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, Roxanne Bethune, Scott Black, Debbie Frank, Holly McCall, Terry Clements, Jim Murphy, Patrick Holcombe, Bob Lackey, Peter Heidenreich, Ross Burden, Kim McDaniel, 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
Independence

KPMG has established an integrated and comprehensive system of quality control over independence that includes:

- a framework of policies and procedures supported by sophisticated information, 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:
  - Realizations on financial interests in the debt securities of the Company Centered
  - Realizations 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 2018 Audit Time Line

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<th>Jan</th>
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Audit Scope & Reports and Other Deliverables

- Identify the audit sampling pattern:
  - Robustness of the design and effectiveness of other controls.

- Audit work:
  - Audit work is completed by the end of the year.

- Reports and deliverables:
  - Reports are completed by the end of the year.

KPMG's Phased Audit Approach

Phase 1: Planning

- Establish the audit strategy, objectives, and scope for the audit.

Phase 2: Risk Assessment

- Identify and assess audit risks.

Phase 3: Audit Procedures

- Perform substantive audit procedures.

Phase 4: Reporting

- Prepare and present the audit report.

KPMG's Phased Audit Approach (continued)

- Use of信息技术
- Utilization of KPMG's expertise in various industries
- Risk assessment
- Audit procedures
- Reporting phase

KPMG's Phased Audit Approach (continued)

- Use of信息技术
- Utilization of KPMG's expertise in various industries
- Risk assessment
- Audit procedures
- Reporting phase
Audit Committee Institute

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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"?

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KPMG's Audit Committee Institute

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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”).
Omni Responsibilities: 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 Exhibit A. Omni and TRT Holdings, Inc. represent and warrant 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.
### Exhibit A

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

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<td>Contingency (3%)</td>
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<td><strong>Total</strong></td>
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### Exhibit B

[ Tourism Tax Revenues ]

#### ANALYSIS OF TOURISM TAX REVENUES

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* HVS Consulting and Valuation Service Study, March 26, 2010
** HVS Addendum, September 1, 2010

#### TOURISM TAX SURPLUS AFTER PAYING DEBT SERVICE

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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