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**The Director of the United States
Patent and Trademark Office**

Has received an application for a patent for a new and useful invention. The title and description of the invention are enclosed. The requirements of law have been complied with, and it has been determined that a patent on the invention shall be granted under the law.

Therefore, this

United States Patent

Grants to the person(s) having title to this patent the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States of America or importing the invention into the United States of America for the term set forth below, subject to the payment of maintenance fees as provided by law.

If this application was filed prior to June 8, 1995, the term of this patent is the longer of seventeen years from the date of grant of this patent or twenty years from the earliest effective U.S. filing date of the application, subject to any statutory extension.

If this application was filed on or after June 8, 1995, the term of this patent is twenty years from the U.S. filing date, subject to any statutory extension. If the application contains a specific reference to an earlier filed application or applications under 35 U.S.C. 120, 121 or 365(c), the term of the patent is twenty years from the date on which the earliest application was filed, subject to any statutory extensions.

A handwritten signature in black ink, appearing to read 'James H. Moore', is written over a horizontal line.

Director of the United States Patent and Trademark Office

**REQUIRED COVERSHEET FOR SUBMISSION OF INFORMATION
FOR A STADIUM PROPOSAL**

Identify the Respondent by providing the names and addresses of each individual and/or entity participating in this submission:

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If the one of the entities listed above is a governmental entity formed under a joint powers agreement or an entity or organization which includes more than one public or private entity, please identify all of the entities or organizations which are members or participants of the Respondent:

This submission includes a proposal for a:

- Baseball Stadium
- Football Stadium
- Combined Facilities

CERTIFICATION AND WAIVER

The Respondent acknowledges that the submissions and the information contained therein are not confidential and all of the information contained in the submissions or provided to the stadium screening committee may be given to the public, to members of the Pawlenty Administration and/or to other persons or entities as deemed appropriate by the Screening Committee or the Administration. Respondent affirmatively states that it has the legal right to submit the enclosed information to the Screening Committee without any restriction on the Screening Committee's future disclosure or use of the information. Respondent waives any copyright or any other claim of propriety, right of control, or limitation of use in relation to the information submitted. Respondent further agrees to hold the members of the Screening Committee, the State of Minnesota, its agents and employees, harmless from any and all claims or lawsuits that may arise from the Respondent's activities related to its submission, including any claim for negligence, breach of contract, or any other claims alleging wrongful acts or omissions by Respondent, or the Respondent's independent contractors, agents, employees or officers.

Respondent

By Philip M. Goldman

Its Representative

TO: State of Minnesota Department of Finance
Stadium Screening Committee
400 Centennial Office Building
658 Cedar Street
St. Paul, MN 55155

FROM: Philip M. Goldman, Edward S. Adams

DATE: January 15, 2004

RE: Stadium Proposal Submission – Financing Component

Executive Summary

This proposal is for a financing component, *per se*, that can be adapted for use with any proposed combination of stadium location and local government/community support. In essence, the proposal provides a funding mechanism known as “securitization”, also referred to as asset-backed financing, in which rights to one or more revenue streams that will be received over the long term use of the stadium are identified, coalesced, and sold upfront and in the form of securities, in order to raise some or all of the funds needed to build the stadium itself. The funds raised in this manner can be used alone, or in combination with other possible funding sources, in order to permit the construction of one or more respective stadiums.

The method of financing a stadium in this manner is itself covered by US Patent No. 6,154,730, for a “Facility-based Financing System”. Securitization has been used successfully with respect to a variety of other predictable revenue streams, gaining prominence in the mid-1990’s with the issuance of so-called “Bowie bonds”, based on the projected revenues of rock star David Bowie.

Revenues suitable for use in this manner can include, for instance, those derived from naming rights, rent, concessions, parking, ticket sales, and any other such revenues, to the extent they can be predicted with sufficient certainty, and that corresponding rights to such revenues are available.

As explained below, it can be estimated that funding in the amount of \$300 million can be generated by securitizing revenues in the range of about \$15-20 million per year, assuming an 8% return and a self-amortizing loan. Based on comparable revenues at other stadiums, and past experience with the Metrodome itself, it is clear that this amount can be raised by securitizing rights to concessions, naming rights, and parking alone.

