RIO NUEVO MULTIPURPOSE FACILITIES DISTRICT

BOARD MEETING

June 12, 2017

Tucson, Arizona

Reported By: Michelle Kirkpatrick
RDR, CRR, CRC, FCRR
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APPEARANCES:

BOARD MEMBERS:

Fletcher McCusker, Chairman
Jeffrey Hill
Mark Irvin
Jannie Cox (via telephone)
Chris Sheafe
Edmund Marquez

ALSO PRESENT:

Mark Collins, Board Counsel
Dan Meyers, Rio Nuevo CFO

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BE IT REMEMBERED that the meeting of the Board of Directors of the Rio Nuevo Multipurpose Facilities District was held at the Arizona State Building, 400 West Congress Street, Suite 222, in the City of Tucson, State of Arizona, before MICHELLE KIRKPATRICK, RDR, CRR, CRC, FCRR, Registered Diplomate Reporter, Certified Realtime Reporter, on the 12th day of June, 2017, commencing at the hour of 2:00 o'clock p.m.
CHAIRMAN MCCUSKER: 2:01, so we will call this meeting to order.
And Mr. Collins, you'll have to call the roll.

MR. COLLINS: Mr. Marquez?
MR. MARQUEZ: Here.
MR. COLLINS: Mr. Sheafe?
MR. SHEAFE: Here.
MR. COLLINS: Mr. Irvin?
MR. IRVIN: Here.
MR. COLLINS: Ms. Cox?
MS. COX: Here.
CHAIRMAN MCCUSKER: She's on the phone.
MR. COLLINS: And Chairman McCusker.
CHAIRMAN MCCUSKER: And apparently I don't have an agenda.
MR. SHEAFE: I didn't bring mine in because we were going to have an agenda here.
MR. COLLINS: You guys can share one.
CHAIRMAN MCCUSKER: Let's do the pledge.
(Pledge of allegiance recited.)
CHAIRMAN MCCUSKER: Good afternoon, everyone. This is a single-item -- or really, two-item agenda. If you will remember, we tabled the Caterpillar items at our last regularly scheduled
meeting primarily because we had not finalized the
financing piece of the Caterpillar transaction.

I am going to reverse the agenda, if you
have a published one. We are going to talk about
the Caterpillar lease and financing terms first, and
then we're going to talk about the Caterpillar site
and -- Caterpillar site preparation second. We
don't need to go into exec, so we're going to go
straight into the public session.

Ms. Jannie Cox is on the phone, and
indeed, we do have a quorum.

To refresh everyone's memory, we have been
a large part of the reason that Caterpillar Surface
Mining & Technology is coming to Tucson. Rio Nuevo
has been instrumental in their recruitment by
offering a number of things that were important to
them. Probably the most important piece of our
package, of course, is the build to suit.

So -- Michelle, this is Mr. Jeffrey Hill.

He's arriving.

Sir, thank you. You haven't missed a
thing.

MR. HILL: Okay, good.

CHAIRMAN MCCUSKER: Part of our commitment
to Caterpillar was to build to suit their corporate
headquarters located on the Rio Nuevo side, just on the west side of the river on Cushing.

Caterpillar loved the site. It's immediately adjacent to the street car. They like the connectivity to downtown, they like the origins of that site as it relates to Tucson's history. So we've been engaged in the process for months to design, build, and then lease back to Caterpillar a 150,000-square-foot corporate headquarters with a little over 500 parking spaces.

We ran a competitive process to select the architect and the contractor. They're both engaged and actively involved in, initially, the site planning and preparation, and then ultimately, the design and construction of the building.

I'd like to express my appreciation to Caterpillar and their team, particularly Tom Bluth, their CEO. They are remarkable partners, not only in terms of the scale and size that they bring to Tucson, but their overall morality and goodwill that we've seen evidenced time and time again. They're going to be great corporate citizens. We're proud to be a part of that whole process.

And to Mr. Collins, who's worked feverishly for a number of months, just a couple of
sailing trips, probably, to work on an extraordinary
set of documents with a Fortune 50 company. It's
highly unusual that our little lay board gets to
interact with companies of this scale and size.

So we tabled this last time primarily
because the financing terms were not finalized.
Indeed, they are now in final presentation form. We
still have to execute on them, but we'll move to
Item 5, Caterpillar lease and financing terms.

So this lease has always contemplated that
we would pass on our ability to issue debt at
favorable rates and that we would pass that on to
Caterpillar as a direct cost. We've always
indicated to them, we never intended to mark this
up. We don't need to make a profit on this
building. We're more than happy to break even and
share the opportunity with Caterpillar.

What was designed is now formalized in the
lease document as a 25-year lease, 25-year bond.
These are called lease revenue bonds, and we can
talk about the interest rate and some of the other
features of the bonds when we get into the -- the
details.

Some of the things that we've been trying
to achieve over time, which have all kind of come
into place in the last couple of weeks, this will be
a lease with the Surface Mining and Technology
Division, but the lease will be guaranteed by what
we call Big Caterpillar; that is, Caterpillar
corporate. So it substantially improves the
credit-worthiness of our bonds to have Caterpillar
as the guarantor, and we're moving forward
diligently to finalize those documents.

So Mr. Collins, you've done a lot of work
in the last few weeks, and even in the last few
days, over the weekend. If you would update us on
the status of the lease.

MR. COLLINS: Mr. Chairman, members of the
board. Chairman, thank you for your nice comments.

I got to tell you that when I stood before
you last time, 13 days ago, I suggested to you that
you not issue the Notice to Proceed until you had a
signed lease.

We're not at a signed lease yet, but we
are infinitely closer than we were 13 days ago, and
infinitely closer than we were a month before that.

I've had the opportunity over the past two
weeks to work rather intensely with the Caterpillar
legal team and financial team, and --

CHAIRMAN MCCUSKER: Jannie, are you hearing
this?

MS. COX: I sure am.

CHAIRMAN MCCUSKER: Okay.

Sorry.

MR. COLLINS: Sound off, Jannie, if you can't hear me.

MS. COX: I will.

MR. COLLINS: Thank you.

