHER RESOLVED that at the closing under the purchase agreement, the Utah Sports Authority will be granted a first priority deed of trust on all real property and improvements comprising the Utah Winter Sports Park.

BE IT FURTHER RESOLVED that the amounts and timing of the distribution to political subdivisions of the monies paid by the organizing committee to the Olympics Special Revenue Fund based on the actual total funds expended or incurred by the Utah Sports Authority through April 15, 1999, shall be determined by statute.

BE IT FURTHER RESOLVED that the Legislature conditions its authorization of the State Building Ownership Authority bond on the organizing committee and the University of Utah modifying their agreement that the organizing committee pay the University of Utah \$28,000,000 by April 1, 2002, for the use of the university housing to provide that:

(1) the University of Utah receives net bond proceeds equal to the present value of the \$28,000,000 calculated by using the four-year United States Treasury Note rate of interest at a date two weeks prior to the bond sale date which net bond proceeds may not exceed the authorized bond amount; and

(2) the organizing committee pay to the state an amount equal to the bond obligations owed with respect to the State Building Ownership Authority bond in accordance with its terms.

BE IT FURTHER RESOLVED that the security interest held by the state in organizing committee revenues:

- (1) is second in priority only to lenders under the credit agreement;
- (2) secures:
  - (a) the \$100,000,000 referred to in the purchase agreement and in joint resolutions of the Legislature; and
  - (b) an amount equal to the bond obligations owed with respect to the State Building Ownership Authority bond in accordance with its terms; and
- (3) immediately becomes a first priority security interest in all rights to revenue of the organizing committee upon full satisfaction of the terms and conditions of the credit agreement and the release by the lenders under the credit agreement of the related security interest.

BE IT FURTHER RESOLVED that the organizing committee shall:

- (1) grant a perfected first priority security interest to the state in \$42,000,000 of any rights the organizing committee has to revenue after March 6, 2002, in respect to:
  - (a) revenues from broadcast contracts other than revenues under the NBC contract;
  - (b) Olympic Property Limited Liability Company Agreement;
  - (c) International Olympic Committee Marketing Program Agreement; and
  - (d) licensing contracts;
- (2) escrow in an account established on behalf of the state any rights the organizing committee has to revenue after March 6, 2002, in respect to:
  - (a) Olympic Property Limited Liability Company Agreement;
  - (b) International Olympic Committee Marketing Program Agreement; and
  - (c) licensing contracts; and
- (3) escrow the monies under Subsection (2) until an amount is deposited into the escrow account that is sufficient, together with interest earnings, to pay the bond obligations with respect to the State Building Ownership Authority bond in accordance with its terms.

BE IT FURTHER RESOLVED that, notwithstanding S.J.R. 11 (1997 General Session), the organizing committee:

- (1) does not have any right or ability to expend any funds escrowed under this resolution;
- (2) may not grant liens or security interest on or otherwise pledge or encumber its assets

except for the security interest provided pursuant to this resolution and a lien permitted under the credit agreement that is not in conflict with this resolution.

BE IT FURTHER RESOLVED that the escrow of revenues in accordance with this resolution or with respect to the State Building Ownership Authority bond may not be interpreted to modify the organizing committee's:

(1) obligation to pay the state the:

(a) amount up to \$59,000,000 due to the Utah Sports Authority on or before January 10, 2002, as provided in the purchase agreement and joint resolutions of the Legislature; and

(b) \$40,000,000 due to the Utah Athletic Foundation on or before March 7, 2002; and

(2) grant to the state of a security interest in organizing committee revenues and collateral second only to lenders under the credit agreement to secure the payments described in Subsection (1) and an amount equal to the bond obligations with respect to the State Building Ownership Authority bond in accordance with its terms.

BE IT FURTHER RESOLVED that the organizing committee obtain all necessary contracts or documents necessary, including any necessary documentation from NationsBank:

(1) for the state to perfect the security interest held by the state as described in this resolution and S.J.R. 11 (1997 General Session) including the first priority interest held in accordance with this resolution in \$42,000,000 of any rights the organizing committee has to revenues after March 6, 2002, with respect to:

(a) revenues from broadcast contracts other than revenues under the NBC contract;

(b) Olympic Property Limited Liability Company Agreement;

(c) International Olympic Committee Marketing Program Agreement; and

(d) licensing contracts; and

(2) provide for the escrow of monies in accordance with this resolution of any rights the organizing committee has to revenue after March 6, 2002, in respect to the:

(a) Olympic Property Limited Liability Company Agreement;

(b) International Olympic Committee Marketing Program Agreement; and

(c) licensing contracts.

BE IT FURTHER RESOLVED that the governor shall certify to the State Building Ownership Authority that:

(1) the University of Utah and the organizing committee modified their agreement to provide that:

(a) the University of Utah receives net bond proceeds equal to the present value of the \$28,000,000 calculated by using the four-year United States Treasury Note rate of interest at a date two weeks prior to the bond sale date which net bond proceeds may not exceed the authorized bond amount; and

(b) the organizing committee pay the state an amount equal to the bond obligations with respect to the State Building Ownership Authority bond according to its terms;

(2) the state and the organizing committee have taken all steps necessary to:

(a) perfect the security interest held by the state as described in this resolution and S.J.R. 11 (1997 General Session) including the first priority interest held in accordance with this resolution in \$42,000,000 of any rights the organizing committee has to revenues after March 6, 2002, with respect to:

(i) revenues from broadcast contracts other than revenues under the NBC contract;

(ii) Olympic Property Limited Liability Company Agreement;

(iii) International Olympic Committee Marketing Program Agreement; and

(iv) licensing contracts; and

(b) provide for the escrow in accordance with this resolution of any rights the organizing committee has to revenue after March 6, 2002, in respect to the:

(i) Olympic Property Limited Liability Company Agreement;

(ii) International Olympic Committee Marketing Program Agreement; and

(iii) licensing contracts.

BE IT FURTHER RESOLVED that the issuance of the State Building Ownership Authority bond:

(1) is intended only to provide financing for a portion of the costs of constructing university housing;

(2) is issued in behalf of the state and the University of Utah and is not issued in behalf of the organizing committee, the United States Olympic Committee, or the International Olympic Committee; and

(3) may not be interpreted as obligating the state to ensure, assume any liability for, or indemnify or guarantee the organizing committee's obligation to provide athlete housing as part of the Olympics or to meet or perform any other obligations of the organizing committee.

BE IT FURTHER RESOLVED that S.J.R. 11 (1997 General Session) as clarified by this resolution governs the security interest of the state in the organizing committee's revenues and any agreement that conflicts with the security interest of the state or any other terms described in S.J.R. 17 (1994 General Session), S.J.R. 5 (1996 General Session), S.J.R. 11 (1997 General Session), or this resolution is null and void, unless the conflicting agreement is approved by a joint resolution of the Legislature.