



Louisville
Arena Authority, Inc.
(502) 588-4003 / (800) 436-6880
www.arenaauthority.com

Board of Directors Meeting
April 19, 2006
10:00 a.m. EST – Kentucky International Convention Center
Louisville, Kentucky

Directors in Attendance: Mr. W. James Host (Chair); Mr. Larry Hayes (Vice Chair); Mr. Larry Bisig; Mr. Neville Blakemore; Mr. Todd Blue; Mr. Junior Bridgeman; Mr. Zev Buffman; Ms. Reba Doutrick; Ms. Alice Houston; Ms. Cissy Musselman; Mr. Jim Patterson; Ms. Lindy Street; Mr. William Summers V; Mr. Dan Ulmer; Mr. Robert Woolery.

Directors Absent: None

Guests and Others: Michael O’Sullivan – The Leib Group; Mark F. Sommer, General Counsel; Greg Otis – GBBN 360°; Rob Hundin – Hundin Strategic Partners; John Farris – Kentucky Finance Cabinet; Dr. Greg Harkenrider, Ph.D. – Kentucky Budget Director’s Office

Issues Discussed:

Opening Remarks and Welcome – Chairman Host

Chairman Host convened the meeting, declared a quorum, welcomed and thanked the Board for their attendance.

DISCUSSION ITEM: Acceptance of the Minutes of February 20, 2006 Board Meeting – Chairman Host

The Minutes were discussed and reviewed; two small typos were noted and corrected; upon Motion to accept them (as to be revised), which was duly seconded, the Motion passed unanimously with no abstentions.

DISCUSSION ITEM: Status of state funding, including a Resolution commending the General Assembly on enacting \$75,000,000 of funding

Chairman Host discussed and reported on the recent success of the Kentucky General Assembly through the state budget, House Bill 380, and put in front of the Board for its review and consideration a resolution of thanks and appreciation, praising the General Assembly for providing \$75,000,000 of funding for a portion of the costs of constructing the Louisville Arena, a copy of which was attached to the Meeting Agenda and which reads as follows:

A RESOLUTION, recognizing and praising the General Assembly for providing \$75,000,000 of funding for a portion of the cost of constructing the Louisville Arena:

WHEREAS, the construction of the Louisville Arena, a public project intended for multiple uses as a public, recreational, cultural and sports facility in downtown Louisville, will benefit the entire Commonwealth;

WHEREAS, an investment in the Louisville Arena is an investment in the future economic prosperity of the Commonwealth of Kentucky and the Metro Louisville community;

WHEREAS, the Louisville Arena Authority was formed and organized as a non-profit, non-stock corporation under KRS Chapter 273 for the purpose of creating, financing, developing and overseeing the construction, management and operation of the Louisville Arena;

WHEREAS, the financial support of the Commonwealth proper is essential to the success of the Louisville Arena project;

WHEREAS, the General Assembly designated the Louisville Arena as a new bond project in the Budget – House Bill 380;

WHEREAS, the General Assembly, also via House Bill 380, authorized the issuance of \$75,000,000 in state-supported bond funds to pay a portion of the cost to construct the Louisville Arena; and,

WHEREAS, the General Assembly, acting in a bipartisan manner for the benefit of the entire Commonwealth voted overwhelmingly to pass the Budget Bill;

WHEREAS, Mr. Hayes made the Motion, and it was seconded by Mr. Buffman, that the Revised corporate bylaws be accepted as read.

NOW, THEREFORE,

Be it resolved by the Board of Directors of the Louisville Arena Authority, Inc. that the nearly unanimous action of the General Assembly is hereby recognized and given great praise for its fiscal support of the Louisville Arena.

Upon Motion by Vice Chairman Hayes, seconded by Mr. Buffman, the Motion carried unanimously with no abstentions.

DISCUSSION ITEM: Check Presentation Ceremony

Chairman Host discussed an invitation to attend a check presentation ceremony advanced to the Board of Directors from Chairperson Joni Jenkins of the Louisville Metro General Assembly Delegation, and requested that available Board members attend, to the greatest extent possible, such presentation to be held on Tuesday, April 25, 2006, at the Fairgrounds Complex.

DISCUSSION ITEM: Bylaws

Chairman Host introduced revised corporate bylaws, and emphasized that changes had been made to the version attached to the Agenda (at Tab D) from the most recently distributed draft, such that a few typographical errors were fixed as well as director removal provisions having been drafted and inserted thereto. He explained the cross reference to KRS Chapter 11A, the State Administrative Code of Ethics, and the requirements associated therewith. After Motion by Ms. Musselman, seconded by Mr. Summers, the Motion passed unanimously with no abstentions.

