

January 7, 2013

Mr. Randy Burns
Management Analyst
Chattanooga City Council Office
1000 Lindsay Street
Chattanooga, TN 37402

Dear Mr. Burns:

Enclosed please find the information required from Non-Profit Organizations requesting funding from the City of Chattanooga. Note: This year's budget request is for \$227,683.

The name and address of our non-profit organization is Carter Street Corporation d/b/a Chattanooga/Hamilton County Convention and Trade Center, One Carter Plaza, Chattanooga, TN 37402. In addition, the name, address and telephone number of the contact person in our organization is Mike Shuford, Executive Director, One Carter Plaza, P. O. Box 6008, Chattanooga, TN 37401, 423/756-0001.

Our Agency Mission is to contract, improve, equip, own, lease, operate and manage the Chattanooga-Hamilton County Convention & Trade Center and adjoining parking garage.

As always, if you or any members of the City Council have any questions concerning the enclosed information, please do not hesitate to let me know, and we will respond as quickly as possible.

Sincerely,

Mike Shuford
Executive Director

Enclosures

cc: Jim Hudson III, Chairman – Carter Street Corporation Board of Directors
Hicks Armor, Treasurer – Carter Street Corporation Board of Directors

CARTER STREET CORPORATION

REQUIRED REPORTING

IN ACCORDANCE WITH

CITY OF CHATTANOOGA CODE 2-326(e)

MEMORANDUM

TO: CHATTANOOGA CITY COUNCIL

FROM: MIKE SHUFORD, EXECUTIVE DIRECTOR

DATE: JANUARY 7, 2013

Enclosed please find the following items:

- I. City Council Questionnaire – Attached to the questionnaire is a brief fact sheet which summarizes the corporation's structure, finances and convention history.
 - II. A copy of the Budget for FY 2014 is attached as Exhibit A.
 - III. The Charter, Internal Revenue Code exemption and the current Financial Statement are attached as Exhibits B, C and D.
 - IV. A listing of the Board of Directors is attached as Exhibit E.
 - V. A statement accounting for the expenditure of funds by the Carter Street Corporation to the City of Chattanooga is attached as Exhibit F.
 - VI. A statement from the Carter Street Corporation to the City of Chattanooga regarding the annual report is attached as Exhibit G.
- cc: Mayor - City of Chattanooga

CHATTANOOGA CITY COUNCIL QUESTIONNAIRE

1. What other Chattanooga organizations have a mission similar to yours?

None

2. What does your organizations do, supply or perform that no other organization in Chattanooga addresses?

Operate the Chattanooga-Hamilton County Convention & Trade Center.

3. What is your fiscal year? 7/1 to 6/30

4. Please list the previous years you have submitted requests to the City of Chattanooga, the amount of the requests, and the amounts granted?

	<u>Requested Amount</u>	<u>Amount Granted</u>
FY 2007	\$261,745	\$150,000
FY 2008	\$211,500	\$200,000
FY 2009	\$219,000	\$150,000
FY 2010	\$219,000	\$135,000
FY 2011	\$223,318	\$135,000
FY 2012	\$185,970	\$200,000
FY 2013	\$225,083	\$200,000

5. Describe your debt and expenses in ratio to revenue.

The debt for the Chattanooga Convention Center is carried through the City of Chattanooga via the bonds issued through the Southside Redevelopment Corporation and does not appear on the books. Expenses run approximately 10 percent higher than revenues as the primary mission of the Convention Center is to be an economic impact generator to bring new dollars into Chattanooga and Hamilton County.

6. List any debt over \$10,000 and when that debt will be satisfied. None

7. What percentage of your budget dedicated to salaries vs. percentage of budget dedicated to client programs or benefits? N/A

8. What cost savings initiatives did your organization undertake during the preceding year?

The Convention Center's budget is monitored on a monthly basis (revenues and expenses) in an effort to maximize efficiency of the operation. The Convention Center's garage has now become an automated garage.

9. List travel expenses over the last three years and how the travel benefited your organization.

2009	\$23,826.00
2010	\$9,111.00
2011	\$4,448.00
2012	\$7,299.00

Travel benefits the Chattanooga Convention Center by bringing in convention dollars to the City of Chattanooga and Hamilton County.

10. Do your clients pay anything for your services, products, programs? If so, explain.

Yes. Clients that use the Convention Center pay rent, food and beverage costs which represents 90 percent of our operating budget.

11. What is your strategic plan to become independent of City funding? If you have no plan, please explain why?

The Convention Center operates to bring new net dollars to the City of Chattanooga and Hamilton County. In doing so, the City of Chattanooga and Hamilton County generate sales tax and room tax revenues that go into their coffers which more than offset the deficit of the facility.

12. Please provide contact info for review of corporate minutes, at Council discretion.

Mary Wright, Administrative Assistant
Chattanooga Convention Center
One Carter Plaza
P. O. Box 6008
Chattanooga, TN 37401
423/756-0001

CARTER STREET CORPORATION d/b/a CHATTANOOGA-HAMILTON COUNTY

CONVENTION AND TRADE CENTER

I. Structure of Corporation

The Carter Street Corporation is a not-for-profit corporation organized by the City of Chattanooga and Hamilton County. The Corporation serves as the coordinating body for the development, operation and management of the Convention and Trade Center and parking garage and is lessor of the adjoining hotel.