And I have a comfort that we are going to be having a lease signed by the end of this month; that we're going to have a lease going up the Caterpillar chain of command hopefully by your next board meeting.

Internally, Caterpillar -- it takes five to ten business days internally for Caterpillar to get a signature. I spoke moments before coming over here from Cat CFO -- with Cat CFO, Christophe Dupont. Their team met up for quicker treatment.

The point I'm trying to make is that since I spoke to you two weeks ago, I have a level of comfort with Caterpillar and the Caterpillar team that I haven't had before, so --

CHAIRMAN MCCUSKER: I think the bigger issue is not so much we didn't have a lease, but we didn't really even have a meeting of the minds. But I
think -- what I'm presuming you're saying is we do
have an agreement, we're now just in the process of
final documentation.

MR. COLLINS: Yes. What I -- Mr. Chairman,
what I thought I would do -- because the executive
officers have been aware of these things, but the
nonexecutive officers haven't been, so what I've
provided to you -- and I'm just going to try to give
you a high-level summary of the more salient points in
the lease. The lease is over a hundred pages long, so
I'd just like to hit the high points.

And you have in front of you one document
which is separate, and it is the index -- or excuse
me, table of contents for the current lease. You
have in front of you another booklet with tabs on
it, and what I'm going to do -- and I'm going to try
not to bore anybody to tears, but I'm going to walk
through the tabs.

The first one is net rent. That's 3.1.
And that is exactly what Mr. -- or Chairman McCusker
was talking about. In the last ten days, an
agreement or meeting of the minds, if you will, on
the financing for this project was reached.
Mr. Chairman deserves a great deal of accolades for
his efforts in that regard. What you see in front
of you, 3.1, ties in the proposal that the board has received from Raymond James. What it does, what 3.1 does, is it obligates Caterpillar to pay the principal and interest and costs of the $43 million building budget that we've talked a lot about and the cost of this financing.

It also provides that there will be a ten-year cap on the interest rate. The interest rate will be capped at 3 percent for ten years. Right now, the interest rate -- the current interest rate is floating at LIBOR plus 5 basis points, I believe. So it's below 3 percent. Caterpillar will get the benefit of this lower interest rate. If the interest rates go higher, the cap that is being purchased in connection with this will stop the interest on these bonds from going north of 3 percent.

So this -- this paragraph -- I fortunately had the assistance of Bill Davis and my bond partner, Tim Stratton, and -- and I believe this is acceptable to Caterpillar.

I will tell you that I got my last turn-off with Caterpillar shortly before noon on Saturday; I have spoken twice today with Caterpillar; and just before I got over here, they
sent me the next term. But I do think that we're

good on the rent.

CHAIRMAN MCCUSKER: Do you want to pause on
each one of these tabs for questions, or do you want
to -- everybody understand how the rent works?

Straight pass-through?

Okay. Go ahead.

MR. COLLINS: Yeah. Let's talk about Tab 2,

that's the Raymond James proposal.

My profession gets criticized for legal
gobbledygook, perhaps appropriately. I've got to
give Raymond James and Bill Davis a hard time,
because there's a lot of that in this too.

But I'd like you to turn to the last --

three pages from the last. This particular document
is now an exhibit to the lease. If you get to the
page that says, "Project Summary," and you see
"Sources of Funds" and "Uses of Funds," and I want
to bring that into clearer focus, if I can. And the
financial people have told me the way you read this
is you start with the uses of funds and then you
back into the sources.

If you look about a third of the way down,
you'll see "Deposit to Project Construction Fund."

That's the $43 million that we've talked about.
That's the building budget. That's the -- that's the amount of money that Caterpillar will be repaying to the District through the bonds. The next number is 1,530,000. That is the cost of the cap.

The next number down is the cost of issuance, $1,129,890. And to that, you add capitalized interest rate. What is that? Well, that is the interest that will be accruing on these bonds from the time of issuance until the lease payments start. So that's being wrapped into this financing.

And then you've got --

CHAIRMAN MCCUSKER: Let's just pause there for a minute.

So what this provides is that we can issue the bonds immediately and enjoy the proceeds of those bonds immediately.

MR. COLLINS: That's right.

CHAIRMAN MCCUSKER: The Caterpillar lease does not start, obviously, until they occupy the building. That's 18 months away. So there's a period of time under which we will draw on these bonds and add interest to -- what this proposal does is capitalizes that interest -- it wraps in and wraps it
into the lease payments when the Caterpillar lease begins.

MR. COLLINS: Correct. Correct.
And you'll see a $2,500 amount. That's a rounding amount. There's a couple of reasons for that, but given the numbers we're talking about, I won't spend much time on it unless you have any questions.

But you see the total of those uses of funds, $46,537,062.50, that's where all the money -- that's the use of the funds.

Now, let's go back up to the source of the funds. And then this is what they do, is they back into it. So the par amount of these bonds is $44,855,000. Do you see that?

Then you see the District's contribution for capitalized interest. That is your nickel, and that's the same number that appears in the uses of funds, 874,000 -- I've got to get stronger glasses -- $672,000. Those are the same numbers. One of them is below, one of them is above.

Then the District's contribution for cost of issuance. That is a number that you haven't seen before, but it comes out of the line item for uses of funds, the deposit to capitalized interest
fund -- or excuse me, cost of issuance, do you see that, and uses of funds? That $1,129,890 amount is $322,500 less than the District's contribution at the sources of fund.

That's because Caterpillar agreed to pay up to $322,500 for the cost of issuance. That's the difference. Okay?

That was part of the development agreement. It is in paragraph 10.2(h) of the lease itself. So the 1.3 -- Tab 1 and Tab 2 are what we have evidencing the meeting of the minds, as the Chairman talks about it, for the rent. And it requires Caterpillar to pay all the debt service on the bonds that you're seeing here.

Yes, Mr. Marquez?

MR. MARQUEZ: So the bottom line for me, as I go through the numbers -- I see a lot of debts, credits. Obviously, there's the cost of the rate cap.

But in Section 1, the part that says, "Regardless of the proposal used, the net rent shall be sufficient to pay debt service when due and payable as set forth."