Detailed description

I. Site

The present proposal is for a financing component only, and hence could be used in combination with any or all appropriate site options, including any combination of: 1) Location/Size, 2) Accessibility, 3) Parking/Infrastructure, 4) Transit Connections, 5) Stadium Related Development, and 6) Combined Location. Different site options are likely to vary considerably with regard to both the magnitude and availability of particular revenue streams they may provide.

II. Financing

This component will be described in considerable detail below, and in the attached US Patent.

III. Local Government and Community Support

The present proposal can be used in combination with any suitable form of government and community support, and as with the various site options, will likely have more potential in those situations where either the availability and/or magnitude of revenue streams is greater.

II. Financing – detailed

As a financing component, the proposed approach can be used in any suitable combination of site and local government/community support. It is intended that these additional components will be provided by one or more other entities, including communities, donors or investors, and/or teams themselves, in order to provide a complete package for any particular stadium.

US Patent No. 6,154,730, a copy of which is attached, is owned by and identifies the present submitters as co-inventors. This patent not only serves to confirm the novelty of this approach, but can also be used as a tool for effectively and appropriately coordinating the manner in which the mechanism might be used. The patent itself includes a description of a “preferred embodiment” in the form of an outdoor, riverfront baseball stadium having a retractable roof, for use by the Minnesota Twins, though it is by no means restricted to this purpose. Indeed, the patented approach can be separately “licensed” to permit the financing of any suitable number or types of stadiums.

The proposed approach can be accomplished using conventional revenues, including for instance, those derived from naming rights, rent, concessions, parking, ticket sales, and any other such rights.

In terms of historical insights, for instance, the total revenues received by the Metrodome totaled approximately \$40,000,000 for fiscal year 2002. (See the Annual Financial Report – Fiscal year ended December 31, 2002, Metropolitan Sports Facilities Commission). When broken down according to source, these revenues were derived from concessions (56%), admission tax (18%), rent (12%), advertising (4%), charges for services (8%), and novelties, parking, etc. (2%). In turn, the operating revenues for concessions during this period were approximately \$22 million, while corresponding concession costs were approximately \$12 million, leaving a balance of \$10 million for concessions alone (and based solely on 2002 attendance levels) that might be included as securitized assets.

Although the Metrodome currently receives no revenues from naming rights, a recent listing provided by ESPN estimated naming rights to generally average from just under \$1 million per year to over \$9 million per year, for Phillips Arena in Atlanta (see espn.go.com/sportsbusiness/s/stadiumnames.html). The naming rights for Miller Park, in Milwaukee, for instance, are estimated to average \$2.1 million per year, over a term that expires in 2020.

Moreover, it is clear that some or all of these revenue sources may well be increased considerably with a new stadium, including in particular parking revenues and rent. It is also clear that a new stadium will permit new revenue sources to be identified, including such things as naming rights. Both these expanded and new revenue sources will permit significantly greater revenues streams than might be predicted based on the Metrodome experience alone.

By way of very brief example, it can be estimated that funding in the amount of \$300 million can be generated by securitizing revenues in the range of about \$15-20 million per year, assuming an 8% return and a self-amortizing loan. It would seem quite likely that this amount could be raised

with concessions, naming rights, and parking alone. Excel spreadsheets providing far more detailed and alternative options are available, and can be further customized, for those considering this funding mechanism in earnest.

The entity or entities that either issue or that invest in the securities, can include any suitable combination of government or other public entities, private or public corporations, or individuals. In turn, any particular stadium could indeed become essentially “publicly owned”, as by the purchase of equities by a suitable number of qualified individuals or other appropriate entities. Note that securitization can potentially be used to finance the purchase of a team, as well as the stadium in which it might play, in which case the issuing entity could “securitize” not only many of the revenues identified above, but also revenues that are more commonly the property of the team itself, such as ticket sales.

The submitters stand ready to further explore this approach with, and at the convenience of the Committee. In turn, the submitters will, upon appropriate terms, consider providing one or more exclusive options for communities, developers or others that may want to explore taking an exclusive license under this patent (e.g., according to stadium type). While the attached Certification and Waiver address the conditions under which the members of the Screening Committee and the State of Minnesota can consider this proposal, they most certainly cannot, and should not, be construed as granting any individual or entity any right or license in or to whatever patent or related rights might relate to the proposal itself.

