

## Board of Directors

Wednesday, October 22, 2008

8:00 a.m. – 9:30 a.m.

Kent County Commission Chambers  
300 Monroe Avenue, NW – Grand Rapids, MI

### A G E N D A

Convention

Arena

Authority

Steven Heacock,

Chairman

Birgit Klohs

Clif Charles

Gary McInerney

George Heartwell

Joseph Tomaselli

Lew Chamberlin

**I. Call to Order**

**II. Approval of September 24, 2008, Minutes**

Action

**III. Committee Reports**

a. Operations Committee

Information

i. CVB Report

Information

b. Finance Committee

i. SMG September 2008 Financial Statements  
DeVos Place® and Van Andel Arena®

Action

ii. CAA September 2008 Financial Statements

Action

iii. SMG Special Purpose Statements for  
Years Ended June 30, 2008 and 2007

Action

**IV. SMG Report and Facilities Calendars**

Information

**V. Public Comment**

**VI. Next Meeting Date: Wednesday, December 10, 2008**

**VII. Adjournment**



Van Andel Arena®  
130 Fulton West  
Grand Rapids, MI 49503-2601  
616.742.6600  
Fax 616.742.6197

**DEVOS PLACE**

DeVos Place®  
303 Monroe Ave. NW  
Grand Rapids, MI 49503-2233  
616.742.6500  
Fax 616.742.6590

**MINUTES OF THE GRAND RAPIDS-KENT COUNTY  
CONVENTION/ARENA AUTHORITY  
BOARD OF DIRECTORS MEETING  
Wednesday, September 24, 2008**

**I. Call to Order**

Steven R. Heacock, Chairperson, called the meeting to order at 8:05 a.m. Susan Waddell recorded the meeting minutes, in the absence of Birgit Klohs, Secretary/Treasurer.

**Attendance**

**Members Present:** Steve Heacock, Chairperson  
Lew Chamberlin  
Clif Charles  
Joseph Tomaselli

**Members Absent:** George Heartwell  
Birgit Klohs  
Gary McInerney

<b>Staff/Others:</b>	Jim Day	Kent County
	George Helmstead	CVB
	Chris Knape	<i>The Grand Rapids Press</i>
	Chris Machuta	SMG
	Doug Small	CVB
	Eddie Tadlock	SMG
	Susan Waddell	CAA
	Jana Wallace	City of Grand Rapids
	Richard Wendt	Dickinson Wright

**II. Minutes of Prior Meeting**

*Motion: Mr. Tomaselli, supported by Mr. Chamberlin, moved to approve the Minutes of the August 27, 2008, meeting of the Grand Rapids-Kent County Convention/Arena Authority. The motion carried unanimously.*

**III. Committee Reports**

**a. Operations Committee**

Mr. Chamberlin presented the Operations Committee report. Henri Boucher attended the meeting and presented an update on the GR International Wine & Food Festival that will be held at DeVos Place November 21-23, 2008. Harvey Lexus is the presenting sponsor and media partners include TV8 and Regent Broadcasting. The festival will feature a wine tasting stage and workshops coordinated by Joe Borello of The Taster's Guild International; a food preparation stage hosted by Angus Campbell of the Secchia Institute of Culinary Arts and sponsored by Meijer; wine, beer, and spirits workshops; special multi-course pairings by The 1913 Room and Bar Divani; and a focus on the wines of Perugia, Italy, a Grand Rapids sister city.

The Committee approved a proposal from Progressive AE to integrate the DeVos Place® artwork project, and Mr. Chamberlin recommended approval by the CAA Board. Mr. Tadlock presented an overview of the proposal and stated that Progressive AE would build the framework for a consistent, top quality

project. Several local artists have inquired about the project, and we are keeping their contact information on file.

*Motion: Mr. Chamberlin, supported by Mr. Tomaselli, moved to approve the proposal submitted by Progressive AE to evaluate artwork concepts, generate conceptual illustrations of how the concepts could be executed, and develop budgets for the necessary work.. The motion carried unanimously.*

Mr. Helmstead presented a report on recent sales activities and major bid presentations. The CVB signed a three-year contact with the Michigan Music Teachers Association. Casey Wondergem continues a fundraising campaign to host the RCMA convention. The CVB has started working on its 2009-2010 marketing plan and budget. The CVB recently hired the former director of sales for the Double J Range to focus on the environmental, scientific and engineering sectors and to assist the West Michigan Sports Commission.

Mr. Helmstead introduced Doug Small, the new CVB executive director. Mr. Small previously worked for the Denver Metro CVB as senior vice president and focused largely on convention sales and marketing. Prior to joining the Denver CVB, Mr. Small was president of the Syracuse CVB in upstate New York. Before that, Mr. Small held positions in sales and marketing for the Palm Springs Desert Resorts Convention and Visitors Authority in Palm Springs, California, as well as the Dayton CVB. Mr. Small was the unanimous choice of the search committee because of his experience and knowledge of west Michigan. Mr. Small is a native of Ohio and a graduate of Siena Heights College in Adrian.

b. Finance Committee.

i. SMG Financial Statements for DeVos Place® and Van Andel Arena®

*Motion: Mr. Charles, supported by Mr. Chamberlin, moved to approve the SMG Financial Statements for DeVos Place® and the Van Andel Arena® for the period ended August 31, 2008. After review and discussion, the motion carried unanimously.*

ii. CAA Financial Statements

*Motion: Mr. Charles, supported by Mr. Chamberlin, moved to approve the CAA Financial Statements for the period ended August 31, 2008. After review and discussion, the motion carried unanimously.*

IV. DeVos Place® Show Fund

Mr. Machuta requested that the CAA create a DeVos Performance Hall show fund, giving SMG the flexibility to take a position of risk on shows when deemed prudent to do so. SMG continues to look for opportunities to help drive event activity in the performance hall and oftentimes producers of the shows want to complete their routing faster than the CAA monthly meeting schedule allows. SMG requested that it be allowed to enter into contacts that put the facility at risk when the opportunities present themselves and be allowed to do so up to an accumulative guarantee of \$100,000 at any one point in time. The funds would come from the SMG operating account. SMG will report to the CAA when it has entered into an "at risk" contract and after the event has been hosted to report on the economic impact that the event had on the facility's financial statement. Chair Heacock inquired whether SMG would be competing with promoters. Mr. Machuta responded no, that the shows would be low risk with no financial upside for a promoter. Mr. Chamberlin added that the Operations Committee approved the fund unanimously. More than anything, it has to do with timing and missed opportunities.

*Motion: Mr. Chamberlin, supported by Mr. Tomaselli, moved to approve creation of the DeVos Place® show fund as requested. The motion carried unanimously.*

V. Resolution Approving and Authorizing Execution of a Memorandum of Agreement With ShowSpan, Inc. Related to Promotion of the International Wine & Food Festival

Mr. Wendt presented a draft memorandum of agreement and stated that ShowSpan has a few minor revisions. Mr. Wendt suggested CAA Board authorization, subject to attorney and CAA Board Chair approval.

*Motion: Mr. Tomaselli, supported by Mr. Chamberlin, moved to approve and authorize execution in the form presented with such minor modifications as should not be materially adverse to the CAA, approved as to content by the Chairman and as to form by legal counsel.*

Discussion followed. Mr. Wendt highlighted key provisions of the agreement: the CAA and ShowSpan will co-promote and co-own the wine and food festival; the term of the agreement is three years and each year the parties may agree to extend the term for an additional year, so there is always a 3-year rolling event; ShowSpan will have the overall responsibility for production, operation, and management of the festival; the CAA will be responsible for obtaining a license from the Michigan Liquor Control Commission, arranging for pourers, securing liquor liability insurance, determining sampling fees and the sharing of fees with exhibitors, and selling sampler tickets. ShowSpan will work with SMG and the CAA Operations Committee to plan the event, develop a budget, and promote the event. ShowSpan will receive a fee equal to 20% of the gross revenues, and the CAA will receive a development fee of \$20,000, payable over three years. The CAA will receive its regular rental fee and be reimbursed its normal and customary expense. The CAA and ShowSpan will share equally in the net revenues realized from the event. Mr. Chamberlin asked what would happen to the equity if the contract were terminated. Mr. Wendt responded that one party could buy the other out, or could provide a substitution subject to approval, or just walk away. Both parties agree that the event is exclusive for a four-county area. Mr. Wendt will add a provision to retain the name. Discussion concluded and members voted on the motion.

*The motion carried unanimously.*

VI. SMG Report and Facilities Calendar

Mr. Machuta presented a summary of the upcoming events that will be held at DeVos Place® and the Van Andel Arena®.

VII. Public Comment

None.

VIII. Next Meeting Date

The date for next CAA Board meeting is Wednesday, October 22, 2008.

IX. Adjournment

There being no other business, the meeting adjourned at 9:00 a.m.

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Susan M. Waddell, Recording Secretary

# DEVOS PLACE

## DE VOS PLACE

**FINANCIAL STATEMENT  
FOR THE PERIOD ENDED SEPTEMBER 30, 2008**

**Distribution:**

**Grand Rapids – Kent County Convention / Arena Authority**

**Robert White**

**Bob McClintock**

**Lewis Dawley**

**Gary McAneney**

**Howard Feldman**

**Richard MacKeigan**

**Chris Machuta**



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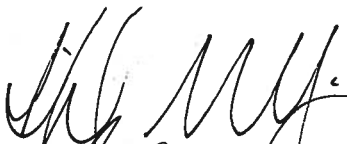
*An SMG Managed Facility*

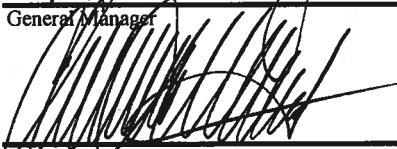
DE VOS PLACE  
ROLLING FORECAST  
FISCAL YEAR ENDING JUNE 30, 2009