The Corporation has obtained approval for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

The construction and equipping of the original Convention Center complex, including the Ancillary Hotel Facilities and parking garage was financed through the following sources:

Lease Rental Revenue Bonds	\$17,950,000
Urban Development Action Grants	5,100,000
Hotel Developer-Prepaid Rent	958,000

The facility was expanded from 114,000 square feet to 300,000 square feet in 2002. The 50 million dollar project was financed by the City of Chattanooga and involved increases in space for conventions, trade shows and meetings as follows:

Exhibit Hall	50,000 to 101,000 square feet
Ballrooms	9,600 to 18,500 square feet
Meeting Rooms	3 @ 2,700 square feet to 21 @ 25,000 square feet

The Corporation is managed by an Executive Director who reports to a seven member Board of Directors. The members of the Board of Directors are appointed by the heads of the local City and County governments. Three members are appointed by the Mayor of Chattanooga and three members are appointed by the County Mayor of Hamilton County. The Chairman of the Board is appointed jointly by both the Mayor and the County Mayor. All appointments are approved by the respective legislative bodies.

II. Convention Statistics

A. Our primary mission is to bring net "new" dollars into the community. We do so by hosting conventions. The following are some statistics relative to convention activity for the past few years.

One important point to note is that the vast majority of these conventions could not have convened in this City if this facility was not present.

B. Economic Impact Statistics - More important than the "number" of conventions is the measure of Convention Delegate spending in the local economy.

The figures below are based upon the estimate that a convention delegate in Chattanooga spends approximately \$180 a day for lodging, meals, transportation and entertainment. The following summary reflects this facility's Direct Economic Impact on the community for FY 2009 through FY 2012:

<u>Fiscal</u> <u>Year</u>	<u>Total</u> <u>Economic</u> <u>Impact</u>
2009	\$30,788,675
2010	\$30,468,580
2011	\$32,768,820
2012	\$38,070.113

BUDGET REQUEST
CHATTANOOGA, TENNESSEE

Attachment A: Program Outcome Information

Agency Mission:

To construct, improve, equip, own, lease, operate and manage the Chattanooga-Hamilton County Convention & Trade Center and adjoining Parking Garage

Program Goal: (State the goal of this program; the rationale for the goal, and the potential community impact.)

The Chattanooga-Hamilton County Convention & Trade Center provides rental space for conventions, trade shows, meetings, banquets, etc., which will bring outside dollars into the community, as well as providing a place for local organizations to hold events. The facility also provides 35 full-time and approximately 100 part-time jobs to the community.

Outcome Objectives: (Provide 2 to 3 Outcome Objectives which are specific to the Program Goal.)

- (1) The facility will attract national, regional and state conventions with trade shows.
- (2) The facility will also attract conventions without trade shows.
- (3) The facility will host numerous public expositions.
- (4) The facility will provide space for numerous local events.

In FY 2013 the facility will host 43 conventions resulting in approximately 36 to 40 million dollars in Economic Impact to the community.

Priority Area Addressed: (If program has Outcomes which address one of the Expected Results in one of the Priority Areas please indicate both the Priority Area and the Expected Result.)

The Chattanooga-Hamilton County Convention & Trade Center was chartered to provide these services in the community.

Means of Measurement: (Indicate how each objective is measured to determine effectiveness.)

The Carter Street Corporation will examine the number and mix of events hosted to determine if the above objectives have been achieved.

Outcome Results: (In quantitative terms, state the results for each Outcome Objective.)

If the above objectives are achieved the facility should host approximately 200,000 attendees at various conventions, trade shows and meetings resulting in approximately 100,000 room nights and 400,000 attendee days yielding an estimated 36 to 40 million dollars in Economic Impact to the community.

Comparative Information: (Using local, regional, national data and/or similar type programs, indicate how the program compares relative to effectiveness)

There is no local facility comparable to the Chattanooga-Hamilton County Convention & Trade Center.

Attachment D: Schedule of Positions, Salaries & Wages

Confidential

Carter Street Corporation

ALL FINANCIAL INFORMATION TO THE NEAREST DOLLAR. FOR ADDITIONAL EMPLOYEES, COPY THIS FORM AS NEEDED.

Title of Position	Last Name, Initial	# of Years Employed	Current			Proposed		
			# of Weeks Employed (c)	Annual Rate	Budgeted	# of Weeks Employed (c)	Annual Rate	Budgeted
Executive Director	Shuford, M	29.0		108,900			112,167	112,167
F&B Director	Quatrano, K	4.0		83,554			86,060	86,060
Operations Mgr.	Odom, J	25.5		59,819			61,613	61,613
Director of Eng.	Brooks, L	10.5		75,928			78,206	78,206
Conv. Sales Mgr.	Hyman, L	15.8		53,134			54,728	54,728
Local Sales Mgr.	Love, T	4.3		38,617			39,775	39,775
Human Resources	Angsten, J	4.9		49,102			50,575	50,575
Event Manager	Rose, P	18.8		49,775			51,269	51,269
Event Manager	Hookey, J	10.6		46,319			47,709	47,709
Event Manager	Grove, K.	0		31,000			31,930	31,930
Event Manager	Dolejs, A.	4.0		33,454			34,458	34,458
Administrative Asst	Wright, M	24.9		36,300			37,389	37,389
Business Office Mgr	Hardeman, C	22.9		53,016			54,606	54,606
Asst Business Office	Dills, J	18.4		46,191			47,577	47,577
Business Assistant	Pritchard, L	13.8		31,066			31,997	31,997
Business Assistant	Henderson, S	26.6		37,106			38,219	38,219
Receptionist	Knoop, L	12.5		26,660			27,460	27,460
Sous Chef	Corbin, M	20.2		48,614			50,073	50,073
Sous Chef – 2	Vacant	0		0			0	0
Sous Chef – 3	Spier, R	9.1		43,426			44,729	44,729
Steward	Rice, T	12.5		31,547			32,493	32,493
First Cook – 1	Hills, W	10.3		30,852			31,778	31,778