Submitters

Philip M. Goldman is a Shareholder and patent attorney with the Minneapolis firm of Fredrikson & Byron. He has over 20 years experience in the patent profession, and is a named co-inventor on US Patent No. 6,154,730.

Edward S. Adams is a Professor of Law at the University of Minnesota School of Law, specializing in commercial, bankruptcy and corporate law, with a particular focus and expertise in securitization and asset-backed financing, and is a named co-inventor on the above-described patent as well.



US006154730A

United States Patent [19]

[11] **Patent Number:** **6,154,730**

Adams et al.

[45] **Date of Patent:** **Nov. 28, 2000**

[54] **FACILITY-BASED FINANCING SYSTEM**

[76] Inventors: **Edward S. Adams**, 2010 W. 49th St., Minneapolis, Minn. 55409; **Philip M. Goldman**, 1926 South La., Mendota Heights, Minn. 55118

[21] Appl. No.: **09/175,822**

[22] Filed: **Oct. 20, 1998**

Related U.S. Application Data

[60] Provisional application No. 60/064,652, Oct. 20, 1997.

[51] **Int. Cl.**⁷ **G06F 17/60**

[52] **U.S. Cl.** **705/35; 705/36; 705/40; 705/45**

[58] **Field of Search** **705/35, 36, 40, 705/45; 52/9, 8, 10**

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[57] **ABSTRACT**

A system for employing the projected receipts of a public facility to finance the construction of the facility itself, or the acquisition of a team to play in the facility. A preferred system includes: a method for projecting future cash flows (e.g., gate receipts) associated with the operation of the facility; pooling rights to receive those cash flows; transferring the pooled rights to a special purpose vehicle; and issuing securities on behalf of the special purpose vehicle in order to generate revenues for the construction and/or operating costs of the facility, or for the purchase of the team itself. The system also includes a computerized method for the ongoing implementation of such a financing system, including the steps of: inputting estimated cash flows and actual cash receipts; comparing the estimated and actual values in order to determine adjusted amounts to allocate between investors in the special purpose vehicle and ongoing operations. The invention further provides a facility (such as a stadium) and/or a team funded or acquired by such a system.

17 Claims, No Drawings

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FACILITY-BASED FINANCING SYSTEM

This a continuation of Provisional Application No. 60/064,652 Oct. 20, 1997.

TECHNICAL FIELD

The present invention relates to methods such as computerized methods for creating or employing financing mechanisms. In another aspect, the invention relates to methods for securitizing assets as a financing mechanism.

BACKGROUND OF THE INVENTION

Governmental entities and private owners are becoming increasingly confronted with dilemmas posed by professional sports teams. In particular, many governmental and business entities are currently involved in prolonged discussion and debate over the operation or construction of new stadiums, as well as the relocation and/or purchase of the teams themselves.

The Minnesota Twins, for instance, have recently announced the signing of an agreement to sell the team to an out-of-state owner, unless the Minnesota legislature or some private entity either approves or funds the construction of a new stadium. Clearly a decision on the part of the legislature will depend heavily on the state's ability to establish and agree upon an appropriate financing mechanism. Options that have been discussed include gambling, cigarette taxes, etc. Each of these options, however, carries considerable public disfavor and political risk. On the part of a private entity, the funding decision involves finding an effective low cost financing mechanism to fund such a large facility.

What is clearly needed are creative methods for financing such projects in a manner that is palatable to the public or the team's owners or buyers, acceptable to investors, and above all, effective at raising the necessary level of funding in a politically acceptable manner.

SUMMARY OF THE INVENTION

The present invention provides a system for financing a stadium facility to be constructed and/or operated by an originating entity and/or for financing a team to play in such a facility. In one aspect, the system involves a computerized system for:

- a) projecting one or more sources of future cash flow expected to be generated by the originating entity in the operation of the facility, said sources preferably being selected from the group consisting of gate receipts, season ticket revenue, individual game ticket revenue, and vending revenue;
- b) collecting and pooling rights to receive said cash flow(s) over a period of years;
- c) transferring said rights to one or more special purpose vehicles, each in the form of a separate legal entity, in a manner that effectively removes the respective cash flow(s) from the originating entity's bankruptcy estate;
- d) issuing securities on behalf of said special purpose vehicle(s), using said pooled rights as collateral; and
- e) employing the revenue generated from the sale of said securities to finance at least a portion of the construction and/or operating costs of the facility and/or a portion of the purchase price of the team itself.

