

NOT A NEW ISSUE

RATINGS: See "Ratings" herein

**SUPPLEMENT TO THE  
SECONDARY MARKET INFORMATION CIRCULAR**

relating to  
\$70,765,000  
City of Austin, Texas  
Hotel Occupancy Tax Subordinate Lien  
Variable Rate Revenue Refunding Bonds  
Series 2008  
consisting of

Subseries  
\$35,380,000 Subseries A  
\$35,385,000 Subseries B

CUSIP  
052422DU3  
052422DQ2

Letter of Credit Bank  
Citibank, N.A.  
Sumitomo Mitsui Banking Corporation,  
acting through its New York Branch

This Supplement to the Secondary Market Information Circular ("Supplement") has been prepared for use by the Remarketing Agents with respect to the above-referenced bonds (the "Series 2008 Bonds") and supplements the final Official Statement dated August 7, 2008 (the "2008 Official Statement") relating to the Series 2008 Bonds, which were issued on August 14, 2008 and the Secondary Market Information Circular (the "2017 Circular") which was issued on October 4, 2017. The Series 2008 Bonds were issued in two subseries, consisting of Subseries A (the "Subseries 2008A Bonds") and Subseries B (the "Subseries 2008B Bonds"). **THIS SUPPLEMENT AMENDS THE SECONDARY MARKET INFORMATION CIRCULAR DATED OCTOBER 4, 2017, PREPARED IN CONNECTION WITH THE SERIES 2008 BONDS.** All terms not otherwise defined herein have the meanings given such terms in the 2008 Official Statement and the 2017 Circular.

The City of Austin, Texas (the "City") intends to extend the termination of the two separate letters of credit, each constituting both a Credit Facility and a Liquidity Facility, supporting the related subseries of the Series 2008 Bonds, as further described below. Such substitution will take place on October 6, 2020 (the "Tender Date"). The Series 2008 Bonds will be subject to mandatory tender for purchase on the Tender Date.

As it relates to the Subseries A Bonds, the Stated Expiration Date shall be extended to October 8, 2021. Further, the Available Amount for the Subseries A Bonds shall be \$35,845,271 to consist of \$35,380,000 for the payment of the unpaid principal amount and up to \$465,271 is available for the payment of the unpaid interest accrued on, the Subseries A Bonds for forty-eight (48) calendar days, calculated at a rate of ten percent (10%) per annum, based on a year of 365 days.

As it relates to the Subseries B Bonds, the Stated Expiration Date shall be extended to October 7, 2022. Further, the Available Amount for the Subseries B Bonds shall be \$35,850,337 to consist of \$35,385,000 for the payment of the unpaid principal amount and up to \$465,337 is available for the payment of the unpaid interest accrued on, the Subseries B Bonds for forty-eight (48) calendar days, calculated at a rate of ten percent (10%) per annum, based on a year of 365 days.

With respect to the Subseries 2008A Bonds, this Supplement describes amendments to the Reimbursement Agreement dated as of October 1, 2017 (the "Subseries A Reimbursement Agreement"), between the City and Citibank, N.A. ("Citibank") that will be executed and delivered on or before the Tender Date. Citibank will issue an amended letter of credit relating solely to the Subseries 2008A Bonds (the "Subseries A Letter of Credit"), that will be delivered on the Tender Date. With respect to the Subseries 2008B Bonds, this Supplement describes amendments to the Reimbursement Agreement dated as of October 1, 2017 (the "Subseries B Reimbursement Agreement"), between the City and Sumitomo Mitsui Banking Corporation, acting through its New York Branch ("SMBC"), that will be executed and delivered on or before the Tender Date. SMBC will issue an amended letter of credit relating solely to the Subseries 2008B Bonds (the "Subseries B Letter of Credit"), that will be delivered on the Tender Date.

This cover page contains certain information for general reference only. It is not intended to be a summary of this transaction. Investors are advised to read the 2017 Circular in conjunction with the 2008 Official Statement to obtain information essential to making an informed investment decision with respect to the Series 2008 Bonds.