So Caterpillar is going to pay for this --

MR. COLLINS: You're reading from 3.1?

MR. MARQUEZ: Yes.
MR. COLLINS: Yes.

MR. MARQUEZ: Great.

CHAIRMAN MCCUSKER: At the end of the day, the interest rate, all this stuff doesn't matter to us because it's passed straight through to Caterpillar.

MR. COLLINS: Right. And --

CHAIRMAN MCCUSKER: So as long as they're making the payments, it sufficiently covers the rent.

MR. MARQUEZ: And we have a Fortune 100 company --

CHAIRMAN MCCUSKER: Well, that's one of the reasons we wanted Big Cat to guarantee it. So now you have the guarantee from Caterpillar as well as Big Cat.

MR. MARQUEZ: So just knowing a lot of what's gone on, outside of being an executive, I want to say awesome job, because I know this was like organizing a bowl of spaghetti. So great job. Wow.

MR. SHEAFE: One of the things that might help is, if you look at the debt service schedule, Number 44835, which appears here on the schedule that Mark was just showing. Again, it's on the debt service, so that's telling you how much Cat is going to pay back on the leases. And so it isn't actually just the 43-.
1. MR. COLLINS: No.
2. MR. SHEAFE: It's the 44,855.
3. MR. MARQUEZ: Yeah.
4. MR. SHEAFE: And so that's an important accomplishment because --
5. CHAIRMAN MCCUSKER: Do we need to do anything today vis-a-vis the bonds?
6. MR. COLLINS: No. The good --
7. CHAIRMAN MCCUSKER: It'll be in the next meeting --
8. MR. COLLINS: Yes, sir. The resolution is being drafted as we speak. I fully intend to have that resolution prepared and ready for you folks to consider at our meeting next Tuesday, a week from tomorrow. It's --
9. CHAIRMAN MCCUSKER: Okay. We're tracking.
10. MR. COLLINS: Okay. All right. So in your table of contents, I've highlighted all, or at least attempted to highlight all of the major articles.
11. Article 4, the next tab in your book, Tab Number 3 -- oops. I lied. Something got turned -- well, Tab 3 in your book -- Tab 3 in your book is the budget.
12. CHAIRMAN MCCUSKER: We've seen it a half a
dozen times.

MR. COLLINS: Yeah.

CHAIRMAN MCCUSKER: The point is, it didn't change.

MR. COLLINS: It -- no. The meaningful numbers haven't changed. Still $43 million. There's been some breakout of the construction budget up higher.

Caterpillar, since our last meeting, thanks to the efforts of Mr. Swaim -- you may recall -- and we'll get to it later today -- that there is a component of GMP #1 and 1a that is coming out of Caterpillar's construction budget. That amount, $1,645,930, is up in the construction portion of this budget, and that is, as I say, through the good efforts of Mr. Swaim.

And other than that, though, it's still the same 43 million bucks. Okay.

CHAIRMAN MCCUSKER: Tab 4.

MR. COLLINS: Next one is 4.5. That's Tab 4.

The language that you have in front of you is very traditional GPLET language. It sets out the statutes and so forth that provide the basis for an abatement of excise taxes for eight years.
I've highlighted for you a sentence, or at least most of a sentence, that Caterpillar has required as a deal point. I told Caterpillar that I believe it is a business judgment for my board. I pushed back, but as you can see, what it says is, "Subject to the foregoing, landlord shall take any additional action as necessary for tenant to qualify for the GPLET tax treatment. Landlord shall reimburse and/or indemnify and hold tenant" — that's Caterpillar — "harmless if for any reason tenant fails to receive the full benefits of the eight-year period of abatement of the GPLET."

CHAIRMAN MCCUSKER: Let me just do a little GPLET 101.

MR. COLLINS: Go for it.

CHAIRMAN MCCUSKER: When the government leases a property to a private company, and as long as it's government-owned, we don't pay property tax as a benefit for a private company to lease from the government. However, in lieu of that, they are obligated to pay an excise tax, which is based on the square footage of the building, as opposed the value of the property. The only jurisdiction that can abate that tax is the City.

So in the presentation to Caterpillar,
when they were being recruited, the abatement of that excise tax was one of the offers that the state made in cooperation with Rio Nuevo, the city, the county, the ACA. However, we, Rio Nuevo, cannot commit the City of Tucson to this excise tax abatement. It has to go to the mayor and council.

In my opinion, there's no way in hell that they would deny this. However, we can't assure them because we're not the city council. So what they've come back for is to say, well, if something goes south, then we would expect Rio Nuevo -- us -- to honor this excise tax amount.

So there's some risk to us; but as Mr. Collins suggested, I can't imagine a scenario where the City would not respect this request.

Now, what has to happen is, it gets agendized. We're the property owner, so we would have so to appear before mayor and council. We would go in with our economic study, like with any other GPLET request, and ask them to abate eight years of excise tax.

And Mr. Collins, my recollection is it's about 400 grand a year?

MR. COLLINS: That's a ballpark, yes.

It's a possibility -- and I don't want to
get too far in the weeds, but there's a possibility that some of this parking could be exempt. But that's a topic for another day or when you're --

CHAIRMAN MCCUSKER: What we have not seen before in any of the drafts going back and forth that this is the request that basically we --

MR. COLLINS: Correct.

CHAIRMAN MCCUSKER: -- guarantee either the performance of the City --

MR. COLLINS: Correct.

CHAIRMAN MCCUSKER: -- which we really can't, or that we would step in and cover the -- the cost of that excise tax abatement.

MR. COLLINS: Yes, sir.

MR. MARQUEZ: And this essentially is not costing the City any money because they're not receiving excise tax now. Correct?

MR. COLLINS: Correct.

CHAIRMAN MCCUSKER: That's the point of the economic study. What the law requires is they have to prove that there's a benefit greater than the relief. And they -- that's the third-party opinion. Everyone who's gone before the City with a GPLET request has to bring in this economic study.

I also have to believe that that economic
study --

MR. COLLINS: Hit it out of the park.

CHAIRMAN MCCUSKER: -- would be totally a hit out of the park.

