

CUYAHOGA COUNTY CONVENTION FACILITIES DEVELOPMENT CORPORATION
REGULAR MEETING OF THE BOARD OF DIRECTORS
JULY 21, 2023
CLEVELAND, OHIO

Attendees at the Meeting (attendees attended both remotely as well as in person):

Directors: David Gilbert, Majeed Makhlof, Trevor McAleer, Michael Obi (remote), Timothy Offtermatt, Roshonda Smith (remote), Debbie Berry and Mayor Bradley Sellers. Jeff Epstein was not present.

Staff: George A. Hillow, Executive Director; Julie Valyn, Financial Analyst.

Guests of the Board: Ron King, General Manager; Mike Campo, Assistant General Manager; Craig Liston, Regional Vice President; Travis Poppell, Director of Sales; Steve Wells, Director of Finance; Mark Jeckavitch, Director of Operations; Harold David, Director of Events; Cheryl Giardini, Human Resources; and Leroy Quigg, Security Manager, all of the of the Huntington Convention Center of Cleveland (the "Convention Center"); Jenna Aragosa of CHM Warnick (remote); Dan Gibel, Accountant (remote); Ellis Katz of Project Management Consultants LLC; Jeff Appelbaum, Courtney Flowers, and Betsy Thacker all of Thompson Hine LLP; Ed Paparone and Terry Donovan of Turner Construction; Bob Franz, Financial Advisor (remote); Jerad Zibritosky, Legal Department of Cuyahoga County; and Chris Bupp and Jude Feyedelem of Levy Restaurants.

Regular Meeting of the Board of Directors. At 8:33 a.m. on Friday, July 21, 2022, a Regular Meeting (the "July Regular Meeting") of the Board of Directors (the "Board") of the Cuyahoga County Convention Facilities Development Corporation (the "CCCFDC") commenced. Mayor Sellers presided as President of the Board.

Mayor Sellers called the meeting to order and first had Mr. King discuss the technology and instruct participants to turn their microphones on so remote participants can hear the meeting. Next, Ms. Valyn called the roll. Mayor Sellers declared a quorum of the Board present.

Review and Approval of Minutes.

Mayor Sellers presented the meeting minutes from the Regular Meeting of the Board of April 27, 2023, which were distributed to the Board prior to the July Regular Meeting. A motion was made to approve such minutes. The motion was seconded. The Board unanimously voted to approve the minutes.

Debbie Berry Nomination.

Mayor Sellers informed the Board that Eric Wobser has left his position with Cuyahoga County and had resigned his seat on the board. Ms. Berry was proposed to replace Mr. Wobser. The Board was informed of Ms. Berry's background and qualifications, and Mr. Makhlof made a motion to accept Ms. Berry's appointment, which was seconded. Ms. Valyn called the roll, and Ms. Berry was unanimously approved to join the Board. Ms. Berry expressed her happiness to join the Board.

Executive Session.

Mayor Sellers asked for a motion to move to Executive Session to discuss a litigation matter, which was made by Mr. Obi and seconded by Mr. Makhlof. A roll call vote was taken and unanimously approved. All non-Board members except Mr. Appelbaum, Ms. Flowers, Ms. Thacker, Ms. Valyn, and Mr. Hillow exited.

Special Audit Report.

After the Board exited from the Executive Session, Mayor Sellers called upon Mr. Appelbaum to discuss the Special Audit Report (the “Report”). Mr. Appelbaum stated that the Board received the Special Audit Report of the Special Investigations Unit of the Ohio Auditor of State. He explained that CCCFDC previously had uncovered misappropriation of funds by BioEnterprise, and this report confirms that misappropriation. The Report confirmed that \$243,331 had been misappropriated and that, pursuant to the terms of a Settlement Agreement, \$127,000 had been repaid, leaving a recovery balance owed of \$116,331. In a footnote, the Report confirmed that in addition to the \$127,000 payment, BioEnterprise also released its claim against CCCFDC for compensation for services rendered, but did indicate the value of that release. Mr. Appelbaum explained that when issues arose with BioEnterprise, CCCFDC withheld payment for services rendered, making no payment whatsoever for the entire 2019 calendar year. When this matter was ultimately resolved, CCCFDC demanded reimbursement from BioEnterprise for an amount that exceeded \$370,000 (inclusive of the \$243,331 referenced above). It ultimately received cash of \$127,000, as referenced in the Report, plus the release of any obligation to pay for services provided by BioEnterprise in 2019 (which had a value of at least \$252,000), thereby providing total restitution in excess of \$379,000. As a result, CCCFDC obtained a full recovery and provided BioEnterprise with a complete release. Accordingly, Mr. Appelbaum advised the Board there is no basis further action for recovery against any party. The Report also referenced an issue regarding signature authority that the Board discussed and resolved in earlier meetings. Mr. Appelbaum stated that the Attorney General requires a response to the Report within 120 days, at which point it has the right to make an independent determination as to whether further action is appropriate.

