

CUYAHOGA COUNTY CONVENTION FACILITIES DEVELOPMENT CORPORATION
SPECIAL MEETING OF THE BOARD OF DIRECTORS
October 25, 2019
CLEVELAND, OHIO

Attendees at the Meeting:

Directors: Matt Carroll, Trevor McAleer, Mayor Bradley Sellers, Timothy Offtermatt, Majeed Makhoulf and Joe Roman.

Staff: George A. Hillow, Executive Director, and Julie Fatur, Financial Analyst.

Guests of the Board: David O'Neal of Conventional Wisdom Corp., Aram Nerpouni and Matt McBride of BioEnterprise Corp. ("BioEnterprise"), Ron King, General Manager of the Huntington Convention Center (the "Convention Center") and the Global Center for Health Innovation (the "Global Center" and, together with the Convention Center, collectively, the "Facility"), Mike Campo, Assistant General Manager of the Facility, Dave Johnson, Director of PR & Marketing of the Facility, Larry Trabulsi of CHMWarnick, Steve Wells, Director of Finance for ASM Global (formerly SMG), the Facility's management firm, Gordon Taylor III, Vice President of Convention Sales and Services at Destination Cleveland, Matt Del Regno and Serge Dunaway of Levy Restaurants, and Jeff Appelbaum and Emily Farinacci of Thompson Hine LLP.

Special Meeting of the Board of Directors. At 8:05 a.m. on Friday, October 25, 2019, a Special Meeting (the "October Special Meeting") of the Board of Directors of the CCCFDC (the "Board") commenced. Mr. Carroll presided as President of the Board.

Mr. Carroll called the meeting to order and declared a quorum of the Board present.

2020 Operating Budget.

Mr. King presented the 2020 CCCFDC operating budget to the Board, reporting that, for 2020, sources of cash generated from lease payments were assumed to stay equal to 2019 (at a total of \$5,400,000), and uses of cash (consisting of the CCCFDC budget, ASM budget and capital funding) are projected to total \$5,279,185, resulting in a total net cash surplus of \$120,815. In addition, the projected 2020 budget reflects an estimated net income (loss) at (\$2,626,985), resulting in an estimated \$468,023 positive variance from the 2019 budget.

Mr. King also noted that SMG, the Facility's outside management firm, recently completed a merger with venue management firm AEG Facilities, LLC and, as a result, global facility management firm ASM Global ("ASM") is the successor to SMG.

Third Quarter 2019 Financial Results.

Mr. King then presented the Board with a recap of financials for the third quarter 2019, reporting net revenue equal to \$11.4 million, resulting in a positive variance of \$1.4 million over budget, expenses equal to \$12.0 million, resulting in a negative variance of (\$0.3 million) over budget, and a net income of (\$0.56 million), resulting in a positive variance of \$1.04 million over budget. Event attendance during the third quarter of 2019 was 287,775, with a total of 157 total events held, 20 of which were city-wide events.

Mr. King noted that the forecast for full year 2019 as projected reflects a positive net revenue variance over budget of \$1.65 million, a negative expenses variance over budget of (\$0.66 million), and a positive net income variance over budget of \$1.0 million.

2020 Annual Plan.

Mr. King then reviewed the Facility's 2020 Annual Plan. The 2020 Annual Plan reflected various objectives specific to the Global Center, including an increase in events generating new revenue for the community, the promotion of the Global Center through strategic marketing and advertising techniques, an increase in the efficiency and lifespan of assets and equipment, the enhancement of community relationships and increased support from BioEnterprise to maximize the Global Center's tenant space utilization.

Mr. King also highlighted the top five city-wide events booked for 2020, noting that the projected event mix for 2020 resulted in gross revenues being slightly less than gross revenues for 2019. In addition, while both utility and staffing expenses are projected to remain flat in 2020, food and beverage expenses are estimated to increase from 2019. As a result, net losses from operations for 2020 are projected to increase compared to 2019.

Mr. Johnson then discussed the development of the 2020 advertising budget.

Mr. McAleer asked whether there is any way to increase the number of smaller events to help with the 2020 projected budget. Mr. King responded that, to assist with this objective, ASM has increased efforts to strengthen local advocates, build a strong local sales force and to shorten turnaround time for events. In addition, ASM also ran a winter booking special to promote local bookings at the Facility.

Mr. Makhoulf asked about the medical and healthcare space and how Cleveland compares to other cities like Detroit. Mr. King highlighted Cleveland's direct competitors from a convention center standpoint, including Pittsburgh, Columbus and Cincinnati, and commented that he is observing comparable gaps in long-term bookings in Cleveland for 2024-2026.

2020 Capital Budget.

Mr. Campo then presented a summary of the 2020 capital budget, reporting total capital expenditures equal to \$5,675,400, of which \$3,407,400 represent Convention Center projects and \$2,268,000 represent Global Center projects. Key facility-wide 2020 capital expenditure projects include new public furniture, surveillance upgrades, carpet replacement and wireless / security upgrades. Mr. Carroll also commented that the 2020 capital budget was approved by the Cuyahoga County fiscal officer.

Upon further discussion, the Board moved to approve the 2020 Operating and Capital Budgets. which motion was seconded. The Board then unanimously approved the 2020 Operating and Capital Budgets.

Committee Reports.

Mr. Hillow then provided a report on Board structure and governance issues, stating that the CCCFDC's Governance Committee recommended the expansion of the current Board to nine, adding two additional directors—one additional appointee from the County Executive and one additional appointee from the County Council. It was identified that the Code of Regulations for the CCCFDC states that the number of directors on the Board shall be no less than five and no more than nine.

Mr. Offtermatt then provided an update on hotel contracts and reserves, commenting on the sufficiency of capital reserves going forward. Mr. O'Neal provided a report on meeting rooms and the status of Public Auditorium.

Mr. King then provided an update on parking and hospitality community relations, which the Board discussed generally.

Hilton Hotel Report.

Mr. Trabulsi then provided the Board with a general report on the Hilton® Downtown Cleveland Hotel (the "Hilton Hotel"). Mr. Trabulsi reported that both year-to-date results and the full year 2019 outlook for the Hilton Hotel indicate that hotel occupancy will likely decline in 2020. The Board discussed the Hilton Hotel's 2020 outlook generally.

Executive Session.

At 8:54 a.m., a motion was made to move the Board into an executive session to discuss certain contract matters, which motion was approved by a roll call vote of all of the directors present. At 10:25 a.m., the Board unanimously voted to move out of executive session.

Board Approvals.

Upon exiting executive session, Mr. Carroll introduced the following two proposed CCCFDC consulting contracts for the Board's approval, each for three years ending on December 31, 2022: (i) a consulting agreement with Conventional Wisdom Corporation, relating to asset management services for the Facility (the "Conventional Wisdom Contract"), and (ii) a consulting agreement with Thompson Hine LLP, relating to legal services to the CCCFDC (the "Thompson Hine Contract").

Upon further discussion, the Board moved to approve the Conventional Wisdom Contract and the Thompson Hine Contract, which motion was seconded. The Board then unanimously approved the Conventional Wisdom Contract and the Thompson Hine Contract.

Adjournment.

There being no other items of business, a motion was made to adjourn the October Special Meeting, which was seconded. At 10:28 a.m., the October Special Meeting was adjourned.

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