



louisville arena authority

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**Board of Directors Meeting
January 26, 2009
9:00 a.m. EST
Kentucky Exposition Center
Louisville, KY**

Directors in Attendance: Mr. Larry Bisig, Mr. Junior Bridgeman, Mr. Eric Gunderson, Vice Chairman Larry Hayes, Ms. Alice Houston, Ms. Cissy Musselman, Ms. Lindy Street (via phone), Mr. William Summers V, Metro Council President David Tandy (Ex Officio), Mr. Dan Ulmer, Mr. Robert Woolery (via phone), Chairman Jim Host

Directors Absent: Mr. Todd Blue, Mr. Tim Corrigan, Ms. Reba Doutrick, Mr. Lanny Greer (Ex Officio), Mr. James Patterson

Consultants and Staff of Arena Authority: Mr. Harold Workman, Executive Director; Mr. Mark Sommer, General Counsel; Mr. Mike Clay, HOK; Mr. Bill Hedge and Ms. Lynn Littlejohn, Mortenson Construction; Ms. Paula Yancey, PC Sports

Welcome: Chairman Host

Chairman Host declared a quorum and convened the meeting.

DISCUSSION ITEM: Acceptance of the Minutes of December 15, 2008 Board Meeting – Chairman Host

Ms. Musselman moved to accept the Minutes of the December 15, 2008 Arena Authority meeting. The Motion was seconded by Mr. Bridgeman, and the Motion passed unanimously with no abstentions.

DISCUSSION ITEM: Presentation of Financial Statements – Vice Chairman Hayes

Finance Committee Chairman Hayes introduced Mr. Jerry Frantz, Director of Administrative Services for the Kentucky State Fair Board. Mr. Frantz reported that funds continue to flow smoothly and routinely. He advised that the state grant and bond proceeds are fixed amounts, while interest income and in-kind revenue continue to be generated. Mr. Frantz reported that \$4,805,897 in construction expenditures have been incurred to date. In response to Chairman Hayes' question, Mr. Frantz advised that construction expenditures are recorded on a cash basis.



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Mr. Frantz reported that his office has begun working with the Arena Authority's auditors on the 2008 audit, which will be completed on a timely basis.

DISCUSSION ITEM: PC Sports, HOK and Mortenson Updates – Dan Ulmer

Construction Committee Chairman Ulmer introduced Ms. Paula Yancey, who reported that LG&E recently closed a portion of Third Street to provide electricity to the Arena project site. Ms. Yancey advised that the work was completed on schedule. She also advised that work continues on the site despite bad weather conditions.

Ms. Yancey introduced Mr. Mike Clay, who provided an update from HOK. Mr. Clay reported that it is assisting Mortenson and its subcontractors with value analysis and the buyout of certain bid packages. HOK has completed its work on the millwork and ceramic tile packages and is currently working on the light fixture package. He also advised that its subcontractor, Louis & Henry, has hired a field representative who is working full-time on the project.

Mr. Clay provided a summary of their Request for Information ("RFI") process. He advised that approximately 1,000 sheets of drawings have been generated on the Arena project. Questions seeking an interpretation of the drawings or contents of specifications are submitted in writing by Mortenson or its subcontractors and responded to by HOK. Mr. Clay stated that he expects approximately 3,000 – 4,000 RFIs on the Arena project.

Mr. Clay then explained "submittals." He stated that the project contains numerous shop drawings of Arena components such as the stairs, structural steel, etc. Submittals are drawings submitted in much finer detail that integrate specific components (such as reinforced steel for concrete, structural steel, etc.) into the overall project design. He estimated that the project will generate 400 – 500 sheets of these drawings.

Ms. Yancey introduced Mr. Bill Hedge, who provided an update from Mortenson Construction. Mr. Hedge reported that Mortenson subcontractors on the site include Veit, which is performing auger cast pile work. He advised that 90% of this work should be completed by the end of January, with 100% completion by mid-February. Other subcontractors mobilized to date include FA Wilhelm (foundation concrete pile caps), Hussing Mechanical (underground piping), and ERMCO (underground electrical). He reported that LG&E has installed temporary electric service to the site and a permanent electrical feed on the Third Street portion of the site. Mr. Hedge reported that 97% of Mortenson's subcontract work has been procured. The remaining items to be procured include the scoreboards/video boards, televisions, carpeting and tile, window washing equipment, and appliances for the suites.

Mr. Hedge provided an update on Mortenson's safety program. He advised that after a kickoff meeting in December, their partnership with the Kentucky Occupational Safety and Health Administration ("OSHA") is working well. During the previous week, representatives from OSHA visited the Arena project site. Mr. Hedge advised that Mortenson was commended on its bend and stretch program, morning safety talks, and for the fact that all fire extinguishers on the site are painted bright red or orange. Mortenson has worked 4.5 months without any lost time injuries. Mr. Hedge advised that there are currently 225 workers on the project site. He then showed a series of photos, including the site's perimeter walls, drilling activities, the first slab on grade concrete pour, the forms for the permanent exterior walls, and a photo of the first of four tower cranes on the site.

At the conclusion of Mr. Hedge's remarks, Chairman Ulmer presented PC Sports, HOK and Mortenson with plaques commemorating articles recently published in *Business First*. Chairman Ulmer thanked Mr. John Karman of *Business First* for his interest in the project.

DISCUSSION ITEM: Affirmative Action and Labor Committee – William Summers V

Affirmative Action and Labor Committee Chair William Summers V asked Ms. Yancey to provide an update of the Arena project's MWBE efforts. Ms. Yancey reviewed the project's MWBE business participation goals (20% MBE and 5% WBE); workforce diversity goals (20% Minority and 5% Female); and local participation goals (60% Louisville SMSA residents and 75% Kentucky/Indiana residents).

