

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

July 10, 2020

A regular meeting of the Board of Directors of Austin Convention Enterprises, Inc. (the "Corporation") was held by video-conference on July 10, 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 9:03 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, and Joe Bolash, General Manager, of the Hilton Austin (the "Hotel").

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 June 11, 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 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. Bolash started the conversation noting June occupancy had good improvement due to increased transient activity on the weekends. Then, new restrictions were put in place due to COVID-19 concerns and activity at the Hotel waned. The July 4 holiday weekend was particularly disappointing with 12-14% occupancy. Mr. Bolash also noted that the City of Austin has announced the repurposing of the convention center as a COVID hospital optional site. Mr. Bolash told the Board that the next few weeks will be critical in determining the outlook for the rest of 2020.

Mr. DeFrank began discussing a presentation created by CHMW noting that nationwide, the industry improved but was still performing poorly overall, and noted that the convention center closure will be particularly problematic for the Austin CBD hotels. He also noted that to-date cancellations for the Hotel equate to \$24.4 million of revenue impact. Ms. Greenberg asked Mr. DeFrank about other vacation-oriented markets in the country. Mr. DeFrank noted there are pockets of drive-to markets doing very well, but he noted Florida has closed many beaches and most markets are struggling. The Austin market is performing less well than the national average. Ms. Greenberg confirmed that the conversion of the convention center has begun, and the City has notified convention center clients that the facility will be unavailable for use through October 22. Mr. Bolash stated the notification has set off a new round of cancellations by Hotel groups for the 3rd and 4th quarters.

Mr. Sorensen then noted he had received a memo from Hilton the night before regarding fee relief and needed additional time to review it.

5. Agenda item 5 was considered: Receive a presentation from David Dawson of Winstead PC, general counsel to the Corporation, regarding the Corporation's disclosure obligations promulgated by the Securities and Exchange Commission and Municipal Securities Rulemaking Board.

Mr. Dawson noted that he had provided a presentation to the Board regarding Corporation's requirements for continuing disclosure related to the 2017 Series A and B Bonds, as mandated by SEC rules. He reviewed the document with the Board. Ms. Greenberg asked if any additional steps needed to be taken by Corporation. Mr. Dawson said no, and that the Corporation was currently meeting all requirements for disclosure.

6. Agenda item 6 was considered: Receive information from John Roberts, Advisor to the Board, on July 1, 2020 debt payments.

Mr. Roberts explained that the July 1, 2020 debt service payments were made, and that funds were drawn from the Excess Revenues Fund to make the B Bond payment in an amount just slightly below that shown in the projections provided to bondholders in April. Mr. Roberts further noted that disclosure was made regarding that draw from the Excess Revenues Fund.

7. Agenda item 7 was considered: Receive information from 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. Sorensen explained that he conducted a negotiation with Hilton corporate representatives on June 8th in continuance of the negotiation of the proposal to modify and extend the management agreement with Hilton. Mr. Sorensen noted that he is waiting on a response to that discussion from Hilton, but that due to staffing cuts at Hilton, the response has been delayed. Mr. Sorensen further noted that he had received a response from Hilton the evening before the Board meeting and needed time to evaluate the information. Mr. Sorensen and Mr. Dawson will review the information and determine how best to move forward with the negotiations.

8. Agenda item 8 was considered: Receive information from Chad Sorensen on the previously approved engagement of CHMWarnick to provide a certification report

pursuant to Section 7.24(a) of the Amended and Restated Indenture of Trust dated May 1, 2017. Consider possible action related to same.

Mr. Sorensen noted that a certification process had previously started to analyze the removal of union restrictive language from the management agreement, but that process had been previously put on hold. Mr. Sorensen then noted he needed to generate a new scope of work to review and provide a certification to the new negotiated management agreement modification/extension currently being discussed with Hilton. Mr. Sorensen noted that the data from the previous review will be pertinent to the new review and will be utilized for the new certification review. Once the scope is defined, Mr. Sorensen said he could present the Board with both the scope and a fee schedule for consideration. Mr. Schmandt asked the timing for that scope/fee summary. Mr. Sorensen said he would need a week, and Mr. Schmandt asked Mr. Roberts to coordinate with the Board members to schedule a meeting at the end of the following week to consider the proposal from Mr. Sorensen. Mr. Sorensen then noted that it would take approximately 60 days to generate the report on certification, once the scope of work is agreed to.

