MINUTES OF THE 2nd MEETING OF THE CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT OF NASHVILLE & DAVIDSON COUNTY

The 2nd meeting of the Convention Center Authority of the Metropolitan Government of Nashville and Davidson County (CCA) was held on October 29, 2009 at 8:00 a.m., in Room 203 at the Nashville Convention Center (NCC), Nashville, Tennessee.

AUTHORITY MEMBERS PRESENT: Mark Arnold, Marty Dickens, Ken Levitan, Vonda McDaniel, Willie McDonald, Luke Simons, Mona Lisa Warren, Leo Waters, and Vice-Mayor Diane Neighbors, Ex-Officio

AUTHORITY MEMBERS NOT PRESENT: Darrell Drumwright

OTHERS PRESENT: Rich Riebeling, Larry Atema, Charles Starks, Barbara Solari, Mark Sturtevant, Tom Cross, David Levy, and Wayne Placide. In addition, two members of the general public were present.

The meeting was opened for business by Chairman Marty Dickens who stated that a quorum was present. The Appeal of Decisions was shown.

ACTION: Appeal of Decisions from the Convention Center Authority of the Metropolitan Government of Nashville and Davidson County – Pursuant to the provisions of § 2.68.030 of the Metropolitan Code of Laws, please take notice that decisions of the Convention Center Authority may be appealed to the Chancery Court of Davidson County for review under a common law writ of certiorari. These appeals must be filed within sixty days after entry of a final decision by the Authority. Any person or other entity considering an appeal should consult with private legal counsel to ensure that any such appeals are timely and that all procedural requirements are met.

It was announced that the next meeting of the CCA would be on Thursday, November 12, 2009 at 8:00a.m. at the Nashville Convention Center.

ACTION: Willie McDonald made a motion to approve the 1st Meeting Minutes of October 14, 2009. The motion was seconded by Vonda McDaniel and approved unanimously by the Authority.

Charles Starks, Executive Director of the Nashville Convention Center, was then introduced and presented an initial draft of the operating assumptions for the proposed convention center. (Attachment #1)

Wayne Placide with First Southwest and David Levy with Goldman Sachs were then introduced and gave a financing market overview. (Attachment #2)

Rich Riebeling, Metro Director of Finance, recommended the independent legal counsel for the Authority be Bone McAllester Norton.

ACTION: Leo Waters made a motion that Bone McAllester Norton be the Convention Center Authority's legal counsel. The motion was seconded by Luke Simons. After discussion the motion was approved unanimously by the Authority.

Chairman Dickens requested that at the next Authority meeting a recommendation/presentation be given on the structure and management of the project assuming it continues to go forward. There was general discussion about the overall structure and management of the project and public relations.

With no additional business Marty Dickens made a motion to adjourn, with no objection the CCA adjourned at 10:05 a.m.

Respectfully submitted,

Charles L. Starks
Executive Director
Nashville Convention Center

Approved:

Marty Dickens, Chairman
CCA 2nd Meeting Minutes
Of October 29, 2009

Appeal of Decisions

Appeal of Decisions from the Convention Center Authority – *Pursuant to the provisions of § 2.68.030 of the Metropolitan Code of Laws, please take notice that decisions of the Convention Center Authority may be appealed to the Chancery Court of Davidson County for review under a common law writ of certiorari. These appeals must be filed within sixty days after entry of a final decision by the Authority. Any person or other entity considering an appeal should consult with private legal counsel to ensure that any such appeals are timely and that all procedural requirements are met.*

Music City CENTER

Music City Center Operating Assumptions

Music City CENTER

Operating Proforma

- **Operating Budgets Developed**
- **Staffing Plan Established**
- **Marketing of Center Underway, Including Ads in Industry Publications**
- **Preparing a summary for the Authority**

Music City CENTER

Financial Assumptions

We have based our financial assumptions on how our current building performs.

Our assumption is that we will do the same type of business mix.

Music City CENTER

Lost Business

299 Pieces of Business have been lost through September 2009 due to the size of the current Convention Center.

This has resulted in the loss of over 1.3 million total room nights and $565,000,000 in Economic Impact.

Music City CENTER

Music City Center Competitive Set

- **Indianapolis**
- **Charlotte**
- **St. Louis**
- **San Antonio**
- **Denver**
- **Pittsburgh**
- **Columbus**

Music City CENTER

Music City Center will NOT compete with

- Chicago
- Washington, D.C.
- Orlando
- Las Vegas

Music City Center Market

Our market is association driven

American Choral Directors Association

American Trucking Association

American Association of School Administrators

Hearth Patio & Barbecue Association

Market Segment

The Music City Center will be able to compete for about 70-75% of the tradeshow market.