The economic impact -- we know Caterpillar is over 2 billion dollars, so they have to relieve a couple million bucks of tax. I can't imagine there's a technical problem. But I don't want to speak for the mayor and council; it's not been agendized, and it would have to go before them.

MR. COLLINS: As Mr. Hill is certainly aware, and I will expect everybody else, a governmental entity cannot contract around its statutory obligations. The City cannot say, yeah, we will do it. The City can't do that. We've got to go through the process. And I've spoken with Mr. Rankin this morning, and we're already talking about how to agendize it and advance that ball.

The biggest concern that Caterpillar's counsel expressed to me on Thursday was that they live in a state that hasn't adopted a budget for four or five years, and they're always afraid that something's going to happen in the legislature, you know, saying -- when the legislature is session -- sorry, Mr. Hill -- nobody's property or bank account
is safe, and that's their concern.

So this is a risk.

MR. HILL: I'll say.

CHAIRMAN MCCUSKER: Mr. Collins, it's also a chicken-and-egg thing because we can't request a GPLET excise tax without a lease and a tenant. The City's not going to entertain that until the lease is in fact signed, so we would have to have some way to cover this in the unlikely event the City would decline.

MR. COLLINS: Mr. Chairman, that's correct. This is -- there are lots of moving parts. Lots of moving parts. But --

CHAIRMAN MCCUSKER: I would say Cat had a pretty smart lawyer on this one.

MR. COLLINS: Cat? Yeah, they did.

MR. IRVIN: Mark, one more question for you. The language in here talks about what we have to do. Shouldn't there be some language that requires Caterpillar to fully work with us relative to the studies that we're going to need to do?

MR. COLLINS: It's a general cooperation provision in the lease, Mark. I didn't --

MR. IRVIN: I didn't notice it in the lease.

MR. COLLINS: No, no, that's fine. I will confirm that. As you know, the covenant of good faith
and fair dealing is incorporated into every agreement in Arizona. I don't have an instant recall where it is, but there's a cooperative provision in this -- in this deal.

MR. IRVIN: Thank you.

MR. COLLINS: And I will tell you, Secretary Irvin, that we're not going to have a problem with Caterpillar on that.

MR. IRVIN: Okay.

CHAIRMAN MCCUSKER: Everybody got it?

Move on.

MR. COLLINS: Okay. The next is insurance. I don't have anything in the booklet for you.

Next article is surrender. I'm happy to talk to you about any of those things.

But the next one that I call out, if you flip, and on the third page, I think it is, on the table of contents, is 10.2, which is procurement, and it's in -- or construction, and it's in the section called "Improvement Costs Not Within the Project Budget Amount."

What you have in front of you is the current version of 10.2. Everything in this particular section we have talked about in executive session. It's just something that I thought you
ought to know and see, and perhaps the public ought
to know and see, that you folks are doing heroic
work to get Caterpillar here.

These are not inconsequential numbers.
The landlord's cost of acquiring the property, we
know what that is: $7 million, or thereabouts. The
landfill, B. We're going to talk about that later.
We talked about it at the last meeting. It's
roughly $4.8 million.

I haven't quantified the rest of these,
but I did want to point out to you that this is part
of this build-to-suit lease, that you folks are
obligated for this stuff. That's not in the
$48 million.

CHAIRMAN MCCUSKER: And Phil may have to
help us there. There's a couple things on there that
are a little troubling, and I think you may have
misspoke.

These are not within the Caterpillar
budget, but they're not necessarily our
responsibilities.

MR. COLLINS: No, that's -- oh, I know
exactly what --

CHAIRMAN MCCUSKER: E.g., Item D, traffic
improvements, traffic signals, signage, road.
MR. COLLINS: You're right. Yes.

And what -- I bring to your attention the beginning of paragraph 10.2. It says, "At no expense to tenant, prior to the issuance of the certificate of occupancy, landlord shall pay for or arrange for a third party," open paren, "e.g., the City or County, to pay for any or all of the costs set forth below," and that those things shall not be in the project budget.

And D is the extension of Avenida del Convento, and I can tell you that the City is working on refining the numbers for that.

CHAIRMAN MCCUSKER: So this lease is effective somewhere around March of '19. So sometime between now and March of 2019, these conditions would have to all be met.

MR. COLLINS: Correct. Correct. And if they aren't --

CHAIRMAN MCCUSKER: They don't have to sign the lease.

MR. COLLINS: -- they don't have to sign the lease. They'll have a beautiful building -- they'll have a beautiful building that they are dying to get into, but they don't have to sign the lease.

CHAIRMAN MCCUSKER: Everything else, I
think, is under our control.

MR. COLLINS: It is.

CHAIRMAN MCCUSKER: Everybody follow that?

Go ahead.

MR. COLLINS: Okay. All right. Flipping pages to your -- I think we get all the way down to the final page.

If you have questions as you thumb through that, about any of those other sections -- I'd even talk to you about the environmental section if you're interested, but we'd all be asleep before I got too far into that.

Final page, miscellaneous, to show you that this is an evolving creature, this lease. You'll notice that there's "Error, bookmark not defined," "Error, bookmark not defined. It's because we came across redundancy, and we have to run a system to clean that up. We only need one memorandum of lease.

But the real reason I got you to this page is Tab 6. Tab 6 is the "Conditions precedent for tenants obligations hereunder," and Mr. Chairman, this is essentially a restatement of paragraph 10.2 that we just went through. There are some slight variations, but these are the conditions that need
to be satisfied for Caterpillar to take delivery of
the property.

If we have a permanent certificate of
occupancy by March 1 of '19, I'm confident that all
of these will be satisfied and that Caterpillar will
in fact take occupancy. But it does require, A,
that the Rio Nuevo and City shall have successfully
completed all the actions necessary for the excise
taxes to be fully and completely abated for the
first eight years of the lease term. Back to that
point.

And then B is the -- is the real deadline
for the certificate of occupancy on March 1 of 2019:
And quite frankly, that particular requirement is
one of the reasons we're here today and not waiting
until your meeting next week, because the folks at
Sundt need to have a go-ahead, a Notice to Proceed,
if you will, from you folks no later than tomorrow
to be able to nail that number, nail that date.

