



louisville arena authority

Board of Directors Meeting

May 19, 2014

9:00 a.m. EST

KFC YUM! Center

MINUTES

Directors in Attendance: Mr. Rick Guillaume, Ms. Cheri Bryant Hamilton (ex-officio), Mr. Michael Houlihan, Mr. Jim King, Mr. Lee Kirkwood, Mr. Steve Rowland, Ms. Maura Temes, Mr. Dan Ulmer, Vice Chairman William Summers V, Chairman Larry Hayes

Directors Absent: Ms. Jayshree Amin, Mr. Eric Gunderson, Ms. Alice Houston, Mr. Tim Mulloy, Ms. Lesa Seibert, Ms. Lindy Street

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

Welcome: Chairman Hayes

Chairman Hayes declared a quorum and convened the meeting.

DISCUSSION ITEM: Acceptance of the March 10, 2014 Board Meeting Minutes – Chairman Hayes

Mr. King moved to accept the minutes of the March 10, 2014 Arena Authority Meeting. The motion was seconded by Mr. Summers and the motion passed unanimously with no abstentions.

DISCUSSION ITEM: Presentation of Financial Statements –Vice Chairman Summers

Mr. Jerry Hurt of Deming Malone Ostroff offered an accounting update to the board; LAA financial accounts are tracking ahead on a cash basis.

Mr. Summers asked Mr. Chip Southerland of Hilliard Lyons to address the board on amendments to the Authority's Bond Trust Indenture and the First Supplemental Loan Agreement. Both documents were approved by the Finance Committee and recommended for approval by the board. Minor wording changes were made to the documents to facilitate the June 1 bond payment and alleviate ambiguities among legal documents. Both documents are subject to further changes approved by the Chairman or Vice-Chairman of the board. Mr. Summers motioned to accept the amendments to the Bond Trust Indenture and First Supplemental Loan Agreement. Mr. Guillaume moved to accept the amendments. The motion was seconded Mr. Rowland and the motion passed unanimously with no abstentions.

DISCUSSION ITEM: AEG Management Update- Dennis Petruzzo

Justin Jokovich, Finance Director provided the AEG Financial Update for the month of February 2014. In February, the facility hosted 11 total events: Kings of Leon, 4 University of Louisville Men's Basketball games, 4 University of Louisville Women's Basketball games and 2 meetings & banquets. The income statement for the period ending February 28, 2014 resulted in a net operating profit of \$114,538.

For the month of March 2014, the facility hosted 9 total events: George Strait, Arcade Fire, 1 University of Louisville Men's Basketball game, 1 University of Louisville Women's Basketball game and 5 meetings & banquets. The income statement for the period ending March 31, 2014 resulted in a net operating profit of \$207,638.

According to the Rolling Forecast for fiscal year 2013-2014 (as of the period ending March 31, 2014) AEG projects a net operating profit of \$1.816 million. Mr. Jokovich highlighted that the arena was anticipated to finish stronger than originally budgeted for fiscal year 2013-2014. He attributed this positive variance to the ability to control overhead expenses accordingly noting that event expenses are driven by event revenues.

Mr. Jokovich presented the operating budget for the fiscal year 2014-2015. AEG projects a net operating profit of \$1.4 million; AEG's minimum annual guarantee is \$1.4 million for the third Operating Year. The arena will play host to 26 concerts this fiscal year, 25 concerts are projected for next fiscal year. Revenue is expected to be lower next fiscal year due to a less favorable mix of concerts and other events, fewer top-tier acts mean less revenue noted Mr. Petruzzo. The University of Louisville's move to the Atlantic Coast Conference (ACC) is expected to increase basketball game attendance and provide additional revenues. AEG continues to develop additional programming activities at the arena aside from basketball and large concerts. Mr. Petruzzo highlighted several new events such as the Midwest Music Festival, NBA Exhibition game, Professional Bull Riders and partnership with the Louisville Convention and Visitors Bureau to bring national conventions to the Louisville Market. Chairman Hayes motioned for the approval of the fiscal 2014-2015 Operating Budget. Mr. King moved to accept the Operating Budget. The motion was seconded by Ms. Seibert and the motion passed unanimously with no abstentions.

Sandra Kendall, Marketing Director provided an email marketing update to the board. AEG has implemented several new marketing initiatives to market events. The Fan Interactive email platform provides the ability to send presale/special offers, thank you emails, and survey opportunities for fans that provide feedback to management, customer demographic information and segmentation of lists. This platform was implemented to provide a more enjoyable experience for every patron, increase show ticket sales and provide increased revenue opportunities for the Louisville Arena Authority. Ms. Kendall highlighted that the demographic reports provided by Fan Interactive assist event promoters in choosing the best marketing platforms for their events overall success. The Demographic reports provide information such as average tickets/customer, average ticket price purchased, tickets purchased by market and demographics of ticket purchasers.

DISSUSSION ITEM: General Counsel Update – Chairman Hayes

Chairman Hayes introduced Mr. Ed Glassock, who reported that there is no new business to report.

DISCUSSION ITEM: New Business/Old Business – Chairman Hayes

No other business to come before the Authority, the meeting was adjourned at approximately 9:42 a.m.

Respectfully submitted,
Amelia Priest