In a preferred embodiment, the system further provides a number of optional, but preferred, features, including for instance means for predicting the likely dollar amount of the

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future cash flows and the inherent risks of amounts less those said cash flows being received. Preferably the system further provides means for insuring that investors in the special purpose vehicle receive the maximum amount possible if cash flows are less than expected, and that they are insured or provided credit enhancement against such risk. In a related vein, the system further employs one or more risk prediction methodologies to predict the aggregate risk of default by the special purpose vehicle.

In yet another preferred embodiment, the system includes a quantitative analysis of the expected cumulative net loss experience or cash flow experience for the securitized asset. Optionally, the system further provides means for issuing credit support from an issuer, e.g., in the form of the purchase of a subordinated security in the special purpose vehicle by the seller or overcollateralization.

In another aspect, the invention provides a facility that has been financed and/or a team that has been purchased, at least in part, by the system described herein. In a preferred embodiment, the public or private facility is a stadium, and in a particularly preferred embodiment the team is the Minnesota Twins and the stadium is a ballpark located in Minneapolis or St. Paul, Minn. Most preferably, the ballpark is provided in the form of an open air stadium having a retractable roof, located on or near the Mississippi riverfront.

DETAILED DESCRIPTION

The system of this invention will be further described with reference to a preferred embodiment. It is understood, however, that this embodiment is intended for illustrative purposes only, and is not intended or to be taken as unduly limiting the scope of this invention.

The above-described system is typically employed at the beginning of a the process of structuring the financing of a particular facility or team purchase. Once this financing mechanism is established, and the facility (e.g., stadium) constructed (or team acquired), the invention further provides a computerized method for implementing the securitized financing mechanism on an ongoing basis. This method of identifying and establishing securitized assets, as well as the computerized method for implementing those assets on an ongoing basis, together make up a system (referred to as "STAFI" herein, for "STadium Financing") of this invention. The STAFI system, in turn, can include a number of other optional components, including additional or ancillary computerized steps, as described herein.

In a particularly preferred embodiment, the ongoing implementation is performed using a computerized method to be used as a tool by a servicer on behalf of the special purpose vehicle. This implementation method preferably provides computerized means for: (1) estimating or inputting cash flows generated by the selected cash flow source (e.g., future ticket and vending sales) which are needed to obtain funds through securitization (e.g., borrowing the money and using the future cash flows as collateral); (2) ensuring that investors are paid appropriately from cash flows generated by ticket and vending sales; (3) making payments on an ongoing, periodic basis into the special purpose vehicle to provide credit enhancement for the investors; and (4) adjusting cash flow estimates on a periodic basis (e.g., daily, weekly, monthly, or annual), to take into account discrepancies between actual and estimated cash flows (e.g., in the event local and/or national attendance variances from those predicted and/or anticipated ex ante).

In a preferred embodiment, e.g., for funding the construction of a sports stadium, STAFI provides for the securitiza-

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tion of the future cash flows generated in the operation of the facility in the following manner. STAFI provides means for predicting the required receipts or cash flows and the purchase by the System Operator of the requisite cash flows from the appropriate party or entity. STAFI has the ability to employ both historical and prospective third party data and data unique to the relevant team as well as consideration of a variety of other tangential variables, including, likely weather patterns, how well the team and other teams in the sport and other sports are performing nationally and locally, other attractions that may draw guests locally during the relevant period, the fan appeal of players on the local team and the visiting team which may increase attendance, the present and historical records of the home and visiting teams, any perceived rivalry between such teams, the point in the season during which the games are being played, the records of the relevant teams at such point and a host of other factors to predict likely receipts or cash flows and to make adjustments on such predictions on a daily, weekly, monthly, or annual basis.