Current Market of National Conventions per year:

150,000 – 200,000 gsf: 471

200,000 – 275,000 gsf: 285

275,000 – 350,000 gsf: 225

Does not include state and regional shows

Source: DMAI Mint Report

Attendance

Average FY 09 Event Attendance at the Nashville Convention Center for all events: 1,268

Average FY 09 Convention Trade Show Attendance at the Nashville Convention Center: 2,924

Average Event Attendance Pre-Booked at the Music City Center: 6,538

Pricing

Our financial projections employee the same principals we currently use.

Example: ***The Nashville Boat Show pays approximately $1.00 per net sf in the current convention center utilizing the entire 118,000 sf.***

In the new center they will pay $1.00 per net sf; however, they will utilize more space, therefore paying more for their event.

Convention & Trade Show Assumptions

Stabilized Year – Year 5

Hall	Attendance	Demand
Full Hall	5,500	8
¾ Hall	4,100	27
½ Hall	2,800	11
¼ Hall	1,400	8
Total		**54**

Consumer Show Assumptions

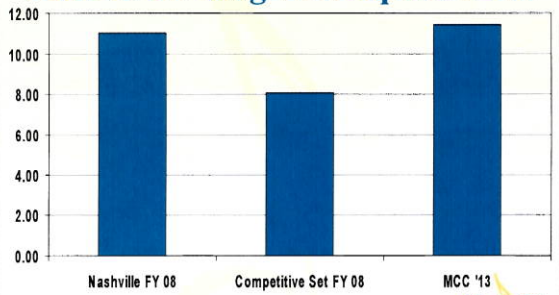
Stabilized Year – Year 5

Hall	Attendance	Demand
Full Hall	18,000	3
¾ Hall	13,500	8
½ Hall	9,000	3
¼ Hall	4,500	2
Total		**16**

Current consumer shows in 118,000 sf average 9,924 attendance

Music City CENTER

Food & Beverage Per Square Foot



Based on exhibit hall sf

Music City CENTER

F&B Assumptions

Event Type	F&B per attendee
Convention & Tradeshow	**$18.00**
Consumer	**$10.50**
Corporate	**$30.00**
Banquets	**$40.00**
Meetings & Conferences	**$20.00**

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Banquet Assumptions

Hall	Attendance	Demand
Full Ballroom	1,000	15
2/3 Ballroom	700	25
1/3 Ballroom	300	10
Total		**50**

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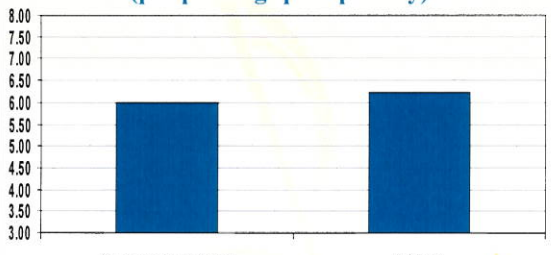
Parking
(per parking space per day)



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Parking Assumptions

- **1,800 spaces**
- **MCC $6.21 per space per day in 2013**
- **Nashville Downtown average is $6.00 per space per day in 2009**
- **$4,082,400 first year**
- **Self parking managed in-house**
- **Contract valet parking**
- **About 80% net income to building**
- **Net Income: $3,262,400**

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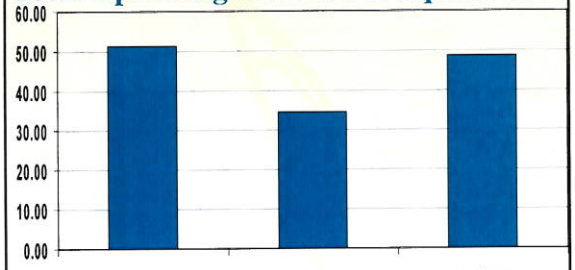
Total Operating Income Per Square Foot



Based on exhibit hall sf

Music City CENTER

Staffing Assumptions

Current NCC 51 FTE

MCC 152 FTE

Positions	MCC	NCC
Setup	20	5
Housekeeping	12	5
Sales	14	8
Event Managers	5	2
Finance/Accounting	12	3
Engineering	14	5

Music City CENTER

Would you rather have your convention in…

Indianapolis or Nashville?

St. Louis or Nashville?

Charlotte or Nashville?