- If a Position is changed from a part-time to a full-time position, show each as a separate position unit.
 Lists positions in order of responsibility and include all staff and employees of agency in this schedule.
 Non-professional employees performing similar services may be reported as a group.
 (a) Indicate only part-time employees and footnote explanation, if necessary.
 (b) Check if person is covered by retirement benefits. (c) Indicate only if less than 52 weeks.

Attachment D: Schedule of Positions, Salaries & WagesConfidential

Carter Street Corporation

Title of Position	Last Name, Initial	# of Years Employed	Current			Proposed		
			# of Weeks Employed (c)	Annual Rate	Budgeted	# of Weeks Employed (c)	Annual Rate	Rate(Hourly Basis)
Banquet Manager	Harper, R	5.3		45,226			46,583	N/A
Banquet Captain	Vacant			0			0	0
Bar Captain	Partridge, J	5.2		35,399			36,461	N/A
Banquet Captain	Burrow, S	3.0		26,352			27,142	N/A
Banquet Captain	Gaines, F	5.0		22,838			23,523	11.31
Maintenance Supv	Thurman, D	23.6		36,673			37,773	18.16
Op Shift2 Foreman	Moore, T	16.0		32,573			33,550	16.13
Op Shift1 Foreman	Stone, P	19.9		35,540			36,606	17.60
Swing Foreman	Vacant	0		0			0	0
Bldg. Maint Worker	Everett, J	8.1		25,122			25,875	12.44
Bldg. Maint Worker	Honeycutt, J	11.0		26,975			27,784	13.36
Op Shift1 Asst For	Vacant	0		0			0	0
Op Shift2 Asst For	Pitmon, P	0		20,265			20,872	10.03
Op Shift Worker	Vacant	0		0			0	0
Op Shift1 Asst For	Bone, E	9.9		23,863			24,579	11.82
Op Shift Worker	Green, J	5.5		21,403			22,045	10.60
Op Shift 2 Asst For	McCray, R	6.5		23,863			24,579	11.82
Housekeeping Sup	Bush, D	4.6		21,112			21,745	10.45
Garage Cashier	P. Eliminated	0		0			0	0
Garage Cashier	P. Eliminated	0		0			0	0

Overtime Contingency - 10% excluding Banq. & Bar Captains 27,541
Compensation Pool 15,000
Non - Event Part-time Help 0

Base Payroll - Payroll costs excluding overtime contingency and part-time wages

Comparisons

Budgeted Payroll - FY 2013 (Base) 1,489,687
Budgeted Payroll - FY 2014 (Base) 1,453,929
Percentage Increase / Decrease -2.40%

Budgeted Payroll - FY 2012 (Total) 1,535,154
Budgeted Payroll - FY 2013 (Total) 1,496,469 **1,496,500**
Percentage Increase / Decrease -2.52%

Attachment F: Budget Format

CITY OF CHATTANOOGA
FY2014 Agency Funding Financial Form

Account Category	Actual FY2011	Actual FY2012	Budget FY 2013	Request FY2014	Incr (Decr) Request vs. FY13 Bud	% Change Request vs FY13 Bud
REVENUES						
Contributions						
Individuals/Private					0	N/A
Corporate/Organizations/Churches					0	N/A
Fees/Grants from Governmental Agencies						
Federal					0	N/A
State					0	N/A
CVB	224,580	300,000	300,000	300,000	0	0.0%
City of Chattanooga	135,000	200,000	223,083	227,683	4,600	2.1%
Other Cities (Please list)					0	N/A
United Way						
Foundations (including grants)					0	N/A
Gross Proceeds Special Events					0	N/A
Other UWs/Federations					0	N/A
CFC/Designations received thru UWGC					0	N/A
UWGC Program Allocation					0	N/A
UWGC Special Funding					0	N/A
Membership Dues					0	N/A
Net Event Revenue	3,130,370	3,294,040	3,201,070	3,201,070	0	0.0%
Governmental Insurance					0	N/A
Private Insurance					0	N/A
Contracted Services					0	N/A
Fee for Services					0	N/A
Other Program Income					0	N/A
Sales to Public					0	N/A
Investment Income					0	N/A
Miscellaneous-Hotel Lease major item)	392,460	401,260	360,000	360,000	0	0.0%
Transfers in from other internal budgets					0	N/A
Income from Previous Year					0	N/A
					0	N/A

