MINUTES OF THE JOINT COMMITTEES MEETING OF THE CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT OF NASHVILLE & DAVIDSON COUNTY

The joint meeting of all committees of the Convention Center Authority of the Metropolitan Government of Nashville and Davidson County (CCA) met on September 30, 2010 at 8:08 a.m., in Room 201 at the Nashville Convention Center, Nashville, Tennessee.

COMMITTEE MEMBERS PRESENT: Mark Arnold, Marty Dickens, Ken Levitan, Willie McDonald, Mona Lisa Warren, and Leo Waters

COMMITTEE MEMBERS NOT PRESENT: Darrell Drumwright, Vonda McDaniel, Luke Simons, and Vice-Mayor Diane Neighbors, Ex-Officio

OTHERS PRESENT: Rich Riebeling, Charles Robert Bone, Charles Starks, Barbara Solari, Larry Atema, Kristen Heggie, Mark Sturtevant, Natasha Blackshear, Roxianne Bethune, Scott Black, Debbie Frank, Holly McCall, Terry Clements, Jim Murphy, Patrick Holcombe, Bob Lackey, Peter Heidenreich, Ross Burden, Kim McDoniel, Kelvin Jones, Joey Garrison, Stacey Garrett, Michael Cass, Susan McDonald, Craig Mangum, Don Hartley, Bill McDonald, and Regina Raccuglia. In addition other members of the general public and media were present.

The meeting was opened for business by Convention Center Authority Chairman, Marty Dickens.

ACTION: Mark Arnold made a motion to approve the joint meeting minutes of the Construction & Development and Finance & Audit Committees of August 26, 2010. The motion was seconded by Willie McDonald and approved unanimously by the committee.

ACTION: Willie McDonald made a motion to approve the DBE & Procurement Committee minutes of August 26, 2010. The motion was seconded by Leo Waters and approved unanimously by the committee.

ACTION: Mona Lisa Warren made a motion to approve the Marketing & Operations Committee minutes of August 26, 2010. The motion was seconded by Mark Arnold and approved unanimously by the committee.

The meeting began with the introduction of Ross Burden with KPMG and him giving an overview of the Audit. (Attachment #1 and #2) There were questions and discussion.

Next, Rich Riebeling was asked to discuss a possible Memorandum of Understanding between the Authority and the Nashville Convention & Visitors Bureau. The MOU would outline a loan in the amount of $300,000 from the CCA to the Nashville CVB to help with expenses from events relocated due to the May flood. It would be repaid over a three year period. There were questions and discussion.

ACTION: Willie McDonald made a motion to recommend the Memorandum of Understanding between the Convention Center Authority and the Nashville Convention & Visitors Bureau for full board approval at the October 7th meeting upon review of the MOU by the Authority. The motion was seconded by Ken Levitan and approved unanimously by the committee.

Charles Robert Bone was then asked to discuss the Omni Agreement. (Attachment #3) Rich Riebeling gave an overview of the Omni and CCA responsibilities. Charles Starks was asked to discuss the room block agreement. Jim Murphy talked about the intergovernmental agreement and tax agreement. Mr. Dickens said a draft of the proposed final agreement would be sent to the Authority and would be on the agenda for a vote next Thursday.

Patrick Holcombe was asked to give a procurement log update. (Attachment #1) There were questions. Holly McCall was asked to discuss the new Music City Center website. Debbie Frank gave a Public Art Committee update. Roxianne Bethune was asked to give an update on the Surety Assistance Program.

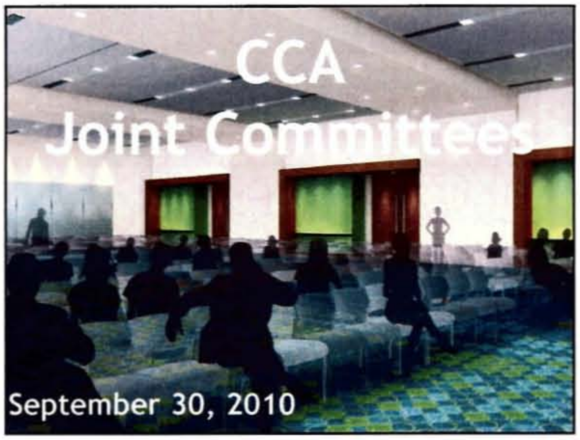
With no additional business a motion was made to adjourn, with no objection the meeting of the joint committees of the CCA adjourned at 9:06 a.m.