After implementation, and in the course of ongoing use of the method, as gate and vending receipts are actually collected, STAFI provides a system by which the investors are paid on a rolling basis so that they receive a percentage of the gate receipts at the beginning of each month, from the first home games played each month, which satisfy their interest and/or principal payment requirements. The system provides a means thereby in which the entity or team receives enough cash flow to maintain its operations on a short term basis at the beginning of each month, but that also allows for investors to be paid first from those receipts generated at the first part of the month. To the extent such required investor payments exceed gate and vending receipts from a given month, series, or set of games, the system has the optional ability to automatically allocate past unused receipts to cover such shortfalls and adjusts future cash flow predictions to take into account the requirements generated by such shortfalls.

In a further preferred embodiment, STAFI can also be employed to perform any or all of the following computerized steps on a periodic basis (e.g., instantaneous, hourly, daily, weekly, monthly or annual):

- store past attendance and food and beverage consumption data of the team and other similar and different professional teams in the local area and league;
- forecast future gate and vending receipts on a constantly adjusting basis, adjusted for and correlated to the many variables described above;
- receive electronically transmitted records of gate and vending receipts from the team;
- identify and allocate a portion of the receipts to pay the obligations to investors in the special purpose vehicle;
- allocate a portion of the gate receipts to meet the immediate and future operating needs of the team; and/or
- adjust the future obligations owed the investors by the amounts already paid them through the special purpose vehicle.

Using the relevant cash flows (e.g., gate and vending receipts and cash flow predictions), STAFI provides the means to create a portfolio of asset backed securities. The asset backed securities will be sold by one or more special purpose vehicles that will be the obligors of the securities. If appropriate, the operation of a STAFI system will incorporate the services of a liquidity and credit enhancer to improve the ratings of the portfolios, provide access to the commercial paper market, add extra funding flexibility and thereby reduce the overall cost of funds.

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The STAFI system, and in turn, the special purpose vehicles will or may make use of a variety of securitized financial instruments. The most common are commercial paper and short to medium term notes. To gain access to the commercial paper market, the STAFI system, in one embodiment of the present invention, provides the means to obtain through a commercial bank a liquidity capability to promptly retire the short term maturing commercial paper. Further, to facilitate the requisite AA or better rating that creates a steady demand from the commercial paper market, the STAFI system, as an unknown sponsor of a securitized asset, may require a credit enhancement.

Preferably, each special purpose vehicle will have a clean balance sheet with no liabilities other than the collateralized security. Any fees due to STAFI as services can be subordinated to the interests of the security holders. A collateral agent or trustee will monitor and control the collateralized assets to protect the investors. By utilizing a broad range of financial instruments ranging from commercial paper to medium term notes, STAFI, in one embodiment of the present invention, selects the most appropriate mix to match the term of the underlying collateral assets.

To facilitate the securitization process, STAFI employs a securitization system to manage the treasury functions and to automate most of the administration and accounting required for the special purpose vehicles. The primary function of this system is to provide detailed information and reports to support the sale of marketable securities backed by the cash flows generated by, and the value of, the underlying receipts or cash flows. In addition, this system provides for special purpose vehicle financial management, credit enhancement, and liquidity monitoring facilities. In one embodiment, STAFI utilizes a securitization management system developed by Deloitte & Touche of Wilton, Conn., which, in the preferred embodiment, is the Financial Administration and Structuring Technology (FAST), an integrated issuing entity origination and management software package which addresses the financial and operational aspects of creating and managing an asset securitization entity. FAST is an IBM@PC based system that can also be operated on a PC local area network. FAST guides trading activities, forecasting functions, accounting entries, and management information systems to support pricing and other management decisions. In one preferred embodiment, FAST is modified and customized to streamline the analysis and administration functions for the program features that are unique to STAFI.

What is claimed is:

1. A system for financing a stadium facility, the system comprising a computerized system for:

- a) projecting one or more sources of future cash flow expected to be generated by the originating entity in the operation of the facility, said sources being selected from the group consisting of gate receipts, season ticket revenue, individual game ticket revenue, and vending revenue;
- b) collecting and pooling rights to receive said cash flow(s) over a period of years;
- c) transferring said rights to one or more special purpose vehicles, each in the form of a separate legal entity, in a manner that effectively removes the respective cash flow(s) from the originating entity's bankruptcy estate;
- d) issuing securities on behalf of said special purpose vehicle(s), using said pooled rights as collateral; and
- e) employing the revenue generated from the sale of said securities to finance at least a portion of the construction and/or operating costs of the facility.