Music City CENTER

Music City Center Operating Assumptions

Music City CENTER

Presentation to Metropolitan Government of Nashville and Davidson County

Goldman, Sachs & Co.
October 29, 2009

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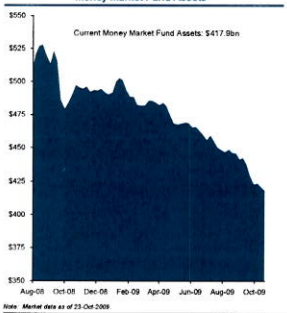
I. Current Market Overview

Municipals initiated a late summer rally that has recently begun to retreat

- As intended by the Fed, the low returns associated with safety is forcing investors to go out on the yield curve
- Money is moving out of volatile assets into municipals, which are generally considered high quality assets

Money Market Fund Assets



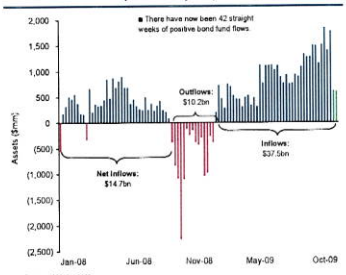
30-year MMD and Treasury Yields (past 2 months)

Note: Market data as of 23-Oct-2009

Strong municipal bond inflows have recently slowed

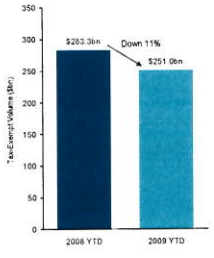
- Build America Bonds have contributed to lower tax-exempt issuance in 2009
  - However, the remaining municipal calendar is very heavy
- The market remains fragile, as seen over the past few weeks as investors began to pull away from historically low long-term rates and supply rose

Tax-Exempt Bond Flows Are Strong
(Since January 2008)



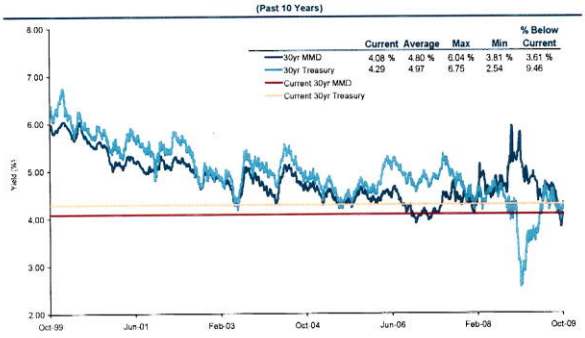
Note: Data as of 23-Oct-2009

Total Tax-Exempt Municipal Issuance
(2008 YTD and 2009 YTD)



30-year tax-exempt yields are currently near all time lows, while taxable yields are far below averages

30-Year MMD and Treasury Yields
(Past 10 Years)



Note: Market data as of 23-Oct-2009

Despite recent strength, markets remain very fragile

- The municipal market backed up dramatically in the past two weeks due to weak unemployment data and a heavy calendar
  - As reported on October 2, employment continued to decline in September, with the unemployment rate rising to 9.8%
- The municipal market has limited secondary market trading and liquidity, illustrating how susceptible it is to a back up in primary supply and demand dynamics week-to-week
  - Spreads on tax-exempt issues jumped to much wider levels than the previous few months
    - California's GO tax-exempt levels came approximately 40 bp wider than originally contemplated
    - Delaware, a AAA issuer that generally prices very close to MMD, had to reprice by 10 bp and downsize by $60 million during the institutional repricing
  - Spreads on new issue BABs were also wider than expected
    - California BABs priced at T+325, when the older California BABs priced in April were trading at T+275 just before pricing
    - New York State Dormitory Authority (DASNY) BABs priced at T+145 after older DASNY BABs were trading at T+120 pre-announcement
    - The City of Phoenix had to alter its amortization structure and reprice to attract enough investors for a benchmark $250 million size

The forward calendar remains large in the coming weeks

Select Negotiated Forward Calendar Issuance

($000s)

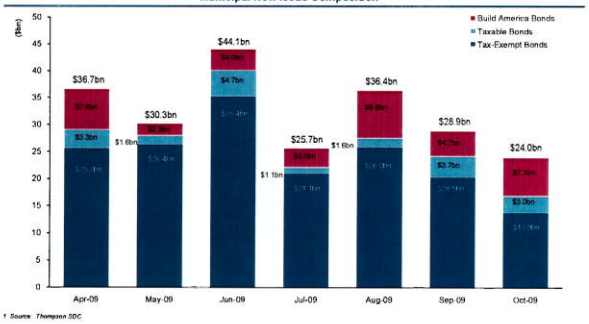
- The past four weeks in the municipal market have seen substantial weekly issuance volume of $10 bn, $8 bn, $12 bn, and $11 bn respectively