	YTD Actual	Roll	TOTAL FYE	BUDGET FYE	VARIANCE
NO. EVENTS	126	440	566	569	(3)
ATTENDANCE	72,872	576,210	649,082	668,975	(19,893)
DIRECT EVENT REVENUE	323,787	2,284,693	2,608,480	2,640,634	(32,154)
ANCILLARY REVENUE	305,950	2,041,925	2,347,875	2,386,332	(38,457)
TOTAL EVENT REVENUE	629,737	4,326,618	4,956,355	5,026,966	(70,611)
TOTAL OTHER REVENUE	37,046	157,135	194,181	210,500	(16,319)
TOTAL OPERATING REVENUE	666,783	4,483,753	5,150,536	5,237,466	(86,930)
INDIRECT EXPENSES					
EXECUTIVE	34,426	141,336	175,762	175,762	-
FINANCE	56,161	166,140	222,301	222,301	-
MARKETING	16,865	88,946	105,811	105,811	-
OPERATIONS	337,262	1,131,152	1,468,414	1,468,414	-
EVENT SERVICES	238,830	726,340	965,170	965,170	-
BOX OFFICE	20,257	57,369	77,626	77,626	-
SALES	74,506	272,520	347,026	347,026	-
OVERHEAD	392,181	1,862,151	2,254,332	2,254,332	-
TOTAL OPERATING EXP.	1,170,487	4,445,954	5,616,442	5,616,442	-
NET REVENUE ABOVE EXPENSES	(503,704)	37,799	(465,906)	(378,976)	(86,930)
INCENTIVE FEE		157,899	157,899	157,899	-
NET OPERATING REVENUE OVER OPERATING EXPENSES	(503,704)	(120,100)	(623,805)	(536,875)	(86,930)

Comments:

DeVos Place performed below expected levels for the first quarter of the fiscal year. The quantity of events has held consistent with expectations, however, the overall size of the shows (direct event income) and ancillary spending has been lower than expected. While this trend is not expected to continue throughout the fiscal year, the 2nd quarter performance will be important to make up some of the shortfall from the 1st quarter. As done last fiscal year, indirect expenses have been consistent through the first quarter and no revision has been made at this time.

  
General Manager

  
Finance Director

**DE VOS PLACE  
FINANCIAL STATEMENT HIGHLIGHTS  
FOR MONTH ENDED SEPTEMBER 30, 2008**

The following schedule summarizes operating results for the current month ending September 30, 2008 and the YTD ending June 30, 2009, compared to budget and to the prior year:

<b>MONTH</b>	<b>September Actual</b>	<b>September Budget</b>	<b>September FY 2008</b>
Number of Events	51	49	53
Attendance	35,514	44,025	52,988
Direct Event Income	\$135,685	\$180,415	\$177,951
Ancillary Income	162,093	171,512	217,640
Other Income	13,199	17,541	6,896
Indirect Expenses	(437,641)	(426,177)	(433,013)
Net Income	(\$126,664)	(\$56,709)	(\$30,526)

<b>YTD</b>	<b>YTD 2009 Actual</b>	<b>YTD 2009 Budget</b>	<b>YTD 2008 Prior Year</b>
Number of Events	126	121	117
Attendance	72,872	106,825	87,083
Direct Event Income	\$323,787	\$388,481	\$333,816
Ancillary Income	305,950	424,324	389,529
Other Income	37,046	52,625	27,534
Indirect Expenses	(1,170,487)	(1,217,340)	(1,140,445)
Net Income	(\$503,704)	(\$351,910)	(\$389,566)

**EVENT INCOME**

Event income fell short of budget for the month as it was anticipated at the time of budgeting that a fall RV should would be hosted. That event did not come to fruition, leading to the shortfall that you see.

**ANCILLARY INCOME**

Ancillary income fell below budget overall, however, performed consistent or ahead for most events hosted during the month which had not been the case during the first 2 months of the fiscal year.

**INDIRECT EXPENSES**

Indirect expenses came in at expected levels for the month.

**DeVos Place**  
**Income Statement**  
For the Three Months Ending September 30, 2008

	Current Month Actual	Current Month Budget	Variance	Current Month Prior Year	Year to Date Actual	Year to Date Budget	Variance	Year to Date Prior Year
<b>Event Income</b>								
<b>Direct Event Income</b>								
Rental Income	149,804	206,700	(56,897)	201,800	355,027	433,075	(78,048)	390,114
Service Revenue	148,197	21,850	126,347	180,818	323,526	62,550	260,976	298,476
Service Expenses	(162,316)	(48,135)	(114,181)	(204,666)	(354,766)	(107,144)	(247,622)	(354,774)
<b>Total Direct Event Income</b>	<b>135,685</b>	<b>180,415</b>	<b>(44,730)</b>	<b>177,951</b>	<b>323,787</b>	<b>388,481</b>	<b>(64,694)</b>	<b>333,816</b>
<b>Ancillary Income</b>								
F&B Concession	4,489	8,758	(4,269)	6,886	11,716	23,641	(11,925)	12,070
F&B Catering	68,715	54,426	14,289	82,882	138,788	173,378	(34,590)	159,326
Novelty Sales	1,277	1,655	(378)	2,720	3,192	3,467	(275)	2,720
Booth Cleaning	10,674	30,922	(20,248)	11,081	16,349	64,788	(48,439)	21,209
Telephone/Long Distance	1,463	300	1,163	0	1,463	900	563	0
Electrical Services	31,231	36,178	(4,947)	58,522	44,416	75,887	(31,471)	66,647
Audio Visual	31,349	25,833	5,516	33,886	70,435	54,103	16,332	86,344
Internet Services	966	0	966	4,950	(2,793)	0	(2,793)	12,300
Equipment Rental	11,930	13,440	(1,510)	16,713	22,385	28,160	(5,775)	28,913
<b>Total Ancillary Income</b>	<b>162,093</b>	<b>171,512</b>	<b>(9,419)</b>	<b>217,640</b>	<b>305,950</b>	<b>424,324</b>	<b>(118,374)</b>	<b>389,529</b>
<b>Other Event Income</b>								
Ticket Rebates(Per Event)	9,862	12,083	(2,221)	2,501	27,956	36,250	(8,294)	11,081
<b>Total Other Event Income</b>	<b>9,862</b>	<b>12,083</b>	<b>(2,221)</b>	<b>2,501</b>	<b>27,956</b>	<b>36,250</b>	<b>(8,294)</b>	<b>11,081</b>
<b>Total Event Income</b>	<b>307,640</b>	<b>364,010</b>	<b>(56,370)</b>	<b>398,092</b>	<b>657,693</b>	<b>849,055</b>	<b>(191,362)</b>	<b>734,426</b>
<b>Other Operating Income</b>								
Luxury Box Agreements	2,600	3,167	(567)	2,998	7,800	9,500	(1,700)	9,007
Other Income	737	2,292	(1,555)	1,397	1,290	6,875	(5,585)	7,446
<b>Total Other Operating Income</b>	<b>3,337</b>	<b>5,458</b>	<b>(2,121)</b>	<b>4,395</b>	<b>9,090</b>	<b>16,375</b>	<b>(7,285)</b>	<b>16,453</b>
<b>Adjusted Gross Income</b>	<b>310,977</b>	<b>369,469</b>	<b>(58,491)</b>	<b>402,487</b>	<b>666,783</b>	<b>865,430</b>	<b>(198,647)</b>	<b>750,879</b>
<b>Operating Expenses</b>								
Salaries and Wages	215,072	223,208	(8,135)	236,354	582,969	669,623	(86,653)	535,733
Payroll Taxes and Benefits	60,467	57,600	2,866	74,573	161,579	172,801	(11,222)	151,590
Labor Allocations to Events	(127,987)	(115,821)	(12,166)	(146,600)	(291,747)	(347,464)	55,717	(268,834)
<b>Net Salaries and Benefits</b>	<b>147,552</b>	<b>164,987</b>	<b>(17,435)</b>	<b>164,327</b>	<b>452,802</b>	<b>494,960</b>	<b>(42,158)</b>	<b>418,489</b>
Contracted Services	28,097	21,200	6,897	25,431	89,334	63,600	25,734	81,306
General and Administrative	22,468	27,100	(4,632)	29,959	74,702	82,800	(8,098)	72,463
Operations	25,693	27,775	(2,082)	32,061	30,377	38,885	(8,508)	40,048
Repair and Maintenance	62,282	41,941	20,341	55,231	135,837	125,823	10,014	137,504
Operational Supplies	12,090	26,333	(14,243)	3,270	37,690	79,000	(41,310)	41,941
Insurance	15,670	18,383	(2,713)	12,507	41,186	48,498	(7,312)	42,782
Utilities	110,566	85,300	25,266	97,389	268,891	244,300	24,591	267,400
SMG Management Fees	13,223	13,158	64	12,838	39,668	39,475	193	38,513
<b>Total Operating Expenses</b>	<b>437,641</b>	<b>426,177</b>	<b>11,464</b>	<b>433,013</b>	<b>1,170,487</b>	<b>1,217,340</b>	<b>(46,854)</b>	<b>1,140,445</b>
<b>Net Income(Loss) From Operations</b>	<b>(126,663)</b>	<b>(56,708)</b>	<b>(69,955)</b>	<b>(30,526)</b>	<b>(503,704)</b>	<b>(351,910)</b>	<b>(151,793)</b>	<b>(389,566)</b>
<b>Other Non-Operating Expenses</b>								
<b>Adjusted Net Income(Loss)</b>	<b>(126,663)</b>	<b>(56,708)</b>	<b>(69,955)</b>	<b>(30,526)</b>	<b>(503,704)</b>	<b>(351,910)</b>	<b>(151,793)</b>	<b>(389,566)</b>



**SMG DeVos Place**  
**Grand Rapids - Kent County Convention/Arena Authority**  
**Year to Date Event Summary Report**  
**For Month Ended September 30, 2008**

Event Type	Events/Days		Attendance		Total Event Income	
	Actual	Budget	Actual	Budget	Actual	Budget
Convention/Trade Shows	28	34	16,125	31,300	213,220	291,037
Consumer/Gated Shows	5	11	10,456	23,900	53,648	167,942
Devos Performance Hall	30	19	27,981	24,300	147,299	119,880
Banquets	8	10	4,130	5,200	61,920	53,905
Meetings	46	42	10,985	18,425	145,926	156,383
Other	9	5	3,195	3,700	7,724	23,658
GRAND TOTALS	126	121	72,872	106,825	629,737	812,805

As Percentage of Overall

Convention/Trade Shows	22.22%	28.10%	22.13%	29.30%	33.86%	35.81%
Consumer/Gated Shows	3.97%	9.09%	14.35%	22.37%	8.52%	20.66%
Devos Performance Hall	23.81%	15.70%	38.40%	22.75%	23.39%	14.75%
Ballroom Exclusive	6.35%	8.26%	5.67%	4.87%	9.83%	6.63%
Meetings	36.51%	34.71%	15.07%	17.25%	23.17%	19.24%
Other	7.14%	4.13%	4.38%	3.46%	1.23%	2.91%