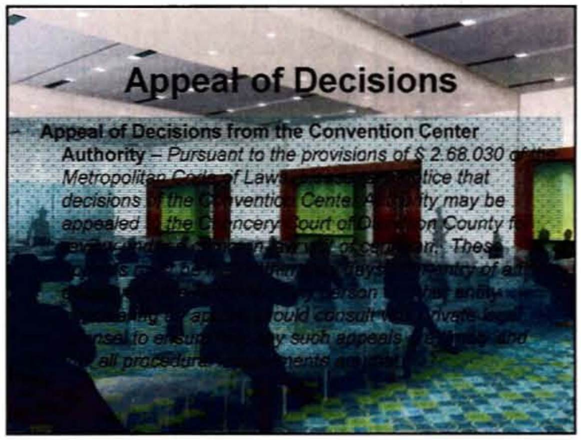
Respectfully submitted,

Charles L. Starks
Executive Director
Nashville Convention Center

Approved:

Marty Dickens, CCA Chairman
Joint Committee Meeting Minutes
of September 30, 2010


CCA
Joint Committees
September 30, 2010


Appeal of Decisions
Appeal of Decisions from the Convention Center Authority – Pursuant to the provisions of § 2.68.030


KPMG
The Convention Center Authority
Presentation of the Fiscal Year 2010
External Audit Plan

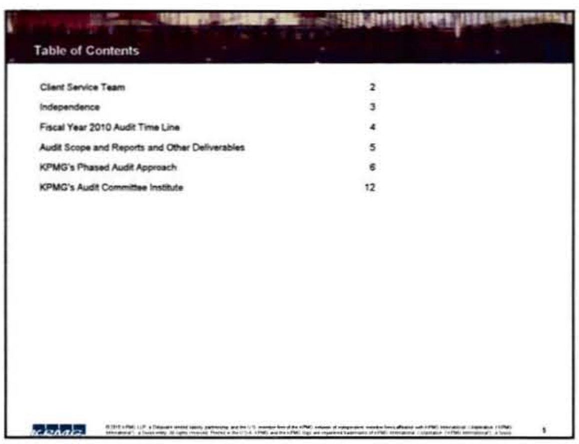
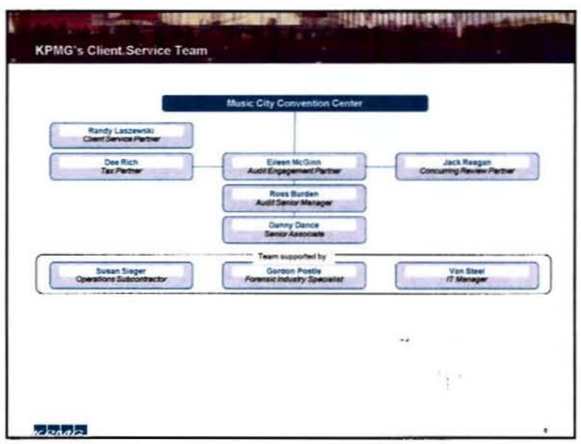


Table of Contents
Client Service Team 2
Independence 3
Fiscal Year 2010 Audit Time Line 4
Audit Scope and Reports and Other Deliverables 5
KPMG's Phased Audit Approach 6
KPMG's Audit Committee Institute 12


KPMG's Client Service Team
Music City Convention Center
Randy Laszewski
Client Service Partner
Dee Rich
Tax Partner
Eileen McGinn
Audit Engagement Partner
Jack Reagan
Concurring Review Partner
Ross Burden
Audit Senior Manager
Danny Dance
Senior Associate
Team supported by
Susan Sieger
Operations Subcontractor
Gordon Postle
Forensic Industry Specialist
Van Steel
IT Manager

Independence

KPMG has established an integrated and comprehensive system of quality control over independence that includes a framework of detailed policies and procedures supported by sophisticated, web-based, electronic systems and a dedicated group of experienced professionals to provide technical guidance and support.