Mr. McAleer made a motion for the Board to waive the 120-day period and have Mr. Appelbaum respond immediately to the Attorney General. The motion was seconded, Ms. Valyn took the roll, and the motion was unanimously approved. The Board thanked Mr. Hillow for identifying the misappropriation so they were able to handle the situation appropriately.

Introduce Levy GM.

Mr. Hillow introduced Mr. Bupp who introduced Jude Feyedelem as the Levy General Manager. Mr. Feyedelem talked about his core focus on diversity, equity, and inclusion and bringing people joy. He talked about his excitement about working in a partner environment and in the convention context. He talked about the talent in the team and his desire to be a hospitality ambassador of the city. He wants people to come into the building and enjoy a cohesive experience. He spoke about refreshing the concessions, creating an upscale happy hour, and other ways to bring energy to the space. Mr. Hillow brought up a concern people had about slow service at Starbucks in the building. Mr. Feyedelem stated that the store had been using antiquated equipment. Mr. Hillow supported the store procuring new equipment, and now it is up to speed and providing great service. Mr. King spoke about the new liquor license and events that will be happening. Ms. Berry mentioned that she had seen the outside spaces fully utilized and expressed her excitement about the change.

Executive Director Report.

Mr. Hillow next spoke about the bollard project. Homeland Security suggested that bollards should be added. A \$400,000 grant was approved last year and just sent to the County. Mr. Campo spoke about how CCCFDC is helping with the bid process and then looking to a Spring 2024 install. Mr. Makhlof asked how long the installation takes, and Mr. Campo said it would be around sixty (60) days and would be timed to not interfere with events.

Mr. Hillow next gave an audit update and said it would be completed soon. He also spoke about how checks from CCCFDC have been intercepted and are being “washed,” whereby people submit fake checks. CCCFDC has worked with the bank to stop payment on all checks with something called “positive pay,” but this doesn’t stop all fraud. The new ACH system to help prevent further fraud should be installed in the next 6 months.

Management Agreement.

Mr. Hillow stated that he would like to get any questions or concerns about the ASM Management Agreement (the “Agreement”) resolved today and have the agreement approved. Mr. Appelbaum spoke about the modifications that had been made to the Agreement. He talked through a slide that summarized material changes to the Agreement, including but not limited to eliminating the concept of a distinct Global Center for Health Innovation, modifying the fixed and incentive fee structure, adding performance goals and reporting requirements with respect to Women Business Enterprise and Minority Business Enterprise programs, adding a requirement for cyber insurance coverage (he clarified that ASM had this kind of insurance but the Agreement hadn’t previously mandated it), and updating the term to commence on January 1, 2024 and renew in five-year terms. The Board asked some clarifying questions about payment structure and other issues, and then a motion was made and seconded to approve the Agreement. Ms. Valyn called the roll, and the Board unanimously approved the Agreement.

Mr. Makhoul spoke about the end of the “Global Center” and the unified mission to get “heads in beds” and congratulated the Board on officially moving forward.

Convention Center Update.

Mayor Sellers turned the meeting over to Mr. King, who thanked the Board for its trust in ASM. He also introduced Craig Liston, Regional Vice President, who thanked the Board and discussed his experience touring the new space. Then Mr. King spoke about the second quarter financial update, sales, and the expansion. He summarized some of the trade shows that the Convention Center hosted and some that are upcoming. He stated that the main thing he wanted to talk about was that the Convention Center was able to book Advanced Reading which includes 15,000 room nights each year. They will be using the entire building, and this would not have been booked without the Convention Center expansion project.

