

LOUISIANA STADIUM AND EXPOSITION DISTRICT
MANAGEMENT FEE COMPUTATION SCHEDULES
STATE OF LOUISIANA



FINANCIAL AUDIT

ISSUED DECEMBER 14, 2005

**LEGISLATIVE AUDITOR
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December 7, 2005

Independent Auditor's Report

BOARD OF COMMISSIONERS
LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA
New Orleans, Louisiana

We have audited the basic financial statements of the Louisiana Stadium and Exposition District as of and for the year ended June 30, 2005, and have issued our report thereon dated December 7, 2005. We have also audited the accompanying schedules of management fee computation, as listed in the foregoing table of contents, under the provisions of Article 4.2 of the management agreement between the State of Louisiana and SMG, Inc., dated June 13, 1977, as amended, for the year ended June 30, 2005. These schedules are the responsibility of the District's management. Our responsibility is to express an opinion on the schedules based on our audit. The basic financial statements and schedules of management fee computation of the District as of and for the year ended June 30, 2004, were audited by other auditors whose reports dated August 10, 2004, expressed unqualified opinions on those statements and schedules.

We conducted our audit of the schedules in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts in the schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedules' presentation. We believe that our audit provides a reasonable basis for our opinion.

We have been informed that Article 4.2 of the management agreement between the State of Louisiana and SMG, Inc., dated June 13, 1977, as amended, governs the contents of the schedules referred to in the first paragraph.

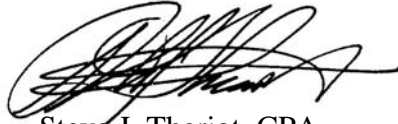
The accompanying schedules were prepared for the purpose of complying with the terms of the management agreement referred to in the first paragraph and are not intended to be a complete presentation of the financial position and activity of the Louisiana Stadium and Exposition District.

In our opinion, the schedules referred to above present fairly, in all material respects, the management fee computation of the Louisiana Stadium and Exposition District for the year ended June 30, 2005, as defined in the management agreement referred to in the first paragraph.

LOUISIANA STADIUM AND EXPOSITION DISTRICT _____

This report is intended solely for the information and use of the Board of Commissioners and management of SMG and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

LG:ES:PEP:ss

[LSEDMFS05]

**LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA**

**Schedule of Management Fee Computation
For the Years Ended June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Deficit improvement and base for management fee computation (Schedule 2)	<u>\$17,197,789</u>	<u>\$19,419,634</u>
30% of first - \$1,000,000	300,000	300,000
40% of next - \$1,750,000	700,000	700,000
25% of excess	<u>3,611,947</u>	<u>4,167,409</u>
TOTAL MANAGEMENT FEE COMPUTATION	<u><u>\$4,611,947</u></u>	<u><u>\$5,167,409</u></u>
45% Allocated to Superdome Marketing and Promotional Fund	<u><u>\$2,075,376</u></u>	<u><u>\$2,325,334</u></u>
55% Allocated to SMG	<u><u>\$2,536,571</u></u>	<u><u>\$2,842,075</u></u>
Management fee ceiling pursuant to Section 26.8.3(e) of the fourth amendment to Management Agreement dated June 19, 1998, which relates to the opening of the New Orleans Arena	\$2,664,320	\$2,579,955
Less: Arena management fee pursuant to the Agreement	<u>(283,147)</u>	<u>(274,181)</u>
MAXIMUM MANAGEMENT FEE FOR SUPERDOME MANAGEMENT	<u><u>\$2,381,173</u></u>	<u><u>\$2,305,774</u></u>

See accompanying independent auditor's report.

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**LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA**

**Deficit Improvement and Base for the
Management Fee Computation
For the Years Ended June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
LSED and SMG have agreed that Article 1.1G(e) of the Agreement shall be interpreted to include workmen's compensation liability insurance in the amount of insurance expense that is excluded from the deficit.	\$2,869,256	\$2,944,265
In accordance with Article 1.1G(a) of the Agreement, LSED and SMG have reviewed the capital asset additions and have determined that the cost of capital assets acquired in 2005 and 2004 for the principal purpose of increasing revenues and/or decreasing operating expenses was \$0. The depreciation related to these assets and prior acquisitions is to be added to the deficit.	(8,717)	(14,118)
LSED and SMG have agreed that Article 4.2(d) of the Agreement, as amended in the third amendment dated March 3, 1986, shall be interpreted as follows:		
a. To exclude any inducement payment from the deficit - Saints	8,946,194	8,846,271
b. To include any imputed revenues to reduce the deficit	<u>2,941,676</u>	<u>3,294,963</u>
Net effect of the aforementioned items on the 2005 and 2004 deficits	14,748,409	15,071,381
Current deficit (operating loss before depreciation, amortization, management fee computation and other adjustments)	<u>(9,450,434)</u>	<u>(7,107,853)</u>
Adjusted income	5,297,975	7,963,528
Adjusted base deficit for the years ended June 30, 2005 and 2004, as calculated (Schedule 3)	<u>11,899,814</u>	<u>11,456,106</u>
DEFICIT IMPROVEMENT AND BASE FOR THE MANAGEMENT FEE COMPUTATION	<u><u>\$17,197,789</u></u>	<u><u>\$19,419,634</u></u>

See accompanying independent auditor's report.

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**LOUISIANA STADIUM AND EXPOSITION DISTRICT
STATE OF LOUISIANA**

**Computation of Adjusted Base Deficit
For the Years Ended June 30, 2005 and 2004**

	<u>2005</u>	<u>2004</u>
Base Deficit (operating loss before depreciation and amortization) for the year ended June 30, 1977	\$5,003,983	\$5,003,983
Adjustments required by the Management Agreement:		
Elimination of insurance excluded by Management Agreement	(883,368)	(883,368)
Adjustment for increase in consumer price index	5,551,080	5,326,327
Adjustment for increase in utility rates	2,386,209	2,119,600
Adjustment for repair and maintenance hours	86,387	134,041
Other adjustments pursuant to Article 4.2 of the Management Agreement	<u>(244,477)</u>	<u>(244,477)</u>
ADJUSTED BASE DEFICIT FOR THE YEAR ENDED JUNE 30, 2005 AND 2004	<u><u>\$11,899,814</u></u>	<u><u>\$11,456,106</u></u>

See accompanying independent auditor's report.

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