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DeVos Place  
Balance Sheet  
For the Three Months Ending September 30, 2008

ASSETS

Current Assets		
Cash	505,830	
Account Receivable	279,885	
Prepaid Expenses	165,970	
	-----	
Total Current Assets		951,684
Total Assets		----- ----- 951,684

LIABILITIES AND EQUITY

Current Liabilities		
Accounts Payable	110,577	
Accrued Expenses	301,754	
Deferred Income	64,232	
Advanced Ticket Sales & Deposits	422,605	
	-----	
Total Current Liabilities		899,167
Other Liabilities		
Equity		
CY Exp. Paid Directly by City	247,348	
Beginning Balance Equity	313,539	
Current Year Equity	(508,370)	
	-----	
Total Equity		52,517
		-----
Total Liabilities and Equity		----- ----- 951,684

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**SMG - DeVos Place**  
**Grand Rapids - Kent County Convention/Arena Authority**  
**Summary of Accounts Receivable**  
**For Month Ended September 30, 2008**

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Current - Under 30 Days	
Food & Beverage	73,204
Ticketing	7,085
Merchandise	1,380
Decorating	10,674
Audio/Visual	69,152
Van Andel Arena	(148,558)
Operating	173,822
 Over 30 Days	 29,793
 Over 60 Days	 48,199
 Over 90 Days	
Donnell Productions	5,736
Paragon Leather	2,110
Saigon Entertainment	5,002
Grinder Promotions	2,286
 Total Accounts Receivable	 279,885

**SMG - Van Andel Arena & DeVos Place  
Grand Rapids - Kent County Convention/Arena Authority  
Management Fee Summary  
Fiscal Year Ending June 30, 2009**

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**MANAGEMENT FEE SUMMARY**

	Arena Estimate	DeVos Place Estimate	Total Estimate	FY 2008 Actual
Net Revenue above Expenses	1,305,907	(465,906)	840,001	1,160,026
Benchmark			700,000	700,000
Excess	1,305,907	(465,906)	140,001	460,026

Incentive Fee Calculation (Only if above greater than zero)

	Arena Estimate	DeVos Place Estimate	Total Estimate	Total Estimate
Base Fee	158,672	158,672	317,343	308,100
Incentive Fee				
Revenue	5,219,406	5,150,536	10,369,942	10,470,466
Benchmark Revenue	4,700,000	4,100,000	8,800,000	8,700,000
Revenue Excess	519,406	1,050,536	1,569,942	1,770,466
Incentive Fee **	158,672	158,672	317,343	308,100
Total SMG Management Fee	317,343	317,343	634,686	613,200

\*\* Incentive fee is 25% of the first \$500,000 in excess, 30% of remaining capped at base fee amount.



## **VAN ANDEL ARENA**

**FINANCIAL STATEMENT  
FOR THE PERIOD ENDED SEPTEMBER 30, 2008**

**Distribution:**

Grand Rapids – Kent County Convention / Arena Authority

Robert White

Bob McClintock

Lewis Dawley

Gary McAneney

Howard Feldman

Richard MacKeigan

Chris Machuta



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*An SMG Managed Facility*

VAN ANDEL ARENA  
ROLLING FORECAST  
FISCAL YEAR ENDING JUNE 30, 2009

	YTD	ROLL	TOTAL FYE	BUDGET FYE	VARIANCE
NO. EVENTS	13	99	112	118	(6)
ATTENDANCE	66,754	549,000	615,754	666,000	(50,246)
DIRECT EVENT INCOME	250,260	955,459	1,205,719	1,279,191	(73,472)
ANCILLARY INCOME	169,479	1,355,509	1,524,988	1,598,019	(73,031)
TOTAL EVENT INCOME	419,739	2,310,968	2,730,707	2,877,210	(146,503)
TOTAL OTHER INCOME	565,858	1,922,841	2,488,699	2,450,000	38,699
TOTAL INCOME	985,595	4,233,809	5,219,406	5,327,210	(107,804)
INDIRECT EXPENSES					
EXECUTIVE	46,026	125,472	171,498	171,498	-
FINANCE	48,965	163,596	212,561	212,561	-
MARKETING	58,845	217,113	275,958	275,958	-
OPERATIONS	415,509	1,157,792	1,573,301	1,573,301	-
BOX OFFICE	29,715	90,662	120,377	120,377	-
LUXURY SEATING	19,392	97,906	117,298	117,298	-
SKYWALK ADMIN	12,464	27,392	39,856	39,856	-
OVERHEAD	283,148	1,119,502	1,402,650	1,402,650	-
TOTAL INDIRECT EXP.	914,064	2,999,435	3,913,499	3,913,499	-
NET REVENUE ABOVE EXPENSES	71,531	1,234,374	1,305,907	1,413,711	(107,804)
LESS INCENTIVE FEE		158,672	158,672	157,899	(773)
NET REVENUE ABOVE EXPENSES AFTER INCENTIVE	71,531	1,075,702	1,147,235	1,255,812	(108,577)

Comments:

The Arena performed below budget for the first quarter of the fiscal year as ticket sales were not as strong as anticipated. Per caps continued at expected rates, however, could not offset the lower attendance figures. The forecast shows a diminished expectation for the fiscal year. While concert numbers appear as though they will come in at traditional levels, the show mix seems heavy on the side of lower ancillary spending events. The 2nd quarter of the fiscal year with Radio City and Walking with Dinosaurs will be key in closing the current gap.

  
General Manager

  
Director of Finance

**VAN ANDEL ARENA  
FINANCIAL STATEMENT HIGHLIGHTS  
FOR MONTH ENDED SEPTEMBER 30, 2008**

The following schedule summarizes operating results for the current month ending September 30, 2008 and the YTD ending June 30, 2009 compared to budget and to the prior year:

<b>MONTH</b>	<b>September Actual</b>	<b>September Budget</b>	<b>September FY 2007</b>
Number of Events	9	12	9
Attendance	42,189	47,000	34,995
Direct Event Income	\$130,103	\$122,083	\$62,915
Ancillary Income	91,568	135,451	75,820
Other Income	202,881	201,000	185,356
Indirect Expenses	(319,250)	(296,446)	(276,638)
Net Income	<u>\$105,302</u>	<u>\$162,089</u>	<u>\$47,454</u>

<b>YTD</b>	<b>YTD 2009 Actual</b>	<b>YTD 2009 Budget</b>	<b>YTD 2008 Prior Year</b>
Number of Events	13	15	13
Attendance	66,754	71,000	66,748
Direct Event Income	\$250,260	\$231,489	\$181,839
Ancillary Income	169,479	236,425	200,523
Other Income	565,857	603,000	576,020
Indirect Expenses	(914,064)	(878,995)	(803,285)
Net Income	<u>\$71,531</u>	<u>\$191,920</u>	<u>\$155,097</u>

**EVENT INCOME**

Event income came in at expected levels for the month in spite of lower than expected sales for events hosted during the month.

**ANCILLARY INCOME**

Ancillary income fell below expected levels for the month. Per caps were consistent with expectations, however, lower attendance and the American Idol concert not being a strong ancillary spending event led to a shortfall in this area.

**INDIRECT EXPENSES**

Indirect expenses were consistent with expectations for the month.

**Van Andel Arena**  
**Income Statement**  
**For the Three Months Ending September 30, 2008**

	Current Month Actual	Current Month Budget	Variance	Current Month Prior Year	Year to Date Actual	Year to Date Budget	Variance	Year to Date Prior Year
<b>Event Income</b>								
<b>Direct Event Income</b>								
Rental Income	205,940	189,000	16,940	128,244	302,163	286,500	15,663	236,239
Service Revenue	102,794	118,602	(15,808)	65,964	284,823	266,730	16,988	369,540
Service Expenses	(178,631)	(185,519)	6,888	(131,293)	(336,726)	(321,741)	(14,985)	(423,940)
<b>Total Direct Event Income</b>	<b>130,103</b>	<b>122,083</b>	<b>8,020</b>	<b>62,915</b>	<b>250,260</b>	<b>231,489</b>	<b>17,666</b>	<b>181,839</b>
<b>Ancillary Income</b>								
F&B Concession	64,333	102,820	(38,487)	65,127	124,169	169,600	(45,431)	156,311
F&B Catering	15,297	9,681	5,616	4,710	21,359	18,375	2,984	12,675
Novelty Sales	11,844	22,950	(11,106)	5,983	23,857	48,450	(24,593)	31,537
Booth Cleaning	94	0	94	0	94	0	94	0
<b>Total Ancillary Income</b>	<b>91,568</b>	<b>135,451</b>	<b>(43,883)</b>	<b>75,820</b>	<b>169,479</b>	<b>236,425</b>	<b>(66,946)</b>	<b>200,523</b>
<b>Other Event Income</b>								
Ticket Rebates(Per Event)	32,601	42,083	(9,482)	7,989	68,036	126,250	(58,214)	70,522
<b>Total Other Event Income</b>	<b>32,601</b>	<b>42,083</b>	<b>(9,482)</b>	<b>7,989</b>	<b>68,036</b>	<b>126,250</b>	<b>(58,214)</b>	<b>70,522</b>
<b>Total Event Income</b>	<b>254,272</b>	<b>299,617</b>	<b>(45,345)</b>	<b>146,724</b>	<b>487,775</b>	<b>594,164</b>	<b>(107,494)</b>	<b>452,884</b>
<b>Other Operating Income</b>								
Luxury Box Agreements	107,589	96,833	10,755	105,361	313,186	290,500	22,686	306,153
Advertising	54,813	51,667	3,146	58,563	162,125	155,000	7,125	162,125
Other Income	7,878	10,417	(2,538)	13,443	22,510	31,250	(8,740)	37,220
<b>Total Other Operating Income</b>	<b>170,280</b>	<b>158,917</b>	<b>11,363</b>	<b>177,367</b>	<b>497,821</b>	<b>476,750</b>	<b>21,071</b>	<b>505,498</b>
<b>Adjusted Gross Income</b>	<b>424,552</b>	<b>458,534</b>	<b>(33,983)</b>	<b>324,092</b>	<b>984,490</b>	<b>1,070,914</b>	<b>(86,424)</b>	<b>958,382</b>
<b>Operating Expenses</b>								
Salaries and Wages	149,579	150,447	(868)	127,764	453,042	451,342	1,700	414,289
Payroll Taxes and Benefits	39,293	44,854	(5,561)	28,642	112,000	134,563	(22,563)	95,611
Labor Allocations to Events	(63,953)	(72,236)	8,283	(42,199)	(160,817)	(216,709)	54,787	(196,140)
<b>Net Salaries and Benefits</b>	<b>124,919</b>	<b>123,065</b>	<b>1,854</b>	<b>114,207</b>	<b>404,225</b>	<b>369,196</b>	<b>33,924</b>	<b>313,760</b>
Contracted Services	28,858	23,800	5,058	37,004	84,219	71,400	12,819	102,067
General and Administrative	24,354	28,750	(4,396)	19,440	68,035	86,250	(18,215)	55,833
Operations	3,168	2,933	235	2,945	9,085	17,800	(8,715)	16,409
Repair and Maintenance	27,570	18,667	8,903	15,362	56,755	56,000	755	46,939
Operational Supplies	15,936	18,342	(2,406)	6,500	43,640	55,025	(11,385)	46,864
Insurance	9,520	9,414	106	3,801	19,089	18,899	190	15,655
Utilities	71,702	58,317	13,385	64,541	189,348	164,951	24,397	167,245
SMG Management Fees	13,223	13,158	65	12,838	39,668	39,474	194	38,513
<b>Total Operating Expenses</b>	<b>319,250</b>	<b>296,446</b>	<b>22,804</b>	<b>276,638</b>	<b>914,064</b>	<b>878,995</b>	<b>33,964</b>	<b>803,285</b>
<b>Net Income(Loss) From Operations</b>	<b>105,302</b>	<b>162,088</b>	<b>(56,787)</b>	<b>47,454</b>	<b>70,426</b>	<b>191,919</b>	<b>(120,388)</b>	<b>155,097</b>
<b>Other Non-Operating Expenses</b>								
<b>Adjusted Net Income(Loss)</b>	<b>105,302</b>	<b>162,089</b>	<b>(56,787)</b>	<b>47,455</b>	<b>71,531</b>	<b>191,920</b>	<b>(120,389)</b>	<b>155,098</b>



