

**MINUTES OF A MEETING OF
THE BOARD OF DIRECTORS
OF AUSTIN CONVENTION ENTERPRISES, INC.**

April 13, 2020

A regular meeting of the Board of Directors of Austin Convention Enterprises, Inc. (the "Corporation") was held by video-conference on April 13, 2020, at 5:00 p.m. This meeting was open to the public. Notice of the meeting was given in accordance with Chapter 551, Texas Government Code, as amended and the March 17, 2020 directive by the Governor of Texas suspending certain open meeting laws.

1. Agenda item 1 was considered: Call to Order; determination of quorum.

Phillip Schmandt called the roll of duly constituted members of the Board of Directors (the "Board"), who are as follows: Phillip Schmandt, Jolsna Thomas and Sherri Greenberg. All were present thus constituting a quorum of the Board. Noting that a quorum was present, Mr. Schmandt called the meeting to order at 5:00 p.m. Also on the video-conference were David Dawson and Jeff Nydegger of Winstead PC, general counsel to the Corporation, John Roberts, Advisor to the Board, Chad Sorensen and Joe DeFrank of CHMWarnick ("CHMW"), operations monitor, and Joe Bolash, General Manager, and Raj Patel, Director of Finance, of the Hilton Austin (the "Hotel").

2. Agenda item 2 was considered: Approve minutes for the April 7, 2020 Corporation Board meeting.

Ms. Thomas moved to approve the minutes. Ms. Greenberg seconded the motion, and the motion was approved unanimously.

3. Agenda item 3 was considered: Receive information from Joe Bolash, General Manager of the Hotel, and Chad Sorensen and Joe DeFrank, CHMWarnick, Operations Monitor for the Corporation, on updated current and projected operating performance of, and cash flow from, the Hotel. Receive recommendations from Mr. Bolash, Mr. Sorensen and Mr. DeFrank on the decision to continue to operate the Hotel at low occupancy or enter into a temporary suspension of operations. Consider possible action related to same.

Mr. Bolash began the discussion noting average occupancy is down from recent projections due to reduced airline flights, very limited transient demand and no group business. Occupancy is now less than 5%. Mr. Bolash noted that interest from groups for the third and fourth quarters of the year look good, but there is little activity expected for the second quarter.

Mr. DeFrank then reviewed a presentation showing summary hotel operating performance data for March and updated projections for the second quarter assuming both a temporary suspension of operations (TSO) as well as ongoing low occupancy operations, noting the difference in cash flow between the two options is approximately \$400,000 for the quarter, with the low occupancy scenario having greater cash flow deficits. This variance is less than previously projected due to

additional cuts in management staff and assumed relief from Hilton fees currently being negotiated.

Mr. DeFrank noted that recent industry analysis indicates it will be 2024 before US hotel markets get back to pre COVID normal operations. He also noted that the South by Southwest cancellation cost the Austin market \$65 million in revenues.

Mssrs. DeFrank and Sorensen then reviewed pros and cons to the options of continuing operation of the Hotel at low occupancy versus implementing a temporary suspension of operations (TSO) of the Hotel.

Pros to remaining open:

- Retain more key employees
- Speed to respond to market opportunities when they arise
- Being available as a resource to the community, including the residential owners in the building
- Avoid unknown risks by closing down operations

Cons to remaining open:

- Higher cash deficit
- Easier to sanitize when in TSO

Mr. Sorensen also reiterated he is in negotiations with Hilton for relief from management and other fees charged to the Hotel and expects to have a recommendation to the Board regarding such negotiations, including an analysis of financial impact, within a week. The Board concluded it will schedule a special meeting to consider such recommendations and make a decision on the question of whether to continue hotel operations or implement a TSO.

Mr. Schmandt announced that agenda items 3, 4 and 5 would be discussed in executive session.

At 5:38 p.m., Mr. Schmandt, citing Section 551.071 of the Texas Government Code, called the Board into executive session to receive advice from counsel with regard to agenda items 3, 4 and 5. He then recited those items from the agenda and the Board entered into executive session.

At 6:06 p.m. the Board ended the executive session and returned to the regular session.


4. Agenda item 4 was considered: Receive information regarding the Hilton proposed draw from the Operating Reserve of \$2.7 million for the period April through June, 2020. Consider possible action related to same.

Mr. Schmandt moved to approve the \$2.7 million draw proposed by Hilton. Ms. Greenberg seconded the motion and the motion was unanimously approved.

Noting that there were no other matters to discuss, and there being no further business to come before the Board, Mr. Schmandt adjourned the meeting.

THE MEETING ADJOURNED AT 6:07 P.M.

APPROVED:



Jolisa Thomas, Secretary

Date: 5/28/2020