Notes of lawyer meeting 11/11/19. Present in person were Mike Schewel, Suzanne Long, John O'Neill, Leonard Sledge, George Martin, Arthur Anderson, Jennifer Mullen, and on phone, Darren Glymph and Matt Neuringer. Topics discussed were:

1. Validity of bonds – contract TIF – bond lawyers indicated that 15 deals have been done in this form in Virginia. Clearly permitted by Virginia code and Richmond code.
2. Q: Why is title to the Arena in the City?
   A: Title to the Arena is not in the City, it is in the EDA. The title is in the EDA and not the developer in order to protect the EDA in case of a bankruptcy by the tenant, in which case the EDA would have the right to bring in a new operator without being subject to the automatic stay and other bankruptcy delays. [Could EDA have right to reconvey to developer upon payment of the bonds?]
3. Q: Why are the bonds not secured by the Arena?
   A: Because if the Arena secured the bonds, the bonds could not be issued on a tax-exempt basis.
4. Q: What is the rationale for building the Arena?
   A: In addition to the role that the Arena plays in attracting convention hotel, the City made a policy decision that an Arena and the other project improvements would produce an entertainment and convention district that would enhance the growth and prosperity of the City.
5. Q: In what sense are parts of the deal cross-defaulted?
   A: There are no cross-defaults to the Arena Lease, but a default in NHDC's performance under any of the parcel development agreements triggers default under Development Agreement. Default under Development Agreement results in a variety of remedies, including loss of right to purchase other parcels, loss of performance security, and ultimately, reconveyance of the property in question (subject to mortgagee rights).
6. We reviewed the conditions precedent (CPs) to issuance of the bonds in the Development Agreement. We discussed the rights the City has to assure compliance with the Development Agreement at that time the bonds are issued.
7. Q: Construction Contract - will the Developer use a single prime for the Arena or multi-primes?
   A: The Developer has chosen Clark Construction for the Arena, one of the nation's leading construction companies, who, among other projects, just built the new Golden State Warriors arena in San Francisco. The form of construction contract will pass through to Clark all of the lessee's construction obligations under the Arena Lease. All of those obligations will be bonded. No liability flowing to the City simply because City has approval rights. Although no one can prevent the City from being sued, the law in Virginia is clear there is no liability.
8. $8Million of equity will go into the Arena construction financing. That's slim. But Clark will also be guaranteeing completion on terms of contract. [Is that so? Need to confirm as CP to Bond closing.]
9. All bond proceeds funded in bond reserve at Closing, so construction funds will be available in full from Closing, disbursed as construction proceeds.
10. Q: What is the equity buffer for Arena construction?
    A: Contract retainage of 5%, payment of Development Fee on pro rata basis as construction proceeds (Developer's return is really based on successful completion/construction – need to confirm), and the surety bonds. This is market for arena projects.
11. O&M contract for Arena passes through Arena Lease operating obligations to Operator.

12. Q: What if the Arena needs, say, a new scoreboard in 15 years?
    A: If the Arena is making money, then the Operator will presumably want to spend the money to modernize. However, the Operator is not obligated to do that, and non-required improvements of that sort could end up being a negotiation with the EDA.
13. Q: What is the nature and schedule for the Equity Commitments referred to in the CPs?
    A: The Equity Commitments will cover each of the deal components other than the Arena. The first equity portion is $150MM which will be committed at the closing of the CAFÉ block. Need to confirm this at Bond Closing. Are there conditions to the funding of the Equity Commitments? Need to confirm.
14. Q: Are the Equity Commitments tied to the bonds?
    A: No the Equity Commitments are not tied to the bonds, they will likely be pledged in some capacity to repayment of the $290m of debt necessary to finance the development of the CAFÉ block. The commitments are connected to the bonds, though, because if bond investors are not convinced that the money is there to make the development occur, provide required debt coverage ratio (1.5:1) and eventually produce tax revenue to pay back the bonds they will not buy the bonds.
15. Q: Why will Bond Holders be concerned about the viability of the Arena, and the on-time construction of the other parts of the Project?
    A: Because their debt service coverage ratio depends on the generation of the tax revenues from the new construction, admission taxes and sponsorship revenues from the Arena and meal tax revenues. (Confirm: will Bond Holders/Trustee have any sort of enforcement rights in this regard?)
16. Q: What cash flows into the deal at Bond Closing other than the Bond Proceeds?
    A: Only the $15.8MM for the development parcel purchase (and does that go to Bond Fund or straight to City/EDA?). The rest of the equity and debt comes in on the scheduled closing dates in the Development Agreement. A2, A3, F and E have to close within 12 months of Bond Closing (but will equity come in when those parcels close?).
17. Q: How do the growth in admissions taxes flow into the bond repayment?
    A: Growth in volume of admission taxes collected in the TIF flow to debt service; however, growth in admission taxes from increase in tax rate goes to Developer in the form of a grant. Done in that fashion to disincentivize City from raising already high admission taxes and making Arena uncompetitive. Richmond's admissions taxes are some of the highest in the country currently.
18. Q: Will the Project affect amount City receives from State under school funding formula?
    A: Yes, but in the same fashion as any taxable real estate development in the City. City believes the Project will generate more funding for schools over time than the City will lose as a result of the development (relative timing of each?).
19. Q: Why won't the TIF end when the bonds are repaid?
    A: Cooperation Agreement permits City to do that (need to confim).
20. Q: Why doesn't the City sell parcels to private developers without the Project? Why doesn't' the City let the area develop organically?
    A: The City does not have the infrastructure to create developable parcels without the Project. The parcels don't even exist as separate parcels and there is a significant amount of work needed to create a cohesive platform for these parcels to be developed in a way that is

consistent with the City's Master Plan. There is money baked into the Project to pay for this infrastructure and the proposal allows the development to happen quicker.

21. Q: Can VCU develop Parcel D without the project?
    A: No, Parcel D is owned by the City and VCU has no rights to that parcel unless the City agrees to sell it to them, which it won't do without the Project.