**Raymond James,**  
as Remarketing Agent for the Subseries 2008A  
Bonds

**BofA Merrill Lynch,**  
as Remarketing Agent for the Subseries 2008B  
Bonds

*The date of this Supplement is October 6, 2020.*

**The summary information set forth below applies to the Series 2008 Bonds only during the Weekly Mode.** Such interest rate mode and related information are subject to change. This information is qualified by reference to the 2008 Official Statement, and investors should review such portions of the 2008 Official Statement attached as APPENDIX B to this Information Circular in their entirety before making any investment decisions with respect to the Series 2008 Bonds.

### REGARDING USE OF THIS INFORMATION CIRCULAR

This Information Circular has been prepared with respect to the Series 2008 Bonds only. This Information Circular supersedes the Secondary Market Information Circular dated December 7, 2012, prepared in connection with the Series 2008 Bonds.

This Information Circular does not constitute a reoffering or a solicitation of a reoffering of the Series 2008 Bonds, nor shall there be any such reoffering, in any jurisdiction to any person to whom it is unlawful to do so. No dealer, salesman or any other person has been authorized to give any information other than that contained in this Information Circular or to make any representations and, if given or made, such other information or representations must not be relied upon as having been authorized by the City, the Remarketing Agents, the Banks or any other person.

U.S. Bank National Association, in each of its capacities as Paying Agent/Registrar and Tender Agent, has not participated in the preparation of this Information Circular and assumes no responsibility for its content.

The information contained in Appendix A to this Information Circular pertaining to the Banks has been provided by each of the Banks. Each Remarketing Agent has reviewed the information in this Information Circular in accordance with, and as part of, its respective responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Remarketing Agents do not guarantee the accuracy or completeness of such information.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Information Circular nor any remarketing of the Series 2008 Bonds by a Remarketing Agent shall, under any circumstances, create an implication that there has been no change in the affairs of the City, the Banks or any other person or in the other matters described herein.

Citibank has no responsibility for the form and content of this Information Circular, other than solely with respect to the information describing itself in APPENDIX A hereto under the heading “**CITIBANK**” and has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Information Circular or any information or disclosure contained herein or omitted herefrom, other than solely with respect to the information describing itself in APPENDIX A hereto under the heading “**CITIBANK**.”

SMBC has no responsibility for the form and content of this Information Circular, other than solely with respect to the information describing itself in APPENDIX A hereto under the heading “**SUMITOMO MITSUI BANKING CORPORATION**,” and has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Information Circular or any information or disclosure contained herein or omitted herefrom, other than solely with respect to the information describing itself in APPENDIX A hereto under the heading “**SUMITOMO MITSUI BANKING CORPORATION**.”

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**SECONDARY MARKET INFORMATION CIRCULAR**

relating to

**\$87,820,000**  
**City of Austin, Texas**  
**Hotel Occupancy Tax Subordinate Lien**  
**Variable Rate Revenue Refunding Bonds**  
**Series 2008**

consisting of

<u>Subseries</u>	<u>CUSIP</u>	<u>Letter of Credit Bank</u>
<b>\$43,910,000 Subseries A</b>	<b>052422DU3</b>	<b>Citibank, N.A.</b>
<b>\$43,910,000 Subseries B</b>	<b>052422DQ2</b>	<b>Sumitomo Mitsui Banking Corporation,</b> <b>acting through its New York Branch</b>

*Capitalized terms not otherwise defined herein shall have the meanings set forth in the 2008 Official Statement (as defined below), portions of which are attached to this Information Circular as APPENDIX B. Investors are advised to read this Information Circular in conjunction with such portions of the 2008 Official Statement to obtain information essential to making an informed investment decision with respect to the Series 2008 Bonds.*

**PURPOSE OF THIS INFORMATION CIRCULAR**

This Information Circular has been prepared for use by the Remarketing Agents with respect to the above-referenced bonds (the “Series 2008 Bonds”) and supplements the Official Statement dated August 7, 2008 (the “2008 Official Statement”) relating to the Series 2008 Bonds, which were issued on August 14, 2008. The Series 2008 Bonds were issued in two subseries, consisting of Subseries A (the “Subseries 2008A Bonds”) and Subseries B (the “Subseries 2008B Bonds”).