DISCUSSION ITEM: The Leib Group and 360° Architects

Chairman Host introduced a guest, Michael O’Sullivan, of The Leib Group, consultants to the Arena Authority. Chairman Host indicated that The Leib Group had been hired by the State under a competitive RFP process prior to the Louisville

Arena Authority being formed, to study and review the revenue projections presented to and through the Louisville Arena Task Force process during 2005. Mr. O'Sullivan gave a brief overview to his presentation which focused on the economic and fiscal impact analysis of the Louisville Arena.

Mr. O'Sullivan introduced Rob Hundin, of Hundin Strategic Partners, who will be assisting on the economic analysis associated with a hotel component within the Arena complex. Chairman Host noted that the Louisville Convention and Visitor Bureau was contributing to the cost associated with this study.

Mr. O'Sullivan walked through several significant differences between the so-called "Bonham Report," including his disagreement with its suggestion that there would be no difference in operating revenue between the two sites, and because of that and other functions there would be a \$37,000,000 shortfall over revenue that The Leib Group had previously vetted. He discussed hospitality costs and sponsorship revenue impact on gross revenue, as well as other issues associated with revenue stream differentials between the Bonham Report and the Arena Authority's projections.

Chairman Host then introduced Greg Otis from GBBN 360° Architects from Cincinnati, Lexington and Kansas City; Mr. Otis indicated 360°, just like The Leib Group, had been engaged by the State to validate, if your will, the size of the building, the cost of the building in today's dollars and whether or not the overall project fits on its site. Mr. Otis explained that his group had undertaken a study of the base provisions of the Bonham Group in contrast with the Arena Authority's model. Mr. Otis discussed site line slopes associated with entering at grade level on the Arena complex versus other entry points, and indicated critical distinctions between the "bowl" of the Arena site proposals and how same significantly impacts patron comfort which also impacts revenue associated therewith. GBBN also, according to Mr. Otis, studied whether other revenue-generation opportunities which the Arena Authority was counting on, would in fact be accommodated on the current preferred [LG&E] site. Mr. Otis confirmed that hotel structure, restaurant components and conferencing facilities, as well as parking associated therewith, does in fact fit on the involved site. In fact, he believes that a hotel of upwards of 600 rooms could actually be supported on the Arena facility site. Likewise, his opinion was that slightly under 1,000 parking spaces under the hotel facility could be accommodated.

Questions were asked and discussion then ensued, including comments and questions from Mr. Buffman, Mr. Host, Ms. Houston, Mr. O'Sullivan, Mr. Blakemore, Mr. Patterson, Mr. Bisig, Mr. Bridgeman, Ms. Doutrick, and Ms. Street, addressing the following topics/comments/issues: access to the facility via a main floor and walking into the concourse and the visual impact thereof; Mr. Buffman's prior experience in Broadway and concert productions, and his past efforts in developing and constructing four 20,000-seat outdoor amphitheaters; sight lines associated with lower and upper bowls and distinctions between the sites; revenue associated with the naming rights and the differential value, if any, over a 30-year schedule [used because that it is the expected length of the bond issue(s)], distinctions between one entrance versus a "360" entrance; current trends in ingress and egress brought about by safety as well as security issues; issues associated with television/media satellite trucks, trucks for two-day events and concessionaires; and the aspect of a load out being a functional requirement for a successful arena; the significant impact of the topographical nature of the Third Street [LG&E] site and its value to the totality of the project versus a flat site configuration; the seats be in the various bowls [11,500 in the lower bowl]; flood plain issues; the Witherspoon garage incident of several years ago; and plans for student seating, if any [the University of Louisville handling same].

DISCUSSION ITEM: The discussion then turns to site-based opportunities

Vice Chairman Hayes led a short discussion about the two wonderful sites presented to the community for purposes of the Arena and that either one would obviously work. Discussion ensued concerning the University of Louisville's opportunity, as well as the significant visual impact a downtown waterfront based arena would have, as well as the additional opportunity to develop the so-called Water Company site if a waterfront arena complex was pursued as was the current choice.

DISCUSSION ITEM: Tax and Government Financing Matters

Chairman Host introduced Dr. Greg Harkenrider, of the State Budget Director's Office, to discuss and explain TIF matters associated with the Arena. He indicated that there had been much discussion in the media over recent days as the 2006 General Assembly Session came to a close and certain legislation did not pass. Recognizing the possible implications thereof on the Arena Authority funding provisions, Chairman Host had asked Mr. Harkenrider, as well as John Farris, Deputy Secretary of the Finance and Administration Cabinet, to appear

before the Arena Authority to discuss the situation and answer questions from the Board.