TOTAL REVENUES	3,882,410	4,195,300	4,084,153	4,088,753	4,600	0.1%
OPERATIONS						
Personnel Expenses						
Salaries	1,550,000	1,442,000	1,513,000	1,496,500	-16,500	-1.1%
Fringe Benefits					0	N/A
Employee Health	250,000	290,000	284,000	282,700	-1,300	-0.5%
Pension/Retirement	105,000	128,000	109,500	114,250	4,750	4.3%
Payroll Taxes, etc.	113,000	105,000	115,750	114,482	-1,268	-1.1%
Other (unemployment, life ins., etc.)	2,700	12,000	5,000	12,000	7,000	140.0%
Total Personnel Expenses	2,020,700	1,977,000	2,027,250	2,019,932	-7,318	-0.4%
OPERATING EXPENSES						
Administration						
Services						
Professional Fee & Contract service	60,000	65,000	65,000	65,000	0	0.0%
Utilities	900,000	914,000	914,000	914,000	0	0.0%
Other-Security	300,000	300,000	300,000	300,000		
Rent						
Travel/Transportation	20,000	15,000	15,000	15,000	0	0.0%
Local						
Out of Town						
Insurance (not employee health)	150,000	150,000	150,000	150,000	0	0.0%
Materials & Supplies	124,910	165,300	162,520	165,500	2,980	1.8%
Telephone, Fax, ISP	10,800	11,000	11,000	11,000	0	0.0%
Postage and Shipping	3,700	4,000	4,000	4,000	0	0.0%
Maint/Equipment/Bldg. Improvements	255,000	541,700	383,083	392,021	8,938	2.3%
(including contracts)					0	N/A
Outside Printing, Art Work, etc.	20,000	35,000	35,000	35,000	0	0.0%
Conferences, Conventions, etc.					0	N/A
Special Assistance to Individuals					0	N/A
National Dues/Support Payments					0	N/A
Organization Dues (other than above)	4,800	4,800	4,800	4,800	0	0.0%
Awards and Grants					0	N/A
Fund Raising/Self-Support Activities					0	N/A
Miscellaneous	12,500	12,500	12,500	12,500	0	0.0%
expenses)					0	N/A
Depreciation					0	N/A

major item)					0	N/A
					0	N/A
Operating Expenses Total	1,861,710	2,218,300	2,056,903	2,068,821	11,918	0.6%
TOTAL OPERATIONS	3,882,410	4,195,300	4,084,153	4,088,753	4,600	0.1%
REVENUE OVER/ (UNDER) OPERATION	0	0	0	0	0	N/A

AMENDED AND RESTATED CHARTER

OF

CARTER STREET CORPORATION

Pursuant to the provisions of Section 48-60-106 of the Tennessee Nonprofit Corporation Act, the undersigned corporation, Carter Street Corporation, adopts the following Amended and Restated Charter:

1. The name of the corporation is Carter Street Corporation.
2. The corporation is a public benefit corporation.
3. The corporation is not a religious corporation.
4. (a) The complete address of the corporation's registered office in Tennessee

is

Spears, Moore, Rebman & Williams
Eighth Floor, Blue Cross Building
801 Pine Street
Chattanooga, Tennessee 37402

County of Hamilton

-
-
-
- 4(a), is (b) The name of the registered agent, to be located at the address listed in
Tom Kale

-
-
-
-
5. The complete address of the corporation's principal office is

Carter Street Corporation
Chattanooga/Hamilton County Convention & Trade Center
One Carter Plaza
Chattanooga, Tennessee 37402

-
-
-
-
-
6. The corporation is a nonprofit corporation.

7. The corporation will have no members.

8. Upon dissolution of the corporation the Board of Directors shall, after paying and discharging or adequately providing for the payment and discharge of all of the liabilities and obligations of the corporation and otherwise complying with the requirements of Title 48, Chapter 64 of the Tennessee Code Annotated, dispose of all of the remaining assets of the corporation by assigning, transferring and conveying all such assets for use for public purposes to the City of Chattanooga, Tennessee and the County of Hamilton, Tennessee in such proportions as may be mutually agreeable to said City and County acting through their respective governing bodies.

9. The purposes for which the corporation is organized are to (i) acquire, plan, provide, construct, improve, equip, finance, own, lease, operate, and manage a trade center and parking complex to be located in the downtown area of the City of Chattanooga, Tennessee for the purpose of encouraging economic development and enhancing the social welfare of the City of Chattanooga, Tennessee and the County of Hamilton, Tennessee; (ii) to provide encouragement and coordination for the planning, acquisition, construction, improvement, equipping, financing, operation and managing by others of a hotel to be located within or adjacent to said trade center and parking complex, which hotel is planned to enhance and benefit directly the trade center and parking complex; (iii) to acquire, plan, provide, construct, improve, equip, finance, own, lease, operate and manage supporting facilities for said trade center and parking complex; and (iv) to do all other things necessary or appropriate for the accomplishment of the foregoing purposes, all of which are public purposes in furtherance of the purposes of the City of Chattanooga, Tennessee and the County of Hamilton, Tennessee for the economic development and social welfare of said City and County.