Compliance with all guidelines established by the AICPA Independence Standards Board and General Accounting Office including:

- Restrictions on financial interests in the debt securities of the Convention Center
- Restrictions on consulting and information technology services
- Audit Committee review of the impact of non-audit services on auditor independence
- Annually, report to the Audit Committee on KPMG independence

Fiscal Year 2010 Audit Time Line

	Jul	Aug	Sep	Oct
Planning / interim audit activities				
Final audit activities				
Final adjustments and corrections to financial statements				
Issue financial statements (Anticipated issuance date is October 15, 2010)				

Audit Scope & Reports and Other Deliverables

Audit Scope	
Applicable financial reporting framework	• Accounting principles generally accepted in the United States of America
Scope of work	• Audit of financial statements and issuance of other deliverables as of and for the year ending June 30, 2010
Applicable auditing standards	• Auditing standards generally accepted in the United States of America as issued by the Auditing Standards Board of the American Institute of Certified Public Accountants • Generally accepted *Government Auditing Standards*

Audit Reports & Other Deliverables	Anticipated Issuance
• Auditors' report on the consolidated financial statements of the Convention Center	October 2010
Other Deliverables	
• Material written communications between KPMG and management	October 2010

KPMG's Phased Audit Approach

Communication with Music City Convention Center

1	Planning	• Perform risk assessment procedures • Determine audit strategy and identify critical accounting matters • Determine planned audit approach
2	Control Evaluation	• Understand accounting and reporting activities • Evaluate design and implementation of selected key controls • Test operating effectiveness of selected controls • Assess control risk and risk of significant misstatement
3	Substantive Testing	• Plan substantive procedures • Communicate testing plan to management • Perform substantive procedures • Consider if audit evidence is sufficient and appropriate
4	Completion	• Perform completion procedures • Perform overall evaluation of the financial statement and disclosures • Form an audit opinion • Report to Audit Committee • Communicate openly year-round with the Audit Committee and management

1 Preliminary decision on controls and substantive approaches for each audit objective

2 Confirm decision on controls and substantive approaches for each audit objective

KPMG's Phased Audit Approach (continued)

Phase 1: Planning	
	Hold entrance conference.
	Document our understanding of the Music City Convention Center's operations.
	Review sources of financial and performance data.
	Make preliminary materiality determinations.
	Identify significant line items, accounts, and assertions.
	Identify significant internal control cycles and accounting applications.
	Perform preliminary analytical review procedures.
	Identify risk factors.

KPMG's Phased Audit Approach (continued)

Phase 1: Planning	
	Prepare a list of information needed for the audit.
	Prepare audit planning documents.

KPMG's Phased Audit Approach (continued)

Phase 2 Internal Control	
	Document, understand, and evaluate the general control environment.
	Document significant accounts and transaction cycles.
	Document our understanding of internal controls.
	Identify key controls and perform tests of design over these controls.
	Test internal controls.
	Document preliminary risk assessments.
	Document test results.

KPMG's Phased Audit Approach (continued)

Phase 3 Substantive Testing	
	Prepare (or update) tailored audit programs. Based on our review and evaluation of internal controls and our control risk assessments, we will update, as necessary, our audit programs.
	Perform substantive testing. Using the tailored audit programs, we will perform substantive tests to (1) provide reasonable assurance as to the validity of the information provided by the accounting system, and (2) address financial statement assertions (completeness, existence, accuracy, valuation, obligations and rights, and presentation and disclosure) inherent in each significant account balance.

KPMG's Phased Audit Approach (continued)

Phase 3 Substantive Testing (continued)	
	Test compliance with laws and regulations.
	Review form and content of the financial statements.
	Determine adequacy of audit coverage and conformity with applicable accounting principles and standards.
	Complete quality control reviews of the reports and workpapers.

Phase 4 Completion	
	Prepare and submit draft reports in accordance with delivery date schedule.
	Obtain written representations from executive management regarding completeness and accuracy of information provided and other specific matters.
	Submit final audit reports and management letter. We will prepare and submit the final reports and management letter upon receipt of management's final comments on the draft reports.
	Hold an exit conference with management of each entity to discuss matters related to the issuance of the final reports and to debrief the audit process.

