

## Rhode Island Convention Center Authority

### REQUEST FOR PROPOSALS SUPPLEMENT FOR A DIRECT PURCHASE BY A FINANCIAL INSTITUTION OF A FEDERALLY TAXABLE BOND ISSUE Questions and Responses

- What are the terms of the lease between the State of RI and RICCA? Can we have a copy of the lease? **A copy of the Lease Agreement is available upon request by email to Eileen Smith at Eileen.Smith@riccauth.com.**
  - Appears the base rent is equal to RICCA's annual debt service? **Basic Rent includes both principal and interest payments.** Additional payment required to cover any deficits of RICCA? **Yes - under the lease there is a provision to cover any deficit.** On what conditions, if any? **For any operating deficit. Also, all lease payments are subject to annual appropriation by the RI General Assembly.**
  - Is the lease assigned to the Trustee for the benefit of the bond owners? **No, but revenues under the lease are assigned to the trustee by the Resolution.**
- It appears there is then a sub-lease? What are the details of this? Can we have a copy? **A copy of the Sub-lease is available upon request by email to Eileen Smith at Eileen.Smith@riccauth.com.**
- While we understand that there is appropriation risk, it would appear there is also a contractual obligation from the State of RI to RICCA. **The State has no contractual obligation to appropriate monies. However, the State has always appropriated for its payments due under the lease.** What recourse does RICCA have if the RI Legislature does not appropriate (if any)? **None**
  - Is the RICCA appropriation a single line item in the RI budget or is it part of a larger appropriation? **Lease payments are part of a larger appropriation.**
- It appears the lease term is open ended (until RICCA's bonds are retired)? Please confirm. **Correct.**
- Are all revenues of RICCA pledged to the Revenue Fund? **Yes, but only revenue of the Rhode Island Convention Center.** Is there a carve-out for the 2006A bonds (and revenues of the Dunkin Donuts Center)? **All Dunkin Donuts Center revenue is pledged to the 2006 A bonds.** Are revenues associated with the Vets pledged to either or both? **No.**
- It appears there is a surety bond from both AMBAC and Assured Guaranty supporting the bonds? **Correct.** It appears there is an AMBAC surety bond for the operating reserve fund? **Correct.** Will the surety bond remain in place following the prospective refunding? **Yes**
- It appears the 2009A bonds are insured by Assured Guaranty? **Correct** Will this insurance policy be terminated with the refunding? **Yes, since the 2009 Bonds will be defeased. However, the Assured Guaranty Policy for the DSR fund will remain in place under the 1991 Resolution and will secure the proposed 2016 Bonds.**

- It appears RICCA is not funding the required operating and renewal and replacement reserve accounts. What are the potential implications of not funding these accounts? Is it an event of default under the resolution? How does this impact the AMBAC surety bond, is there a point where this would be drawn upon? Is there a specific time period to cure?

#### Operating Reserve Fund Requirement

Failure to maintain the Operating Reserve Fund Requirement of six months of Operating and Maintenance Expenses of the Authority for the Convention Center should have no practical effect, and it has not had any practical effect over the years. The Authority does have in place a Surety Bond from Ambac Assurance Corporation in the amount of the lesser of \$3,895,000 or the Operating Reserve Fund Requirement. This Surety would remain in place even after the refunding of the Series 2009 A Bonds. The dollar level requirement may be funded at points in time by a combination of the Surety and Permitted Investments. However, Ambac Assurance Corporation no longer meets the requirement of the Resolution, since it is not rated in the three highest rating categories by S&P and Moody's. This is arguably a technical default, which neither the Trustee nor the bondholders have ever sought to invoke. As long as the Authority has sufficient funds to continue operations, it would make little sense to declare a default based on the foregoing. The Authority has always been able to fund operations. If the Authority sought to draw on the Ambac Surety it would need to reimburse Ambac over twelve months of equal principal plus interest. If a default were ever declared, the Authority would have 90 days to seek to cure by either purchasing a new qualifying Surety Bond and/or increasing the amount of Permitted Investments on hand.