10. The corporation shall have a board of directors in which all powers of the corporation shall be vested and which shall consist of seven (7) directors. The directors shall serve without compensation, except that they shall be reimbursed for their actual expenses incurred in and about the performance of their duties as directors. Three (3) of the directors shall be appointed by the Mayor of the City of Chattanooga and confirmed by the governing body of the City of Chattanooga, Tennessee and they shall be appointed so that they shall hold office for staggered terms. The first term of office for the three (3) directors appointed by the Mayor of the City of Chattanooga and confirmed by the governing body of the City of Chattanooga, Tennessee shall be two (2) years, three (3) years, and four (4) years, respectively, and thereafter, all subsequent terms for these directors shall be four (4) years. Three of the directors shall be appointed by the County Executive of the County of Hamilton and confirmed by the governing body of the County of Hamilton and they shall be appointed so that they hold office for staggered terms. The first term of office for the three (3) directors appointed by the County Executive of the County of Hamilton and confirmed by the governing body of the County of Hamilton shall be two (2) years, three (3) years, and four (4) years, respectively, and thereafter all subsequent terms for these directors shall be four (4) years. One (1) director shall be appointed by the Mayor of the City of Chattanooga and the County Executive of the County

of Hamilton and confirmed by the governing body of the City of Chattanooga and the County of Hamilton, Tennessee, acting jointly and shall be appointed for a term of four (4) years and shall serve as Chairman of the Board; provided, however, that in the event that said governing bodies are unable to agree upon said joint appointment within sixty (60) days after the vacancy by expiration of the term or other cause, then the Chancellor of the Chancery Court of Hamilton County, Tennessee, Part 1, shall appoint this director. Should the Chancellor so appoint this director, then the board of directors shall elect the Chairman from among the directors pursuant to the provisions of the bylaws. Subsequent to the appointment of the original board of directors for the first term of office in the manner prescribed in this paragraph, as the term of office of each director expires, a successor director shall be appointed by the same appointment process used in the appointment of the particular director whose term has expired. In the event of a vacancy due to the death, resignation or removal of a director prior to the expiration of said director's term, then a successor shall be appointed to complete the remainder of his term by the same appointment process by which such deceased, resigned or removed director was appointed. If at the expiration of any term of office of any director a successor thereto shall not have been appointed then the director whose term of office shall have expired shall continue to hold office until his or her successor is appointed. As used, herein, the term "governing body" shall mean the body charged with exercising the general legislative power of the particular political subdivision of the State of Tennessee.

11. Any director appointed to the board of directors may be removed therefrom with or without cause by the same governmental authorities by whom he or she was appointed, in the manner provided in §48-58-109 of the Tennessee Code Annotated.

12. The duration of the corporation shall be perpetual or until such time as it may be dissolved and its existence terminated in accordance with the applicable laws of the State of Tennessee.

13. The corporation shall have all those powers granted to not for profit corporations under applicable law that are necessary or appropriate to carry out the purposes of the corporation set forth in Article 9 of this Charter, including but not limited to, the powers granted to not for profit corporations to enter into leases with cities and counties of the State pursuant to Tennessee Code Annotated §§12-2-301 through 12-2-306, as amended. The corporation shall have the power to adopt bylaws to govern the conduct of its business and the corporation hereby delegates the power to adopt bylaws to its board of directors. The corporation, however, shall not have the power to amend this Charter without the consent of the governing bodies of both the City of Chattanooga and the County of Hamilton, Tennessee.

14. In addition to all immunities and protection against liability otherwise afforded by law to the directors of the corporation, no director of the corporation shall be personally liable to the corporation for monetary damages for breach of fiduciary duty as a director, provided that this provision shall not eliminate or limit any liability which a director might otherwise have:

- (1) For any breach of the director's duty of loyalty to the corporation;
- (2) For acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; or
- (3) Under §48-58-304 of the Tennessee Code Annotated.

The provisions of this Article 14 shall not eliminate or limit any liability which a director might otherwise have for any act or omission occurring prior to the effective date of this Amended and Restated Charter.

CARTER STREET CORPORATION

By: Michael F. McGauley

Signature

Chairman of Board of Directors

Signature Date

ATTEST:

Secretary

Internal Revenue Service
District Director

EXHIBIT "C"
Department of the Treasury

Date:

FEB 11 1985

Our Letter Dated:

April 16, 1984

Person to Contact:

Patricia A. Jackson/ml1

Contact Telephone Number:

(404) 221-4516

Employer Identification Number:

62-1125122

File Folder Number:

580005930

▷ Carter Street Corporation
8th Floor Blue Cross Bldg.
Chattanooga, TN 37402

Dear Applicant:

This modifies our letter of the above date in which we stated that you would be treated as an organization which is not a private foundation until the expiration of your advance ruling period.

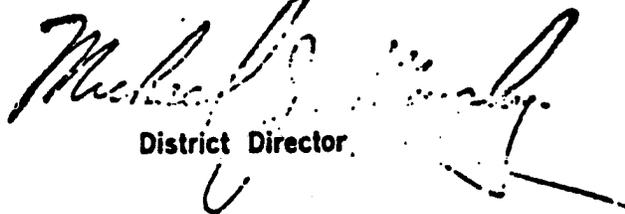
Based on the information you submitted, we have determined that you are not a private foundation within the meaning of section 509(a) of the Internal Revenue Code, because you are an organization of the type described in section ____*. Your exempt status under section 501(c)(3) of the code is still in effect.

Grantors and contributors may rely on this determination until the Internal Revenue Service publishes notice to the contrary. However, a grantor or a contributor may not rely on this determination if he or she was in part responsible for, or was aware of, the act or failure to act that resulted in your loss of section ____* status, or acquired knowledge that the Internal Revenue Service had given notice that you would be removed from classification as a section ____* organization.