Dr. Harkenrider discussed TIF changes which would have been made to Kentucky statutes through the enactment of House Bill 422, as well as additional Tourism Development Act changes which would have been effectuated as well. So-called TIF language contained within House Bill 422 is not really “Arena” amendment type language, but fundamentally would have put all Kentucky municipal governments on the same footing as to the State/Commonwealth with regard to the ability to use local property tax revenue in a TIF. Dr. Harkenrider discussed the fact that over the last several weeks multiple meetings have been held by and between the Budget Office, the Finance Cabinet, the Mayor’s Office [through Vice Chair Larry Hayes] and others, with an effort or an eye toward resolving any budget impact brought about by the demise of House Bill 422. Chairman Host commented that because of all the efforts of the above, irregardless of whether the TIF provisions are fixed in an upcoming Special Session or even a later Regular Session of the General Assembly, the Arena Authority, the State, and the City have come up with a creative solution to insure a sufficient funding stream so that the Arena project may and can and will move forward.

DISCUSSION ITEM: Vote of the Board on Arena site/location

Mr. Ulmer requested an opportunity to speak, and offered a motion that the Board approve the Riverfront [LG&E] site immediately so that the Arena Authority could move on to the next phase of its work. Vice Chairman Hayes seconded such motion and Chairman Host called for any discussion, of which there was none.

Chairman Host called the question, via a roll-call vote, as to whether or not the Board members were in favor of the Riverfront [a/k/a LG&E] site or not. After a roll call was taken, the Motion passed 14 to 1 in the affirmative, with Mr. Blakemore voting in the negative.

DISCUSSION ITEM: Update on Financial Institution negotiations

Chairman Host led a discussion on the National City Bank response to the RFP, which was a competitive process, and reported that National City had agreed to loan money to the Arena Authority via a line of credit, unsecured, at a rate not to exceed one-quarter over LIBOR [30 days]. After Motion to accept the National

City proposal by Mr. Woolery and Mr. Summers second, the vote was unanimous with no abstentions.

DISCUSSED ITEM: Bond Counsel RFP

Vice Chairman Hayes discussed the RFP process for selection of bond counsel, and indicated that there had been six responses to the RFP, and that after significant work, deliberation and interviews, the Bond Counsel Subcommittee was recommending to the full Board to hire the law firm of Stoll Keenon and Ogden for a fee not to exceed \$125,000, plus expenses. Vice Chairman Hayes made a Motion to accept the bid and firm up final issues, which Mr. Patterson seconded, after which there was a unanimous vote with no abstentions in favor of the SKO engagement.

DISCUSSION ITEM: Insurance Subcommittee Report

Mr. Woolery reported that his Subcommittee had received eight responses in response to the RFP seeking a broker/consultant for purposes of D&O insurance, and after significant discussion the Subcommittee was recommending that the Van Zandt Insurance Group be engaged as the Arena Authority's broker to procure D&O insurance, at various levels of coverage, and then to report back with recommendations to the Subcommittee for purposes of ultimate hire. After a Motion by Mr. Woolery, seconded by Ms. Musselman, a unanimous vote ensued with no abstentions.

DISCUSSION ITEM: Communications Committee Report

Ms. Street indicated that now that the Arena Authority was back in operation she and Mr. Bisig would be focusing more aggressively on the communications plan presented to the Board in draft format at the February meeting; additional copies were handed out to the Board members in order to facilitate same.

DISCUSSION ITEM: Committee on Minority Practices Report

Mr. Summers discussed briefly, as did Chairman Host, that the Arena Authority would be putting a plan in place to ensure minority representation on the project, recognizing that such coverage was vital to the project.

DISCUSSION ITEM: Construction RFPs/RFIs

Chairman Host discussed that Mr. Ulmer would be heading the construction process, and that because of the prior suspension of Arena Authority operations there had been some confusion associated with the RFP/RFI, for the construction situation as well as for the accounting and auditing firm.

Chairman Host also referenced that the University of Louisville Memorandum of Understanding and Fair Board Agreement and Memorandum of Understanding were in process. He indicated that after all the agreements were in place, including the Fair Board Agreement, he would be asking the Board to authorize the State Fair Board Chairman to serve as an *ex officio* member of the Arena Authority Board.

DISCUSSION ITEM: Officers and Executive Committee

Chairman Host reminded the Board that at prior meetings he had spoken of an Executive Committee, and indicated that the corporate documentation provided for an Executive Committee. Chairman Host indicated that after consideration, he was calling for a Motion of the Board to constitute the Executive Committee in full, with Ms. Houston serving as Secretary and a member of the Executive Committee, Mr. Ulmer serving as Treasurer and a member of the Executive Committee, Mr. Hayes serving as Vice-Chair, Vice-President and a member of the Executive Committee, and Mr. Host serving as Chairman, President, and a member of the Executive Committee. Upon Motion by Mr. Patterson and a second by Mr. Bridgeman, the Motion passed unanimously with no abstentions.

Having no further business, the Meeting adjourned.

Attachments:

- A) April 2006 Board Meeting Notice**
- B) April 2006 Board Meeting Agenda**