KPMG's Audit Committee Institute

Recent Publications

- *Ten To-Do's for Audit Committees in 2010* (attached for your information)

Resources

- *Audit Committee Insights* – U.S. and International editions (biweekly electronic publications): www.kpmginsights.com
- ACI Website: www.auditcommitteeinstitute.com
- ACI mailbox: auditcommittee@kpmg.com | ACI hotline – 1-877-KPMG-ACI

KPMG Contact Information

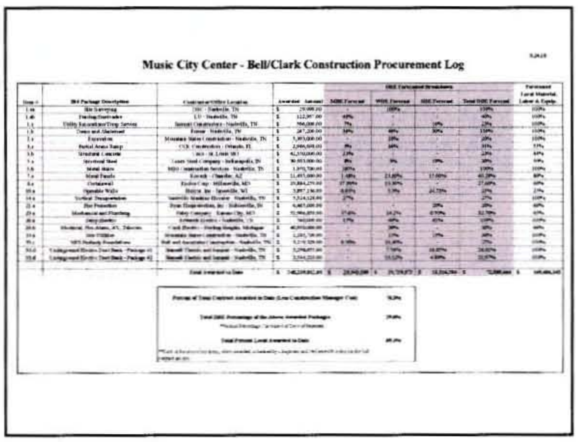
KPMG Audit Partner contact details:

Eileen McGinn
KPMG LLP
(615) 248 5619
emcginn@kpmg.com

KPMG Senior Manager contact details:

Ross Burden
KPMG LLP
(615) 248 5569
dburden@kpmg.com


Omni
Development &
Funding
Agreement


Music City Center - Bell/Clark Construction Procurement Log


CCA
Joint Committees
September 30, 2010

Audit Committee Institute

530 Chestnut Ridge Road
Woodcliff Lake, NJ 07677
Telephone 1 877 KPMG ACI
Fax 201 643 3145
auditcommittee@kpmg.com
auditcommitteeinstitute.com

December 2009

Ten To-Do's for Audit Committees in 2010

When considering and carrying out their 2010 agendas, audit committees should...

1. **Regain control of the audit committee agenda.** The challenges of the economic crisis—access to capital, cash flow, counterparty risks, impairments, etc.—have dominated audit committee agendas. As signs of recovery emerge, take the opportunity to develop more focused (yet flexible) agendas, with an eye on the company's key financial reporting risks. To improve the efficiency of committee meetings, insist on quality pre-meeting materials, spend less time on low-value or checklist activities, and engage in discussions rather than listening to presentations. Don't let compliance activities crowd-out substantive discussion. In short, more Q&A and less PowerPoint.

2. **Understand the risks posed by cost reductions made in response to the economic crisis.** Cost cutting has been a key response of most companies to the economic crisis. Every board and audit committee should be asking whether the company's delivery model has been changed permanently, and whether a "cost-reduced" business model can be sustained. Did we cut too much? How quickly can we restore critical infrastructure such as IT and sales force? How far have we extended the organization through outsourcing and off-shoring? As companies cut costs and reduce their workforce, the control environment becomes even more critical. Now is not the time to cut-back on internal audit's budget. (See #6.)

3. **Focus closely on *all* financial communications.** Earnings releases and scripts for analyst calls often pose more issues than the 10-Qs because they contain important business information—which often does not come from the financial reporting system, is not audited, and is not subject to internal controls. If you haven't already done so—given the uncertainties created by the economic crisis—reconsider the types of earnings guidance the company issues. Engage early-on in reviewing 2010 proxy disclosures, particularly any new disclosures the SEC has proposed (and may soon adopt) regarding risk, compensation, and corporate governance. Understand the company's policy on the use of Twitter and other social media networks to reach investors and customers.

4. **Continue to monitor fair value issues, impairments, and management's assumptions underlying critical accounting estimates.** These issues, together with pension funding shortfalls and going-concern challenges, will continue to be a major area of focus for audit committees. At the same time, there are important new financial reporting developments—including changes in accounting for transfers of financial assets, revenue recognition, and IFRS—that may require the committee's attention. Set aside time at each committee meeting for a deep dive into a specific financial reporting development impacting the company.