**SMG - Van Andel Arena**  
**Grand Rapids - Kent County Convention/Arena Authority**  
**Summary of Accounts Receivable**  
**Month Ending September 30, 2008**

Event Type	Events/Days		Attendance		Total Event Income	
	Actual	Budget	Actual	Budget	Actual	Budget
Family Show	6	8	23,858	20,000	59,100	44,848
Sporting Event	2	2	10,204	11,000	105,268	72,432
Concert	4	5	32,542	40,000	254,491	350,634
Team Home Games						
Other	1	-	150	-	879	-
<b>GRAND TOTALS</b>	<b>13</b>	<b>15</b>	<b>66,754</b>	<b>71,000</b>	<b>419,738</b>	<b>467,914</b>

**As Percentage of Overall**

Family Show	46.15%	53.33%	35.74%	28.17%	14.08%	9.58%
Sporting Event	15.38%	13.33%	15.29%	15.49%	25.08%	15.48%
Concert	30.77%	33.33%	48.75%	56.34%	60.63%	74.94%
Team Home Games	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other	7.69%	0.00%	0.22%	0.00%	0.21%	0.00%

**Van Andel Arena  
Balance Sheet  
For the Three Months Ending September 30, 2008**

**ASSETS**

<b>Current Assets</b>		
Cash	3,466,608	
Account Receivable	2,101,375	
Prepaid Expenses	149,690	
	-----	
<b>Total Current Assets</b>		<b>5,717,673</b>
<b>Total Assets</b>		<b>5,717,673</b>
		=====

**LIABILITIES AND EQUITY**

<b>Current Liabilities</b>		
Accounts Payable	582,654	
Accrued Expenses	760,193	
Deferred Income	2,221,910	
Advanced Ticket Sales & Deposits	1,607,852	
	-----	
<b>Total Current Liabilities</b>		<b>5,172,609</b>
<b>Other Liabilities</b>		
<b>Equity</b>		
CY Funds Remitted to CAA	(100,000)	
CY Exp. Paid Directly by CAA	175,056	
Beginning Balance Equity	398,478	
Current Year Earnings	71,531	
	-----	
<b>Total Equity</b>		<b>545,064</b>
<b>Total Liabilities and Equity</b>		<b>5,717,673</b>
		=====

5

**SMG - Van Andel Arena  
Grand Rapids - Kent County Convention/Arena Authority  
Summary of Accounts Receivable  
Month Ending September 30, 2008**

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Current - Under 30 Days	
Food & Beverage	141,448
Ticketing	310,833
Merchandise	-
Permanent Advertising	105,679
DeVos Place	148,558
Operating	265,051
 Over 30 Days	 22,100
 Over 60 Days	 108,457
 Over 90 Days	
 Total Accounts Receivable	 1,102,126

**SMG - Van Andel Arena & DeVos Place  
Grand Rapids - Kent County Convention/Arena Authority  
Management Fee Summary  
Fiscal Year Ending June 30, 2009**

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**MANAGEMENT FEE SUMMARY**

	Arena Estimate	DeVos Place Estimate	Total Estimate	FY 2008 Actual
Net Revenue above Expenses	1,305,907	(465,906)	840,001	1,160,026
Benchmark			700,000	700,000
Excess	1,305,907	(465,906)	140,001	460,026

Incentive Fee Calculation (Only if above greater than zero)

	Arena Estimate	DeVos Place Estimate	Total Estimate	Total Estimate
Base Fee	158,672	158,672	317,343	308,100
Incentive Fee				
Revenue	5,219,406	5,150,536	10,369,942	10,470,466
Benchmark Revenue	4,700,000	4,100,000	8,800,000	8,700,000
Revenue Excess	519,406	1,050,536	1,569,942	1,770,466
Incentive Fee **	158,672	158,672	317,343	308,100
Total SMG Management Fee	317,343	317,343	634,686	613,200

\*\* Incentive fee is 25% of the first \$500,000 in excess, 30% of remaining capped at base fee amount.

## Memorandum

**To:** CAA Board Members  
**From:** Susan Waddell, Administrative Manager  
**Date:** October 17, 2008  
**Re:** CAA Financial Statements

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The following is a summary of financial activity in the two operating accounts as of September 30, 2008:

	<i>1050: Operations</i>	<i>1070: Kent County Operating</i>
Beginning Balance	\$555,384.18	\$21,856,226.36
Cleared Transactions	<u>- 313,749.49</u>	<u>67,391.63</u>
Cleared Balance	241,634.69	21,923,617.99
Uncleared Transactions	<u>-80,117.15</u>	<u>0.00</u>
Ending Balance	<u>\$161,517.54</u>	<u>\$21,923,617.99</u>

- Interest earnings and parking revenue are below budget.
- The land lease line item is over budget due to receipt of catch-up payments.
- Pedestrian safety and parking management are under budget due to the timing of invoices.

If you have any questions or would like additional information, please contact me at 742-6594 or [swaddell@smggr.com](mailto:swaddell@smggr.com). Thank you.

1:59 PM

10/09/08

Accrual Basis

**Grand Rapids-Kent County Convention/Arena Authority**  
**Balance Sheet**  
**As of September 30, 2008**

	Sep 30, 08
<b>ASSETS</b>	
<b>Current Assets</b>	
<b>Checking/Savings</b>	
1040 · Cash - Operations - SMG	4,319,835.10
1050 · Operations - Cash	161,517.54
<b>Total Checking/Savings</b>	4,481,352.64
<b>Other Current Assets</b>	
1070 · Kent County - Operating	21,923,617.99
1200 · Accounts Receivable	1,227,456.17
1300 · Prepaid Expenses	189,100.35
1600 · Advances/Deposits Receivable	-100,000.07
<b>Total Other Current Assets</b>	23,240,174.44
<b>Total Current Assets</b>	27,721,527.08
<b>Fixed Assets</b>	
<b>Buildings &amp; Structures</b>	
Depreciation	-41,778.69
Original Cost	322,431.00
<b>Total Buildings &amp; Structures</b>	280,652.31
<b>Equip</b>	
Depreciation	-589,296.08
Original Cost	969,236.60
<b>Total Equip</b>	379,940.52
<b>Vehicles</b>	43,914.30
<b>Total Fixed Assets</b>	704,507.13
<b>TOTAL ASSETS</b>	<b>28,426,034.21</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Accounts Payable</b>	
2000 · Accounts Payable	84,219.23
2005 · Accounts payable - SMG	665,803.17
<b>Total Accounts Payable</b>	750,022.40
<b>Other Current Liabilities</b>	
2200 · Accrued Expenses	1,097,477.61
2210 · Advance Ticket Sales	1,882,333.73
2220 · Advance deposits	291,472.00
2500 · Deferred facility income	1,077,282.74
2700 · Entertainment Equipment Reserve	80,000.00
<b>Total Other Current Liabilities</b>	4,428,566.08
<b>Total Current Liabilities</b>	5,178,588.48
<b>Total Liabilities</b>	5,178,588.48
<b>Equity</b>	
3000 · Opening Bal Equity	37,035,584.45
3900 · Retained Earnings	-13,502,948.53
Net Income	-285,190.19
<b>Total Equity</b>	23,247,445.73
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>28,426,034.21</b>

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10/09/08

Accrual Basis

**Grand Rapids-Kent County Convention/Arena Authority**  
**Profit & Loss Budget vs. Actual**  
**July through September 2008**