There are provisions in the lease that
contemplate enforced delays, but those are all
normal provisions.

CHAIRMAN MCCUSKER: Let's talk about the
March -- let me put my developer hat on for a minute.
Stuff happens. We're going to get ancient
Hohokam village.

MR. COLLINS: Shush.

CHAIRMAN MCCUSKER: Something delays the project. It's -- none of us have foreseen or can control. Worst weather ever in the history of monsoon season.

MR. IRVIN: So just normal force majeure stuff?

CHAIRMAN MCCUSKER: Yes.

MR. COLLINS: Yeah.

CHAIRMAN MCCUSKER: So what happens if we can't deliver this building on March 1st, 2019?

MR. COLLINS: There is an entire paragraph in the lease that talks about precisely those things. Secretary Irvin called it force majeure, and let's see if I can put my fingers on it.

You'd think I'd know -- there -- there it is. Article 26. You guys -- I did not print all of this for you guys.

Enforced delays. It runs for two solid pages. Enforced delays, extension of time for performance. "Whether stated or not, all periods of time in the lease are subject to this section. Neither the landlord nor the tenant, as the case may be, shall be considered to have caused an event of
default with respect to the obligations under this
lease or to have failed to meet any required date of
performance in the event of an enforced delay."

And we then go on for causes beyond
reasonable control without negligence of any party,
and so on and so forth.

MR. IRVIN: So I would assume under that
scenario that our project manager, Mr. Swaim, could be
in talking with us about how we're doing on schedule,
how we're doing on budget, any issues relative to
force majeure, just like we have in the past. Is that
a good assumption, Phil?

MR. SWAIM: Yes.

CHAIRMAN MCCUSKER: Michelle, that's
Phil Swaim, S-w-a-i-m. He'll be up shortly.

MS. COX: I have a question regarding that.

CHAIRMAN MCCUSKER: Go ahead, Jannie.

MS. COX: Phil, you may report nearly every
month during the renovation of the convention center.
Do you envision that -- that kind of reporting, or are
you thinking you'll talk to us quarterly, or what do
you anticipate in terms of updating the board?

MR. SWAIM: This is Phil Swaim, Swaim
Associates Architects.

Jannie, we will be absolutely attending
weekly meetings, construction meetings, so we'll keep close tabs on the schedule and progress. We certainly can update the board monthly without a problem whatsoever.

MS. COX: Yeah. And I'm not sure monthly is absolutely necessary for an 18-month project, but it would be good to really be up to date as much as possible for any potential delays in this project.

MR. IRVIN: I think if we're getting a report like we did before with the TCC, given the size of that budget and given the size of this budget, speaking for myself, I would like to see it monthly.

MR. MARQUEZ: I would as well.

MR. IRVIN: Not that I won't see you between now and then.

CHAIRMAN MCCUSKER: Okay.

MR. SWAIM: Great.

MR. COLLINS: Okay.

CHAIRMAN MCCUSKER: 7.

MR. COLLINS: Let's see. And we're back at 30, conditions precedent.

Then your next tab is for the next --

CHAIRMAN MCCUSKER: That's for the next item. Yeah.

MR. COLLINS: But I do -- I have highlighted
Caterpillar guarantee and landlord's lender.

I didn't print out those portions of the lease. I ran a little short of time, frankly.

Caterpillar guarantee; conceptually, everyone is on board. The most important person for signing off on the Caterpillar guarantee is the lender. And as long as the lender's happy with the language of the Caterpillar guarantee, because it is they who are going to be loaning the money, that is going to be fine with me. But that is why we have in the lease -- and I believe there's been no pushback, 32.1, where Caterpillar's agreeing to work with us and the lender to make sure that the Big Cat guarantee satisfies the lender.

CHAIRMAN MCCUSKER: Talk about where you are in the process as opposed to where we were two weeks ago.

What I'm assuming is, there's no real disagreements between the two parties; we have, generally, a meeting of the minds. There's no really outstanding issue. It's really a matter of getting all of this into this hundred-page document, and whether the lawyers are going to have a word that they want to change and it's got to go all to Peoria. Is that a two-week thing? How long does
MR. COLLINS: Mr. Chairman, I will be disappointed if I'm not standing in front of you a week from tomorrow and telling you that it's working its way already up the chain in Caterpillar to be signed.

There are some issues. Mr. Chairman, as you know, you and I don't always see eye to eye on what a lawyer needs to be doing. But that's a very fair description of where we are.

I haven't had a chance to look at what they sent back to me. Laura has looked at it. Laura's smarter than I am, so -- she seemed to have a couple of concerns. She voiced them to me. Neither of them seemed too bad to me.

I'm hoping to turn it back around to Caterpillar no later than tomorrow. Christophe -- or Mr. Dupont is going to meet with the Big Cat mucky-mucks by Thursday of this week.

CHAIRMAN MCCUSKER: They've really been quite remarkable. Weekend meetings, weekend calls --

MR. COLLINS: Oh. They --

CHAIRMAN MCCUSKER: I think it's important to note that Caterpillar's never done anything like this. They normally build their own buildings, let
alone have the government build them a building. So I think the process under which we got things rolling was challenging on both parts. But once everyone understood the urgency of what we're doing as it relates to the schedule, we've had nothing but cooperation.

MR. COLLINS: Yeah, as I attempted to explain at the beginning, for the last three weeks, my comfort level with who I'm dealing with at Caterpillar -- if people are rational and reasonable, you can work through virtually all of your issues, and we've done all of that in a very short period of time.

CHAIRMAN MCCUSKER: So if we launch today and something goes crazy, you know, what have we obligated ourselves to?

MR. COLLINS: Well, you're bleeding over a little bit into the next agenda item, but I will answer your question --

CHAIRMAN MCCUSKER: What do you need us to do today on the lease? Approve it in its substantial form subject to no material changes?

MR. COLLINS: Yes. Right. And you could --

CHAIRMAN MCCUSKER: And authorize the executive officers to sign it, or do you want --

MR. COLLINS: I think you ought to authorize
the executive officers to sign the draft, current
draft of the lease, provided that there are no
material changes.