Mr. King next introduced Leroy Quigg, who is the security head. Mr. Quigg spoke about the first Community Empowerment Day on August 19th which includes helping kids with back to school by providing free haircuts, school supplies, haircut vouchers, and a mini-job fair which focuses on trade jobs. There will be community partners, including the Cleveland Police Department, Pearls Inc., the Regional Transit Authority, and others. Mr. Quigg also thanked the internal team.

Convention Center Expansion Project Update.

Mr. Katz turned the meeting over to Mr. Pappalardo to provide updates. He stated that the project is on track. Mr. Donovan next spoke about recent activities, including work on the micropile foundations, demolition of concrete edge of the slab at the west façade and installing escalator steel and spray-on fireproofing in the atrium. Soon, workers will reinstall the escalator ceiling in the atrium and install new c-line steel, mechanical electrical, and plumbing rough-ins. Mr. Pappalardo summarized that approximately 130 workers have performed on the project, approximately 21,805-man hours have been invested, and there has been one injury but it did not result in a loss of any man-hours. 98% of the project has been purchased and has exceeded most metrics for contracting participation goals. The workforce participation goals are almost to the levels set as targets and there are still many manhours left. Mr. Appelbaum also spoke about execution of the Project Labor Agreement with the Cleveland Building Trades and its impact on meeting participation goals.

Mr. Donovan discussed some photos of current work and offered to take attendees on a tour. Mr. Katz talked about some work he has observed and gave an update on costs and budget, including pre-planned change orders, and confirmed that the total development budget remains unchanged. He next spoke about contingency status because this allows Turner to make certain expenditures as necessary but returns that money to CCCFDC's budget if not used. Currently, \$4,925,525 of the contingency remains, which Mr. Katz stated is absolutely intended to be used to purchase additional project scope items. . Mr. Appelbaum supplemented the discussion of change orders and contingencies to discuss how this will improve the project. Mr. Makhlouf further clarified that these changes are made by design to improve the project and are not problems. Mr. Offtermatt asked about what the biggest risks are that remain. Mr. Katz talked about getting the building enclosed as a major milestone. Mr. Appelbaum talked about how we had already passed the biggest risk of installing the micropiles. Mr. McAleer asked who approves change orders, Mr. Appelbaum responded that the PMC team and ASM handle it, but the Board is welcome to be involved and will be given a comprehensive list of all change orders. Mr. Makhlouf agreed with Mr. McAleer's point about transparency for the public record and emphasized that the use of the term "change order" should be understood differently than the typical use of that term. Mayor Sellers also discussed the advantages of this approach in locking in the work early on. Mr. Appelbaum and Mayor Sellers agreed that this was the best way to do this. Mayor Sellers thanked Mr. Katz for the update.

Hilton Hotel Update.

Ms. Aragosa discussed that RevPAR was up more than 10% and discussed travel trends, including the return of business travel, which helps the return of midweek occupancy at high rates. Cleveland remained slightly above the regional averages but the rate of growth is slightly below average for the region. For downtown hotels, the 2023 year-to-date Jun RevPAR is 11% above but still 6% below 2019 levels. Passenger count at Cleveland Hopkins Airport was up 8% but still below 2019 levels. 2024 will be anchored by the NCAA Women's Final Four, but there is some concern over the rest of the year's pace. There might be some increased demand due to the solar eclipse next year and several significant music entertainment events. Some hotel renovations are underway which don't add rooms but will upgrade the spaces generally.

Old Business.

No old business.

New Business.

No new business.

Adjournment.

The next meeting is Friday, October 27, 2023, at 8:30 a.m. Mayor Sellers asked for any questions or comments and then stated the tour of the project would commence after the meeting led by the construction team. There being no other items of business, a motion was made to adjourn the July Regular Meeting at 10:08 a.m. The motion was seconded and approved. At 10:08 a.m., the July Regular Meeting was adjourned.