	Jul - Sep 08	Budget	\$ Over Budget	% of Budget
<b>Income</b>				
4500 · Interest on Investments	68,562.64	185,499.00	-116,936.36	37.0%
4540 · Land Lease	89,840.00	35,304.00	54,536.00	254.5%
4545 · Parking Revenues	105,209.25	232,050.00	-126,840.75	45.3%
4550 · Miscellaneous Revenue	99,920.00			
<b>Total Income</b>	<b>363,531.89</b>	<b>452,853.00</b>	<b>-89,321.11</b>	<b>80.3%</b>
<b>Expense</b>				
6000 · Professional Services				
6001 · Accounting/Auditing Services	2,527.40	9,498.00	-6,970.60	26.6%
6040 · Legal Services	1,309.15	8,748.00	-7,438.85	15.0%
<b>Total 6000 · Professional Services</b>	<b>3,836.55</b>	<b>18,246.00</b>	<b>-14,409.45</b>	<b>21.0%</b>
6060 · Other Contractual Services	25,000.00	72,249.00	-47,249.00	34.6%
6065 · Pedestrian Safety	4,215.46	21,807.00	-17,591.54	19.3%
6068 · Parking Management	40,664.00	70,371.00	-29,707.00	57.8%
6100 · Other Supplies & Expenses				
6010 · Bank Fees	20.00			
6030 · Insurance-Property/Liability	50.00	22,000.00	-21,950.00	0.2%
6110 · Meeting Expense	1,381.31	2,499.00	-1,117.69	55.3%
6120 · Supplies	0.00	1,248.00	-1,248.00	0.0%
<b>Total 6100 · Other Supplies &amp; Expenses</b>	<b>1,451.31</b>	<b>25,747.00</b>	<b>-24,295.69</b>	<b>5.6%</b>
6160 · Facility Repair and Maintenance	0.00	12,248.00	-12,248.00	0.0%
6200 · Capital Replacement Projects	175,099.19	461,025.00	-285,925.81	38.0%
6210 · F&B Repair & Maintenance	4,997.19	11,250.00	-6,252.81	44.4%
6300 · Utilities Expense				
6301 · Electricity	300,931.52	258,959.00	41,972.52	116.2%
6310 · Natural Gas	1,555.67	2,705.00	-1,149.33	57.5%
6320 · Steam	50,442.80	65,868.00	-15,425.20	76.6%
6340 · Water & Sewer	20,349.06	28,125.00	-7,775.94	72.4%
<b>Total 6300 · Utilities Expense</b>	<b>373,279.05</b>	<b>355,657.00</b>	<b>17,622.05</b>	<b>105.0%</b>
8000 · Personal Services				
8001 · Employee Wages	18,354.39	10,149.00	8,205.39	180.8%
8030 · Employee Benefits	1,824.94	5,115.00	-3,290.06	35.7%
<b>Total 8000 · Personal Services</b>	<b>20,179.33</b>	<b>15,264.00</b>	<b>4,915.33</b>	<b>132.2%</b>
<b>Total Expense</b>	<b>648,722.08</b>	<b>1,063,864.00</b>	<b>-415,141.92</b>	<b>61.0%</b>
<b>Net Income</b>	<b>-285,190.19</b>	<b>-611,011.00</b>	<b>325,820.81</b>	<b>46.7%</b>

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10/09/08

Accrual Basis

**Grand Rapids-Kent County Convention/Arena Authority**  
**Profit & Loss Prev Year Comparison**  
**July through September 2008**

	Jul - Sep 08	Jul - Sep 07	\$ Change	% Change
<b>Income</b>				
4500 · Interest on Investments	68,562.64	180,017.91	-111,455.27	-61.9%
4540 · Land Lease	89,840.00	36,524.00	53,316.00	146.0%
4545 · Parking Revenues	105,209.25	117,190.50	-11,981.25	-10.2%
4550 · Miscellaneous Revenue	99,920.00	0.00	99,920.00	100.0%
<b>Total Income</b>	<b>363,531.89</b>	<b>333,732.41</b>	<b>29,799.48</b>	<b>8.9%</b>
<b>Expense</b>				
6000 · Professional Services				
6001 · Accounting/Auditing Services	2,527.40	249.30	2,278.10	913.8%
6040 · Legal Services	1,309.15	573.50	735.65	128.3%
<b>Total 6000 · Professional Services</b>	<b>3,836.55</b>	<b>822.80</b>	<b>3,013.75</b>	<b>366.3%</b>
6060 · Other Contractual Services	25,000.00	4,014.81	20,985.19	522.7%
6065 · Pedestrian Safety	4,215.46	0.00	4,215.46	100.0%
6068 · Parking Management	40,664.00	48,521.43	-7,857.43	-16.2%
6100 · Other Supplies & Expenses				
6010 · Bank Fees	20.00	466.09	-446.09	-95.7%
6030 · Insurance-Property/Liability	50.00	20,258.00	-20,208.00	-99.8%
6110 · Meeting Expense	1,381.31	57.96	1,323.35	2,283.2%
6120 · Supplies	0.00	260.95	-260.95	-100.0%
<b>Total 6100 · Other Supplies &amp; Expenses</b>	<b>1,451.31</b>	<b>21,043.00</b>	<b>-19,591.69</b>	<b>-93.1%</b>
6200 · Capital Replacement Projects	175,099.19	298,621.23	-123,522.04	-41.4%
6210 · F&B Repair & Maintenance	4,997.19	7,068.53	-2,071.34	-29.3%
6300 · Utilities Expense				
6301 · Electricity	300,931.52	242,324.79	58,606.73	24.2%
6310 · Natural Gas	1,555.67	1,443.60	112.07	7.8%
6320 · Steam	50,442.80	42,425.48	8,017.32	18.9%
6340 · Water & Sewer	20,349.06	30,292.47	-9,943.41	-32.8%
<b>Total 6300 · Utilities Expense</b>	<b>373,279.05</b>	<b>316,486.34</b>	<b>56,792.71</b>	<b>17.9%</b>
8000 · Personal Services				
8001 · Employee Wages	18,354.39	18,087.65	266.74	1.5%
8030 · Employee Benefits	1,824.94	5,916.97	-4,092.03	-69.2%
<b>Total 8000 · Personal Services</b>	<b>20,179.33</b>	<b>24,004.62</b>	<b>-3,825.29</b>	<b>-15.9%</b>
<b>Total Expense</b>	<b>648,722.08</b>	<b>720,582.76</b>	<b>-71,860.68</b>	<b>-10.0%</b>
<b>Net Income</b>	<b>-285,190.19</b>	<b>-386,850.35</b>	<b>101,660.16</b>	<b>26.3%</b>



# **DeVos Place, as Managed by SMG**

**Special-Purpose Financial Statements  
as of and for the Years Ended  
June 30, 2008 and 2007, and  
Independent Auditors' Report**

# **DEVOS PLACE, AS MANAGED BY SMG**

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## INDEPENDENT AUDITORS' REPORT

DeVos Place, as Managed by SMG  
Grand Rapids, Michigan

We have audited the accompanying special-purpose financial statements of DeVos Place, as managed by SMG, ("SMG-DeVos Place") as of June 30, 2008 and 2007, and for the years then ended, as listed in the table of contents. These special-purpose financial statements are the responsibility of the management of SMG-DeVos Place. Our responsibility is to express an opinion on these special-purpose financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SMG-DeVos Place's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements, assessing the accounting principles and significant estimates made by management, as well as evaluating the overall special-purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared to present the assets, liabilities, amount due operator, operating revenues, operating expenses, and operating cash flows of DeVos Place arising from the management activities of SMG and are not intended to be a complete presentation of DeVos Place's financial position and results of operations.

In our opinion, such special-purpose financial statements present fairly, in all material respects, the financial position of SMG-DeVos Place as of June 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with the basis of accounting described in Note 2.

This report is intended solely for the information and use of the management of SMG-DeVos Place and officials of the Grand Rapids — Kent County Convention/Arena Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

*Deloitte & Touche LLP*

September 11, 2008

## **DEVOS PLACE, AS MANAGED BY SMG**

### **SPECIAL-PURPOSE STATEMENTS OF ASSETS, LIABILITIES, AND AMOUNT DUE OPERATOR ARISING FROM ACTIVITIES MANAGED BY SMG AS OF JUNE 30, 2008 AND 2007**

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	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash:		
Operating	\$ 524,858	\$ 821,332
Ticket sales escrow	105,264	21,113
Accounts receivable — net of allowances of \$32,000 in 2008 and 2007	467,204	433,696
Prepaid expenses	<u>107,867</u>	<u>88,646</u>
<b>TOTAL</b>	<b><u>\$1,205,193</u></b>	<b><u>\$1,364,787</u></b>
 <b>LIABILITIES AND AMOUNT DUE OPERATOR</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 53,683	\$ 131,771
Accrued expenses	376,700	455,942
Advance ticket sales	105,264	21,113
Advance deposits	283,972	283,705
Deferred income	<u>72,032</u>	<u>88,305</u>
 Total current liabilities	 891,651	 980,836
 <b>AMOUNT DUE OPERATOR</b>	 <u>313,542</u>	 <u>383,951</u>
 <b>TOTAL</b>	 <b><u>\$1,205,193</u></b>	 <b><u>\$1,364,787</u></b>

See notes to special-purpose financial statements.

## DEVOS PLACE, AS MANAGED BY SMG

### SPECIAL-PURPOSE STATEMENTS OF OPERATING REVENUES AND OPERATING EXPENSES ARISING FROM ACTIVITIES MANAGED BY SMG FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

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	2008	2007
OPERATING REVENUES:		
Events	<u>\$2,601,414</u>	<u>\$2,459,924</u>
Net ancillary revenues:		
Food and beverage	845,482	851,348
Decorating	341,364	343,513
Electrical	468,555	427,162
Equipment rental	422,755	480,500
Other	<u>57,665</u>	<u>58,092</u>
Total net ancillary revenues	<u>2,135,821</u>	<u>2,160,615</u>
Total events and net ancillary revenues	4,737,235	4,620,539
Other — including interest income of \$11,497 and \$33,775 in 2008 and 2007, respectively	<u>173,846</u>	<u>239,559</u>
Total operating revenues	<u>4,911,081</u>	<u>4,860,098</u>
OPERATING EXPENSES:		
Payroll and related	1,828,623	1,776,834
Repairs and maintenance	580,676	526,174
Supplies	230,982	280,158
Utilities	1,512,579	1,588,827
General and administrative	<u>1,224,634</u>	<u>1,238,806</u>
Total operating expenses	<u>5,377,494</u>	<u>5,410,799</u>
DEFICIENCY OF OPERATING REVENUES OVER OPERATING EXPENSES, BEFORE INCENTIVE MANAGEMENT FEE	(466,413)	(550,701)
INCENTIVE MANAGEMENT FEE	<u>67,126</u>	<u>100,546</u>
DEFICIENCY OF OPERATING REVENUES OVER OPERATING EXPENSES	<u>\$ (533,539)</u>	<u>\$ (651,247)</u>

See notes to special-purpose financial statements.