The Series 2008 Bonds were issued by the City of Austin, Texas (the “City” or the “Issuer”) pursuant to an ordinance of the City adopted July 24, 2008, as amended by an ordinance adopted by the City on June 23, 2011 and by an ordinance adopted by the City on November 21, 2013 (as amended, the “Ordinance”).

The City intends to substitute two separate letters of credit, each constituting both a Credit Facility and a Liquidity Facility, for the existing letter of credit supporting the respective subseries of the Series 2008 Bonds, as further described below. Such substitution will take place on October 12, 2017 (the “Tender Date”). The Series 2008 Bonds will be subject to mandatory tender for purchase on the Tender Date.

With respect to the Subseries 2008A Bonds, this Information Circular describes the Reimbursement Agreement dated as of October 1, 2017 (the “Subseries A Reimbursement Agreement”), between the City and Citibank, N.A. (“Citibank”) that will be executed and delivered on or before the Tender Date. Citibank will issue a letter of credit relating solely to the Subseries 2008A Bonds (the “Subseries A Letter of Credit”), that will be delivered on the Tender Date. With respect to the Subseries 2008B Bonds, this Information Circular describes the Reimbursement Agreement dated as of October 1, 2017 (the “Subseries B Reimbursement Agreement”), between the City and Sumitomo Mitsui Banking Corporation, acting through its New York Branch (“SMBC”), that will be executed and delivered on or before the Tender Date. SMBC will issue a letter of credit relating solely to the Subseries 2008B Bonds (the “Subseries B Letter of Credit”), that will be delivered on the Tender Date.

The Subseries A Reimbursement Agreement and the Subseries B Reimbursement Agreement are individually referred to herein as a “Reimbursement Agreement” and are collectively referred to herein as the “Reimbursement Agreements.” The Subseries A Letter of Credit and the Subseries B Letter of Credit are individually referred to herein as a “Letter of Credit” and are collectively referred to herein as the “Letters of Credit.” Citibank and SMBC are collectively referred to herein as the “Banks.” Each Letter of Credit will be issued in an original stated amount equal to the outstanding principal amount of the related subseries of the Series 2008 Bonds for which it is issued, plus interest accrued thereon for forty-eight (48) calendar days, calculated at a rate of twelve percent (12%) per annum, based on a year of 365 days. Each Letter of Credit is scheduled to terminate on October 9, 2020, unless extended or terminated earlier in accordance

with the terms of the respective Reimbursement Agreement and the respective Letter of Credit. See “**REIMBURSEMENT AGREEMENTS**” herein.

Payment of the scheduled principal of and interest on the Series 2008 Bonds, together with the purchase price of Series 2008 Bonds subject to optional or mandatory tender for purchase which have not been remarketed, will be payable from amounts received under the Subseries A Letter of Credit, solely with respect to the Subseries 2008A Bonds, and from amounts received under the Subseries B Letter of Credit, solely with respect to the Subseries 2008B Bonds. Series 2008 Bonds tendered for purchase will be paid first, from the proceeds of the remarketing thereof, if any, and second, from a liquidity drawing on the respective Letter of Credit. The Banks are liable solely with respect to the scheduled principal and interest and purchase price of the related subseries of the Series 2008 Bonds for which it is obligated and not for any other Series 2008 Bond. The City has no obligation to purchase tendered Series 2008 Bonds. See “**REIMBURSEMENT AGREEMENTS**” herein.

