



louisville arena authority

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**Board of Directors Meeting
December 10, 2012
9:00 a.m. EST
KFC YUM! Center**

MINUTES

Directors in Attendance: Mr. Eric Gunderson, Ms. Alice Houston, Metro Council President Jim King (Ex Officio), Mr. Tim Mulloy, Ms. Lindy Street, Ms. Maura Temes, Mr. Dan Ulmer, Vice Chairman William Summers V, Chairman Larry Hayes

Directors Absent: Mr. Andrew Beshear, Mr. Michael Houlihan, Mr. Lee Kirkwood, Ms. Lesa Seibert

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

Welcome: Chairman Hayes

Chairman Hayes declared a quorum and convened the meeting.

DISCUSSION ITEM: Acceptance of the November 12, 2012 Board Meeting Minutes – Chairman Hayes

Vice Chairman Summers moved to accept the Minutes of the November 12, 2012 Arena Authority meeting. The motion was seconded by Mr. King and the motion passed unanimously with no abstentions.

DISCUSSION ITEM: Presentation of Financial Statements – Vice Chairman Summers

Mr. Summers, Finance Committee Chair advised the board on behalf of the Finance Committee to approve Crowe Horwath performing the audit and report of the Louisville Arena Authority's financial statements for the year ending December 21, 2012. Mr. Summers introduced Mr. Tony Brutscher, Audit Partner at Crowe Horwath, LLP to discuss Crowe Horwath's engagement letter. Mr. Brutscher informed the Board that the key matters to take away from the letter was that there is no change in the scope of the audit services being performed from previous years, as well as no change in the fee for the professional services rendered.

Mr. King stated that he supported retaining Crowe Horwath to perform the Louisville Arena Authority's audit services and that one of the complexities that may arise in the coming audit is the new management relationship with AEG Facilities. He also declared that he felt encouraged that Deming, Malone, Livesay & Ostroff (DMLO) was involved in the preparation of the financial

statements. Ms. Street moved that the Arena Authority approve retaining Crowe Horwath to provide an audit and report for the year ending December 21, 2012. The motion was seconded by Mr. Ulmer and the motion passed unanimously with no abstentions.

Mr. Summers confirmed that Standard & Poor's affirmed its BBB- underlying rating of the bonds and asked Mr. Alex Rorke with Hilliard Lyons to give an update on the rating. Mr. Rorke stated that he was proud to report that Standard & Poor's affirmed the rating of the Louisville Arena Authority and that the rating process performed by Standard & Poor's was extensive and thoughtful. Mr. Rorke concluded that although the rating was assigned a negative outlook, the rating agency acknowledged that the new management is doing a tremendous job but that the jury is still out on the TIF district. Mr. Mulloy then inquired about when the state is required to report the TIF District numbers. Chairman Hayes informed the board that according to the contract in place the TIF District numbers are released in September of each year. Chairman Hayes then stated that he has been in discussions with the Secretary of Finance to try and change the time frame of when the TIF District numbers are released.

Chairman Hayes concluded the discussion by giving emphasis to the importance of creating a long term financial plan for the Arena Authority along with a more open communications plan to inform bond holders of the state of the arenas financials.

DISCUSSION ITEM: AEG Management Update- Dennis Petruzzo

Mr. Jokovich, Finance Director at the KFC Yum! Center provided the AEG Financial Update. He reported that the facility held several successful events during the month of October including Eric Church, The Royal Comedy Tour, The Tour of Gymnastics Champions, three University of Louisville Men's Basketball scrimmages, one University of Louisville Women's Basketball game, and two University of Louisville Women's Volleyball games.

Mr. Jokovich initiated his report with the event recap for the month of October stating that the facility had a net operating loss of \$28,000 compared to a budgeted loss of \$122,000; resulting in a positive variance of \$93,000. Mr. Jokovich then explained that for the year the arena is operating at a loss of \$359,000 compared to a budgeted loss of \$886,000. He emphasized that the arena is ahead in the Year to Date projections and that the month of November was a significant month for the arena due to events such as Justin Bieber, Bruce Springsteen and the start of University of Louisville basketball taking place. Mr. Jokovich predicted that the actual Year to Date net operating profit to overtake the year to date forecast.

At the conclusion of his remarks, Mr. Jokovich reported the rolling forecast stating that AEG is projecting a \$1.3 million profit for the fiscal year ending June 2013 compared to a budgeted net operating profit of \$1.15 million. Mr. Jokovich highlighted that the forecasted net operating profit variance of \$188,000 increased about \$100,000 from Septembers rolling forecast due in large part to the addition of the Bon Jovi to the spring line-up. Mr. King inquired for comparative numbers from the '11-12' fiscal year. Chairman Hayes added that seeing the numbers associated with the previous year's operating expenses would showcase the arena's increased revenue projection this year, along with lower operating expenses. Mr. Jerry Hurt with DMLO concluded that he would seek the Income Statements for the '11-'12 fiscal year from the Kentucky State Fairboard to review with the board at a future date.

Dennis Petrullo, General Manager then introduced Sandra Kendall, Marketing Manager to review the new KFC Yum! Center website. Ms. Kendall began by stressing the significant role the website plays in promoting shows and interacting with fans. She stated that the website was designed by Carbon House, a leading web design company in the entertainment industry that has developed websites for several other AEG venues. Chairman Hayes initiated the topic of the Louisville Arena Authority website and shared that several items on the website are out of date. He then emphasized the importance of making the website more current and using it as an avenue to communicate with the public.

Ms. Kendall proceeded by informing the board that the previous KFC Yum! Center website did not showcase arena events and patrons were re-routed to ticketmaster.com the arena's ticketing partner. She underscored how the staff can now control the content of show information and that event promoters have been delighted at the ability to do more show promotion through the website. Ms. Kendall shared that the website also has a Guest Services A-Z tab with a well organized question and answer section used to address patron inquiries. Ms. Kendall also appraised the booking and inquiry tabs on the website that address event booking requests and provides personalized customer feedback. Ms. Kendall concluded her review of the KFC Yum! Center website by re-highlighting the variety of marketing and media outlets AEG is using to connect with the arenas fans and provide exceptional customer service.

Mr. Petrullo concluded the AEG Management update by reviewing a list of upcoming 2013 concerts and pointing out several new shows coming to the arena such as the Professional Bull Riders event. He informed the board that the arena is regularly in the top 20% for event ticket sales and emphasized that consumers in the Louisville market are willing to spend money to attend entertainment events and are embracing spending time in the downtown area. Mr. Petrullo finished by informing the board that the in-house customer service texting system discussed in the previous board meeting is currently being addressed.

DISSUSSION ITEM: General Counsel Update – Chairman Hayes

Chairman Hayes introduced Mr. Ed Glassock, who reported that Frost, Brown, Todd is working on a few projects but that there is no new business to report.

DISCUSSION ITEM: New Business – Chairman Hayes

Chairman Hayes initiated the discussion of New Business by informing the board that the new committee assignments have been evaluated and the updated committee assignments will be sent out after the New Year.

No other business to come before the Authority, the meeting was adjourned at approximately 9:50 a.m.

Respectfully submitted,
Amelia Priest