I will have this agendized -- and I know
nobody likes to reagendize things, but I'll have
this on the agenda for next Tuesday in case there
are any material changes. I frankly don't
anticipate that. But that would be the motion, it
seems to me: Motion to authorize the executive
officers and counsel to finalize the GPLET lease,
provided there are no material changes in the form
that we've been talking about today.

MR. IRVIN: Can you also, Mark, talk briefly
about -- because, you know, last time that we were
here, one of our concerns was, you know, exposure.

MR. COLLINS: Right.

MR. IRVIN: And you know, we understand
exposure.

MR. COLLINS: Right.

MR. IRVIN: But if we go forward with this
thing, it's obviously subject to this thing being
signed on Cat's behalf within a certain period of
time, and I'm very pleased with the progress that's
been made in the last -- you know, since our last
meeting, so thank you for that. But what I'm
concerned is, what happens --

MR. COLLINS: Well --

MR. IRVIN: So my question is real simple:

What is our maximum exposure and -- in your mind, and if we go ahead and issue and go forward and something goofy happens and we say, stop it, what --

CHAIRMAN MCCUSKER: This is a lease that's a year and a half away, so there's not a lot that's going to happen with regards to landlord/tenant relationships until, you know, we go on to some of these other issues. So the actual signing of the lease, I would think, doesn't expose us to --

MR. COLLINS: No, but the issuing of notices to proceed do.

CHAIRMAN MCCUSKER: That's the next item.

MR. COLLINS: That's the next item, but I'll just address this, and Phil can correct me if I'm wrong. He's not shy about that.

Based on my conversations with Phil and -- and indirectly, with the folks at Sundt, if you were to issue today a Notice to Proceed for the administrative matters and for site mobilization, I think you're looking at an exposure of approximately $100,000 by the end of the month.

CHAIRMAN MCCUSKER: So we're mixing up --
let me stop you. You're mixing up our apples and oranges.

MR. COLLINS: Well, you --

CHAIRMAN MCCUSKER: Let's hone in on your suggested motion on the lease itself, all right, because we're going to come to all those.

Does anyone have any issue with authorizing the executive officers to execute this lease so long as it does not materially change from what you've seen today? If not, I would need that in the form of a motion.

MR. MARQUEZ: I say so moved. So moved.

MS. COX: Second.

CHAIRMAN MCCUSKER: So moved, Mr. Collins' motion.

MR. IRVIN: Suggested framing, that -- I guess Edmund grabbed and Jannie seconded it?

CHAIRMAN MCCUSKER: You're moving my suggested motion.

MR. COLLINS: Yes. Mr. Marquez moved your summary. You want me to do it?

CHAIRMAN MCCUSKER: Yeah, go ahead.

MR. COLLINS: I think the motion could be that the board authorize the executive officers and counsel to finalize and execute the lease in
substantial accordance with what we've discussed here today, provided that there are no material changes.

MR. MARQUEZ: So moved.

MS. COX: Second.

CHAIRMAN MCCUSKER: Jannie seconds it.

Any further discussion on this item?

Dan, will you do a roll call vote for us just so we get it recorded by name?

MR. MEYERS: Edmund Marquez?

MR. MARQUEZ: Aye.

MR. MEYERS: Chris Sheafe?

MR. SHEAFE: Aye.

MR. MEYERS: Mark Irvin?

MR. IRVIN: Aye.

MR. MEYERS: Jeff Hill?

MR. HILL: Aye.

MR. MEYERS: Jannie Cox?

MS. COX: Aye.

MR. MEYERS: Fletcher McCusker?

CHAIRMAN MCCUSKER: Aye.

So by a vote of 6-0, we've passed the opportunity to execute the Caterpillar lease, Mr. Collins, so long as there's no material change, which is a remarkable thing in and of itself.

Congratulations to all of us.
Okay. So now we flip the agenda. We're going to start executing on some of these conditions precedent.

MR. COLLINS: Right.

CHAIRMAN MCCUSKER: What we heard two weeks ago from Sundt -- and Mr. Swaim can fill in the blanks -- is they have hard bids now on the landfill remediation, 3 million and change. They have hard-bid on the sewer relocation, a million 6 and change. That's, as Mr. Collins referred to, our nickel. That would be outside of the budget, funds committed by Rio Nuevo in order to make this site ready for the Caterpillar construction. And Phil, is that one GMP?

MR. COLLINS: Well --

CHAIRMAN MCCUSKER: He's coming up.

MR. COLLINS: Oh.

CHAIRMAN MCCUSKER: We'll let you sit down for a minute.

MR. SWAIM: Chairman McCusker, members of the board. Bill Swaim.

That is actually two separate GMPs.

CHAIRMAN MCCUSKER: Our last tab and --

MR. COLLINS: Yes, it is.

MR. SWAIM: That is correct. We have GMP #1 and GMP #1a, and 1 includes the -- just to
make sure I've got them organized correctly. GMP #1

is the Rio Nuevo obligations of the sewer relocation
and the landfill remediation, which is 4.8 --
roughly 4.9 million, and GMP --

CHAIRMAN MCCUSKER: That's GMP #1.

MR. SWAIM: That's correct. Yes. And

GMP #1a is the initial mass grading of the project,
which is a million, 645- that's coming out of the
construction budget --

CHAIRMAN MCCUSKER: We saw that now in the
Caterpillar budget.

MR. SWAIM: That's correct. That's correct.

CHAIRMAN MCCUSKER: All right. So you would
need us to -- we've authorized these, we just never
issued the notice.

MR. SWAIM: Correct.

CHAIRMAN MCCUSKER: So in order for Sundt to
proceed today, we would issue the Notice to Proceed on
GMP #1 and GMP #1a.

MR. COLLINS: Yes. I'm going to suggest to

you that you make two motions.

CHAIRMAN MCCUSKER: 1 and 1a?

MR. COLLINS: Administrative and site

mobilization. Okay?

CHAIRMAN MCCUSKER: In both GMPs or in --
MR. COLLINS: You can do -- we can make four motions if you like. Let me suggest now motion to issue a Notice to Proceed for the administrative aspects of GMP #1 and 1a. That would be a motion.