Ms. Yancey advised that through December 2008, approximately \$212 million in goods and services had been procured by HOK Sport, Mortenson, O'Rourke Wrecking, and Patriot Engineering. Of \$212 million, 20.8% has been committed to MBE firms and 6% has been committed to WBE firms, for a total of 26.8% against the project goal of 25%.

Ms. Yancey stated that workforce participation is expressed as a percentage of the total work hours. She advised that approximately 74,816.5 work hours have been spent on the Arena project, with 16,308 hours (23%) attributed to minority workers and 3,876 hours (5%) attributed to female workers.

Ms. Yancey reported that local participation is expressed as a percentage of the total workers on the project. She advised that approximately 301 workers have been on the project, including 151 (50%) Louisville SMSA residents, 237 (79%) Kentuckiana residents and 64 from other locations. Ms. Yancey advised that these numbers will continue to increase as additional trades and workers begin on the project.

Ms. Yancey introduced Ms. Lynn Littlejohn, who provided an update on Mortenson's MWBE efforts. Ms. Littlejohn reported that Mortenson has procured approximately \$195 million in goods and services through December 2008, with 27% committed to MWBE firms. She stated that Mortenson expects to complete the Arena project at their 27.5% MWBE goal or slightly higher. She reported that to date, approximately 70% of Mortenson's subcontracts have been awarded to Kentucky and Indiana firms.

Ms. Littlejohn then advised that Mortenson's workforce diversity percentages include 24% minority workers and 3% female workers. Mortenson's local participation results are 49% Louisville SMSA residents and 76% Kentucky/Indiana residents. She stated that these numbers will improve as the workforce increases due to additional subcontractors.

Chairman Summers asked Mr. Michael Gritton, Executive Director of KentuckianaWorks, to provide an update on the Construction Pipeline Project. Mr. Gritton thanked Dr. Joe Wise of the Greater Louisville Building and Construction Trades Council for organizing a recent tour of three building trades' apprenticeship programs. He also thanked members of the Arena Authority who participated in the tour.

Mr. Gritton reported that Governor Beshear recently authorized additional state funding for continuation of the Construction Pipeline Project. He advised that since its inception, approximately 2,000 people have attended an outreach event for the program, and 139 individuals have completed the program (orientation, assessment and soft skills training). Mr. Gritton reported that 46 people have been placed in jobs or an apprenticeship program, including five women and 43 minorities. He thanked the construction trades council for their partnership on the program, as the vast majority of workers have been placed with union apprenticeship programs. Finally, he remarked that the Associated Builders and Contractors have been engaged to assist with hiring efforts.

DISCUSSION ITEM: Hilliard Lyons Bond Update – Vice Chairman Hayes

Finance Committee Chairman Hayes introduced Mr. Jim Allen, Chairman and CEO of Hilliard Lyons, to provide an update on the current value of the Arena bonds. Mr. Allen introduced Mr. Jim Rogers, COO of Hilliard Lyons, and Ms. Lu Ann Vargo, Senior Vice President and Municipal Trader/Underwriter. Mr. Allen stated that Hilliard Lyons was pleased to be part of the Arena project.

Ms. Vargo stated that the municipal market was stable when the Arena bonds were issued; however, prices have gone up and down over the last few months. She compared the Arena bonds to Treasury bonds, advising that when the Arena bonds were priced in late August, 2008, 30-year Treasury bonds' yield to maturity was 4.39, whereas the Arena bonds' 30-year yield to maturity was 6.12. As of January 21, 2009, 30-year Treasury bonds' yield to maturity is 3.14, while the Arena bonds' yield to maturity is still strong at 5.75. Ms. Vargo reported that there has been and continues to be a great deal of interest in the Arena bonds. Hilliard Lyons has few Arena bonds left in their inventory, although some zero coupon bonds remain. Mr. Allen explained that zero coupon bonds pay no coupon/interest rate during their life. They are issued at a significant discount, and their return is based upon the payment amount versus the final maturity value.

Chairman Hayes asked the location of Hilliard Lyons' Arena bonds purchasers. Mr. Allen responded that regional institutions purchased the taxable bonds, while the tax free bonds were purchased by high net worth individual investors in the region.

DISCUSSION ITEM: General Counsel Update – Mark Sommer

Chairman Host introduced Mr. Sommer by commending him and Greenebaum Doll & McDonald for their work on the Arena project. Mr. Sommer reported that he has been working with the Arena Authority's auditing firm by providing documents related to the bond financing. Additionally, they continued transitioning work related to the Arena project to in-house counsel at the Kentucky State Fair Board. He advised that he has received numerous inquiries from law firms across the country regarding the structure and financing of the Arena project.

Chairman Host advised that he has been asked to speak at an investment conference in New York regarding public/private initiatives such as the Arena project.

DISCUSSION ITEM: Arena news articles/press – Chairman Host

Mr. Bisig advised the Authority members that recent news articles were included in the Arena board book, including an article regarding the University of Louisville's sale of seats in the Arena.

DISCUSSION ITEM: Old Business

None

DISCUSSION ITEM: New Business

Chairman Host advised that the Discovery Channel will begin its airing of "The Detonators," a series regarding demolition projects that will feature the demolition of the Humana building on the Arena site.

No other business to come before the Authority, the meeting was adjourned at approximately 9:55 a.m.

Respectfully submitted,
Laura Chandler