Because this letter could help resolve any questions about your private foundation status, please keep it in your permanent records.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,



District Director

*170(b)(1)(A)(vi) and 509(a)(1)

See Attachment

275 Peachtree St., N.E., Atlanta, Ga. 30043

Letter 1050 (DO) (7-77)

EXHIBIT "D"

CARTER STREET CORPORATION

FINANCIAL STATEMENTS

JUNE 30, 2012



HENDERSON HUTCHERSON & McCULLOUGH, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

CARTER STREET CORPORATION

INDEX TO REPORT

JUNE 30, 2012

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
STATEMENT OF NET ASSETS	2
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS	3
STATEMENT OF CASH FLOWS	4-5
NOTES TO FINANCIAL STATEMENTS	6-11
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	12-13
SCHEDULE OF FINDINGS AND RESPONSES	14



HENDERSON HUTCHERSON
& MCCULLOUGH, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Carter Street Corporation
Chattanooga, Tennessee

We have audited the accompanying financial statements of Carter Street Corporation (a Tennessee not-for-profit corporation) as of June 30, 2012, as listed in the index to report. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carter Street Corporation as of June 30, 2012, and the changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2012, on our consideration of Carter Street Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Carter Street Corporation has not presented the management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Chattanooga, Tennessee
October 12, 2012

*Henderson Hutcherson
& McCullough, PLLC*

CARTER STREET CORPORATION

STATEMENT OF NET ASSETS

JUNE 30, 2012

ASSETS	
	2012
CURRENT ASSETS	
Cash	\$ 1,623,550
Event receivables, net of allowance of \$6,500	124,478
Prepaid expenses	36,053
Inventories	<u>51,228</u>
Total current assets	1,835,309
CAPITAL ASSETS	<u>10,018,986</u>
TOTAL ASSETS	<u><u>\$ 11,854,295</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 119,920
Accrued expenses	108,314
Advance deposits	<u>233,170</u>
Total current liabilities	<u>461,404</u>
NET ASSETS	
Invested in capital assets, net of related debt	10,018,986
Temporarily restricted	95,169
Unrestricted	<u>1,278,736</u>
Total net assets	<u>11,392,891</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 11,854,295</u></u>

CARTER STREET CORPORATION

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2012

	2012
OPERATING REVENUE	\$ 5,879,250
COST OF OPERATING	<u>2,508,273</u>
Net operating revenue	<u>3,370,977</u>
OPERATING EXPENSES	
Administrative expenses	1,987,570
Maintenance and supplies	349,492
General operating expenses	<u>1,065,652</u>
Total operating expenses	<u>3,402,714</u>
Net loss from operations before depreciation and amortization	(31,737)
Less depreciation and amortization	<u>604,297</u>
Net loss from operations	<u>(636,034)</u>
NONOPERATING REVENUE	
City appropriation	100,000
County appropriation	<u>211,927</u>
Total nonoperating revenue	<u>311,927</u>
Net loss before capital contributions	(324,107)
CAPITAL CONTRIBUTIONS	<u>200,000</u>
DECREASE IN NET ASSETS	(124,107)
NET ASSETS	
Beginning of year	<u>11,516,998</u>
End of year	<u>\$ 11,392,891</u>

The accompanying notes are an integral part of the financial statements.

CARTER STREET CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2012

	2012
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 5,944,853
Cash paid to suppliers	(3,040,579)
Cash paid to employees	<u>(2,856,578)</u>
Net cash from operating activities	<u>47,696</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contributions	200,000
Cash paid for capital assets	<u>(94,389)</u>
Net cash from capital and related financing activities	<u>105,611</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Receipts from City of Chattanooga and Hamilton County	<u>311,927</u>
Net cash from noncapital and financing activities	<u>311,927</u>
NET INCREASE IN CASH	465,234
Cash - beginning of year	<u>1,158,316</u>
Cash - end of year	<u>\$ 1,623,550</u>

CARTER STREET CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2012

	2012
RECONCILIATION OF OPERATING NET LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Net loss from operations	\$ (636,034)
Adjustments to reconcile operating net loss to net cash used by operating activities:	
Depreciation and amortization	604,297
Net change in:	
Event receivables	(38,594)
Inventories	833
Prepaid expenses	(14,752)
Accounts payable and accrued expenses	29,741
Advanced deposits	112,205
Deferred revenues	<u>(10,000)</u>
Net cash provided by operating activities	<u>\$ 47,696</u>

CARTER STREET CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Carter Street Corporation (the Corporation) is a nonprofit corporation organized by the City of Chattanooga, Tennessee (City) and Hamilton County, Tennessee (County). The Corporation serves as the coordinating body for the development, operation and management of the Chattanooga/Hamilton County Convention and Trade Center and parking garage and is lessor of the adjoining hotel.

Generally accepted accounting principles require that the basic financial statements present the accounts and operations of the Corporation and its component units, entities for which the corporation is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Corporation's operations, and data from these units, if any, are combined with data of the Corporation. Each discretely presented component unit, if any, would be reported in a separate column in the combined basic financial statements to emphasize that it is legally separate from the Corporation. As of June 30, 2012, and for the fiscal year then ended, the Corporation had no discretely presented component units or any component units required to be blended in these basic financial statements.