MR. SHEAFE: All right. Well, let's make that motion.

MR. IRVIN: I'll second that.

CHAIRMAN MCCUSKER: Okay. So this is where you got into the breakup conversation. So we have a motion and a second.

MR. IRVIN: Now we get to discuss what's the cost.

CHAIRMAN MCCUSKER: And so exactly what is included in those two items?

MR. COLLINS: There is -- I can't tell you exactly. The guesstimate from smart guys like Phil and the folks at Sundt is that the administrative part is virtually no money. They've already got the money in the preconstruction contract. They can take it from that and reimburse themselves.

So you're really not spending any money out of that motion.

CHAIRMAN MCCUSKER: Okay.

MR. COLLINS: When you do the site mobilization, that's when you start putting up fences,
putting trailers on the site, and all of that. And that goes over a period of time. And the best estimate that I believe we've been able to get is, by the end of next week, we're probably not -- we're not north of 100 grand.

CHAIRMAN MCCUSKER: Do we have to come back then and issue Notice to Proceeds on the GMPs, or can we do all this today? This is kind of a scorched-earth conversation we're having. There's a big hurricane in Peoria, and it wipes out Caterpillar, and there's nobody left to design the lease, and we've committed to these construction projects, and there's no longer a tenant. We want to cancel everything.

MR. COLLINS: You bet.

CHAIRMAN MCCUSKER: So we're exposed to a few hundred thousand dollars.

MR. COLLINS: Correct.

CHAIRMAN MCCUSKER: These are -- these are construction contracts that can be terminated?

MR. COLLINS: They are.

CHAIRMAN MCCUSKER: With how much notice?

MR. COLLINS: My recollection of the preconstruction contract with Sundt is it's less than 30 days' notice.

CHAIRMAN MCCUSKER: Okay. So at any point,
if Caterpillar, for whatever reason, doesn't -- we
don't execute the lease, we can stop anything we put
in motion today, and we have some small amount of
exposure.

MR. COLLINS: Correct.

MR. HILL: Let's go to motions.

CHAIRMAN MCCUSKER: Yes, sir. Let's vote.

Anybody have another question?

Jannie, are you good?

MS. COX: No, I'm good.

CHAIRMAN MCCUSKER: All right. Danny?

MR. MEYERS: Edmund Marquez?

MR. MARQUEZ: Aye.

MR. MEYERS: Chris Sheafe?

MR. SHEAFE: Aye.

MR. MEYERS: Mark Irvin?

MR. IRVIN: Aye.

MR. MEYERS: Jeff Hill?

MR. HILL: Aye.

MR. MEYERS: Jannie Cox?

MS. COX: Aye.

MR. MEYERS: Fletcher McCusker:

CHAIRMAN MCCUSKER: Aye.

So by 6-0, that motion also carries.

I believe that we just did the
administrative portion. Now we need a motion to authorize the GMPs themselves.

MR. COLLINS: The site mobilization.

CHAIRMAN MCCUSKER: You want to do that in two, 1 and 1a, or you want to do -- Mr. Marquez?

MR. MARQUEZ: So for clarity, 1 and 1a is approximately $6.5 million. Site mobilization is simply, again, a small portion of it?

MR. COLLINS: Correct.

MR. MARQUEZ: So what would be the estimated dollar amount of the site mobilization?

MR. SWAIM: Mr. Chairman, Mr. Marquez, over the next week, they will spend approximately $50,000 to set the fence, put in temporary power, set the trailer on site, and get their basic contracts going, and they're planning on starting this Friday if we give them that site mobilization GMP today.

MR. SHEAFE: I think it's important to put this in the perspective that counsel recommended to us that we not make these moves until we have a signed lease. Now counsel is saying, and because there's been so much progress made in the last week, that we have enough evidence on the ground that we have every good confidence that we will get the lease signed.

So what's the other driving influence?
That's what we need to meet the March of '19 -- the final date, and we're right up against the days that we've got to move forward. So it's to our benefit and to Caterpillar's benefits and the City's benefit if we move forward now and get things started for a modest amount of risk. That's what we're trying to accomplish.

CHAIRMAN MCCUSKER: So do you need one or two motions?

MR. COLLINS: One.

CHAIRMAN MCCUSKER: So issue the notice of proceeding on GMP 1 and 1a.

MR. COLLINS: For site mobilization.

CHAIRMAN MCCUSKER: We did that. That was the last motion.

MR. SHEAFE: That was administrative. Now we're doing mobilization.

CHAIRMAN MCCUSKER: Clarify your motion.

MR. COLLINS: Okay. You could do a motion authorizing the issuance, immediate issuance, of site mobilization Notice to Proceed on both GMP #1 and GMP #1a.

MR. SHEAFE: So moved.

MR. MARQUEZ: Second.

CHAIRMAN MCCUSKER: All in favor, say aye.
(Board responds aye.)

CHAIRMAN MCCUSKER: All opposed, say nay.

(No response.)

CHAIRMAN MCCUSKER: Okay. That motion carries.

Now, we haven't done anything on the GMPs. Is that correct?

MR. COLLINS: You approved the GMPs at the last meeting.

CHAIRMAN MCCUSKER: Okay. But didn't we just issue a limited notice of proceeding?

MR. COLLINS: You did.

CHAIRMAN MCCUSKER: Do I have to issue a big notice of proceeding?

MR. COLLINS: Let's talk about how we can do that.

You could do yet a third motion and authorize the executive officers to issue the full-blown no-holds-barred -- do GMP and GMP #1a when --

MR. IRVIN: When the lease is signed.

MR. COLLINS: -- yeah, when the lease is signed. You could do that.

CHAIRMAN MCCUSKER: The executive officers don't issue those. It's the board that issues those.
So we could issue Notice to Proceed subject to the lease being signed. Yes?

MR. COLLINS: Yes. You could do that.

CHAIRMAN MCCUSKER: Mr. Marquez?

MR. MARQUEZ: What's the chance the lease is signed by the next week's board meeting?

