



louisville arena authority

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**Board of Directors Meeting
March 31, 2008
9:00 a.m. EST
Kentucky International Convention Center
Louisville, KY**

DRAFT

Directors in Attendance: Mr. Larry Bisig, Mr. Neville Blakemore, Mr. Todd Blue, Mr. Junior Bridgeman, Mr. Zev Buffman, Ms. Reba Doutrick, Vice Chairman Larry Hayes, Metro Council President Jim King (Ex Officio), Ms. Cissy Musselman, Mr. James Patterson, Ms. Lindy Street (via telephone), Mr. William Summers V, Mr. Dan Ulmer, Mr. Robert Woolery (via telephone), and Chairman Jim Host

Directors Absent: Mr. Lanny Greer (Ex Officio), Ms. Alice Houston

Consultants and Staff of Arena Authority: Mr. Harold Workman, Executive Director; Mr. Mark Sommer, General Counsel; Mr. John Hilkene, PC Sports; Mr. Steve Hotujac, HOK; Ms. Helen Thompson, Assistant General Counsel; Mr. Allen Troshinsky, Mortenson

Welcome: Chairman Host

Chairman Host declared a quorum and convened the meeting. He recognized Board member Neville Blakemore, whose term on the Arena Authority recently expired, for his service to the Authority and the Arena project. Chairman Host also introduced new Board member Eric Gunderson, whose term begins on April 1, 2008.

DISCUSSION ITEM: Acceptance of the Minutes of February 25, 2008 Board Meeting – Chairman Host

Mr. Patterson moved to accept the Minutes of the February 25, 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 – Larry Hayes

Finance Committee Chairman Hayes introduced Mr. Jerry Frantz, Director of Administrative Services for the Kentucky State Fair Board, who provided an overview of the draft financial



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statements for February 2008. Mr. Frantz reported that as always, the financial statements' first entry is the \$75 million grant from the state. He advised that construction-in-progress increased approximately \$1.7 million in February. The investment income earned increased approximately \$90,000 in February, and the cash-on-hand in the investment account as of February 29, 2008 was \$19,655,406.

DISCUSSION ITEM: Presentation of 2007 Audit – Larry Hayes

Finance Committee Chairman Hayes introduced Ms. Becky Phillips with Chilton and Medley, who presented the Arena Authority's 2007 audit. Ms. Phillips advised that the financial statements include an unqualified opinion that they present fairly in accordance with generally-accepted accounting principles. She reported that the most significant elements that occurred in 2007 include the following:

- The Arena Authority received the remaining grant funds from the state, shown as an income item;
- The Authority closed on the Humana property; and
- The Authority expended additional funds related to the LG&E relocation.

Ms. Phillips explained that the financial statements reflect a significant increase in cash and cash equivalents, as the Authority received more funds from the state than it expended in 2007. Additionally, the financial statements reflect an increase in property and equipment as the construction-in-progress also increased. She advised that the Authority spent approximately \$47 million during the year. Ms. Phillips explained that the increase in accounts payable is primarily construction-related expenditures. She advised that two new elements in the liability section are liabilities for suite fees payable in the future pursuant to agreements with Humana and the Galt House. The accounts payable also includes an entry for the Kentucky State Fair Board guaranty that requires the Arena Authority to reimburse the Fair Board for any net negative impact experienced as a result of the Arena's opening. Ms. Phillips reported that the financial statements reflect a significant increase in net assets.