Basis of Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. The accompanying basic financial statements are presented using the accrual basis of accounting. In accordance with principles generally accepted in the United States of America, the Corporation applies all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, and all applicable Governmental Accounting Standards Board pronouncements. The measurement focus is upon determination of financial position, changes in net assets, and changes in cash flows. The generally accepted accounting principles used are those applicable to similar business in the private sector. Revenues are recognized when earned and expenses are recognized when incurred. All assets and liabilities (whether current or non-current) associated with the Corporation's activities are included in the statement of net assets. The reported net assets are segregated into invested in capital assets (net of related debt), restricted and unrestricted components.

(Continued)

CARTER STREET CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Event Receivables

The carrying amount of event receivables is reduced by an allowance that reflects management's best estimate of the amounts that will not be collected. Management reviews each receivable balance that exceeds 60 days from the invoice date, and, based on historical bad-debt experience and management's evaluation of customer credit worthiness, management estimates that portion, if any, of the balance that will not be collected. No interest is charged on delinquent receivables.

Inventories

Inventories are recorded at the lower of cost (first-in, first-out method) or market.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Capital Assets

Capital assets are stated at cost or fair value, if donated, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets. Additions and major renewals are capitalized and depreciated over their estimated useful lives. Repairs, maintenance and minor renewals are charged to operating expenses as incurred.

Compensated Absences

The Corporation's policy is to compensate all full-time employees for earned but unused vacation pay. The accompanying financial statements include a liability for compensated absences.

Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and cash in bank.

(Continued)

CARTER STREET CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The Corporation's financial statements utilize a net asset presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested in capital assets (net of related debt) is intended to reflect the portion of net assets which is associated with non-liquid capital assets less outstanding capital assets related debt.

Restricted net assets represent net assets that have third party (statutory, bond covenant or granting agency) limitations on their use. The Corporation's policy is generally to use any restricted assets first, as appropriate opportunities arise. As of June 30, 2012, the corporation has restricted net assets.

Unrestricted net assets represent net assets that are not subject to donor-imposed stipulations. While management may have categorized and segmented portions for various purposes, the Corporation has the unrestricted authority to revisit or alter these managerial decisions.

Advertising Costs

The Corporation's policy is to expense advertising costs as incurred. Advertising costs included in expense totaled \$29,322.

Tax Status

The Corporation has obtained approval for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code.

Uncertain Tax Positions

The Organization is considered an exempt organization from Federal and state income taxes. However, in the event that the organization partakes in an activity that could jeopardize this tax-exempt status, the Organization would be subject to income tax.

The Organization follows the guidance of FASB Accounting Standards Codification (ASC) Topic 740, Income Taxes, which specifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. Based on its evaluation, the Organization has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits. The Organization's evaluation was performed for tax years ended June 30, 2009 through June 30, 2012, for federal income tax, the years that remain subject to examination by major tax jurisdictions as of June 30, 2012.

CARTER STREET CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 2 – RENTAL REVENUE LEASES

The Corporation has leased certain air rights along with 350 parking spaces to a private developer for the construction of a luxury hotel. The annual rental payments are due from the hotel at a minimum of \$300,000 plus a percentage of net cash flow as defined in the lease agreement. The lease expires in 2025 and provides for two successive fifteen-year renewal options.

NOTE 3 – RETIREMENT PLANS

The Corporation maintains a defined contribution employee benefit plan. The plan covers substantially all full-time employees who have attained the age of 21 and have at least one year of service with the Corporation. The plan provides that the Corporation shall make a pension contribution equal to 5% of eligible participants' annual compensation. Employees are 100% vested in the plan upon completion of three consecutive years of service. The Corporation's expense and contribution to the plan was \$106,693 for the year ended June 30, 2012.

The Corporation also has a supplemental retirement plan. Under this plan the Corporation will match 100% eligible employees' elective contributions up to 1.5% of their annual salary. The Corporation's expense under this plan was \$21,411 for the year ended June 30, 2012.

NOTE 4 – RISK OF LOSS

The Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. Commercial insurance is purchased by the Corporation to cover the risk of loss. There have been no losses greater than insurance coverage over the last three years.

NOTE 5 – CASH AND INVESTMENTS

The Corporation invests excess cash in interest-bearing accounts and overnight cash investments with local depository institutions as authorized by the Board of Directors and in accordance with applicable state laws. The Corporation's policy with respect to cash and overnight cash investments is to maximize investment earnings while maintaining an acceptable level of risk.

At June 30, 2012, the Corporation held no amounts in investments.

(Continued)

CARTER STREET CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 5 – CASH AND INVESTMENTS (Continued)

Custodial credit risk – The Corporation’s policies limit deposits and investments to those instruments allowed by applicable state laws. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105 percent of the value of the uninsured deposits. Those deposits must be covered by federal depository insurance or the Tennessee Bank Collateral Pool, by collateral held by the Corporation’s agent in the Corporation’s name, or by the Federal Reserve Bank acting as third party agents. State statutes also authorize the Corporation to invest in repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. At June 30, 2012, all deposits were entirely covered by the Federal Deposit Insurance Corporation or the Tennessee Bank Collateral Pool.

NOTE 6 – NET OPERATING REVENUE

Details of net operating revenue for the year ended June 30, 2012, are as follows:

	<u>Events</u>	<u>Garage</u>	<u>Hotel Rental</u>	<u>Total</u>
Operating revenue	\$4,739,178	\$738,806	\$ 401,266	\$ 5,879,250
Cost of operating	<u>2,452,102</u>	<u>56,171</u>	<u>-</u>	<u>2,508,273</u>
	<u>\$2,287,076</u>	<u>\$682,635</u>	<u>\$ 401,266</u>	<u>\$ 3,370,977</u>

NOTE 7 – RELATED PARTY TRANSACTIONS

The City and County both appropriate funds to the Corporation for general operations throughout the year. For the period ended June 30, 2012, the City appropriated \$100,000 and the County appropriated \$211,927.