5. **Rethink the audit committee's role in risk oversight—with an eye to narrowing the scope.** The tremendous focus on risk today—and the SEC's proposal to require new disclosures about the board's role in risk oversight—is an opportunity for the board to reassess the role of the audit committee (and the full board and the other standing committees) in overseeing risk. Does the audit committee have the expertise and time to deal with strategic, operational, and other risks? Is the expertise of other board members being leveraged? Audit committees already have a lot on their plates with oversight of financial reporting risks.

6. **Make sure internal audit is properly focused and fully utilized.** Help refine internal audit's role—and focus internal audit's activities on key areas of risk, as well as risk management generally. Internal audit is not accountable or responsible for risk management, but it should provide added assurance to the audit committee regarding the adequacy of the company's risk management processes. Internal audit is most effective when it is focused on risk: ensure that the internal audit plan is risk-based and focuses on the critical risks to the business—not just compliance and financial risks.

7. **Prepare for the potential impact of key public policy initiatives on compliance, risk, and governance processes.** Major public policy changes—e.g., healthcare, the environment, energy, and financial services regulation—will impact a broad cross-section of companies and industries, and may impose additional reporting, transparency, and compliance obligations. These, in turn, will require new or modified compliance, risk, and governance oversight processes. As we have already seen, the adoption of the American Recovery and Reinvestment Act of 2009, coupled with the creation of new federal programs and the availability of stimulus funds, has created complex mandates, and companies have had to adjust their compliance programs.

8. **The economic crisis continues to put pressure on compliance and anti-fraud programs. Be vigilant.** The economic downturn has placed tremendous pressure on management to achieve operating results; at the same time, cost cuts and workforce reductions may have exacerbated these pressures. How has the company treated its employees? How do *they* think they've been treated? A comprehensive review of the company's anti-fraud and compliance programs, including its Foreign Corrupt Practices Act compliance program, may be in order. The right tone at the top and throughout the finance organization is critical.

9. **Help link change + risk—and monitor critical alignments.** Change creates risk. During times of dramatic change, the risk of misalignment—of the company's strategy, goals, risk, controls, compliance, incentives, and people—goes up exponentially. Given the audit committee's role in overseeing risk, internal controls, compliance, and ultimately the impact of significant changes on the company's financials, the committee is in a unique position to help reduce the risk of misalignment.

10. **Take a fresh look at the audit committee's composition and leadership.** The audit committee's effectiveness and accountability hinges on meaningful self-assessments—of the audit committee as a group as well as individual members. Take a hard look at the committee's composition, independence, and leadership. Is there a need for a "fresh set of eyes"?

KPMG's Audit Committee Institute

MEMORANDUM

TO: Convention Center Authority

DATE: September 30, 2010

RE: Summary of Development and Funding Agreement for the Headquarters Hotel for the Music City Center

---

On August 26, 2010, the Convention Center Authority (the "Authority") approved a Preliminary Development Agreement to facilitate the development of a premier headquarters hotel and related facilities (the "Hotel") to, among other things, attract additional convention and tradeshow business which require large quantities of hotel room bookings and stays; generate increased tourism; enhance the financial coverage for the tourism tax revenue bonds for the development of the Music City Center previously issued by the Authority; increase the revenues pledged to the Authority by Metro Nashville pursuant to the Intergovernmental Project Agreement (Convention Center Project) by including the sales tax generated by a headquarters hotel; provide increased employment opportunities for residents of Davidson County and the Nashville Metropolitan Statistical Area; and create increased opportunities for small, minority-owned, women-owned and local business enterprises. Pursuant to the Preliminary Development Agreement, the parties were obligated to use commercially reasonable efforts to negotiate an acceptable Development and Funding Agreement, which would also incorporate a Room Block Agreement, Intergovernmental Project Agreement (Convention Center Hotel Project), and Tax Agreement (collectively the "Agreement"). The Agreement provides as follows:

Owner: Omni Nashville, LLC, a Delaware limited liability company ("Omni") and subsidiary of TRT Holdings, Inc., owner of Omni Hotels Management Corporation (Hotel manager).