MR. COLLINS: I think the chances are good. I don't have a crystal ball, Mr. Marquez, but I got to tell you, I've got a -- the working relationship that I'm experiencing with Caterpillar now -- I think the chances are great.

CHAIRMAN MCCUSKER: It's Big Cat that's going to be an issue. And we've seen situations before where we needed the CFO of Caterpillar to sign.

MR. COLLINS: Correct.

CHAIRMAN MCCUSKER: And he's in London.

MR. COLLINS: Yes.

CHAIRMAN MCCUSKER: And he's going from London to Chile, and after Chile, he's going to Brazil, and then when he gets back here -- I mean, those are the kind of things that we -- so, you know, I'd just as soon issue the Notice to Proceed subject to the lease being signed. Then we don't have to do anything else, do we?

MR. COLLINS: You could do --
CHAIRMAN MCCUSKER: These two notices will have been issued, so --

MR. COLLINS: They're going out today.

CHAIRMAN MCCUSKER: That's just on the administrative and --

MR. COLLINS: Site mobilization.

CHAIRMAN MCCUSKER: But we can issue the --

MR. COLLINS: Authorize the issuance --

CHAIRMAN MCCUSKER: Authorize the issuance of Notice to Proceed subject to the lease being signed.

MR. COLLINS: Correct. Go ahead.

MR. SWAIM: Mr. Chairman, I'd like to be able to add to that to respond to Mr. Sheafe's concern about the Hillsboro schedule. Originally, we anticipated getting Notice to Proceed two weeks ago. What they've done is they've adjusted their construction schedule by starting on the 26th of June, and that will now have them completed.

CHAIRMAN MCCUSKER: Completing construction by January -- basically, the first week in January of '19, which still gets them to move into the building by March 1st.

So today's Notice to Proceed for administrative and site mobilization allows them to
get going to be able to -- and still stay on
schedule. If we don't give them the Notice to
Proceed by next Tuesday or so for the overall of
GMPs, that will not allow them to start construction
on the 26th, and then things will start to slip.
So I would just caution, do we need to
actually see the signature on the lease, or is it
something where we say, we've agreed to everything,
and now we're just waiting for the final signatures
to be able to have that comfort level to provide the
Notice to Proceed on these two GMPs?
MR. IRVIN: I think we need to have a
signature.
MR. MARQUEZ: I agree.
CHAIRMAN MCCUSKER: I tend to agree. That's
why I was trying to advance a motion that's automatic,
that we authorize the issuance of the Notice to
Proceed on GMP 1 and 1a today coincidental to the
signing of the lease.
MR. COLLINS: We can do that. I --
Mr. Chairman, Mr. Swaim makes a great point, and it's
a thing that happens on Caterpillar's side of the
deal --
CHAIRMAN MCCUSKER: We'll know by next
Tuesday.
MR. COLLINS: Yeah, you'll know by next Tuesday.

CHAIRMAN MCCUSKER: So like you said, we'll agendize, and hopefully we won't have anything to talk about.

MR. COLLINS: Okay.

CHAIRMAN MCCUSKER: So somebody would need to make that motion. Are we --

MR. SHEAFE: No, we need to get a motion made.

MR. IRVIN: I like that motion.

MR. MARQUEZ: Can you state it for me, please?

MR. COLLINS: Well, you could move that the Notice to Proceed on the overall completion of GMP #1 and 1a shall be issued upon the execution of the lease that we've been discussing today.

MR. MARQUEZ: So moved.

MR. HILL: Looks like we have a motion on the table.

CHAIRMAN MCCUSKER: No, I don't think so.

MR. HILL: Mark made a motion, I thought.

MR. COLLINS: Did you?

MR. IRVIN: I was fine with your motion, but -- it's been restated and Edmund's fine, so maybe
that's a second.

MR. MARQUEZ: I'm fine with seconding.

CHAIRMAN MCCUSKER: If you have a motion, you should withdraw it.

MR. IRVIN: I'll withdraw it.

MR. MARQUEZ: Okay. So moved.

CHAIRMAN MCCUSKER: And now Mr. Collins --

MR. IRVIN: I'm happy to second yours.

MR. MARQUEZ: Thank you. This one makes sense.

CHAIRMAN MCCUSKER: In motion purgatory, you just --

MR. COLLINS: In motion purgatory, I just moved up a notch. Thank God we didn't adopt Roberts Rules of Order.

CHAIRMAN MCCUSKER: Dan, call the roll.

MR. MEYERS: Edmund Marquez?

MR. MARQUEZ: Aye.

MR. MEYERS: Chris Sheafe?

MR. SHEAFE: Aye.

MR. MEYERS: Mark Irvin?

MR. IRVIN: Aye.

MR. MEYERS: Jeff Hill?

MR. HILL: Aye.

MR. MEYERS: Jannie Cox?
MS. COX: Aye.

MR. MEYERS: Fletcher McCusker?

CHAIRMAN MCCUSKER: Aye.

By unanimous consent of 6-0, we're authorizing GMPs #1 and #1a subject to the Caterpillar Rio Nuevo lease being signed.

I would entertain a motion to adjourn.

MR. IRVIN: So moved.

MR. HILL: Second.

CHAIRMAN MCCUSKER: All in favor say aye.

(Board responds aye.)

CHAIRMAN MCCUSKER: See you in a week. Nice job.

MS. COX: Thank you and good night.

CHAIRMAN MCCUSKER: Thank you and good night.

(Proceedings concluded at 3:05 p.m.)

* * * *
CERTIFIED REPORTER'S CERTIFICATE

BE IT KNOWN that I took the foregoing proceedings in shorthand; that I was then and there a Registered Diplomate Reporter ad Certified Realtime Reporter; that said proceedings were reduced to writing by me.

I DO FURTHER CERTIFY that these proceedings were taken at the time and place herein set forth and was thereafter reduced to typewritten form, and the foregoing constitutes a true and correct transcript; that I am not a relative or attorney of any party, or financially or otherwise interested in the action.

WITNESS MY HAND this 26th day of June, 2017.

_________________________________________
Michelle Kirkpatrick, RDR, CRR, CRC, FCRR
Registered Diplomate Reporter
Certified Realtime Reporter