9. Agenda item 9 was considered: Receive information from Chad Sorensen, Joe DeFrank and David Dawson regarding Hotel valuation analysis. Consider possible action related to same.

Mr. Dawson noted he would discuss this topic in executive session.

10. Agenda item 10 was considered: Receive information from John Roberts regarding 2020 cash flow projections for the Corporation administrative account. Consider possible action related to same, including amending the 2020 administrative budget for Corporation.

Mr. Roberts reviewed a schedule of cash sources and uses for the Corporation administrative account noting that based on the current known expenditures of the Corporation, the administrative account has sufficient funds through year end. Mr. Roberts further noted that the projections did not include additional expenses being discussed by the Board. After inquiry by Mr. Schmandt, Mr. Roberts noted that the administrative budget could be amended to add additional costs and increase the funding from the Trustee. Ms. Thomas asked about the source of such additional funds and Mr. Dawson noted they would come from Operating Reserves or the Excess Revenues Fund since the Hotel is not currently generating positive cash flow. Mr. Roberts recommended evaluating the need for a modified budget at the August Board meeting.

11. Agenda item 11 was considered: Receive information from John Roberts regarding the claim for business interruption insurance due to the COVID pandemic, as well as new coverage opportunities for pandemic loss policies. Consider possible action related to same.

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. He further noted, however, that the Affiliated FM policy includes a sublimit of up to \$200,000 for loss of income and increased

expenses due to contagious disease. Mr. Roberts noted he was working with Hotel management to provide information required by Affiliated FM for the claim. Mr. Roberts further noted a lack of optimism at the eventual success of the claim, but diligent efforts will be pursued.

12. Agenda item 12 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 noted the project was progressing well with an anticipated completion the first week of August at or below budget.

13. Agenda item 13 was considered: Receive information from John Roberts on the status of development of a web site for the Corporation. Consider possible action related to same.

Mr. Roberts noted the website is fully functional and reviewed the various pages on the site with the Board.

14. Agenda item 14 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 was not in attendance at the meeting, so no report was made.

15. Agenda item 15 was considered: Receive information from David Dawson and Phillip Schmandt as to the status of City Council approval to the proposed amended Corporation bylaws approved at the June 5, 2020 Board meeting.

Mr. Schmandt noted that Lee Crawford informed him that the bylaws amendment would be on the agenda for the City Council meeting on July 30th. Mr. Schmandt asked to have a discussion of the hiring of an Executive Director be included on the August Corporation Board meeting.

16. Agenda item 16 was considered: Receive information from Phillip Schmandt regarding the status of advice from Labor Counsel regarding labor and employment law matters. Consider possible action related to same.

Mr. Dawson noted that this topic would be discussed in executive session.

17. Agenda item 17 was considered: Receive information from David Dawson regarding the status of the application for receivership of ACCA and consider possible actions related to same.

Mr. Dawson noted this topic would be discussed in executive session.

At 10:21 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, 9, 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.

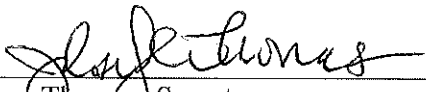
At 10:57 a.m. the Board ended the executive session and returned to the regular session.

Mr. Schmandt moved to, subject to any requirement to amend the Corporation 2020 budget, increase the budget for labor counsel by \$25,000. Ms. Thomas seconded the motion and the motion passed unanimously.

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

THE MEETING ADJOURNED AT 10:59 A.M.

APPROVED:



Jolsna Thomas, Secretary

Date: 7/17/2020