



louisville arena authority

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Board of Directors Meeting
July 20, 2009
9:00 a.m. EST
Kentucky International Convention Center
Louisville, KY

Directors in Attendance: Mr. Larry Bisig, Mr. Todd Blue, Mr. Tim Corrigan, Ms. Reba Doutrick (via telephone), Mr. Eric Gunderson, Ms. Alice Houston, Ms. Cissy Musselman, Mr. James Patterson, Ms. Lindy Street, Mr. William Summers V, Metro Council President David Tandy (Ex Officio), Mr. Dan Ulmer, Mr. Robert Woolery, Chairman Jim Host

Directors Absent: Mr. Junior Bridgeman, Mr. Lanny Greer (Ex Officio), Vice Chairman Larry Hayes

Consultants and Staff of Arena Authority: Mr. Harold Workman, Executive Director; Mr. Ed Glasscock, General Counsel; Mr. Mike Clay, Populous; Mr. Bill Hedge and Ms. Lynn Littlejohn, Mortenson Construction; Ms. Paula Yancey, PC Sports; Mr. E.J. Narcise and Ms. Lynn Saltzman, Learfield/Team Services

Welcome: Chairman Host

Chairman Host declared a quorum and convened the meeting.

DISCUSSION ITEM: Acceptance of the Minutes of June 22, 2009 Board Meeting – Chairman Host

Ms. Musselman moved to accept the Minutes of the June 22, 2009 Arena Authority meeting. The Motion was seconded by Mr. Summers, and the Motion passed unanimously with no abstentions.

DISCUSSION ITEM: Presentation of Financial Statements – Chairman Host

Chairman Host introduced Mr. Jerry Frantz, Director of Administrative Services for the Kentucky State Fair Board. Mr. Frantz reviewed the June 2009 financial statements, advising that the state grant and bond proceeds remain unchanged, while interest and other income continue to grow. He advised that the 2009 administrative expenses grew modestly in June. Land and construction-in-progress grew by approximately \$8 million in June, while accounts payable decreased due to a six month period during which interest on the bonds was paid. Net resources decreased by approximately \$15 million,



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primarily due to construction costs. The financial statements reflected net resources of \$261,245,565. Mr. Frantz also reviewed the budget breakdown of expenditures to date, classified by arena design and construction, construction administration, and construction and land acquisition costs. He advised that the “arena design and construction” category receives the most activity, with the spent-to-date increasing from approximately \$53 million in May 2009 to \$59.6 million in June 2009.

Chairman Host acknowledged Mr. Randy Davis with Mountjoy & Bressler and advised that Mr. Davis provides oversight over the preparation of the financial statements. Additionally, he advised that a Request for Proposal (“RFP”) for Auditing Services will be posted by the Arena Authority soon. (*Note: the RFP was posted on the Arena Authority website on July 22, 2009).

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

Construction Committee Chairman Ulmer introduced Ms. Paula Yancey, who provided an update from PC Sports. Ms. Yancey advised that PC Sports continues to work with Populous, Mortenson and the Arena Authority on the daily activities regarding the Arena’s design and construction. Additionally, PC Sports has begun having operational meetings with representatives from the Kentucky State Fair Board and is working with consultants on the scoreboard RFP.

Ms. Yancey introduced Mr. Mike Clay, who reported that Populous has been inundated with shop drawings. He advised that they have received a total of 882 submittals, with 93 received in June, including shop drawings related to mechanical, electrical and light fixtures. Additionally, Populous continues to support Mortenson on requests for information and other construction-related matters.

Ms. Yancey introduced Mr. Bill Hedge, who provided an update from Mortenson Construction. Mr. Hedge reported that they have received approved shop drawings and submittals for all of the concrete for the remainder of the structure. He advised that during June, seven elevated deck pours occurred, and approximately 3,500 yards of concrete were placed. He advised that more than 60% of the main concourse deck has been completed, and 2/3 of the raker beams that support the lower seating bowl have been cast. Mr. Hedge advised that approximately 50% of the seating decks that are being cast off site have been completed for the first mobilization that will occur in mid-September 2009. He reported that the outer-most ring of the slab-on-grade has been completed, and the first concrete pour on the upper concourse occurred on July 1, 2009. The permanent storm sewer and water feeds are being installed around the site.

Mr. Hedge reported on the status of the parking garage, advising that work on the perimeter garage walls and backfill continues. The fire sprinkler installation is nearing completion, the flood drains have been completed, and the permanent light fixtures have arrived on site.

