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HARRIS COUNTY – HOUSTON SPORTS AUTHORITY
MINUTES OF THE SPECIAL BOARD OF DIRECTORS MEETING
JULY 22, 2020

STATE OF TEXAS }
HARRIS COUNTY – HOUSTON }
SPORTS AUTHORITY }

A Special Meeting of the Board of Directors (the "Board") of the Harris County – Houston Sports Authority (the "Authority"), a sports and community venue district, was held on Thursday, July 22, 2020, commencing at 8:30 a.m. Written notices of the meeting, including the date, hour, place, agenda, and detailed instructions for connecting to the virtual meeting using Zoom Meetings, were posted in Harris, Fort Bend and Montgomery Counties in accordance with the Texas Open Meetings Act, and an electronic copy of the Agenda was posted on the Authority's website, as well. Due to health and safety concerns related to COVID-19, this meeting was conducted virtually in accordance with the provisions of Section 551.127 of the Texas Government Code that have not been suspended by order of the Governor.

The following Directors participated in the virtual meeting: Chairman J. Kent Friedman, Directors Willie Alexander, Chad Burke, Joseph Callier, Lawrence Catuzzi, Cindy Clifford, Martye Kendrick, Dr. Laura Murillo, Bruce Oakley, and Robert Woods. Director Sprague dialed in to the meeting, but did not cast a vote. Ms. Janis Burke, CEO for the Authority; Mr. Tom Waggoner, Controller for the Authority; Mr. Mark Arnold, Hunton Andrews Kurth LLP, Counsel for the Authority; Mr. Trey Cash and Ms. Tina Peterman, Masterson Advisors LLC, Financial Advisors for the Authority; were also present.

1. <u>Call to order</u>. Recognizing that a quorum was present, Chairman Friedman called the meeting to order at approximately 8:35 a.m.

2. <u>Discussion and possible action on resolution approving resolution to initiate proceedings to authorize the issuance, sale and delivery of bonds by the Authority and the engagement of professionals in connection therewith. The foregoing resolution includes authorization of the engagement of (1) Norton Rose Fulbright US LLP and Hardwick Law Firm, LLC, as Co-Bond Counsel and (2) Orrick, Herrington & Sutcliffe LLP and the Law Office of Wendy Montoya Cloonan PLLC, as Co-Disclosure Counsel. By this engagement, the Authority hereby affirms that (i) such legal services require specialized expertise and experience in municipal finance,</u>

federal tax law and federal and state securities laws and therefore cannot be adequately performed by the attorneys and supporting personnel of the Authority, (ii) such legal services cannot be reasonably obtained from attorneys in private practice under a contract providing for the payment of hourly fees without contingency because the Authority would then be obligated to pay such fees out of its current revenue regardless of whether the bonds contemplated by the transaction are successfully issued, and (iii) entering into a contingent fee contract for legal services is in the best interest of the residents within the boundaries of the Authority because Co-Bond Counsel and Co-Disclosure Counsel will only be paid in the event that the contemplated bond transaction is completed and successfully closes. The foregoing resolution also includes authorization of the engagement of Wells Fargo & Company, Morgan Stanley & Company LLC and Estrada Hinojosa & Co. Inc., as underwriters, and Masterson Advisors LLC, as municipal financial advisor, in connection with such bonds. Chairman Friedman noted the recent series of events that have been cancelled due to the COVID-19 pandemic and the effects on the Authority's revenues. He noted that the Authority is proposing to hire the firms listed above and in the proposed resolution to assist the Authority in making a decision that will be in the best interests of the Authority relating to its bonds. Chairman Friedman stated that these firms are going to be hired on a contingency fee basis which will be paid only if there is a bond issue, and all fees will come out of the bond proceeds. Conversely, he said, if there is not a bond issue, the firms will not be paid. Chairman Friedman said that a new state law requires a public meeting to hire attorneys on a contingency fee basis, and invited Mr. Arnold, the Authority's counsel, to summarize. Mr. Arnold said that the proposed resolution is to hire the firms listed on a contingency fee basis and to authorize the preparation of documents and the investigation into whether or not there will be a refinancing, as required by a new state law enacted in 2019.

Chairman Friedman stated that most of the proposed team is well known to the Authority – Mr. Neil Thomas, Norton Rose Fulbright, has been the Authority's bond counsel from inception of the organization; Mr. Randy Campbell at Wells Fargo was the architect of the Authority's 2014 refinancing while he was at Morgan Stanley, and is lead banker and underwriter on this transaction; Mr. Zach Solomon at Morgan Stanley was part of the 2014 restructuring and will be co-lead going forward; the Authority's financial advisors, Mr. Trey Cash and Ms. Tina Peterman, Masterson Advisors; and Mr. James Hernandez, formerly at Andrews Kurth, worked with the Authority since its inception and is now with Orrick, will be disclosure counsel.