## DEVOS PLACE, AS MANAGED BY SMG

### SPECIAL-PURPOSE STATEMENTS OF CHANGES IN AMOUNT DUE OPERATOR ARISING FROM ACTIVITIES MANAGED BY SMG FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

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	2008	2007
AMOUNT DUE OPERATOR — Beginning of year	\$ 383,951	\$1,215,899
DEFICIENCY OF OPERATING REVENUES OVER OPERATING EXPENSES	(533,539)	(651,247)
CONTRIBUTIONS RECEIVED FROM OPERATOR	1,613,130	1,769,299
AMOUNTS PAID TO OPERATOR	<u>(1,150,000)</u>	<u>(1,950,000)</u>
AMOUNT DUE OPERATOR — End of year	<u>\$ 313,542</u>	<u>\$ 383,951</u>

See notes to special-purpose financial statements.

## DEVOS PLACE, AS MANAGED BY SMG

### SPECIAL-PURPOSE STATEMENTS OF OPERATING CASH FLOWS ARISING FROM ACTIVITIES MANAGED BY SMG FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

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	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Deficiency of operating revenues over operating expenses	\$ (533,539)	\$ (651,247)
Changes in operating assets and liabilities:		
Accounts receivable	(33,508)	(131,305)
Prepaid expenses	(19,221)	(65,471)
Accounts payable	(78,088)	12,742
Accrued expenses	(95,515)	7,697
Advance deposits and ticket sales	<u>267</u>	<u>4,302</u>
Net cash used in operating activities	<u>(759,604)</u>	<u>(823,282)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions received from operator	1,613,130	1,769,299
Amounts paid to operator	<u>(1,150,000)</u>	<u>(1,950,000)</u>
Net cash provided by (used in) financing activities	<u>463,130</u>	<u>(180,701)</u>
NET DECREASE IN OPERATING CASH	(296,474)	(1,003,983)
OPERATING CASH — Beginning of year	<u>821,332</u>	<u>1,825,315</u>
OPERATING CASH — End of year	<u>\$ 524,858</u>	<u>\$ 821,332</u>

See notes to special-purpose financial statements.

## **DEVOS PLACE, AS MANAGED BY SMG**

### **NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS AS OF AND FOR YEARS ENDED JUNE 30, 2008 AND 2007**

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#### **1. OPERATIONS**

DeVos Place provides space for conventions, trade shows, concerts, meetings, banquets, and other performances. DeVos Place is operated by the Grand Rapids — Kent County Convention/Arena Authority (the “Operator”).

The Operator has entered into a Management Agreement (the “Agreement”) with SMG to manage the operations of DeVos Place. The activities of DeVos Place that are managed by SMG are referred to herein as “SMG-DeVos Place.”

The Operator, from time to time, provides funding to SMG-DeVos Place to pay the obligations of DeVos Place when due. The Operator is contractually obligated to fund all liabilities and expenses of DeVos Place.

#### **2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation** — The accompanying special-purpose financial statements were prepared to present the assets, liabilities, amount due operator, operating revenues, operating expenses, and operating cash flows of DeVos Place arising from the management activities of SMG and are not intended to be a complete presentation of DeVos Place’s financial position and results of operations. Such special-purpose financial statements have been prepared on the accrual basis of accounting and include transactions managed by SMG in accordance with the Agreement, measured in conformity with accounting principles generally accepted in the United States of America. Accordingly, the special-purpose financial statements do not include property and equipment, noncontractual repair expenditures, and related-fund equity associated with DeVos Place or certain other activities of the Operator related to DeVos Place that are not part of the activities managed by SMG. Payroll and related expenses are for employees hired by SMG to manage DeVos Place under the Agreement. These employees are not employees of the Operator.

**Use of Estimates** — Estimates and assumptions are required to be used by management in the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of operating revenues and operating expenses during the reporting period. Management believes its estimates to be reasonable; however, actual results could differ from those estimates.

**Advance Ticket Sales** — DeVos Place incurs a liability for all cash received from ticket sales in advance of an event; a corresponding amount is held in a separate escrow account. Revenues are not recognized until the related event occurs.

**Deferred Income** — Deferred income is comprised primarily of advanced billings and collections for premium seating, which are recognized as revenues on a straight-line basis over the lives of the related contract.



**Event Revenues** — SMG-DeVos Place records event revenue upon the completion of the event. Accordingly, amounts received for advance ticket sales or deposits by promoters are recorded as liabilities until that time. Costs incurred prior to an event are recorded as prepaid expenses and charged to expense upon completion of the event.

**Ancillary Revenues** — All concession and catering, decorating, electrical, and audio-visual revenues are recognized when earned. Ancillary revenues are a contractually determined percentage of gross receipts collected by the vendor for each event.

**Other Operating Revenues** — Other operating revenues are comprised of premium seating, interest income, nonevent equipment rental income, ticket rebates, and other miscellaneous items.

**Noncontractual Repairs** — From time to time, SMG-DeVos Place incurs costs funded by the Operator's capital projects budget, which is separate and distinct from the operating funds provided by the Operator to DeVos Place. The Operator ultimately decides which expenses will be capitalized or expensed. These costs are excluded from operating expenses in the accompanying special-purpose statements of operating revenues and operating expenses.

### 3. MANAGEMENT AGREEMENT AND FEES

SMG and the Operator have a Management Agreement (the "Agreement"), which expires June 30, 2009. The Agreement provides for both an annual base and incentive management fee. The annual base management fee is adjusted annually by the percentage change in the Consumer Price Index (not to exceed 3% in any one year).

The incentive fee is based on the combined results of operations of the Arena and DeVos Place, as managed by SMG-DeVos Place compared to certain operating revenue benchmarks, which escalate by \$100,000 each year through 2009, as defined in the Agreement. To qualify for the incentive fee, combined operating revenues of Van Andel Arena and SMG-DeVos Place must exceed combined operating expenses by an established benchmark, as follows:

	2008	2007
Excess of operating revenue over operating expenses, as defined — Arena	\$1,570,807	\$1,753,074
Deficiency of operating revenue over operating expenses, as defined — DeVos Place	<u>(466,413)</u>	<u>(550,701)</u>
Total excess of operating revenue over operating expenses	<u>\$1,104,394</u>	<u>\$1,202,373</u>
Incentive benchmark	<u>\$ 700,000</u>	<u>\$ 700,000</u>
Benchmark exceeded?	Yes	Yes

The following is a schedule of the base and incentive management fees for the years ended June 30, 2008 and 2007, of which \$67,126 and \$100,546, respectively, are included in accrued expenses as of those dates:

	2008	2007
Base management fee, included in general and administrative expense (A)	<u>\$ 154,050</u>	<u>\$ 150,000</u>
Incentive fee:		
Total operating revenues — Arena	5,678,487	5,678,843
Total operating revenues — DeVos Place	<u>4,911,081</u>	<u>4,860,098</u>
Total operating revenues	<u>10,589,568</u>	<u>10,538,941</u>
Revenue benchmark — Arena	4,650,000	4,600,000
Revenue benchmark — DeVos Place	<u>4,050,000</u>	<u>4,000,000</u>
Total revenue benchmark	<u>8,700,000</u>	<u>8,600,000</u>
Revenues in excess of revenue benchmark	<u>1,889,568</u>	<u>1,938,941</u>
Computation of incentive fee resulting from revenues in excess of revenue benchmark:		
25% of the first \$500,000, collectively	125,000	125,000
30% of the excess of \$500,000, collectively up to \$183,100	<u>183,100</u>	<u>175,000</u>
Total incentive fee	<u>308,100</u>	<u>300,000</u>
Incentive fee allocated to Arena	240,974	199,454
Incentive fee allocated to DeVos Place (B)	<u>67,126</u>	<u>100,546</u>
Total incentive fee	<u>308,100</u>	<u>300,000</u>
Total management fees — DeVos Place (A + B)	<u>\$ 221,176</u>	<u>\$ 250,546</u>

The base fee is contingent upon the Operator maintaining the SMG-Arena concessions agreement with SMG — Food and Beverage LLC. If that agreement were to be terminated, the base management fee would increase to \$175,000 for each managed facility, adjusted annually by the percentage change in the Consumer Price Index from the base year.

#### 4. RETIREMENT PLAN

Employees at the DeVos Place may elect to participate in the SMG Retirement and Savings Plan, a 401(k) defined contribution plan covering SMG employees who have completed one year of employment and 1,000 hours of service. SMG-DeVos Place makes matching contributions equal to 67% of each participant's contribution up to a maximum of 5% of the employee's eligible compensation. Discretionary contributions may also be made on a monthly basis for active participants. SMG-DeVos Place made \$35,089 and \$34,135 in matching contributions and \$11,701 and \$11,362 in discretionary contributions for the years ended June 30, 2008 and 2007, respectively.

## **5. OTHER RELATED-PARTY TRANSACTIONS**

In addition to the operations of DeVos Place, SMG personnel also manage the operations of SMG-Arena. The two facilities share certain expenses such as payroll, employee fringe benefits, and insurance, resulting in frequent billings and payments between the two facilities. The two facilities also share a box office, resulting in frequent billings and payments between the two facilities for ticket sales. Accounts receivable include \$174,134 and \$88,148 due from the SMG-Arena as of June 30, 2008 and 2007, respectively.

## **6. CONTINGENCIES**

DeVos Place is exposed to a number of asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material effect on SMG-DeVos Place's financial position due to insurance coverage. As such, no provision for loss has been made in the accompanying special-purpose financial statements.

\* \* \* \* \*

# **Van Andel Arena, as Managed by SMG**

**Special-Purpose Financial Statements  
as of and for the Years Ended  
June 30, 2008 and 2007, and  
Independent Auditors' Report**

# **VAN ANDEL ARENA, AS MANAGED BY SMG**

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## INDEPENDENT AUDITORS' REPORT

Van Andel Arena, as Managed by SMG  
Grand Rapids, Michigan

We have audited the accompanying special-purpose financial statements of Van Andel Arena, as managed by SMG ("SMG-Arena"), as of June 30, 2008 and 2007, and for the years then ended, as listed in the table of contents. These special-purpose financial statements are the responsibility of the management of SMG-Arena. Our responsibility is to express an opinion on these special-purpose financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SMG-Arena's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special-purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying special-purpose financial statements were prepared to present the assets, liabilities, amount due operator, operating revenues, operating expenses, and operating cash flows of Van Andel Arena arising from the management activities of SMG and are not intended to be a complete presentation of Van Andel Arena's financial position and results of operations.