Mr. Hedge advised that to date, 37,000 cubic yards of concrete have been placed on the site, equivalent to a sidewalk from Louisville to Nashville.

Mr. Hedge advised that the project is averaging 300 workers on site. He reported that there have been 56 first aid cases to date, 273 hazard recognitions and 76 near misses. He advised that the recordable incident rate on the project is now 3.69, which is below the national average of 5.7 and the Louisville average of 5.6. Mr. Hedge then showed a series of photos of the construction progress. He advised

that the project remains on schedule. The concrete superstructure will be finished by the first week in December 2009, installation of the pre-cast seating decks will begin in mid-September, and installation of the roof steel will begin in October.

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

Affirmative Action and Labor Committee Chairman Summers asked Ms. Yancey to provide an update on the Arena project's MWBE efforts. Ms. Yancey reported that through June 2009, approximately \$226 million in goods and services have been procured by Populous, Mortenson, O'Rourke Wrecking, and Patriot Engineering. Of \$226 million, \$48.9 million (21.7%) has been committed to MBE firms and \$14.1 million (6.2%) has been committed to WBE firms.

Ms. Yancey advised that more than 377,000 work hours have been spent on the Arena project, with 75,300 hours (20%) attributed to minority workers and 19,900 hours (5%) attributed to female workers.

Ms. Yancey reported more than 700 workers have worked on the project, with 385 (55%) Louisville SMSA (standard metropolitan statistical area) residents and 616 (88%) Kentucky/Indiana residents. She noted that the percentage of SMSA residents continues to increase.

Ms. Yancey introduced Ms. Lynn Littlejohn, who provided an update on Mortenson's MWBE efforts. Ms. Littlejohn reported that 39 MWBE firms have been awarded work on the project thus far. She advised that 51 local firms (firms based in Kentucky or Indiana) have procured \$88 million of work, and 43 of the 51 firms are Louisville Metro firms. Ms. Littlejohn advised that procurement is nearly complete, and they believe the final MWBE total will be approximately 28 – 29% MWBE participation. She reported that during April, May and June 2009, Mortenson exceeded the workforce participation goals, which helped Mortenson achieve a total of 21% minority workers and 5% female workers. She advised that there was a significant increase in local SMSA participation from 52% in May to 61% in June, which brings the aggregate to 55%. She stated that she expects the SMSA percentage to continue to increase. Ms. Littlejohn reported that the amount of occupational taxes withheld from workers on the project is \$115,300, and the amount of state income taxes withheld is \$228,300.

DISSUSSION ITEM: Parking & Transportation Committee Update – Eric Gunderson

Parking and Transportation Committee Chairman Gunderson reported that the Parking and Transportation Committee met with Qk4 on July 10 to review their progress in developing the Arena's traffic management plan. He then introduced Mr. David Reed, Senior Vice President of Qk4, who advised that on July 9, Qk4 held a kickoff meeting of the technical advisory committee for the traffic management plan. The meeting was well-attended and included the Kentucky State Fair Board, University of Louisville, PC Sports, Louisville Downtown Management District, Waterfront Development Corporation, Downtown Development Corporation, Metro offices of police and fire, Metro Safe, Metro Public Works, Kentucky Transportation Cabinet, TriMarc, TARC, PARC, and Riverside Parking. He stated that all organizations participated by expressing their primary concerns, providing Qk4 with a good basis to begin their work on the plan. He advised that Qk4 has begun having additional meetings with smaller groups to gather more detailed information.

Committee Chairman Gunderson advised that a new link had been added to the Arena Authority website that will enable the public to comment or provide suggestions regard traffic and parking around the Arena. He advised that Qk4 and the committee felt that the website would provide the best forum to obtain broader participation from the public. The comments will be forwarded to Qk4 and reported back to the committee and the Arena Authority. Mr. Blue commented that many organizations are involved in the process, and once a consensus is reached, all organizations must participate in the implementation of the plan. Chairman Host responded that the Arena Authority is not responsible for road closures, etc.

DISSUSSION ITEM: Team Services/Learfield Presentation – Chairman Host

Chairman Host introduced Mr. Andy Rawlings and Mr. Steve Gowan with Learfield. He then introduced Mr. E.J. Narcise with Team Services and Ms. Lynn Saltzman with the Louisville Arena Sports and Entertainment Properties (“LASEP”) to provide an update on the status of naming rights and sponsorships in the Arena. Mr. Narcise provided an overview of the Arena naming rights sales approach, advising that the unique attributes of the Arena project have allowed Team Services and LASEP to be versatile in the types of prospects they approach. He stated that the popularity of NCAA athletics and the success of the University of Louisville have allowed them to target traditional sports marketers. Additionally, the abundance of concerts, conventions and family shows allow them to approach consumer organizations that do not typically target a specific sports demographic. He advised that Team Services and LASEP have contacted a number of companies in a variety of industries, including restaurants, telecommunications, retail, financial services, and others.

