



louisville arena authority

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Board of Directors Meeting

July 16, 2012

9:00 a.m. EST

KFC YUM! Center

DRAFT

Directors in Attendance: Mr. Tim Corrigan, Mr. Eric Gunderson, Chairman Larry Hayes, Mr. Michael Houlihan, Ms. Alice Houston, Metro Council President Jim King (Ex Officio), Dr. Mark Lynn, Mr. Tim Mulloy, Ms. Cissy Musselman, Mr. Dan Ulmer, Ms. Lindy Street, Vice Chairman William Summers V

Directors Absent: Ms. Maura Temes

Consultants and Staff: Mr. Ed Glasscock, General Counsel; Mr. Dennis Petrullo, KFC YUM! Center General Manager

Welcome: **Chairman Hayes**

Chairman Hayes declared a quorum and convened the meeting.

DISCUSSION ITEM: Acceptance of the June 11, 2012 Board Meeting Minutes – Chairman Hayes

Dr. Lynn moved to accept the Minutes of the June 11, 2012 Arena Authority meeting. The motion was seconded by Ms. Musselman, and the motion passed unanimously with no abstentions.

DISCUSSION ITEM: Presentation of Financial Statements –Chairman Hayes

Chairman Hayes introduced Mr. Gary Stewart from the Kentucky State Fair Board, who presented the May 2012 financial reports. Mr. Stewart reported that the operating income was approximately \$400,000 below budget in May as activity in the arena was slower than anticipated. An event that had been budgeted cancelled, and a concert produced approximately \$80,000 less revenue than expected. Additionally, the May expenses included co-promoter expenses that were higher than budgeted and a monthly accrual to AEG for events promoted by them.

Mr. Stewart advised that the year-to-date income was also down approximately \$400,000. He explained that the contract amortization and insurance expenses line item includes professional fees such as legal fees. However, the legal fees are offset by a donated portion of their fee, which is included in the in-kind revenue line items. Mr. Stewart noted that the labor costs were down in May.



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President King asked about the co-promoter expenses. Mr. Dennis Petruzzo explained that it is a rebate program for promoters usually based on concert attendance. The industry standard is \$2 - \$4 per person. President King expressed concern regarding the discrepancy in the budgeted amount versus the actual amount. He suggested that the line item be reviewed for more clarity going forward.

DISCUSSION ITEM: AEG Presentation – Dennis Petruzzo

Chairman Hayes thanked Dan Ulmer, Chair of the Special Committee, and committee members Alice Houston, Tim Corrigan, Tim Mulloy, Mark Lynn, and William Summers V for the time and effort they spent reviewing the arena management proposals. He stated that AEG's selection is not only financially advantageous to the Arena Authority, but will bring new energy to the arena and the community. Chairman Hayes then introduced Mr. Petruzzo, General Manager of the KFC YUM! Center.

Mr. Petruzzo expressed AEG's appreciation for the opportunity to operate the arena, and he thanked Harold Workman for bringing AEG to Louisville. He then showed a video highlighting AEG, the facilities it owns and operates and the events that it promotes, including sporting events, concerts and other entertainment. Mr. Petruzzo reviewed the key transition tasks that were performed by July 1, including arena employee transition and benefit implementation. He advised that offers were extended to 80% of the arena employees, and more than 80% accepted employment offers. AEG successfully transitioned employment benefits to those employees. Additionally, the IT/telecom services were successfully transitioned, and client outreach has begun. Mr. Petruzzo has met with representatives from the University of Louisville and the Louisville Convention and Visitors Bureau. Mr. Petruzzo reviewed the arena management's organizational structure. He advised that in addition to the general manager, it will include operations, information technology, human resources, marketing, finance and event services departments. Coming events in the arena include Jeff Dunham, Kiss, Big Time Rush, Carrie Underwood, Justin Bieber, the Harlem Globetrotters, Mike Epps, and One Direction. Finally, he announced that The Who will play the KFC YUM! Center in February 2013.

At the conclusion of his remarks, Ms. Musselman asked several questions related to the Arena Authority's involvement in the arena. Chairman Hayes responded that the Authority has returned to monthly meetings to ensure that the board members are fully informed. He expects the full arena staff to be in place within the next month, and the Authority will be able to contact Mr. Petruzzo or staff members with questions or concerns. Mr. Ulmer advised that the Authority's responsibilities will not change, and the Authority will still have annual audits. He stated that once the financial person is on site, the board will begin receiving timely financial reports. Mr. Petruzzo assured the board members that AEG is responsible for managing the facility according to the standards set by the Authority. Ms. Houston stated her belief that by engaging AEG, the Arena Authority has positioned itself well to help pay off the arena bonds.

Ms. Musselman also expressed her concern that the arena is marketed properly and that AEG work with other organizations to ensure that events go to the correct facility, including the Expo Center and Kentucky International Convention Center. Mr. Petruzzo advised that he will continue working with the Convention and Visitors Bureau, Linda Edwards and others to bring shows and events to the most appropriate facility. President King thanked the Kentucky State Fair Board for its work in opening the arena and getting it to where it is now. AEG's role is to raise it to the next level. President King stated that he likes competition among the venues and hopes all the facilities can improve.

DISSUSSION ITEM: General Counsel Update – Chairman Hayes

Chairman Hayes introduced Mr. Ed Glasscock, who reported that there were no new developments in the RAM or environmental cases. Chairman Hayes thanked Mr. Glasscock and his partners at Frost Brown Todd for their work in negotiating the AEG agreement.

DISCUSSION ITEM: Other Business – Chairman Hayes

Chairman Hayes advised that an investor call with the arena bond holders will be held on Wednesday, July 18. The call will include a discussion of the arena's current financial position and its expectations for the future. This will be followed by a visit from representatives from Standard & Poor's, the bond rating agency, and Assured Guaranty, the bond insurer, on Friday, July 20, during which they will review recent activities, including the AEG agreement and the Arena Authority's effort to control arena expenses, as well as new developments in the community that positively impact the arena and the TIF district.

Chairman Hayes advised that he will begin reviewing the Arena Authority's committee structure, and he encouraged the board members to contact him if they had any suggestions or questions.

Chairman Hayes announced that William Summers V had recently been appointed vice chairman of the Authority. Mr. Summers will work with Metro to keep them updated on arena activities.

No other business to come before the Authority, the meeting was adjourned at approximately 10:00 a.m.

Respectfully submitted,
Laura Chandler