Ms. Phillips reported that the income statement includes entries for the remaining grant received from the state, significant increases in in-kind contributions, and a large element of interest income. She advised that expenses are approximately \$4.6 million, the majority of which is the KSFB guaranty, and the remaining expenses a result of additional operations related to the project. Ms. Phillips explained that the cash flow statements reflect cash generated from operations, primarily as a result of interest on the investment account. She stated that the majority of cash was used on additional construction-in-progress for the Arena, and she reported a \$33 million increase in cash and cash equivalent. Ms. Phillips highlighted Footnote H, which includes all commitments and contingencies related to the Arena Authority. Ms. Phillips then explained that during the audit, Chilton & Medley examined the internal control of the Arena Authority's financial reporting. She advised that as a result of their audit procedures, significant adjustments were made related to net negative guaranty and suite trade. However, she advised that in January 2008, the Arena Authority outsourced financial reporting oversight to another accounting firm, Mountjoy & Bressler. Therefore, necessary controls will be in place for the 2008 calendar year.

Chairman Hayes thanked Chilton & Medley for their contribution to the Arena project. He introduced Mike Mountjoy, the Arena Authority's financial advisor, who explained that Mountjoy & Bressler is responsible for coordinating the presentation of financial statements to the auditors in accordance with generally-accepted accounting procedures. Mr. Mountjoy reported that he agreed with the financial information presented in the audit.

Committee Chairman Hayes moved to accept the audit. The motion was seconded by Ms. Musselman, and the motion carried. Chairman Host advised that Greenebaum Doll & McDonald contributed \$723,337 in services to the Arena project, and he thanked Mr. Mark Sommer and Greenebaum Doll & McDonald for their contribution.

DISCUSSION ITEM: Bond Issuance Update – Chairman Host

Chairman Host advised the Authority that the following three alternatives currently exist for bond financing:

1. The fixed rate proposal submitted by Ambac. The municipal bond yield in August was 4.28%, and today's market is 4.93%. Chairman Host advised that the fixed rate market is untenable at this point.
2. A series of banks led by one local bank may issue letters of credit. Chairman Host advised that he has received assurance that this option is viable; however, he has not received written confirmation.
3. Assured Guaranty, one of the top two insurance groups in the country with a triple-A rating, has been working with Goldman Sachs recently, and on March 27, a number of representatives from Assured visited Louisville. Chairman Host advised that during their visit, Assured reviewed all of the financial aspects of the project and toured the TIF zone. He explained that an arrangement with Assured would involve variable rate bonds. The Arena Authority would have a fixed rate, Goldman Sachs would guaranty the swap rate, and banks would provide liquidity for the bonds. Chairman Host advised that in the current market place, the total amount of debt service over 30-years would be \$646 million, which is \$19 million less than the \$665 million estimate made by Goldman Sachs a few weeks ago.

Chairman Host advised that Assured also met with representatives from the state, including Vice Chairman Hayes. He advised that he expects to receive a proposal from Assured in the next 10 days, and Committee Chairman Hayes will call a Finance Committee meeting upon receipt of the proposal. Mr. King thanked Chairman Host for his diligence, and he expressed his hope that the capital market will improve.

DISCUSSION ITEM: PC Sports Update – Dan Ulmer

Construction Committee Chairman Ulmer asked Mr. John Hilkene to provide an update from PC Sports. Mr. Hilkene reported that demolition has started on the Humana and LG&E buildings, with most of the work currently being performed inside the buildings. He advised that the LG&E project remains under budget and on schedule, and he expects the majority of work to be

complete by mid-July 2008. Mr. Hilkene stated that PC Sports continues to have interior design meetings with HOK and the University of Louisville.

DISCUSSION ITEM: HOK Update – Dan Ulmer

Construction Committee Chairman Ulmer introduced Mr. Steve Hotujac, who provided an update from HOK. Mr. Hotujac advised that HOK has issued its first construction package to Mortenson for bidding. Included in the package are mass excavation, deep foundations, and underground site utilities. He stated that the remaining packages will be issued on approximately June 1, 2008. Additionally, the parking garage 100% design development documents have been issued.

