

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

December 18, 2020

A regular meeting of the Board of Directors of Austin Convention Enterprises, Inc. (the “Corporation”) was held by video conference on December 18, 2020, at 11:00 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. Mr. Schmandt and Ms. Thomas were present thus constituting a quorum of the Board. Noting that a quorum was present, Mr. Schmandt called the meeting to order at 11:01 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, Bruce Mills, asset manager to Austin Convention Condominium Association (“ACCA”) and Joe Bolash, General Manager, of the Hilton Austin (the “Hotel”).

Ms. Greenberg joined the meeting at 11:04 a.m.

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 November 30, 2020 Corporation Board meeting.

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

4. Agenda item 4 was considered: Receive information from Joe Bolash, General Manager of the Hilton Austin Hotel (the “Hotel”), and Chad Sorensen and Joe DeFrank of CHMWarnick, Operations Monitor for the Corporation, on operating performance of, and cash flow from, the Hotel for 2020.

Mr. DeFrank presented a slide deck on current national, Austin and Hotel specific performance. He noted that Austin hotel RevPar performance for October 2021 compared to 2020 is down 68% vs a national average of 49%. Nation group room night demand shows a low in April 2020 with a long, slow recovery through October. Projections indicate RevPar will not recover nationally to 2019 levels until 2024. November occupancy at the Hotel lagged to 14% and the Hotel ADR was \$113. December forecast at the Hotel is to further decline to 14% occupancy and \$100 ADR.

5. Agenda item 5 was considered: Receive report from Joe DeFrank on the proposed 2021 Hotel operating and capital budgets including discussion of Hilton Group and Marketing Fees as well as 2021 staffing plans. Consider approval of such 2021 budgets.

Mr. DeFrank reviewed a summary of the proposed 2021 Operating Budget for the Hotel noting average occupancy at 48%, a 32% increase in RevPar from 2020, a 12% increase in revenue from 2020 and a 130% increase in EBITDA from 2020. Mr. DeFrank and Ms. Thomas then explained that they reviewed the budget together in detail prior to the board meeting. Ms. Thomas explained that she believed the budget to be conservative, as she had requested of Hilton and CHMWarnick, and moved to approve the budget as proposed. Mr. Schmandt seconded the motion and the motion was unanimously approved.

Mr. DeFrank then reviewed the proposed capital expenditure budget for 2021, noting that the emphasis for 2021 would be life safety, with a budget total of \$1.4 million. Ms. Thomas moved to approve the proposed 2021 capital budget. Ms. Greenberg seconded the motion and the motion was unanimously approved.

6. Agenda item 6 was considered: Receive information from John Roberts, Advisor to the Board, on projected usage of Corporation reserves. Consider possible action related to same.

Mr. Roberts reviewed projected cash flow from the Hotel through 2021 and the resulting affects on Corporation reserve levels. Mr. Roberts noted this projection was an update to ones provided at recent Board meetings. Mr. Roberts concluded that reserves are sufficient to fund January 2021, July 2021 and January 2022 debt service payments and any cash shortages at the Hotel. Mr. Roberts further noted that reserve balances after the January 2022 debt payment would be \$11.4 million in the first-tier debt service reserve and \$927,000 in the renewal and replacement reserve. All other reserves would be depleted.

7. Agenda item 7 was considered: Receive report from John Roberts on the proposed 2021 Austin Convention Condominium Association (“ACCA”) proposed operating and capital budgets.

Mr. Roberts indicated that the Corporation is not asked to approve the ACCA budget, but he reviewed a summary of the budget with them as the ACCA budget makes up a material component of the Corporation administrative budget in the form of dues paid to ACCA. Mr. Roberts noted there are three components to ACCA’s budget; (i) shared costs of general common element maintenance, (ii) ACCA administrative costs and (iii) capital reserve funding. The conclusion to the review is that total 2021 dues to ACCA from the Corporation total \$443,724.

8. Agenda item 8 was considered: Receive report from John Roberts on the proposed 2021 Corporation administrative expense budget. Consider approval of such budget.

Mr. Roberts reviewed the proposed budget with the Board, noting that he and Ms. Thomas had reviewed the budget in detail prior to the Board meeting. The proposed budget included a modification to legal costs and Ms. Thomas recommended that the new president, when on board, should engage in negotiations with legal counsel to alter the structure of general counsel fees to a fixed fee basis. Ms. Thomas then moved to approve the proposed 2021 budget. Ms. Greenberg seconded the motion and the motion was unanimously approved.

9. Agenda item 9 was considered: Receive report from David Dawson and Chad Sorensen regarding the status of a final amended and restated management agreement with Hilton Management LLC., including the certification thereof by CHMWarnick.

Mr. Dawson noted that negotiations with Hilton were completed on the 20-year extension of the Hilton management agreement and stated he had distributed a copy of the final document to the Board that morning. Mr. Dawson noted that the agreement provided for a payment from Hilton of \$4.1 million, half to the operating reserve and half to the renewal and replacement reserve. Mr. Dawson then noted that several tasks needed to be completed to formalize the agreement, including the certification from CHMWarnick. Mr. Dawson and Mr. Sorensen stated they expected to have the agreement fully executed and in place within a day or two with no additional charges to the Corporation from CHMWarnick or their legal counsel. Mr. Dawson then noted that no action was required of the Board as they had previously approved the final draft of the agreement and authorized Mr. Schmandt to execute when ready.

10. Agenda item 10 was considered: Consider approval of extension agreements with John Roberts and Melava Consulting.

Mr. Dawson reviewed the proposed contract extension agreements with Melava and Mr. Roberts. Mr. Schmandt moved to approve the agreements. Ms. Greenberg seconded the motion and the motion was unanimously approved.

11. Agenda item 14 was considered: Receive information from David Dawson regarding the need to amend the Series 2017 Bond Indenture of Trust with regard to administrative expenses.

Mr. Dawson stated that a request to bondholders will be necessary to modify the Indenture to include property, liability and business interruption insurance as well as ACE administrative expenses as Operating Expenses as defined by the Indenture. Mr. Dawson stated the original drafting of the Indenture did not contemplate a pandemic scenario of highly reduced revenues. Mr. Schmandt moved to approve the pursuit of the Indenture as described by Mr. Dawson and further moved to authorize Ms. Greenberg to work with Mr. Dawson to review the modification and coordinate communication with the bondholders to achieve approval. Ms. Greenberg seconded the motion and the motion was unanimously approved.

12. Agenda item 11 was considered: Receive information from Bruce Mills, asset manager for ACCA, regarding ACCA issues including the ongoing review of subterranean voids found around the Hotel building site. Consider possible action related to same.

Mr. Mills stated that the ongoing construction to repair voids around the building were progressing well and that the contractor was doing a good job to mitigate disruptions to access to the garage and Hotel. Mr. Mills further stated that the project schedule was doing well and he projected completion as early as April.

13. Agenda items 12 and 13 was considered: 12. Consider actions related to the engagement of a President or Chief Executive Officer for Corporation; and 13. Receive information from David Dawson regarding the status of the application for receivership of ACCA and consider possible actions related to same.

Mr. Schmandt stated items 12 and 13 would be reviewed in executive session.

At 11:42 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 item 13, and Section 551.074 of same code to deliberate regarding item 12, moved to convene in executive session, Ms. Thomas seconded the motion and the motion passed unanimously with the Board moving to executive session.

At 12:31 p.m. the Board ended the executive session and returned to the regular session.

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. Mr. Schmandt declared the meeting adjourned.

THE MEETING ADJOURNED AT 12:31 P.M.

APPROVED:



Jolsna Thomas, Secretary

Date: 1/6/2021