In our opinion, such special-purpose financial statements present fairly, in all material respects, the financial position of SMG-Arena at June 30, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with the basis of accounting described in Note 2.

This report is intended solely for the information and use of the management of SMG-Arena and officials of the Grand Rapids-Kent County Convention/Arena Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

*Deloitte & Touche LLP*

September 11, 2008

## **VAN ANDEL ARENA, AS MANAGED BY SMG**

### **SPECIAL-PURPOSE STATEMENTS OF ASSETS, LIABILITIES, AND AMOUNT DUE OPERATOR ARISING FROM ACTIVITIES MANAGED BY SMG AS OF JUNE 30, 2008 AND 2007**

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	<b>2008</b>	<b>2007</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash:		
Operating	\$1,912,643	\$1,254,415
Ticket sales escrow	1,777,069	1,972,113
Accounts receivable — net of allowance of \$62,000 in 2008 and 2007	750,252	990,628
Prepaid expenses	<u>81,232</u>	<u>72,573</u>
<b>TOTAL</b>	<b><u>\$4,521,196</u></b>	<b><u>\$4,289,729</u></b>
 <b>LIABILITIES AND AMOUNT DUE OPERATOR</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 612,120	\$ 466,323
Accrued expenses	720,778	347,977
Advance ticket sales	1,777,069	1,972,113
Advance deposits	7,500	7,500
Deferred income	<u>1,005,251</u>	<u>818,251</u>
Total current liabilities	4,122,718	3,612,164
<b>AMOUNT DUE OPERATOR</b>	<u>398,478</u>	<u>677,565</u>
<b>TOTAL</b>	<b><u>\$4,521,196</u></b>	<b><u>\$4,289,729</u></b>

See notes to special-purpose financial statements.

# **VAN ANDEL ARENA, AS MANAGED BY SMG**

## **SPECIAL-PURPOSE STATEMENTS OF OPERATING REVENUES AND OPERATING EXPENSES ARISING FROM ACTIVITIES MANAGED BY SMG FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<b>2008</b>	<b>2007</b>
<b>OPERATING REVENUES:</b>		
Events	<u>\$1,591,225</u>	<u>\$1,524,339</u>
Net ancillary revenues:		
Food and beverage	1,248,683	1,376,760
Novelties	191,114	211,776
Other	<u>39,637</u>	<u>59,333</u>
Total net ancillary revenues	<u>1,479,434</u>	<u>1,647,869</u>
Total events and net ancillary revenues	<u>3,070,659</u>	<u>3,172,208</u>
Other revenues:		
Premium seating	1,285,426	1,247,150
Advertising income	633,824	558,754
Other — including interest income of \$93,406 and \$117,204 in 2008 and 2007, respectively	<u>688,579</u>	<u>700,731</u>
Total other revenues	<u>2,607,829</u>	<u>2,506,635</u>
Total operating revenues	<u>5,678,488</u>	<u>5,678,843</u>
<b>OPERATING EXPENSES:</b>		
Payroll and related	1,517,474	1,478,261
Repairs and maintenance	303,944	217,372
Supplies	199,379	195,893
Utilities	891,626	913,830
General and administrative	<u>1,195,257</u>	<u>1,120,413</u>
Total operating expenses	<u>4,107,680</u>	<u>3,925,769</u>
<b>EXCESS OF OPERATING REVENUES OVER OPERATING EXPENSES — Before incentive management fee</b>	<b>1,570,808</b>	<b>1,753,074</b>
<b>INCENTIVE MANAGEMENT FEE</b>	<u>240,974</u>	<u>199,454</u>
<b>EXCESS OF OPERATING REVENUES OVER OPERATING EXPENSES</b>	<b><u>\$1,329,834</u></b>	<b><u>\$1,553,620</u></b>

See notes to special-purpose financial statements.



## **VAN ANDEL ARENA, AS MANAGED BY SMG**

### **SPECIAL-PURPOSE STATEMENTS OF CHANGES IN AMOUNT DUE OPERATOR ARISING FROM ACTIVITIES MANAGED BY SMG FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

---

	2008	2007
AMOUNT DUE OPERATOR — Beginning of year	\$ 677,565	\$ 1,061,323
EXCESS OF OPERATING REVENUES OVER OPERATING EXPENSES	1,329,834	1,553,620
CONTRIBUTIONS RECEIVED FROM OPERATOR	1,091,080	962,622
AMOUNTS PAID TO OPERATOR	<u>(2,700,000)</u>	<u>(2,900,000)</u>
AMOUNT DUE OPERATOR — End of year	<u>\$ 398,479</u>	<u>\$ 677,565</u>

See notes to special-purpose financial statements.

## VAN ANDEL ARENA, AS MANAGED BY SMG

### SPECIAL-PURPOSE STATEMENTS OF OPERATING CASH FLOWS ARISING FROM ACTIVITIES MANAGED BY SMG FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

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	2008	2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Excess of operating revenues over operating expenses	\$ 1,329,833	\$ 1,553,620
Changes in operating assets and liabilities:		
Accounts receivable	240,376	728,222
Prepaid expenses	(8,659)	(19,734)
Accounts payable	145,797	99,128
Accrued expenses	372,801	121,353
Advance deposits		(20,000)
Deferred income	<u>187,000</u>	<u>127,766</u>
Net cash provided by operating activities	<u>2,267,148</u>	<u>2,590,355</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions received from Operator	1,091,080	962,622
Amounts paid to Operator	<u>(2,700,000)</u>	<u>(2,900,000)</u>
Net cash used in financing activities	<u>(1,608,920)</u>	<u>(1,937,378)</u>
NET INCREASE IN OPERATING CASH	658,228	652,977
OPERATING CASH — Beginning of year	<u>1,254,415</u>	<u>601,438</u>
OPERATING CASH — End of year	<u>\$ 1,912,643</u>	<u>\$ 1,254,415</u>

See notes to special-purpose financial statements.

# **VAN ANDEL ARENA, AS MANAGED BY SMG**

## **NOTES TO SPECIAL-PURPOSE FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

---

### **1. OPERATIONS**

Van Andel Arena (the "Arena") provides space for family shows, concerts, sporting events, meetings, and other performances. The Arena is operated by the Grand Rapids-Kent County Convention/Arena Authority (the "Operator").

The Operator has entered into a Management Agreement (the "Agreement") with SMG to manage the operations of the Arena. The activities of the Arena that are managed by SMG are herein referred to as "SMG-Arena."

The Operator from time to time provides funding to SMG-Arena to pay the obligations of the Arena when due. The Operator is contractually obligated to fund all liabilities and expenses of the Arena.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation** — The accompanying special-purpose financial statements have been prepared to present the assets, liabilities, amount due operator, operating revenues, operating expenses, and operating cash flows of Van Andel Arena arising from the management activities of SMG and are not intended to be a complete presentation of Van Andel Arena's financial position and results of operations. Such special-purpose financial statements have been prepared on the accrual basis of accounting and include transactions managed by SMG in accordance with the Agreement, measured in conformity with accounting principles generally accepted in the United States of America. Accordingly, the special-purpose financial statements do not include property and equipment, noncontractual repair expenditures, and related fund equity associated with the Arena or certain other activities of the Operator related to the Arena that are not part of the activities managed by SMG. Payroll and related expenses are for employees hired by SMG to manage the Arena under the Agreement. These employees are not employees of the Operator.

**Use of Estimates** — Estimates and assumptions are required to be used by management in the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of operating revenues and operating expenses during the reporting period. Management believes its estimates to be reasonable; however, actual results could differ from those estimates.

**Advance Ticket Sales** — The Arena incurs a liability for cash received from ticket sales in advance of an event; a corresponding amount is held in a separate escrow account. Operating revenues are not recognized until the related event occurs.

**Deferred Income** — Deferred income is comprised primarily of advanced billings and collections for luxury boxes and advertising contracts which are recognized as revenues on a straight-line basis over the lives of the related contract. Also included are ticket rebates received from the ticket agent prior to an event, which are not recognized as revenue until the event occurs.

**Event Revenues** — SMG-Arena records event revenue upon the completion of the event. Accordingly, amounts received for advance ticket sales or deposits by promoters are recorded as liabilities until that time. Costs incurred prior to an event are recorded as prepaid expenses and charged to expense upon completion of the event.

**Ancillary Revenues** — All concession and merchandise revenues are recognized when earned. Ancillary revenues are a contractually determined percentage of gross receipts collected by the vendor for each event.

**Other Operating Revenues** — Other operating revenues include revenues associated with luxury seating, advertising, ticket rebates, interest income, and other miscellaneous items.

**Noncontractual Repairs** — From time to time, SMG-Arena incurs costs funded by the Operator's capital projects budget, which is separate and distinct from the operating funds provided by the Operator to the Arena. The Operator ultimately decides which expenses will be capitalized or expensed. These costs are excluded from operating expenses in the accompanying special-purpose Statements of operating revenues and operating expenses.

### 3. MANAGEMENT AGREEMENT AND FEES

SMG and the Operator have a Management Agreement (the "Agreement") which expires June 30, 2009. The Agreement provides for both an annual base and incentive management fee. The annual base management fee is adjusted annually by the percentage change in the Consumer Price Index (not to exceed 3% in any one year).