Issuer	Approximate Size	Issuer	Approximate Size
Expected in Next Week			
Highlands Co Health Facilities Authority	$62,520	State of Georgia	$700,000
New Orleans Aviation Board	97,985	Oregon	50,780
Massachusetts Health and Education Facilities	309,455	Austin Community College District	39,995
Kirkwood Industrial Development Authority	172,795	Lufkin Health Facilities Development Corp	71,955
Missouri Health & Education Facilities Authority	180,685	Hampton Roads Sanitation District	150,670
Mississippi Hospital Equipment	175,000	Virginia Resources Authority	250,000
NYS Dormitory Authority	85,000	Washington Health Care Facilities	115,390
Montgomery County	100,000	Massachusetts Health Care Facilities	115,145
Day to Day			
California Educational Facilities Authority	$95,000	Indiana Finance Authority	$191,655
California Statewide Community	52,825	Kansas Dev Finance Authority	112,575
Coachella Valley USD	42,015	Montana Fac Finance Authority	130,000
Irvine USD	97,080	North Carolina Medical Care	82,455
Sacramento MUD	50,000	Raleigh	70,005
Vernon Natural Gas Finance Authority	207,000	Pennsylvania Health and Higher Education	80,000
Mohegan Tribe of Indians	51,460	Panhandle Plains Higher Education Authority	200,000
Georgia Muni Electric Authority	254,785	Tarrant County Cultural Educ Facilities Fin Corp	164,885
Guam Department of Education	69,030	National Rural Utilities Coop Finance	70,000
Hawaii	623,470	Fairfax	53,460

BABs have become a very significant component of the fixed rate municipal market

- $40 billion of BABs have been issued since the program's inception

Municipal New Issue Composition[1]



1. Source: Thomson SDC

Why the BAB market is important to the municipal market

- The municipal market was never built to be as large as it has become, doubling annual issuance over the past 5 years
  - As borrowing needs of municipalities have grown, the market's inefficiencies have shown themselves more
  - Unlike the taxable investment grade market, the tax-exempt market is a one-sided market, i.e. no short positions
    - Without the ability to express a contrarian view about rates or spreads (because a seller cannot convey tax-exempt income), the market depends on fund flows, and this dynamic forces inefficient execution
- Longer term, the market is concerned about municipal credit
  - Three issues make this difficult for the market to digest
    - Operating revenues are under severe pressure and are proving to be very elastic to economic cycles
    - States and localities are politically constrained in revenue-raising options
    - Operating expenses and pensions are very inelastic, and have not been significantly lowered as the revenue wall is set
- The BAB market provides investors liquidity and better opportunities to hedge their risk, which gives states and localities better execution

Recent BAB pricings have achieved significant savings vs indicative comparable tax-exempts levels

Select Build America Bonds

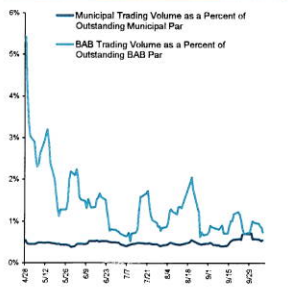
Issuer	Date	Size ($mm)	Maturity	Ratings (M/S/F)	Call	Pricing	Yield	Indicative Tax-Exempt Equivalent
State Public Works Board of California	10/22/09	250.000	2034	Baa2/A-/BBB-	Make Whole	T+412.5	Yield: 8.361% After Subsidy: 5.43%	Yield: 6.00% Savings: 0.57%
Mississippi State GO	10/21/09	98.300	2034	Aa3/AA/AA	Make Whole	T+138	Yield: 5.669% After Subsidy: 3.68%	Yield: 4.50% Savings: 0.82%
Massachusetts Bay Transportation Authority[3]	10/20/09	177.000	2039	Aa2/AAA/NR	Make Whole	T+140	Yield: 5.569% After Subsidy: 3.62%	Yield: 4.50% Savings: 0.88%
New York Transitional Finance Authority[4]	10/15/09	472.045	2036	Aa2/AAA/AA+	Make Whole	T+145	Yield: 5.767% After Subsidy: 3.75%	Yield: 4.50% Savings: 0.75%
State of Washington[5]	10/15/09	295.390	2039	Aa1/AA+/AA	Make Whole	T+120	Yield 5.481% After Subsidy: 3.56%	Yield: 4.40% Savings: 0.84%
State of California[6]	10/8/09	1,750.000	2039	Baa1/A/BBB	Make Whole	T+325	Yield: 7.232%[7] After Subsidy: 4.68%	Yield: 5.25% Savings: 0.57%