Chairman Friedman said that the Authority made the bond payment in May, and it is anticipated that the November payment will be made as well. He said that even though MVRT & HOT collections are down, there are reserves that can be drawn upon to make the November payment, if necessary. He cautioned that it is not clear what is going to happen with the pandemic as it is clearly lasting longer than anyone anticipated, so plans must be made for the future that will be in the best interests of the Authority.

Chairman Friedman said that the proposed resolution authorizes the Authority to proceed with a bond restructuring if that is determined to be the best course of action. He noted that if it is decided to proceed with a bond restructuring, there will need to be another Special Board Meeting to approve the specific documents. Chairman Friedman then opened the floor to comments and questions from the Board. Director Clifford recused herself from the vote as she represents Orrick in a professional capacity.

Chairman Friedman asked Ms. Burke for total tax collections year-to-date versus this time last year. Ms. Burke said that 2020 year-to-date collections are $22.4 million, as opposed to $28.7 million for the same period in 2019, which is a negative 6.3 percent. Ms. Burke said that the year had started out as being the best on record, the first quarter had a surplus, but then the pandemic hit, events were cancelled or postponed, and the second quarter is down significantly. Mr. Waggoner stated that the second quarter is down by $7,355,795 from the prior year, but factoring in the surplus from the first quarter, collections are down $6,326,966 for the year. He said the 2019 second quarter collections were $15,156,616, and in 2020, they are at $7,821,000, which is a deficit of more than 50 percent year-to-date compared to the same period in 2019. Ms. Burke noted that the numbers are posted on the Authority's website.

Director Oakley asked about potential avenues for additional revenues during the crisis, as well as the contingency fee basis. Ms. Burke said that the Authority had a finance team in place to bring all of the different options for additional revenues to the Board. She explained that this is the finance team that brought the Authority through the 2014 restructuring, and Mr. Cash concurred that the proposed team has the legal and financial experience to lead any restructuring for the Authority. He said that the contingent nature of the fees is typical for bond deals and that had been done in the past, but there had not been a state law that now requires this extra step before entering into the contracts for contingent fee arrangements.

Mr. Arnold further explained that it is traditional in bond transactions for the bond counsel and disclosure counsel for the issuer to be paid on a contingent basis. This resolution also identifies the underwriters. He further explained that the state law is there to basically protect the governmental entity from hiring contingent counsel when they could have the same representation at an hourly basis. He believes the legislation was focused on contingent litigation, but it swept into the bond practice, and the bond practice has an exemption for having the Attorney General approve the hiring by the political subdivision. Mr. Arnold stated that Hunton Andrews Kurth will represent the Authority as issuer's counsel on a discounted hourly basis, and that each of the firms listed in the resolution have proposed a contingent fee based on the same rates afforded to Harris County, which is also a discounted rate. Ms. Burke noted that the Task Force picked the team because all of them understand the Authority's very complex financing structure and have been part of the past restructurings of the Authority; additionally, there is a tight timeline in trying to price and close the bonds prior to the November 15 payment, if possible.

Ms. Burke asked that the resolution that was previously circulated to the Directors and posted on the Authority's website be put up on the screen for this meeting for the Directors and the public to see what was being submitted for approval. Mr. Arnold noted that Director Kendrick had received less than ten percent (10%) of total income from one of the vendors in the resolution and she can still vote on the resolution, but will need to file a 176 Disclosure Statement. Director Clifford will need to file a 176 Disclosure Statement, as well, but has chosen to abstain from the vote. Motion was made by Director Catuzzi, seconded by Director Oakley, and passed unanimously, with the exception of Director Clifford, who abstained.

3. **Chairman Friedman announced that pursuant to provisions of Chapter 551, Texas Government Code, the Board shall deliberate in Executive Session on the following: consultation with attorneys on legal matters, pursuant to Section 551.071; deliberation on real estate matters, pursuant to Section 551.072; and deliberation on personnel matters, pursuant to Section 551.074.** At approximately 9:00 a.m., the Board of Directors recessed into a closed meeting to deliberate on the agenda items.

4. **Reconvene in Public Session and announce any items from Executive Session; discussion and possible action on such items.** Following Executive Session, the Board reconvened in open session at 9:43 a.m.

5. **Adjournment.** There being no further business to come before the Board, and after motion made by Director Callier, and seconded by Director Catuzzi, the meeting was adjourned at approximately 9:45 a.m.

Adopted and approved this 24th day of September, 2020.

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J. Kent Friedman, Chairman of the Board

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Laura Murillo, Secretary