U.S. Bank National Association currently serves as the Paying Agent/Registrar and as the Tender Agent for the Series 2008 Bonds. Raymond James & Associates, Inc. currently serves as the Remarketing Agent for the Subseries 2008A Bonds, and Merrill Lynch, Pierce, Fenner & Smith Incorporated currently serves as the Remarketing Agent for the Subseries 2008B Bonds.

### **REIMBURSEMENT AGREEMENTS**

*The Subseries A Letter of Credit, to be issued by Citibank on October 12, 2017, under the terms of the Subseries A Reimbursement Agreement provides credit and liquidity support only for the Subseries 2008A Bonds. The Subseries B Letter of Credit, to be issued by SMBC on October 12, 2017, under the terms of the Subseries B Reimbursement Agreement provides credit and liquidity support only for the Subseries 2008B Bonds. The following summary of the Reimbursement Agreements and the Letters of Credit does not purport to be comprehensive or definitive and is subject in all respects to all of the respective terms and provisions thereof, to which reference is made hereby. Investors are urged to obtain and review a copy of the Reimbursement Agreements and the Letters of Credit in order to understand all of the terms of those documents. See “APPENDIX A - INFORMATION REGARDING THE BANKS” for certain information regarding Citibank and SMBC. Capitalized terms used in this section of the Information Circular have the meanings given to said terms in the Reimbursement Agreements.*

#### **General**

Upon compliance with the terms and conditions of the related Letter of Credit, and subject to the terms and conditions set forth therein, the related Bank is obligated to provide funds for the related subseries of the Series 2008 Bonds that are tendered for purchase and not remarketed, whether at the option of the owner of such subseries of the Series 2008 Bonds or upon mandatory tender for purchase.

Each Letter of Credit automatically shall expire on the Termination Date. As used herein, “Termination Date” shall mean 5:00 p.m., New York City time on the earliest of: (a) October 9, 2020 (as extended from time to time, the “Stated Expiration Date”); (b) the date which is one (1) Business Day following the date on which the related Bank receives an appropriately completed certificate from the Paying Agent/Registrar to the effect that (i) no Series 2008 Bonds of the related subseries remain Outstanding within the meaning of the Ordinance or (ii) all Drawings required to be made under the Ordinance and available under the related Letter of Credit have been made and honored; (c) the earlier of the date (i) which is one (1) Business Day following the date on which all of the Series 2008 Bonds of the related subseries have been converted to a rate other than the Weekly Rate, as such date is specified in a certificate from the Paying Agent/Registrar (the “Conversion Date”) or (ii) on which the related Bank has honored a Drawing (as defined in the related Letter of Credit) made in accordance with the terms of the related Letter of Credit in connection with the conversion of the interest rate on the related subseries of the Series 2008 Bonds to a rate other than the Weekly Rate; (d) the date on which an Alternate Credit Facility or Alternate Liquidity Facility (as defined in the Ordinance) has been issued to replace the related Letter of Credit pursuant to the Ordinance and (i) all Series 2008 Bonds of the related subseries have been remarketed and (ii) the related Bank has honored a Drawing made in accordance with the terms of the related Letter of Credit in connection with such replacement, if applicable; (e) the date on which a Stated Maturity Drawing is honored by the related Bank; and (f) the first to occur of (i) the date which is fifteen (15) calendar days after the date on which the Paying Agent/Registrar has received a written notice from the related Bank (the “Termination Event of Default Notice”) that an Event of Default has occurred and is continuing under the related Reimbursement Agreement or (ii) the date, following receipt of such Termination Event of Default Notice, upon which the Paying Agent/Registrar has drawn upon the related Letter of Credit the amount required thereby and as permitted under the related Letter of Credit and the proceeds of the Drawing have been distributed to the Paying Agent/Registrar.

