

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

June 5, 2020

A regular meeting of the Board of Directors of Austin Convention Enterprises, Inc. (the "Corporation") was held by video-conference on June 5, 2020, at 9:00 a.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 9:05 a.m. Also on the video-conference were David Dawson of Winstead PC, general counsel to the Corporation, John Roberts, Advisor to the Board, Chad Sorensen and Joe DeFrank of CHMWarnick ("CHMW"), operations monitor, Teo Gomez, facilities consultant to the Corporation, Joe Bolash, General Manager, of the Hilton Austin (the "Hotel"), and Bruce Mills, Austin Convention Condominium Association ("ACCA") asset manager.

2. Agenda item 2 was considered: Registered public speaker comments.

Mr. Roberts noted there were no registered speakers.

3. Agenda item 3 was considered: Approve minutes for the May 5, 2020 Corporation Board meeting.

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

4. Agenda item 4 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 and the status of negotiations with Hilton for fee relief with regard to the current management agreement for the Hotel. Consider possible action related to same.

Mr. DeFrank began discussing a presentation created by CHMW noting that nationwide, April was the worst month ever for the hospitality industry, but that weekly room demand has risen slowly every week starting April 18. Hotels in the Austin CBD are ending their suspended operations. Operations at the Hotel improved in May, but Hilton projects a 64% decline in 2020 RevPar from 2019, with recovery projected in 2021 with a 50% increase in RevPar. Nationwide, hotels are not projected to recover to 2019 revenue levels until 2024.

Mr. Bolash indicated recent improvements have been from transient business and Mr. DeFrank did note that group functions are still slow to respond and the projected revenue impact of group cancellations for 2020 is over \$20 million. National CBRE forecasts predict it will be 2024 before the lodging industry gets back to 2019 levels for revenue generation.

Mr. Sorensen and Mr. DeFrank explained that negotiations with Hilton for relief from base management fees charged to the Hotel have been referred to a Hilton corporate committee, along with many other properties managed by Hilton, and that he is still waiting for a response. Due to the large number of properties involved and the substantial furloughs at Hilton corporate offices, Mr. Sorensen was uncertain on the timing of a response from Hilton, but noted he is pressing Hilton for an answer. Mr. Sorensen then explained that CHMW had finalized an agreement with Hilton to reduce the group marketing and sales fees from 1.7% to 1.4% of revenue for the period from March – December 2020 charged to the Hotel, estimating that such reduction would save the Hotel \$700,000 - \$721,000. Mr. Sorensen recommended that the Board approve this negotiated fee savings and authorize CHMW to effectuate the change with Hilton. Mr. Schmandt moved to so approve, Ms. Greenberg seconded the motion, and the motion was unanimously approved.

5. Agenda item 5 was considered: Receive information from David Dawson, counsel to the Corporation, Chad Sorensen and Joe DeFrank regarding the ongoing negotiations to extend and amend the management agreement with Hilton. Consider possible action related to same.

Mr. Dawson noted that he had received a response from Hilton with regard to the term sheet for the extension of the current management agreement, and that he would explain the details to the Board in executive session. The Board agreed to appoint Mr. Schmandt as its representative to work with Mr. Dawson and CHMW to finalize negotiations with Hilton.

6. Agenda item 6 was considered: Receive information from Chad Sorensen, Joe DeFrank, John Roberts, Advisor to the Board, and David Dawson regarding Hotel valuation analysis.

Mr. Dawson recommended he provide details on this item during executive session.

7. Agenda item 13 was considered: Receive information from Bruce Mills regarding ACCA issues including the ongoing review of subterranean voids found around the hotel building site. Consider possible action related to same.

Mr. Mills explained that City engineers had performed radar inspections and core samples of the garage walls on level P5 to help determine the solution for subterranean voids around the building. Mr. Mills further explained that ACCA is to hire new general counsel this coming week and have such counsel interact with the City on agreements to solve the void issues. Mr. Mills also the City will next replace the sidewalks around the building on the south and east side after ACCA removes a granite slab in the area that has shifted/settled. The slab will be replaced by ACCA after the City completes work on the sidewalks.

8. Agenda item 7 was considered: Receive information from John Roberts regarding the 2020 arbitrage report from The Arbitrage Group for the Corporation's Series 2017 Bonds.

Mr. Roberts noted that an arbitrage study is required every year per IRS regulations. The report for 2020 was recently completed, noting that no excess earnings on reserves had been accrued, thus no arbitrage payments required to be made.