(1) Showing only final 2038 maturity, offering included $218.300mm of BABs and $39.840mm of tax-exempt bonds
(2) Showing only 2036 maturity, offering included $689.740mm of BABs, and $183.560mm of tax-exempt bonds
(3) Showing only final 2039 maturity, offering included $503.65mm of BABs
(4) Showing only final 2039 BAB maturity, offering also included $1,075.000mm of taxable bonds and 1,313.090mm of tax-exempt bonds

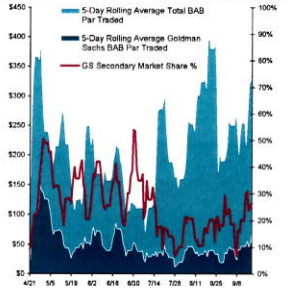
Since inception, BABs have had higher trading volume as a percent of outstanding par than the broader municipal market

- Market liquidity is a key investment consideration for taxable investors
  - Goldman Sachs has played a large role in providing liquidity for the BAB market

Municipal and BAB Trading Volumes as % of Par



BABs Secondary Market Trading ($mm)

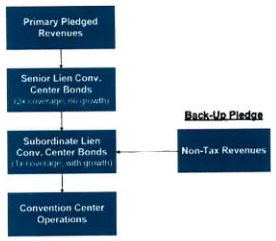


II. Convention Center Financing Structure

Project Funding Overview

Primary Pledged Revenues

- $0.02 of existing Hotel/Motel Tax
- Additional $0.01 Hotel/Motel Tax
- Convention Center Fee ($2.00 per room night)
- Rental car tax (1.0%)
- Airport Ground Transportation Departure Tax ($2.00)
- Tourism Development Zone (TDZ) Incremental Sales Tax
- Redirected Sales Tax Revenues generated within the MMC "Campus"



Convention Center Financing Results

$560 million Project Size

($ in millions)

Tax-Exempt Financing

Tax-Exempt 2011-2043

Senior Lien Convention Center	
Par Amount	$191.64
Construction Fund Proceeds	$173.31
All-in TIC	5.48%
Average Life (years)	21.4
Average Annual Debt Service	$12.31
Subordinate Lien Convention Center	
Par Amount	$492.05
Construction Fund Proceeds	$383.34
All-in TIC	5.73%
Average Life (years)	22.7
Average Annual Debt Service	$32.64
Overall Convention Center Project	
Par Amount	$683.68
Construction Fund Proceeds	$556.66
All-in TIC	5.67%
Average Life (years)	22.2
Average Annual Debt Service	$44.96

Tax-Exempt & Build America Bonds

Tax-Exempt 2011-2020; BABs 2021-2043

Senior Lien Convention Center	
Par Amount	$203.19
Construction Fund Proceeds	$189.71
All-in TIC	4.78%
Average Life (years)	25.1
Average Annual Debt Service	$12.31
Subordinate Lien Convention Center	
Par Amount [1]	$427.81
Construction Fund Proceeds	$366.95
All-in TIC	5.91%
Average Life (years)	22.6
Average Annual Debt Service	$27.55
Overall Convention Center Project	
Par Amount	$630.80
Construction Fund Proceeds	$556.66
All-in TIC	4.92%
Average Life (years)	22.2
Average Annual Debt Service	$39.86

General Assumptions	
Senior Lien Convention Center	**Subordinate Lien Convention Center**
• 2x coverage from prior year Primary Pledged Revenues (no growth)	• 1x coverage from Primary Pledged Revenues (assumes projected growth)
• Final Maturity 2043	• 2x coverage from prior year Nontax Revenues (no growth)
• Capitalized interest: none	• Final Maturity 2043
• Level debt service	• Capitalized interest: partially to 7/1/2013 in order to cover conv. center operating losses
• Net-funded project fund	• Level debt service
	• Net-funded project fund

[1] Includes $170.7 mm BABs, $32.5 mm Tax-Exempt
[2] Includes $386.8 mm BABs, $40.0 mm Tax-Exempt

Convention Center Debt Structure

Tax-Exempt Financing Case

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Par Amount	$191.64
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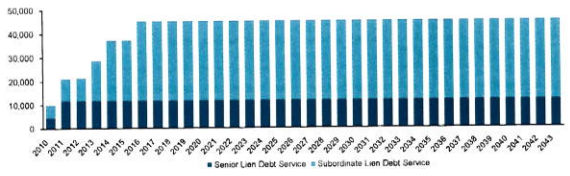
- The Convention Center debt structure will be stress-tested against revenues used to repay the bonds
- The projected debt structure may change depending upon due diligence related to these revenue sources
- The financing team's ultimate goal will be to provide safety and security for the bondholders and the City