



louisville arena authority

Board of Directors Meeting
November 9, 2015
9:00 a.m. EST
KFC Yum! Center

MINUTES

Directors in Attendance: Mr. Larry Bond, Mr. Rick Guillaume, Ms. Alice Houston, Ms. Deborah King, Mr. Lee Kirkwood, Mr. Stuart Ray, Mr. Steve Rowland, Ms. Lesa Seibert, Ms. Lindy Street, Ms. Maura Temes, Mr. Dan Ulmer, Vice Chairman William Summers V, Chairman Larry Hayes

Directors Absent: Ms. Jayshree Amin, Mr. Michael Houlihan, Mr. David Tandy (ex-officio)

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 September 14, 2015 Board Meeting Minutes – Chairman Hayes

Vice Chairman Summers moved to accept the minutes of the September 14, 2015 Arena Authority Meeting. The motion was seconded by Mr. Rick Guillaume and the motion passed unanimously with no abstentions.

DISCUSSION ITEM: Presentation of Financial Statements – Vice Chairman Summers

Vice Chairman Summers introduced Mr. Chip Sutherland of Hilliard Lyons who provided the finance report.

Mr. Sutherland updated the board on the status of the rating agencies annual reviews. Moody's conducted a site visit in early November and met with members of the management team, Hilliard Lyons and the Louisville Arena Authority. A report is expected from Moody's mid-December. S&P conducted ratings calls and have a few follow-up questions, with a report also expected in mid-December. Mr. Sutherland noted that one of the highlights from the Moody's visit was their recognition of the governance and elite management of the arena.

Vice Chairman Summers discussed the significance of having Moody's on-site allowing them to see and feel what the arena is doing and noted that things are going in the right direction.

Mr. Sutherland concluded the finance report by informing the board that the December debt service payment is already in the account for full payment and a head start has been made on the June debt service payment.

DISCUSSION ITEM: AEG Management Update - Dennis Petrullo

Mr. Justin Jokovich, Finance Director, provided the AEG Financial Update for the months of August and September 2015. In August, the facility hosted 7 total events: 5 Seconds of Summer, Shania Twain, Kevin Hart, Women of Faith, 2 meetings/banquets and 1 other event. The income statement for the period ending August 31, 2015 resulted in a net operating profit of \$168,868 which Mr. Jokovich noted is historically strong for the month of August.

For the month of September, the facility hosted 13 total events: Def Leppard, Disney on Ice: Let's Celebrate, 3 University of Louisville Women's Volleyball games and 2 meetings/banquets. The income statement for the period ending September 30, 2015 resulted in a net operating loss of \$317,709. Year to date, the arena is operating at a net loss of \$428,788 which is a positive variance of just under \$17,000 for the 1st quarter of the fiscal year.

According to the Rolling Forecast for fiscal year 2015-2016 (as of the period ending September 30, 2015) AEG is projecting a net operating profit of \$1.6 million which is \$56,000 over the budgeted profit and \$104,000 over the minimum guarantee to the Louisville Arena Authority.

Mr. Steve Rowland questioned what assumptions are made with regard to ticket sales for upcoming events when projecting financials for the fiscal year. Mr. Jokovich noted that the projections depend on the shows booked at the arena and the forecast does include some speculative revenue.

Chairman Hayes informed the board that the Contract Committee had been looking at various Arena Authority contracts and the committee wanted to look at the opportunity to guarantee AEG would stay on as manager of the arena through extension of the AEG Management Agreement.

Mr. Rowland discussed the importance of extending the AEG Management Agreement and noted the agreement will provide the ability for the Arena Authority to invest in reserve accounts and maintain a strong management company to build off of over the next decade. The agreement extends the partnership with AEG through 2027. Chairman Hayes asked for a motion to approve the extension of the AEG Management Agreement based on the recommendation from the Finance Committee. Vice Chairman Summers moved to accept the extension of the AEG Management Agreement. The motion was seconded by Ms. Lesa Seibert and the motion passed unanimously with no abstentions.

Mr. Dennis Petrullo, General Manager, provided the board with an update on the latest Pollstar rankings. The KFC Yum! Center advanced in the rankings from 21st to 15th in the nation and from 47th to 35th in the world from year end 2014 through the 3rd quarter of 2015. These are the highest rankings since the venue started tracking Pollstar rankings in 2012.

Mr. Petrullo also discussed the inaugural Kentuckiana Career & Development Fair held at the KFC Yum! Center on October 26, 2015. The job fair turned out to be a major success for the venue, drawing 40 diverse employers and over 750 applicants from the community. Moving forward the event will be held bi-annually.

Mr. Petruzzo then updated the board on the event services changes within the venue. The KFC Yum! Center selected ESG Security & Event Services to provide usher, ticket taker and security services at all arena events effective November 1, 2015. Roughly 200 employees made the transition with ESG to remain on the event services team at the venue. Additionally, the Louisville Arena Authority purchased red suit jackets that these employees will wear as a new uniform that will provide a more professional look.

Mr. Petruzzo concluded by providing the board with an update on the venue's policy on firearms. At the September 14, 2015 Louisville Arena Authority meeting, Stephen McBride - Vice President of the Kentucky Concealed Carry Coalition, discussed the venue's policy on firearms noting KRS 65.870 prohibits the Louisville Arena Authority and AEG from regulating firearms at the venue. Following discussions with Mr. McBride, the University of Louisville and various concert promoters, the language of the venue's policy on firearms will be changed. The decision on whether firearms will be allowed in the venue during a particular event will be decided by the tenant who has signed the contract for that event. The prohibited list of items permanently affixed to the venue's doors will no longer include firearms, but additional signage will be included should individual promoters/tenants decide that firearms are not permitted in the venue during their event.

Mr. McBride added the Kentucky General Assembly has given every University in the state of Kentucky the authority to regulate firearms, which this authority will travel with them to any space they own or occupy. Mr. McBride noted that the venue's new policy on firearms is fair to anyone leasing the building and is consistent with the law.

DISSUSSION ITEM: General Counsel Update – C. Edward Glasscock

DISCUSSION ITEM: New Business/Old Business – Chairman Hayes

Chairman Hayes announced to the board that he will submit his resignation to the Governor. Chairman Hayes thanked the members of the board for their hard work and dedication that has led to the success of the venue and noted the Louisville Arena Authority is in good shape for the future.

No other business to come before the Authority, the meeting was adjourned at approximately 10:05 a.m.

Respectfully submitted,
Lauren Helms