Mr. Narcise advised that 80 – 85% of naming rights agreements are reached with local corporate partners. He stated that Team Services / LASEP have approached 24 local corporate prospects, 29 regional corporate prospects, and 19 national corporate prospects regarding the Arena naming rights opportunity. Mr. Narcise advised that several high-profile new venues in professional sports have not secured long term naming rights sponsorships, including the Dallas Cowboys’ stadium, the New York Giants and Jets stadium, and the Washington Nationals. However, he reported that several recent partnerships with newly constructed or existing venues have shown that the naming rights market is still active. For example, in 2009, Progressive Insurance purchased the naming rights to the home of the Cleveland Indians; Target Corporation purchased the naming rights to the soon-to-be constructed home of the Minnesota Twins; and after three years of marketing the naming rights to its home venue, the Charlotte Bobcats agreed to a naming rights partnership with Time Warner Cable. Mr. Narcise advised that while most of these facilities are priced from \$10 - \$15 million per year, the Louisville Arena is modestly priced at \$2 – \$2.5 million per year.

Mr. Narcise stated that of the more than 70 corporate targets approached for the naming rights opportunity, approximately 16 remain actively engaged in some stage of review. Further, based on Team Services’ past experience, it is likely that two to three of the active prospects will advance to a formal review by company leadership and marketing executives. He advised that they will continue to identify and build custom sales introductions for a variety of prospects, and he anticipates introducing the opportunity to an additional 24 to 30 prospects within the next 60 to 90 days. He stated that despite the challenging economic climate, companies will not stop advertising; they will simply look for creative ways to advertise.

At the conclusion of Mr. Narcise's remarks, Ms. Houston asked at what point he would become concerned if naming rights are not sold. Mr. Narcise replied that there is still ample time to sell the naming rights, and he would not be concerned until at least six months from the Arena's opening. He then reiterated that the Arena is priced to sell.

Mr. Narcise introduced Ms. Lynn Saltzman, general manager of LASEP, to provide an update on the sponsorship sales progress. Ms. Saltzman reported that LASEP's primary focus includes prospecting and presentations to potential naming rights, cornerstone and building partners. She stated that their inventory includes exterior and inner bowl signage, naming rights locations, branded vending opportunities, IPTV (internet protocol television) and integrated marketing programs. Ms. Saltzman advised that much of their work involves the cultivation of relationships, adding that Kentucky companies are proud of the Arena and want to be part of it.

Ms. Saltzman reviewed the top 20 sponsorship categories, which include telecommunications, audio/visual, and pouring rights, among others. She stated that LASEP has met with more than 100 companies and made more than 30 formal presentations. LASEP is focused on establishing long-term partnerships with the corporate community. Ms. Saltzman then provided an overview of the Norton Healthcare agreement. As the Arena's first Cornerstone Partner, Norton Healthcare has agreed to a 10-year, \$10 million partnership with the Arena. The agreement is the first of its kind to incorporate an immediate care center in the Arena. Ms. Saltzman concluded by advising that based upon existing verbal agreements and presentations currently under review, LASEP anticipates receiving commitments for an additional \$8 - \$10 million in Arena partnerships in the next 90 - 120 days.

Chairman Host remarked that based on the level of sponsorship activity, even if the naming rights are not sold immediately, the Arena's revenue model will be supported.

DISSUSSION ITEM: General Counsel Update – Ed Glasscock

Mr. Glasscock reported that Frost Brown Todd continues to work on the RAM, Schnell and Grayhawk matters. He advised that an Answer and Affirmative Defenses have been filed in the Schnell lawsuit and the Answer and Affirmative Defenses will be filed soon in the Grayhawk matter.

DISCUSSION ITEM: Arena news articles/press – Larry Bisig

Mr. Bisig advised the Authority members that recent news articles were included in the Arena board book, as well as a copy of the *Lane Report*, which included a feature on the Arena project.

DISCUSSION ITEM: Old Business

None

DISCUSSION ITEM: New Business

Chairman Host invited Arena Authority members to an important announcement by Governor Beshear on August 4, 2009 at 2:00. The event will be held in the Kentucky International Convention Center.

No other business to come before the Authority, the meeting was adjourned at approximately 10:05 a.m.

Respectfully submitted,
Laura Chandler