The Paying Agent/Registrar is authorized to make drawings on the related Letter of Credit for the scheduled payment of principal of and interest on the related subseries of the Series 2008 Bonds (an “Interest Drawing”, a “Redemption Drawing” and a “Stated Maturity Drawing”, as the case may be), subject to certain conditions set forth in the related Letter of Credit. The Paying Agent/Registrar is also authorized to make a drawing on the related Letter of Credit for the payment of the purchase price of the related subseries of the Series 2008 Bonds bearing interest at the Weekly Rate that have been tendered or deemed to have been tendered, as applicable, and not remarketed (a “Liquidity Drawing”), subject to certain conditions set forth in the related Letter of Credit. As provided in and subject to the satisfaction of certain conditions set forth in the related Reimbursement Agreement, a Liquidity Drawing shall constitute a Liquidity Advance, and shall immediately, subject to the satisfaction of certain conditions set forth in the related Reimbursement Agreement, on a Term Loan Commencement Date, convert into a Term Loan. No Drawing shall be made under any Letter of Credit for the payment of principal or interest on Ineligible Bonds.

Series 2008 Bonds of a subseries purchased with the proceeds of a Liquidity Drawing are Liquidity Provider Bonds, and the Paying Agent/Registrar shall deliver to the related Bank and register such Liquidity Provider Bonds as provided in the related Reimbursement Agreement. Liquidity Provider Bonds shall bear a CUSIP Number which will be unique to Liquidity Provider Bonds, and which will be different from the CUSIP Number for Series 2008 Bonds that are not Liquidity Provider Bonds. The payment of principal of and interest on Liquidity Provider Bonds shall be made in the manner set forth in the related Reimbursement Agreement.

#### **Events of Default and Remedies under the Subseries A Reimbursement Agreement**

As used in this “**Events of Default and Remedies under the Subseries A Reimbursement Agreement**” caption, the term “Reimbursement Agreement” shall refer to the Subseries A Reimbursement Agreement, the term “Letter of Credit” shall refer to the Subseries A Letter of Credit, the term “Bank” shall refer to Citibank, and the term “Bonds” shall refer to the Subseries 2008A Bonds, as each such term is more particularly defined in the Subseries A Reimbursement Agreement.

Any one or more of the following events shall constitute an “Event of Default” under the Reimbursement Agreement:

(a) any representation or warranty made by the City in any of the Ordinance, the Reimbursement Agreement or any other Related Document to which it is a party, or in any certificate, agreement, instrument or statement contemplated by or made or delivered pursuant to or in connection with the Reimbursement Agreement or therewith shall prove to have been false, inaccurate, incomplete or misleading in any material adverse respect either on the date thereof or on the date when made or deemed to have been made or delivered;

(b) (i) any “event of default” under the Ordinance or any other Related Document (other than the Reimbursement Agreement) shall occur and be continuing; or (ii) (A) the City shall fail to make any payment in respect of principal or interest on any Parity Obligation when due (*i.e.*, whether upon the scheduled maturity, required prepayment, acceleration, upon demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Parity Obligation; or (B) default in the observance or performance of any agreement or condition relating to any Parity Obligation or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, in each case, the effect of which default or other event or condition is to permit (after any applicable grace period) the holder or holders of such Parity Obligation (or a trustee or agent on behalf of such holder or holders) to cause (in each case, determined without regard to whether any notice is required) or cause, any such Parity Obligation to become due prior to its stated maturity;

(c) the City shall fail to pay or cause to be paid when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise in accordance with its terms) (i) any amounts with respect to the principal of, interest on or premium, if any, on any Bonds (including Liquidity Provider Bonds), (ii) any amounts payable under Article Two of the Reimbursement Agreement (other than amounts described in clause (i) of this paragraph (c)), or (iii) any other amount payable pursuant to the Reimbursement Agreement, the Fee Agreement or the Bonds (including Liquidity Provider Bonds) (other than amounts described in clauses (i) and (ii) of this paragraph (c));

(d) default in the due observance or performance of any of the certain specified covenants set forth in the Reimbursement Agreement;

