



louisville arena authority

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**Board of Directors Meeting
September 19, 2011
9:00 a.m. EST
KFC YUM! Center
Louisville, KY**

Directors in Attendance: Mr. Larry Bisig, Mr. Todd Blue, Mr. Junior Bridgman, Mr. Tim Corrigan, Mr. Eric Gunderson, Ms. Alice Houston, Metro Council President Jim King (Ex Officio), Dr. Mark Lynn, Ms. Cissy Musselman, Ms. Maura Temes, Mr. Dan Ulmer, Mr. William Summers V, Chairman Jim Host

Directors Absent: Vice Chairman Larry Hayes, Mr. Ron Carmicle (Ex Officio), Mr. Michael Houlihan, Ms. Lindy Street

Consultants and Staff: Mr. Harold Workman, Executive Director; Mr. Ed Glasscock, General Counsel; Mr. Ted Nicholson, KFC YUM! Center General Manager; Ms. Lynn Saltzman, LASEP

Welcome: Chairman Host

Chairman Host declared a quorum and convened the meeting. He thanked outgoing board members Jim Patterson and Bob Woolery for their service to the Arena Authority, and he welcomed the Authority's two new members, Dr. Mark Lynn and Mr. Michael Houlihan. He advised that although Mr. Houlihan had a previous business commitment and was unable to attend the board meeting, he had recently met with both Dr. Lynn and Mr. Houlihan regarding the Authority.

DISCUSSION ITEM: Acceptance of the Minutes of June 13, 2011 Board Meeting – Chairman Host

Mr. Bisig moved to accept the Minutes of the June 13, 2011 Arena Authority meeting. The motion was seconded by Ms. Musselman, and the motion passed unanimously with no abstentions.

DISCUSSION ITEM: Presentation of Form 990 – Chairman Host

Chairman Host introduced Mr. Tony Brutscher with Crowe Horwath, the Authority's auditing firm. Mr. Brutscher introduced Ms. Rachel Spurlock, who presented the Arena Authority's draft Form 990 that will be filed with the IRS. Ms. Spurlock advised that the Arena Authority's audited financial statements were the primary source of information for the Form 990. She advised that the Authority's policies require that the draft Form 990 be presented to the board of directors prior to its filing with the IRS. There were no questions regarding the filing. Mr. Ulmer moved to approve the filing of the Form 990. The motion was seconded by Mr. Bridgeman and passed unanimously.



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DISCUSSION ITEM: Venue Solutions Presentation – Chairman Host

Chairman Host advised that Mr. Russ Simons, President of Venue Solutions, had been scheduled to attend the Authority meeting; however, his flight was cancelled. Chairman Host advised that he had spoken to each Authority member regarding the engagement of Venue Solutions to review the operations of the KFC YUM! Center. He explained that Venue Solutions had responded to an RFP issued by the Arena Authority. Venue Solutions will be paid a total fee of \$58,000 plus pre-approved expenses. Venue Solutions will review and compare the arena operations to that of comparable venues. Additionally, they will review revenue and expenses generated from the arena. The final report is expected in approximately 45 days. Mr. Ulmer moved to approve the engagement of Venue Solutions. The motion was seconded by Mr. Gunderson and passed unanimously.

Ms. Musselman asked which venues would be used for comparison. Chairman Host responded that the other venues include the Prudential Center, the Sprint Center and Consol Energy Center, among others.

DISCUSSION ITEM: Management Update – Ted Nicholson

Mr. Ted Nicholson, General Manager of the KFC YUM! Center, provided an update on recent activities at the Center. He advised that the arena had recently hosted several days of Disney on Ice, preceded by Sade and Katy Perry. He complimented his staff on their efforts to changeover the arena after multiple events. He advised that during their first walk-through of the arena, representatives from Venue Solutions were complimentary of the cleanliness and organization of the arena's event level. Mr. Nicholson stated that the KFC YUM! Center will host six UofL volleyball games during the 2011 season. Chairman Host commented that it is important to gain experience in hosting volleyball in preparation for the NCAA Final Four volleyball tournament in December 2012.

Mr. Nicholson advised that additional permanent directional signage is being installed in the arena. He reported that the rescheduled Taylor Swift concert will be held in October and that Bob Seger has been scheduled for November. Additionally, the UofL basketball season will soon begin.

Mr. Summers asked Mr. Nicholson to provide a report regarding how the arena is progressing to ensure that it is productive and efficient. President King asked what drives revenue at the KFC YUM! Center. Mr. Nicholson responded that if the arena had hosted three more large concerts during the past six months, then revenue would be much higher, explaining that revenue from events is derived from rent, a facility fee charged on tickets and a percentage received from concessions and merchandise sales. Mr. Workman further explained that the bulk of events are held during the basketball season.