9. Agenda item 8 was considered: Approve 2019 Corporation audit report.

Mr. Roberts noted that the 2019 audit of the Corporation had recently been completed and filed with trustee and on EMMA, a national bond issue disclosure site, as required by the bond documents. He further noted that the audit was “clean” with no recommendations from the auditor for changes and no requirements for remedial actions. The auditor also issued a letter noting that the Corporation materially complied with the requirements of the bond documents. Ms. Thomas moved to approve the audit, Ms. Greenberg seconded the motion and the motion passed unanimously.

10. Agenda item 9 was considered: Receive information from John Roberts on a recent claim upon Affiliated FM for Business Interruption losses due to the pandemic.

Mr. Roberts told the Board that a claim had been made on the Corporation property policy under the Business Interruption clause due to the COVID-19 pandemic. He further noted that the insurance industry, including Affiliated FM, has stated that Business Interruption provisions apply to asset damage, not interruption due to a pandemic. The final response to the claim has not yet been received, but Mr. Roberts noted the claim was made to pursue all rights and be able to participate in the event government intervention or class action litigation changed the responses from the industry.

11. Agenda item 10 was considered: Receive information from John Roberts and Teo Gomez on the status of the previously approved capital project to convert 10th and 11th floor Hotel room bathroom tubs to showers.

Mr. Roberts stated that contracts are complete and contractors on site doing demolition and waterproofing work. Further work is delayed due to issues obtaining further permits from the City. Mr. Gomez stated that the permit process had been delayed due to City staff working from homes, but that the process was almost complete, and permits expected in the next few days so that construction could resume. Mr. Roberts noted that no budget issues existed at this time.

12. Agenda item 11 was considered: 11. Receive information from John Roberts and Sherri Greenberg on the status of development of a web site for the Corporation. Consider possible action related to same.

Mr. Roberts noted the work on the website was complete and he and Ms. Greenberg would be reviewing and approving it for launch in the next week. Mr. Roberts also noted that email addresses for the Board members with @austince.org extensions are available and he would work with the Board members to get those activated.

13. Agenda item 12 was considered: Receive information from John Roberts on the 2020 first quarter investment report.

Mr. Roberts noted the Corporation is required to distribute an investment report to the Board quarterly. He further noted that the Corporation has a variety of authorized investment options, but it restricts its investment of the bond reserve accounts to overnight fund type investments that have no par value risk. This is true, Mr. Roberts noted, due to the requirements of the bond documents to replenish required reserves if mark-to-market calculations would result in par reduction of the reserves.

14. Agenda item 14 was considered: 14. Approve a conflict of interest policy for the Corporation.

Mr. Dawson reviewed a proposed conflict of interest policy with the Board. Mr. Schmandt moved to approve the policy, Ms. Greenberg seconded the motion, and the motion passed unanimously. Mr. Dawson noted that the Corporation is not required to add document destruction or whistleblower policies.

Mr. Dawson then confirmed that each Board member would need to certify to compliance with the policy on an annual basis. Mr. Dawson also asked Ms. Greenberg and Mr. Schmandt to provide their certificate of completion of open meetings training as required by the State. They both stated they had completed such training and would provide the proof of completion. Mr. Dawson noted Ms. Thomas had already provided proof of completion.

At 10:10 a.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 5, 6, 13, 15, 16 and 17. Mr. Schmandt moved to convene in executive session, Ms. Thomas seconded the motion and the motion passed unanimously with Board moving to executive session.

At 11:22 a.m. the Board ended the executive session and returned to the regular session.

15. Agenda item 15 was considered: Consider an amendment to the Corporation's bylaws authorizing the Board to hire and fire a full or part time Chief Executive Officer or President, who would be an employee of the Corporation and entitled to compensation. Consider possible action related to same.

Mr. Schmandt moved to approve the amended Corporation by-laws drafted by Mr. Dawson and present them to the Austin City Council, along with a summary of recent Corporation activities, for approval. Ms. Greenberg seconded the motion, and the motion was unanimously approved.

16. Agenda item 16 was considered: Authorize the President, Phillip Schmandt, to select and retain counsel to advise the board on labor and employment law matters

Mr. Schmandt moved to approve authorizing Mr. Schmandt to engage Korshak, Kracoff, Kong & Sugano L.L.P. to advise the Corporation on labor matters, including those related to the Hilton management agreement, with a limit on cost of \$25,000. Ms. Greenberg seconded the motion. Mr. Schmandt and Ms. Greenberg voted in favor of the motion, Ms. Thomas voted against the motion, and the motion was approved with a 2-1 majority.

Noting that there were no other matters to discuss, and there being no further business to come before the Board, Ms. Thomas moved to adjourn the meeting. Ms. Greenberg approved the motion.

THE MEETING ADJOURNED AT 11:02 A.M.

APPROVED:



Jolsna Thomas, Secretary

Date: 6/11/2020