Project Scope: The Hotel will include a minimum of 800 guest rooms; 560 parking spaces; 60,000 square feet of dedicated meeting space consisting of a grand ballroom, a junior ballroom, and other meeting space; 20,000 square feet of pre-function space (associated with the meeting space); four food and beverage outlets consisting of a three meal restaurant, specialty restaurant, sports bar and coffee shop; spa and fitness center; swimming pool; business center; and supporting facilities and amenities necessary for a full-service, first class, convention-oriented hotel. Omni agrees to operate the Hotel at a level consistent with the current operating criteria necessary for a hotel property to receive the American Automobile Association's designation for Four-Diamond hotels.

Site: 3.328 acres consisting of [i] 2.417 acres located on 5th Avenue South, pursuant to a contract between Omni and Tower Music City, LLC dated July 9, 2010; and [ii] 0.91 acres located at 225 5th Avenue South, pursuant to a contract between Omni and 225 5th Avenue South Lot, LLC dated August 17, 2010 (the "Carell Site") (collectively the "Site").

<u>Omni Responsibilities:</u> Pursuant to the Agreement, Omni agrees to:

- Privately finance the hotel at its sole expense at an anticipated cost in excess of $273 million, pursuant to the *estimated* Development Budget for the second alternative, as outlined below, attached as <u>Exhibit A</u>. Omni and TRT Holdings, Inc. represent and warranted that they have the unconditional ability to finance the project and that it shall not be contingent upon Omni obtaining financing in any respect.

- Omni agrees to make part of the Carell Site available for the expansion of the Country Music Hall of Fame and Museum. The first alternative is to fully integrate the Country Music Hall of Fame and Museum into the Hotel design in a manner acceptable to the parties. The second alternative is for Omni to convey a portion of the Carell Site to the Authority which could be made available to the Country Music Hall of Fame and Museum. In the event a mutually acceptable agreement to proceed with the first alternative cannot be timely achieved, then the parties will move forward with the second alternative.

- TRT Holdings, Inc. shall provide a completion guaranty for the project and maintain a minimum net worth of $300 million for so long as the completion guaranty is in place.

- Manage and produce a successful diversified business enterprise result and assist small, minority-owned, and women-owned business enterprises in doing business with the project, including a commitment to spend a minimum of 20% of the project's hard construction costs with small, minority-owned, and women-owned business enterprises (as approved and certified by the Authority or other agreed organizations that certify such business enterprises).

- Offer local and regional business enterprises first consideration and the maximum practical opportunity to participate in construction trade agreements and/or subcontracts it awards (consistent with the efficient performance of the work and provided that such local and regional business enterprises offer competitive pricing, quality, work and service), including a commitment to spend a minimum of 20% of the project's hard construction costs with businesses having a significant business presence in the Nashville Metropolitan Statistical Area.

- Hire a minimum of 300 full-time equivalent jobs to operate the Hotel, of which a minimum of 250 shall be filled by residents of the Nashville Metropolitan Statistical Area and a minimum of 200 of those shall be filled by residents of Davidson County.

- On an annual basis after opening, spend at least $100,000 in expenditures for supplies and services for the operation and maintenance of the hotel with businesses having a significant business presence in the Nashville Metropolitan Statistical Area and $50,000 in supply and service expenditures with small, minority-owned, and women-owned business enterprises.

- Make monthly progress reports advising the Authority on all matters related to the Hotel, including information on [i] design, construction, and compliance with the Plans and Hotel Specifications; [ii] expenses and construction spending; [iii] supply and services spending; and [iv] employment data.

Authority Responsibilities: Pursuant to the Agreement, the Authority agrees to:

- As partial reimbursement for the Site, pay or cause to be paid $25 million to Omni on or before May 1, 2011, which is expected to be paid from the net proceeds of a tax increment revenue loan to MDHA.
- Pay $103 million (net present value) in the form of annual economic development payments and incentives, funded from a portion of the excess tourism tax revenues collected from the project, over a 20 year period. (An analysis of the tourism tax revenues and anticipated surplus is attached as Exhibit B).
- Designate the Hotel as the "headquarters hotel" for the Music City Center. The room block commitment agreement for the Hotel shall be considered the primary room block commitment agreement for the Music City Center. In addition, for a period of 78 months from the opening of the Hotel, the Authority agrees that it will neither acquire, commence development of, issue debt for, provide other incentives in support of, or otherwise own another hotel in excess of four hundred rooms and within a one mile radius of the Music City Center.