President King requested an explanation of the revenue received from UofL. Mr. Workman explained that for men's basketball, the Arena Authority receives rent of \$10,000 or 10% of the gross sales (rent for women's basketball is \$5,000 or 5% of gross sales). Additionally, the Authority receives a facility fee for men's games and a percentage of suite sales and premium seating sales, and a percentage of concessions and merchandise sales. He explained that part of the revenue received from UofL is Category A funds (dedicated to repayment of the arena bonds) and a portion is considered operating revenue.

Mr. Blue requested that Venue Solutions review all aspects of the KFC YUM! Center's operations and business arrangements, including the University of Louisville agreement. He expressed his belief that the agreement is overly generous to UofL. Mr. Blue stated that in the spirit of true partnership, especially in light of UofL's

tremendous Athletic (especially basketball) Department profits, it would be understandable, and in good mutual-community stewardship, for UofL to consider a more equitable split of arena revenues especially in light of the fact that UofL took very little up-front economic risk to build and finance the arena. He advised that the Board has a fiduciary responsibility to the bond holders, thus his request to UofL is reasonable and consistent with the Board's responsibility.

Ms. Houston and President King asked that the Authority members be provided a metric for the financial presentation that includes more detail on direct event income and expenses, attendance estimates, etc.

DISCUSSION ITEM: Sales Update – Chairman Host

Chairman Host introduced Ms. Linda Edwards, Vice President of Sales for the Kentucky State Fair Board, who provided an update of recent events held in the arena and scheduled future events. Ms. Edwards advised that the KFC YUM! Center had been open for 345 days. She stated that more than 500 client tours were held in the first few months of the arena's operation. She advised that since its opening, the arena has hosted 279 events, including 40 basketball games, 59 concerts and family shows and 180 stand-alone events (private meetings and events that are confirmed 60 days out). She discussed the USO event, which was video streamed to service members in Afghanistan and Iraq, a high school prom held in the lobby, and the Church of the Nazarene youth conference that included 10,000 young adults using the KFC YUM! Center and Kentucky International Convention Center.

Ms. Edwards discussed some of the events confirmed for the future, including basketball games and practices, concerts, numerous stand-alone events, the NCAA Final Four Volleyball tournament, and six large conventions.

DISCUSSION ITEM: Sponsorship Update – Chairman Host

Chairman Host introduced Ms. Lynn Saltzman, General Manager of LASEP, who thanked the Arena Authority for its vision for the KFC YUM! Center. She advised that there are approximately 60 sponsorship partners, including five new partners. The five new partnerships have a total sponsorship value of \$1.6 million. She announced that Cricket Wireless has become an arena sponsor and will receive inner bowl signage, as well as two listening stations in the arena concourses. Ms. Saltzman reported that Integrated Media was named the "Official Arena Guide" of the KFC YUM! Center. The publication, produced six times annually, will be distributed to more than 150 locations throughout Louisville as well as inside the arena. The guide will contain information on the facility, events, and KFC YUM! Center employees. Mozz Mozzarella Bar & Enoteca will be featured on the arena's electronic media, as well as on two column wraps on the upper suite level. Mingua Beef Jerky will be sold at all KFC YUM! Center events. The Paris, Ky. based company will also be featured on signage on the concourse and in the elevator, as well as on electronic media and social media sites. The Kentucky National Guard will be featured on the upper concourse west elevator to promote recruitment.

Ms. Saltzman introduced Mr. Mark Fields, who recently joined LASEP as account representative.

DISCUSSION ITEM: Presentation of Financial Statements – Chairman Host

The Arena Authority discussed the July 2011 financial statements, which reflected a year-to-date net loss of \$467,402. Chairman Host explained that the Taylor Swift concert, which had been scheduled for July, but postponed until October, would have improved the arena revenues. Additionally, some expenses will be recouped when PARC reimburses the Arena Authority for a portion of the utilities in the arena garage. In response to President King's question, Mr. Workman advised that an analysis had been done regarding the cost

to host an event in the arena. He explained that because it is a community facility, it is important to host some events that may not generate a positive income. Additionally, some expenses were not revenue-generating, such as tours of the facility.

DISSUSSION ITEM: General Counsel Update – Chairman Host

Chairman Host introduced Mr. Ed Glasscock, who reported that both the Schnell and Grayhawk cases have been dismissed. In the RAM case, the judge recently ruled that RAM was not entitled to lost profits. The judge denied the Finance Cabinet’s claim for sovereign immunity, and the Authority has joined the Cabinet’s appeal of the ruling. The parties recently participated in mediation, but attempts to settle the case were unsuccessful. The judge is expected to schedule a trial date soon.

DISCUSSION ITEM: Arena news articles/press – Larry Bisig

Mr. Bisig advised that recent news articles were included in the Arena board books.

DISCUSSION ITEM: Other Business – Chairman Host

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

Respectfully submitted,
Laura Chandler