#### Reserve and Replacement Fund Requirement

The Resolution currently has a Reserve and Replacement Fund Requirement for the Convention Center of \$0. However, the Authority has in place an agreement with the State's Department of Administration to fund renovations and repairs to the Convention Center as described under the paragraph entitled "Rhode Island Capital Plan Fund (RICAP)" in Note 5 of the Audited Financial Statements.

- Pension obligation footnote in the audit (Note 6). We'll need an explanation. Potential liability is not quantified? Courts that have examined relationships similar to that between SMG (Management entity of the Rhode Island Convention Center and the Parking Facilities) and the Authority have found that only the party with a contractual obligation to contribute to a multiemployer pension fund, or with an obligation to contribute to the plan under applicable labor-management relations law, can be held liable for withdrawal liability. The Authority is not a signatory nor do they have any contractual obligations to the SMG employees.
- It appears RICCA is in the process of constructing a new parking garage? Please provide details. RICCA currently has authority to issue bonds to finance a new \$45 million parking garage.
  - Confirm that the associated debt will be issued under a separate resolution. **Correct.**
  - What sources of repayment will support this debt? **Garage revenue and annual State appropriation lease, plus potentially a mortgage on the garage.**
- Will RICCA consider financial covenants (ie. minimum public rating covenant, financial ratios)? **Consideration of proposals will not be limited to fee structure, interest rate and cost alone. Other considerations will also be taken into account including credit standing, experience with**

taxable bond financings, bond covenants, security provisions and a demonstrated ability to timely execute the proposal.

- It appears the bond resolution supporting the 2009A, 2013A and 2015A bonds are supported by both the revenues of the Authority and the lease payments from the State? **Correct** Are the 2006A Bonds supported by the revenues of the Authority as well, or just the lease arrangement? **The 2006A Bonds are supported by lease payments from the State and revenue generated from the Dunkin Donuts Center.** If the 2006A bonds are also supported by the revenues, how are they allocated between the bonds? **Only revenue generated from the Dunkin Donuts Center is allocated to the 2006A Bonds.** What would the Bank's voting rights be under the bond resolution? **Bondholder rights are outlined in the General Resolution.**
- Under what circumstances would the Bank benefit from the debt service reserve? Timing, percentage allocation, limitations, etc.? **The DSR is currently funded with surety bonds sufficient to make the maximum annual debt service payment on bonds issued under the Resolution and are available for any non-payment event including the delay in the appropriation of a payment from the State. The trustee has never drawn on the DRF fund.**
- It appears the bond resolution is supported by a mortgage on the Convention Center (only)? Please confirm. **Correct**
- It appears that the Authority cannot create liens superior to those granted to the 2009A, 2013A and 2015A bonds (but that it can issue additional parity debt), please confirm. **Correct**
- What, if any, are the cross default covenants/provisions? **There are no cross default provisions under the 1991 Resolution. All debt under the 1991 Resolution is parity debt. Is it all or nothing, or prorated payments, or at the discretion of the Authority, etc. Prorated - No one bond has priority over another bond.**
- What property is included on the mortgage? **The convention center and parking garages.**
- Do you have a list of the convention center's top 10 users or revenue sources? **A copy of the top 10 users is available upon request by email to Eileen Smith at Eileen.Smith@riccauth.com.**
- Is there an opportunity for our Government Banking to propose any Treasury Management services? **The Authority will likely seek bids in the near future for cash management services.**
- Is this offer an investment or a loan? **Treatment of the bond is up to the purchaser. The Authority and its counsel will make every effort to accommodate the purchaser's treatment of the bond.**
- Will RICCA consider multiple bond purchasers? If a bank bid for \$25MM is this an option or would we have to bid the full \$70.6MM? **Proposals for less than the full \$70.6MM will be considered. Proposals must be for a minimum of \$25 MM.**
- What are consequences of not funding operating reserve and renewal and replacement requirement? **See above response.**
- Who will hold debt service reserve fund? **The debt service reserve is funded with a surety policy issued by Assured Guaranty which is held by the trustee.**
- Will RICCA be fixing Bond interest rate and is a swap permissible? **The request is for a traditional fixed rate bond with no swap.**