DISCUSSION ITEM: Mortenson Update – Dan Ulmer

Construction Committee Chairman Ulmer introduced Mr. Allen Troshinsky, who provided an update from Mortenson. Mr. Troshinsky reported that in January, 2008, Mortenson solicited proposals for a number of packages of work. Their review of the proposals is nearly complete, and Mortenson will soon present their final recommendations to the Authority. He reported that the packages of drawings submitted by HOK will allow Mortenson to solicit bids for deep foundations, earth work, and underground utilities. Finally, Mortenson is completing its estimate for the parking garage, to be submitted by April 15. Mr. Troshinsky reported on Mortenson's W/MBE efforts, and advised that he recently attended an event held in partnership with the Kentucky Minority Business Council. He advised that approximately 100 different companies expressed interest in participating in the Arena project.

DISCUSSION ITEM: Affirmative Action and Labor Committee – William Summers
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Affirmative Action and Labor Committee Chairman Summers introduced Mr. Michael Gritton, Executive Director of KentuckianaWorks, who provided an update on the Construction Pipeline Project. Mr. Gritton reported that three classes (44 individuals) have completed the pipeline project through the soft skills training. Of those completing the class, 23 have been placed, almost exclusively in union apprenticeship jobs. Mr. Gritton thanked Joe Reagan for his assistance in engaging non-union contractors in the project. He reported that KentuckianaWorks intends to spend approximately \$150,000 on job placement in the union and non-union sector. Mr. Gritton advised that another class will begin next week, and they are keeping track of worker supply and demand to ensure that there are not more workers than jobs available. Chairman Summers thanked KentuckianaWorks, Mortenson and Mathis Construction for their efforts.

Chairman Host stressed that the Construction Pipeline Project is the first of its kind in the community and will benefit not only the Arena project, but many construction projects. He then thanked Jim King for his role in expediting the process and helping the project's success.

DISCUSSION ITEM: Insurance Committee Update – Bob Woolery

Insurance Committee Chairman Woolery reported that pollution insurance has been bound on the Humana building, and he expects Marsh to issue its final recommendation regarding policies and coverage, as well as cost estimates within the next 10 days.

DISCUSSION ITEM: Contracts Update – Mark Sommer

Mr. Sommer reported on the status of the following agreements:

- ULAA lease agreement - all of the business terms have been agreed to, and execution is pending finalization of all exhibits.
- IRS Ruling is pending, and Mr. Sommer expects the ruling soon.
- Team Services agreements and Learfield guaranty have been submitted to Learfield/Team Services for signatures.
- Centerplate agreement – the last business issue has been resolved, and the agreement should be finalized by the end of the week.
- All construction agreements have been amended and signed.
- The Kentucky State Fair Board operating agreement has been circulated.
- The O’Rourke Demolition contract has been signed, as well as LG&E access agreements.
- Several protests have been filed by unsuccessful demolition contract bidders. One was denied by the Finance Cabinet and two are pending.
- The Marsh contract has been finalized.
- The PARC garage financing MOU has been amended and executed.
- The PARC purchase and sale agreement should be ready for signature soon.
- The Riverside parking agreements is pending UofL’s approval.
- Multiple bond financing documents have undergone numerous edits.
- MSD MOU on floodwall and flood gates is pending at MSD.
- TIF grant contract amendment is pending.
- A revised closing checklist will be distributed to the Executive Committee by April 4.

Mr. Sommer also reported that Greenebaum Doll & McDonald has engaged Mr. Tom Henson, a nationally-known bond and capital markets consultant to assist them in their representation of the Arena Authority regarding the bond issuance.

DISCUSSION ITEM: Arena news articles/press – Larry Bisig

Mr. Bisig reported that the Communications Committee recently held a productive meeting and will produce a “communications grid” to serve as a foundation for the Authority’s communication efforts. Mr. Bisig directed Authority members to recent news items provided in the Authority binder, specifically an article regarding the Louisville Sports Commission’s bid for USA Basketball to relocate in Louisville.

DISCUSSION ITEM: Old Business

None

DISCUSSION ITEM: New Business

None

No other business to come before the Authority, the meeting was adjourned at approximately 9:50 a.m.

Respectfully submitted,
Laura Chandler