(e) (i) default in the due observance and performance of any covenant set forth in a certain specified covenant set forth in the Reimbursement Agreement and such default has not been remedied within three (3) days after the earlier of (x) the date of written notice thereof from the Bank or (y) the date on which such default shall first become known to any officer of the City, (ii) default in the due observance or performance of any covenant set forth in any of the certain specified covenants set forth in the Reimbursement Agreement and such default has not been remedied within fifteen (15) days after the earlier of (x) the date of written notice thereof from the Bank or (y) the date on which such default shall first become known to any officer of the City, or (iii) default in the due observance or performance of any other term, covenant or agreement set forth in the Reimbursement Agreement and such default has not been remedied within thirty (30) days after the earlier of (x) the date of written notice thereof from the Bank or (y) the date on which such default shall first become known to any officer of the City;

(f) the City makes an assignment for the benefit of creditors, files a petition in bankruptcy, becomes insolvent, as defined in Section 101(32) of the United States Bankruptcy Code, or is unable generally to pay its debts as they come due, is adjudicated insolvent or bankrupt or there is entered any order or decree granting relief in any involuntary case commenced against the City under any applicable bankruptcy, insolvency or other similar law now or in effect after the effective date of the Reimbursement Agreement, or if the City petitions or applies to any tribunal for or otherwise seeks, consents to, or acquiesces in the appointment of any receiver, examiner, trustee, liquidator, assignee, custodian, sequestrator or other similar official for the City or of any substantial part of its Properties, or commences any proceeding in a court of law seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, or for winding up, arrangement, marshalling of assets, reorganization, adjustment or composition of debt, dissolution, liquidation or other similar procedure under the law or statutes of any jurisdiction, whether now or after the effective date of the Reimbursement Agreement in effect, or if there is commenced against the City any such proceeding in a court of law which remains undismissed or shall not be discharged, vacated or stayed, or such jurisdiction shall not be relinquished, within sixty (60) days after commencement, or the City by any act, indicates its consent to, approval of, or acquiescence in any such proceeding in a court of law or fails to file an answer or other pleading denying the material allegations of any such proceeding filed against it in the time allotted for such answer, or to an order for relief in an involuntary case commenced against the City under any such law, or to the appointment of any receiver, examiner, trustee, liquidator, assignee, custodian, sequestrator or other similar official for the City or a substantial part of its Properties, or if the City suffers any such receivership, examination, trusteeship, liquidation, assignment, custodianship, sequestration or other similar procedure to continue undischarged for a period of sixty (60) days after commencement or if the City takes any action for the purposes of effecting the foregoing;

(g) any material provision of any of the Related Documents shall cease to be valid and binding for any reason, or the City or any Governmental Authority shall contest any such provision or the City, or any agent or trustee on behalf of the City, shall deny that it has any or further liability under any of the Related Documents or with respect to its obligations to pay any Parity Obligation;

(h) default shall occur in the payment when due of any Indebtedness of the City payable from and/or secured by all or any part of the Pledged Revenues not otherwise described in this **"Events of Default and Remedies under the Subseries A Reimbursement Agreement"** caption which exceeds in the aggregate \$10,000,000 issued, assumed or guaranteed by the City and shall continue beyond any applicable period of grace, or default shall occur under any indenture, agreement or other instrument under which the same may be issued, and such default shall continue for a period of time sufficient to permit the acceleration of the maturity of any such Indebtedness payable from and/or secured by all or any part of the Pledged Revenues;

(i) judgment for the payment of money in excess of an aggregate of \$10,000,000 (or its equivalent in another currency or currencies) that is payable from Pledged Revenues and not fully covered by insurance shall be rendered against the City and the same shall remain unvacated, unbonded, unstayed or undischarged for a period of thirty (30) consecutive days during which execution shall not be effectively stayed or for the payment of which a surety bond or other adequate security has not been obtained in the judgment of the Bank;

(j) all or any part of the Security shall not be subject to a security interest for the benefit of the Owners and the Bank;