The incentive fee is based on the combined results of operations of the Arena and DeVos Place, as managed by SMG ("SMG-Arena") compared to certain operating revenue benchmarks which escalate by \$100,000 each year through 2009, as defined in the Agreement. To qualify for the incentive fee, combined operating revenues of SMG-Arena and SMG-DeVos Place must exceed combined operating expenses by an established benchmark, as follows:

	2008	2007
Excess of operating revenue over operating expenses — as defined — Arena	\$ 1,570,807	\$ 1,753,074
Deficiency of operating revenue over operating expenses — as defined — DeVos Place	<u>(466,413)</u>	<u>(550,701)</u>
Total excess of operating revenue over operating expenses	<u>\$ 1,104,394</u>	<u>\$ 1,202,373</u>
Incentive benchmark	<u>\$ 700,000</u>	<u>\$ 700,000</u>
Benchmark exceeded?	Yes	Yes

The following is a schedule of the base and incentive management fees for the years ended June 30, 2008 and 2007, of which \$240,974 and \$199,454, respectively, are included in accrued expenses as of those dates, is as follows:

	2008	2007
Base management fee — included in general and administrative expense (A)	<u>\$ 154,050</u>	<u>\$ 150,000</u>
Incentive fee calculation:		
Total operating revenues — Arena	\$ 5,678,487	\$ 5,678,843
Total operating revenues — DeVos Place	<u>4,911,081</u>	<u>4,860,098</u>
Total operating revenues	<u>10,589,568</u>	<u>10,538,941</u>
Revenue benchmark — Arena	4,650,000	4,600,000
Revenue benchmark — DeVos Place	<u>4,050,000</u>	<u>4,000,000</u>
Total revenue benchmark	<u>8,700,000</u>	<u>8,600,000</u>
Revenues in excess of revenue benchmark	<u>\$ 1,889,568</u>	<u>\$ 1,938,941</u>
Computation of incentive fee resulting from revenues in excess of revenue benchmark:		
25% of the first \$500,000, collectively	\$ 125,000	\$ 125,000
30% of the excess of \$500,000, collectively, up to \$183,100	<u>183,100</u>	<u>175,000</u>
Total incentive fee	<u>\$ 308,100</u>	<u>\$ 300,000</u>
Incentive fee allocated to Arena (B)	\$ 240,974	\$ 199,454
Incentive fee allocated to DeVos Place	<u>67,126</u>	<u>100,546</u>
Total incentive fee	<u>\$ 308,100</u>	<u>\$ 300,000</u>
Total management fees — Arena (A + B)	<u>\$ 395,024</u>	<u>\$ 349,454</u>

The base fee is contingent upon the Operator maintaining the Arena concessions agreement with SMG-Food & Beverage, LLC. If that agreement were to be terminated, the base management fee would increase to \$175,000 for each managed facility, adjusted annually by the percentage change in the Consumer Price Index from the base year.

#### 4. RETIREMENT PLAN

Employees at the Arena may elect to participate in the SMG Retirement and Savings Plan, a 401(k) defined contribution plan covering SMG employees who have completed one year of employment and 1,000 hours of service. SMG-Arena makes matching contributions equal to 67% of each participant's contribution up to a maximum of 5% of the participant's eligible compensation. Discretionary contributions may also be made on a monthly basis for active participants. SMG-Arena made \$27,183 and \$25,725 in matching contributions and \$9,494 and \$9,275 in discretionary contributions for the years ended June 30, 2008 and 2007, respectively.

## **5. OTHER RELATED-PARTY TRANSACTIONS**

In addition to the operations of the Arena, SMG personnel also manage the operations of DeVos Place. The two facilities share certain expenses such as payroll, employee fringe benefits, and insurance, resulting in frequent billings and payments between the two facilities. The two facilities also share a box office, resulting in frequent billings and payments between the two facilities for ticket sales. Accounts payable include \$174,134 and \$88,148 due to DeVos Place as of June 30, 2008 and 2007, respectively.

On July 1, 2006, the Operator entered into a concessions agreement for the Arena with SMG-Food & Beverage, LLC a related party to SMG. Accounts receivable include \$65,400 and \$60,772 from SMG-Food & Beverage, LLC as of June 30, 2008 and 2007, respectively.

## **6. CONTINGENCIES**

The Arena is exposed to a number of asserted and unasserted potential claims encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material effect on SMG-Arena's financial position due to insurance coverage. As such, no provision for loss has been made in the accompanying special-purpose financial statements.

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# VAN ANDEL ARENA® WEEKLY

DATE	EVENT	EC	MOD	ROOM	TIME	FUNCTION
Wed, Oct 15	Available					
Thur, Oct 16	Available					
Fri, Oct 17	The Marriage Counselor	RS	CHRIS	Arena	6:00 AM 2:30 PM 5:00 PM 7:00 PM 8P-10P 10:00 PM	Load-in Chair set Security meeting Doors Performance Load-out
Sat, Oct 18	Celtic Thunder	GC	ROD	Arena	7:30 AM 9:00 AM 7:00 PM 8P-8:50P 8:50P-9:10P 9:10P-10:10P 10:10 PM	Kitchen access to caterer Load-in Doors 1 <sup>st</sup> half of performance Intermission 2 <sup>nd</sup> half of performance Load-out
Sun, Oct 19	Available					
Mon, Oct 20	Available					
Tue, Oct 21	B-93 Roofsit Concert w/Taylor Swift	RS	CHRIS	Arena	8:00 AM 3:00 PM 5:00 PM 6:00 PM 7P-7:30P 7:30P-8P 8P-9P 9:00 PM	Load-in Chair set Security meeting Doors Love & Theft Intermission Taylor Swift Load-out
Wed, Oct 22	Available					
Thur, Oct 23	Available					
Fri, Oct 24	Available					
Sat, Oct 25	Griffins vs Hamilton	GC	JIM	Arena	10A-12:30P 6:00 PM 7P-9:30P 9:30P-9:50P 9:50P-10:15P	Teams practice Doors Hockey game Post-game autographs Post-game skate
Sun, Oct 26	Griffins vs Norfolk	RS	JIM	Arena	10A-12:30P 3:00 PM 4P-6:30P	Teams practice Doors Hockey game
Mon, Oct 27	Available					
Tue, Oct 28	Miracle Match	GC	ROD	Arena	7:00 PM	Sampras v Courier
Wed, Oct 29	Griffins vs Syracuse	RS	TODD	Arena	10A-12:30P 6:00 PM 7P-9:30P	Teams practice Doors Hockey game
Thur, Oct 30	Available					
Fri, Oct 31	Available					
Sat, Nov 1	Griffins vs Milwaukee	RS		Arena	10A-12:30P 6:00 PM 7P-9:30P 9:30P-9:50P 9:50P-10:15P	Teams practice Doors Hockey game Post-game autographs Post-game skate
Sun, Nov 2	Available					
Mon, Nov 3	E.E. Milestone (Diversity Initiative)	MJD		Banquet D	5:30P-7:30P	Banquet
Tue, Nov 4	Available					
Wed, Nov 5	Available					
Thur, Nov 6	E.E. Milestone (Diversity Initiative)	MJD		Banquet D	5:30P-7:30P	Banquet

Fri, Nov 7	Griffins vs Lake Erie	RS		Arena	10A-12:30P 6:00 PM 7P-9:30P	Teams practice Doors Hockey game
Sat, Nov 8	Reba/Kelly Clarkson	RS		Arena	8:00 PM	Performance
Sun, Nov 9	Available					
Mon, Nov 10	Available					
Tue, Nov 11	Griffins vs Houston	GC		Arena	11:00 AM 12P-2:30P	Doors Hockey game
Wed, Nov 12	Available					
Thur, Nov 13	Available					
Fri, Nov 14	Griffins vs Hartford	GC		Arena	10A-12:30P 6:00 PM 7P-9:30P	Teams practice Doors Hockey game
Sat, Nov 15	Nine Inch Nails	RS		Arena	8:00 PM	Performance
Sun, Nov 16	Available					



# DE VOS PLACE® - NOVEMBER 2008

DATE	EVENT	ROOM	TIME	FUNCTION	EC	HOUSE STAFF	EMT'S	POLICE	ABSOLUTE
SAT. NOV 1	2008 MALY'S SALON FORUM	BALL A-D EH C G A-F GO A-H		GENERAL SESSION EXHIBIT BREAKOUT ROOM BREAKOUT ROOMS SETUP					
	REDKEN VIP	BOARDROOM	12:00PM-11:59PM						
SUN. NOV 2	2008 MALY'S SALON FORUM	BALL A-D EH C G A-F GO A-H		GENERAL SESSION EXHIBIT BREAKOUT ROOM BREAKOUT ROOM RECEPTION					
	REDKEN VIP	BOARDROOM	8:00AM-11:59PM						
MON. NOV 3	2008 MALY'S SALON FORUM	BALL A-D EH C G A-F GO A-H		GENERAL SESSION EXHIBIT BREAKOUT ROOM BREAKOUT ROOM RECEPTION					
	REDKEN VIP	BOARDROOM	8:00AM-11:59PM						
TUES. NOV 4	GVSU COLLEGIATE JOB FAIR	BALL B-D	8:00AM-11:59PM	EXHIBIT					
WED. NOV 5	2008 DEALER TRADE SHOW	EH C	8:00AM-11:59PM	EXHIBIT HALL					
	MI ASSN FOR HEALTH, PHYSICAL EDUCATION, RECREATION & DANCE	BALL D		SETUP					
	INVESTTOOLS, INC.	MON A-D	6:00AM-8:00PM	MEETING					
THURS. NOV 6	MI ASSN FOR HEALTH, PHYSICAL EDUCATION, RECREATION & DANCE	BALL D GO A-H G A-F BALL C		EXHIBIT BREAKOUT BREAKOUT GENERAL SESSION					
	2008 DEALER TRADE SHOW	EH C RO A-B RO C-D	8:00AM-11:59PM 8:00AM-11:59PM 8:00AM-11:59PM	EXHIBIT HALL RO A-B RO C-D					
	INVESTTOOLS, INC.	MON A-D	6:00AM-8:00PM	MEETING					
FRI. NOV 7	MI ASSN FOR HEALTH, PHYSICAL EDUCATION, RECREATION & DANCE	BALL D GO A-H G A-F BALL C BALL B		EXHIBIT BREAKOUT BREAKOUT GENERAL SESSION LUNCH					
SAT. NOV 8	MI ASSN FOR HEALTH, PHYSICAL EDUCATION, RECREATION & DANCE	BALL D GO A-H G A-F		EXHIBIT BREAKOUT BREAKOUT					
SUN. NOV 9	SIGNATURE CHEF AUCTION	BALL A-D	8:00AM-11:59PM	SETUP					
MON. NOV 10	SIGNATURE CHEF AUCTION	BALL A-D	8:00AM-11:59PM	DINNER					
TUES. NOV 11	CALVIN COLLEGE ANNUAL SCHOLARSHIP DINNER	BALL A-B	12:30PM-12:30AM	DINNER					
	STORESONLINE INTERNATIONAL	BALL C	6:30AM-12:00AM	MEETING					
WED. NOV 12	WYCA TRIBUTE! AWARDS CELEBRATION	BALL A-B	8:00AM-3:00PM	LUNCH					
THURS. NOV 13									
FRI. NOV 14	CITY MANAGER'S MEETING	RO A	8:00AM-11:00AM	MEETING					
	VSA ARTS OF MICHIGAN	BALL C-D	8:00AM-11:59PM	RECEPTION					