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2. A system according to claim 1 wherein the system further provides means for predicting the likely dollar amount of the future cash flows and the inherent risks of amounts less those said cash flows being received.

3. A system according to claim 1 further comprising means for insuring that investors in the special purpose vehicle receive the maximum amount possible if cash flows are less than expected, and that they are insured or provided credit enhancement against such risk.

4. A system according to claim 3 wherein the system further comprises one or more risk prediction methodologies to predict the aggregate risk of default by the special purpose vehicle.

5. A system according to claim 1 wherein the system further comprises means for performing a quantitative analysis of the expected cumulative net loss experience or cash flow experience for the securitized asset.

6. A system according to claim 1 wherein the system further comprises means for issuing credit support from an issuer, e.g., in the form of the purchase of a subordinated security in the special purpose vehicle by the seller or overcollateralization.

7. A sports facility the construction of which has been financed, at least in part, by the system of claim 1.

8. A system for financing a stadium facility, the system comprising a computerized system for:

- a) projecting one or more sources of future cash flow expected to be generated by the originating entity in the operation of the facility, said sources being selected from the group consisting of gate receipts, season ticket revenue, individual game ticket revenue, and vending revenue;
- b) collecting and pooling rights to receive said cash flow(s) over a period of years;
- c) transferring said rights to one or more special purpose vehicles, each in the form of a separate legal entity, in a manner that effectively removes the respective cash flow(s) from the originating entity's bankruptcy estate;
- d) issuing securities on behalf of said special purpose vehicle(s), using said pooled rights as collateral; and
- e) employing the revenue generated from the sale of said securities to finance at least a portion of the construction and/or operating costs of the facility wherein the system further comprises:
 - a) means for insuring that investors in the special purpose vehicle receive the maximum amount possible if cash flows are less than expected, and that they are insured or provided credit enhancement against such risk, and
 - b) means for predicting the likely dollar amount of the future cash flows and the inherent risks of amounts less those cash flows being received.

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9. A system according to claim 8 further comprising one or more risk prediction methodologies to predict the aggregate risk of default by the special purpose vehicle.

10. A system according to claim 9 further comprising means for performing a quantitative analysis of the expected cumulative net loss experience or cash flow experience for the securitized asset.

11. A system according to claim 10 further comprising means for issuing credit support from an issuer.

12. A system for financing a stadium facility, the system comprising a computerized system for:

- a) projecting one or more sources of future cash flow expected to be generated by the originating entity in the operation of the facility, said sources being selected from the group consisting of gate receipts, season ticket revenue, individual game ticket revenue, and vending revenue;
- b) collecting and pooling rights to receive said cash flow(s) over a period of years;
- c) transferring said rights to one or more special purpose vehicles, each in the form of a separate legal entity, in a manner that effectively removes the respective cash flow(s) from the originating entity's bankruptcy estate;
- d) issuing securities on behalf of said special purpose vehicle(s), using said pooled rights as collateral; and
- e) employing the revenue generated from the sale of said securities to finance at least a portion of the construction and/or operating costs of the facility

wherein the system further comprises:

- a) means for issuing credit support from an issuer, and
- b) means for performing a quantitative analysis of the expected cumulative net loss experience or cash flow experience for the securitized asset.

13. A system according to claim 12 further comprising means for insuring that investors in the special purpose vehicle receive the maximum amount possible if cash flows are less than expected, and that they are insured or provided credit enhancement against such risk.

14. A system according to claim 12 further comprising means for predicting the likely dollar amount of the future cash flows and the inherent risks of amounts less those cash flows being received.

15. A system according to claim 12 further comprising one or more risk prediction methodologies to predict the aggregate risk of default by the special purpose vehicle.

16. A sports facility the construction of which has been financed, at least in part, by the system of claim 8.

17. A sports facility the construction of which has been financed, at least in part, by the system of claim 12.

* * * * *