CARTER STREET CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 8 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2012, is as follows:

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012
Capital assets (non-depreciable)				
Land	\$ 2,709,075	\$ -	\$ -	\$ 2,709,075
Construction in process	-	-	-	-
	<u>2,709,075</u>	<u>-</u>	<u>-</u>	<u>2,709,075</u>
Capital assets (depreciable)				
Trade center	14,388,945	39,797	-	14,428,742
Parking garage	5,256,262	2,150	-	5,258,412
Skybox	50,000	-	-	50,000
VIP/First TN Parking	22,000	-	-	22,000
Equipment	2,507,349	64,646	(24,408)	2,547,587
Furniture and fixtures	<u>572,592</u>	<u>-</u>	<u>-</u>	<u>572,592</u>
	<u>25,506,223</u>	<u>106,593</u>	<u>(24,408)</u>	<u>25,588,408</u>
Less accumulated depreciation				
Trade center	8,710,684	372,603	-	9,083,287
Parking garage	3,405,800	131,532	-	3,537,332
Skybox	15,000	2,500	-	17,500
VIP/First TN Parking	14,250	2,000	-	16,250
Equipment	2,259,003	95,662	(12,204)	2,342,461
Furniture and fixtures	<u>572,592</u>	<u>-</u>	<u>-</u>	<u>572,592</u>
	<u>14,977,329</u>	<u>\$ 604,297</u>	<u>\$ (12,204)</u>	<u>15,569,422</u>
Total capital assets	<u>\$10,528,894</u>			<u>\$10,018,986</u>

NOTE 9 – SUBSEQUENT EVENTS

The Corporation has evaluated events and transactions subsequent to the statement of net assets date through the date of the auditor's report (the date the financial statements were available to be issued) for potential recognition or disclosure in the financial statements. Management has not identified any items requiring disclosure.



HENDERSON HUTCHERSON
& MCCULLOUGH, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of
Carter Street Corporation

We have audited the financial statements of Carter Street Corporation as of and for the year ended June 30, 2012, and have issued our report thereon dated October 12, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Carter Street Corporation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Carter Street Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Carter Street Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be presented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carter Street Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management and the governmental funding agencies and is not intended to be and should not be used by anyone other than those specified parties.

Chattanooga, Tennessee
October 12, 2012

Henderson Hutcherson
& McCullough, PLLC

CARTER STREET CORPORATION

SCHEDULE OF FINDINGS AND RESPONSES

JUNE 30, 2012

CURRENT YEAR FINDINGS

None reported

PRIOR YEAR FINDINGS

None reported

EXHIBIT “ E”

CARTER STREET CORPORATION
BOARD MEMBERS

Mr. Jim Hudson III, Chairman
Hudson Companies
The Terrace at Frazier
345 Frazier Avenue
Suite 201
Chattanooga, TN 37405
(Office) 664-4205
(Cell) 667-2156
(Fax) 624-3552
e-mail: jimmy@hudson-companies.com
Years of Service: 15

Mr. Curtis Johnson, Vice Chairman
2013 Hamilton Brow Path
Chattanooga, TN 37421
(Cell) 280-8218
e-mail: curtisjohnson01@comcast.net
Years of Service: 17

Mr. Hicks Armor, Treasurer
Brown & Brown Insurance
701 Market Street
Suite 500
Chattanooga, TN 37402
(Office) 756-7821
(Direct) 308-2661
(Cell) 400-2278
(Fax) 756-3623
e-mail: harmor@bbchattanooga.com
Years of Service: 10.5

Carter Street Corporation
Board Members
Page 2

Rev. Paul A. McDaniel, Secretary
Second Missionary Baptist Church
2305 East 3rd Street
Chattanooga, TN 37404
(Office) 624-9097
(Cell) 595-6469
(Fax) 493-5129
e-mail: dee@smbchurch.net
Years of Service: 14.5

Mr. Don Mercer
1502 Riverview Oaks Road
Chattanooga, TN 37405
(Cell) 309-4881
(Home) 267-8845
e-mail: donkris1@comcast.com
Years of Service: 9

Mr. Bill Raines
The Raines Group
1200 Mountain Creek Road, Suite 100
Chattanooga, TN 37405
(Office) 875-3600
(Cell) 240-4210
(Fax) 875-9044
e-mail: braines@rainesgroup.com
Years of Service: 9

Ms. Jessica Dumitru
1427 Jackson Mill Drive
Hixson, TN 37343
(Cell) 413-1127
(Fax) 508-6521
jessica.dumitru@tn.gov
Years of Service: 0

EXHIBIT F

The Carter Street Corporation uses funds from the City of Chattanooga to supplement a 5.6 million dollar budget. The Chattanooga Convention Center brings in an average of 40 million dollars to Chattanooga annually in return for this investment.

EXHIBIT G

The Carter Street Corporation as a routine procedure supplies two copies of its annual audit to the City's Finance Division. If more copies are desired, the request should be forwarded to Carter Street Corporation's Executive Director.