Room Block Agreement: Subject to certain booking exceptions and a "free-sell" calendar, Omni agrees to hold and/or make available 80% of the suites and standard guest rooms for events scheduled to occur 36 months out and beyond and 50% of the suites and standard guest rooms for events scheduled to occur 24-35 months out. In addition, representatives of the Hotel, the Music City Center and/or Authority, and NCVB will meet on a monthly basis to share information with respect to the ongoing and future operations of the Music City Center and the Hotel in an effort to provide the level of cooperation that will lead to the success of both the Music City Center and Hotel.

Intergovernmental Agreement: The Annual Payments shall be additionally secured by a pledge of the non-tax revenues of Metro Nashville's General Services District General Fund (same as the pledge on the Series 2010B Convention Center Bonds).

Tax Agreement: For a period of 20 years, Omni agrees to make payments in lieu of real and personal property taxes totaling 37.5% of the amount assessed by Metro Nashville's Assessor of Property for the project. The Hotel and equipment shall be conveyed by Omni to the IDB and leased back to Omni, which shall include an absolute option by Omni to repurchase the Hotel and equipment at any time for $10.00.

Next Steps: October 1 – Authority staff will begin a review of and prepare a recommendation of the plans for both design alternatives

October 4 – Draft of the Agreement submitted to Authority

October 7 – Authority will consider for approval the Agreement, design plans and related details

The foregoing is not a complete summary of the terms of the Agreement and is qualified in its entirety by the detailed information appearing in the Agreement.

<u>Exhibit A</u>

[*Estimated* Development Budget – Based on Second Alternative; 800 Rooms]

Estimated Development Budget

Site	$26,496,040
Consultants	$9,356,500
General & Administrative	$3,785,880
Hard Construction	$194,318,432
FFE/OSE	$25,769,976
Other	$6,165,000
Contingency (3%)	<u>$7,500,000</u>
Total	$273,391,828

Exhibit B

[Tourism Tax Revenues]

ANALYSIS OF TOURISM TAX REVENUES

	NO HOTEL*	HOTEL**
2013	24,590,000	27,539,000
2014	29,526,000	36,934,000
2015	34,635,000	44,545,000
2016	37,120,000	47,657,000
2017	39,388,000	50,511,000
2018	41,029,000	52,559,000
2019	42,600,000	54,468,000
2020	44,229,000	56,447,000
2021	45,921,000	58,497,000
2022	47,679,000	60,623,000
2023	49,500,000	62,790,000
2024	51,934,000	65,038,000
2025	53,358,000	67,365,000
2026	55,397,000	69,778,000
2027	57,512,000	72,277,000
2028	59,708,000	74,868,000
2029	61,990,000	77,554,000

* HVS Consulting and Valuation Service Study, March 26, 2010

** HVS Addendum, September 1, 2010

TOURISM TAX SURPLUS AFTER PAYING DEBT SERVICE

	ANNUAL DEBT SERVICE	SURPLUS**
2013	21,494,945	6,044,055
2014	27,497,748	9,436,252
2015	30,717,748	13,827,252
2016	35,201,748	12,455,252
2017	37,371,948	13,139,052
2018	38,947,909	13,611,091
2019	39,662,751	14,805,249
2020	39,663,637	16,783,363
2021	39,604,801	18,892,199
2022	39,667,811	20,955,189
2023	39,747,215	23,042,785
2024	39,959,107	25,078,893
2025	39,964,479	27,400,521
2026	39,931,769	29,846,231
2027	39,749,938	32,527,062
2028	39,753,528	35,114,472
2029	39,753,609	37,800,472

Debt Service Remains at Slightly Below $40 Million Until Bonds Paid Off in 2043

**Any Annual Payment to Omni Will Be Drawn From the Surplus