

**BERKS COUNTY CONVENTION CENTER AUTHORITY
MINUTES OF THE REGULAR MEETING OF
THURSDAY, DECEMBER 21, 2017**

The regular meeting of the Board of Directors (the “Board”) of the Berks County Convention Center Authority (the “Authority”) was called to order at 7:00 a.m. in the SMG Board Room, the Santander Arena, 700 Penn Street, Reading, Pennsylvania.

The following members were present:

Mr. P. Michael Ehlerman
Mr. Michael Fiucci
Mr. Carl Herbein
Mr. John Ernesto
Mr. Michael J. Gombar, Jr., Esquire

The meeting was chaired by Mr. Herbein.

Also present:

Mr. Matthew Mayer, Esquire, Leisawitz Heller Abramowitch Phillips, P.C.
Mr. David Farrar, SMG
Ms. Christina Gilfert, SMG
Mr. Robert L. Cavalieri, Esquire, SMG

Ms. Michele Richards was excused.

The Chairman declared that a quorum was present and proceeded with the meeting.

PUBLIC COMMENTS

There were no comments from the public.

APPROVAL OF MINUTES

Upon a motion duly made and seconded, the minutes of the regular meeting of the Board of October 19, 2017 were unanimously approved.

TREASURER’S REPORT

Mr. Herbein distributed and reviewed the two-month Treasurer’s Report containing the financials for the months of October and November. Mr. Herbein reviewed and explained the report to the Board. Mr. Herbein noted that there was an increase in cash in October in the amount of \$105,695.53, for a total cash balance of \$3,757,318.93. He also reviewed the November statement, which indicated an increase in cash of \$198,528.02, for a total cash balance of \$3,955,846.95.

Mr. Herbein proceeded to review the hotel tax receipts for September and October 2017. He advised that the hotel tax receipts for September were \$248,491.11, which was an increase of \$76,670.68 as opposed to October 2016. He further advised that the hotel tax receipts for October were \$193,594.06, which was an increase of \$12,548.16 as opposed to October 2016. Mr. Ehlerman noted that there were approximately \$53,000 in delinquent hotel tax receipts collected in September, which is why the figure was so high for that month.

Mr. Herbein reviewed the year to date November financials for the Authority's operations and noted that the current figures show a \$23,000 loss, which is less than the budgeted loss of \$193,000 and less than the \$331,000 loss for the same time period last year. He further explained that the combined figures for the Arena and SPAC before Food & Beverage (Savor) show a \$268,000 loss, which is less than the budgeted loss of \$507,000 and less than the \$610,000 loss for the same period last year. Finally, he noted that SMG's food and beverage figures show a profit of \$245,000, which is less than the \$314,000 budgeted profit and less than the \$279,000 profit for the same time period last year. In total, he said the year-to-date figures were very good and much better than budgeted.

Mr. Ehlerman noted that the Authority made a profit of approximately \$70,000 on the University of Miami basketball game in November, which was a very good event, and the Authority is hopeful to host another game next year if Lonnie Walker remains at the University of Miami.

Mr. Ehlerman noted that the Authority currently provides annual support to the Greater Reading Convention and Visitor's Bureau (the "Bureau") in the amount of \$35,000. He noted that \$20,000 of that support comes directly from the Authority and the remaining \$15,000 comes from services provided by SMG. He suggested that the Authority review the amount of the support for the next fiscal year based upon the Bureau's year-end financials.

Upon a motion duly made and seconded, it was unanimously moved to approve all bills paid in October and November and to pay all bills listed that are scheduled to be paid in December. Secondly, upon a motion duly made and seconded, the Treasurer's Report was unanimously approved.

SOLICITOR'S REPORT

Mr. Mayer advised the Board that he had received a Freedom of Information Act ("FOIA") request from Comcast Spectacor requesting a copy of the Authority's Management Agreement with SMG and all amendments thereto. Mr. Mayer advised the Board that he had all such documents and that legally the Authority is required to comply with FOIA request and provide the documents. The Board approved and Mr. Mayer will provide the requested documents to Comcast Spectacor.

READING ROYALS

Mr. Ehlerman provided an update on the status of the Reading Royals based upon a meeting he had with Mr. Gulati and the Royals organization. Mr. Ehlerman noted that the

Royals attendance was down significantly and that they were not doing well financially. With that preface, Mr. Ehlerman addressed three specific issues with the Board concerning the Royals.

The first issue was a complaint by the Royals organization regarding problems with SMG's customer service skills. After a discussion in which it was deemed both parties had some blame for the incident, it was decided that SMG would provide additional customer service training for its employees in 2018.

The second issue concerned the Authority's use of the scoreboard and video board (the "Video Board") located in the Arena, which was purchased by and owned by the Royals. Under the current agreement, the Authority does not pay the Royals any fee for the use of the Video Board for sporting events and the Authority pays the Royals \$500 for the use of the Video Board during non-sporting events. The Royals requested that the Authority pay \$3,000 per use each time it used the Video Board. Mr. Ehlerman declined that offer, but acknowledged that due to the cost of the use of the Video Board and to assist the Royals financially it may be appropriate for the Authority to pay a higher fee when using the Video Board. As a result, Mr. Ehlerman proposed the following: (i) the Authority will still not pay the Royals any fee for the use of the Video Board for sporting events when only team logos are displayed on the Video Board; and (ii) the Authority will pay the Royals \$1,000 per use for the use of the Video Board for all events except for sporting events using the Video Board for team logos. After discussion, a motion was made, duly seconded, and the Authority unanimously approved Mr. Ehlerman's cost proposal for the use of the Video Board. Mr. Ehlerman will make the proposal to the Royals, and if accepted, Mr. Mayer will draft an Amendment to the current Video Board Agreement.

The third issue concerned the Royals' declining attendance and concession revenue. Mr. Ehlerman noted that the Royals attendance is down over 24% through the first 12 games and accordingly, the Authority would like to assist the Royals as much as possible to increase attendance. Mr. Cavalieri also provided some thoughts on discounted tickets and other options to increase attendance and create a buzz among fans. Mr. Farrar and the marketing team at SMG created a proposal to assist the Royals with their advertising and marketing campaign for the remainder of the season through print, radio, billboard and social media outlets for a total cost of \$24,750.00. The Board discussed the proposal and acknowledged that the success and increased attendance for the Royals would benefit the Authority. As a result, a motion was made, duly seconded, and unanimously approved to present the advertising and marketing plan to the Royals for consideration.

MANAGEMENT REPORT

Mr. Cavalieri provided a background on the ownership of SMG and discussed the recent sale of SMG to Onex Capital. He advised the Board that Onex Capital has over \$30 billion assets in management and will hopefully provide SMG additional capital and opportunities to grow its business and EBITDA. Finally, Mr. Cavalieri advised the Authority that Onex Capital's purchase of SMG would not affect the Authority's Management Agreement with SMG and it would continue on with business as usual.

Mr. Farrar provided the Board with a handout highlighting the major shows in the Arena and SPAC over the past year and commented on how it has been a really good year and they hope to continue that in 2018. Mr. Farrar also noted that the Arena hosted several successful Latino shows this past year which has resulted in more Latino promoters contacting him, which bodes well for future Latino shows to play to the Arena's large Latino market.

CHAIRMAN'S REPORT/NEW BUSINESS

Mr. Ehlerman advised the Board that there is 1 open Board position which is a City of Reading appointment. He asked the Board to advise him if they know of any candidates who reside in the city who may be willing to become a board member. He also advised Mr. Ernesto that his appointment is due for renewal in 2018 and Mr. Ernesto confirmed that he would be willing to serve another term.

Mr. Ehlerman advised the Board that there is no new information on the RCAP financing and that it is just being reviewed by Governor Wolf this week.

Ms. Gilfert advised the Board that the Authority's recent financial audit raised a minor issue about cyber security and proposed a cyber penetration test be conducted to determine any weaknesses. The Board discussed this and provided Ms. Gilfert and Mr. Herbein approval to work with RKL on arranging for the penetration test.

Mr. Ehlerman discussed the new scholarship program and advised Mr. Fiucci to get the details regarding the new scholarship to the local guidance counselors shortly after the new year to entice as many applicants as possible.

There being no further business before the Board at the public session, the Chairman announced that the next regular meeting of the Board would be held at the Santander Arena at 7:00 a.m., Thursday, February 15, 2018. At 8:35 a.m., upon a motion duly made and seconded, the Board unanimously resolved to adjourn.