(k) (i) the City shall impose, declare or announce a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on the repayment when due and payable of the principal of or interest on any

Indebtedness of the City payable from and/or secured by all or any part of the Pledged Revenues or (ii) any Governmental Authority having appropriate jurisdiction over the City shall make a finding or ruling or shall enact or adopt legislation or issue an executive order or enter a judgment or decree which results in a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on the repayment when due and payable of the principal of or interest on the Obligations, any Bonds or on any Indebtedness of the City payable from and/or secured by all or any part of the Pledged Revenues; or

(l) any long-term, unenhanced debt rating assigned to the Parity Bonds shall be withdrawn, suspended or lowered below “BBB-” (or its equivalent) by Fitch or S&P or “Baa3” (or its equivalent) by Moody’s.

Upon the occurrence and during the continuance of any Event of Default under the Reimbursement Agreement, all Obligations shall bear interest at the Default Rate and the Bank, shall, with notice thereof to the Paying Agent/Registrar, exercise any one or more of the following rights and remedies, in addition to any other remedies in the Reimbursement Agreement or by law provided:

(a) by notice to the City, declare all Obligations to be, and such amounts shall thereupon become, immediately and automatically due and payable without further presentment, demand, protest or other notice of any kind, all of which are waived by the City in the Reimbursement Agreement, provided that upon the occurrence of an Event of Default under the Reimbursement Agreement such acceleration shall automatically occur (unless such automatic acceleration is waived by the Bank in writing);

(b) give written notice of the occurrence of an Event of Default to the Paying Agent/Registrar, directing the Paying Agent/Registrar to cause a mandatory tender of the Bonds, thereby causing the Letter of Credit to expire fifteen (15) days thereafter;

(c) direct the Paying Agent/Registrar to exercise its rights under the Ordinance and the Related Documents; and

(d) pursue any other action available at law or in equity;

*provided, however,* that the failure of the Bank to give notice of the exercise of any such right or remedy shall not affect the validity or enforceability thereof.

#### **Events of Default and Remedies under the Subseries B Reimbursement Agreement**

As used in this “**Events of Default and Remedies under the Subseries B Reimbursement Agreement**” caption, the term “Reimbursement Agreement” shall refer to the Subseries B Reimbursement Agreement, the term “Letter of Credit” shall refer to the Subseries B Letter of Credit, the term “Bank” shall refer to SMBC, and the term “Bonds” shall refer to the Subseries 2008B Bonds, as each such term is more particularly defined in the Subseries B Reimbursement Agreement.

Any one or more of the following events shall constitute an “Event of Default” under the Reimbursement Agreement:

(a) any representation or warranty made by the City in any of the Ordinance, the Reimbursement Agreement or any other Related Document to which it is a party, or in any certificate, agreement, instrument or statement contemplated by or made or delivered pursuant to or in connection with the Reimbursement Agreement or therewith shall prove to have been false, inaccurate, incomplete or misleading in any material adverse respect either on the date thereof or on the date when made or deemed to have been made or delivered;

(b) (i) any “event of default” under the Ordinance or any other Related Document (other than the Reimbursement Agreement) shall occur and be continuing; or (ii) (A) the City shall fail to make any payment in respect of principal or interest on any Parity Obligation when due (*i.e.*, whether upon the scheduled maturity, required prepayment, acceleration, upon demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Parity Obligation; or (B) default in the observance or performance of any agreement or condition relating to any Parity Obligation or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, in each case, the effect of which default or other event or condition is to permit (after any applicable grace period) the holder or holders



of such Parity Obligation (or a trustee or agent on behalf of such holder or holders) to cause (in each case, determined without regard to whether any notice is required) or cause, any such Parity Obligation to become due prior to its stated maturity;

(c) the City shall fail to pay or cause to be paid when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise in accordance with its terms) (i) any amounts with respect to the principal of, interest on or premium, if any, on any Bonds (including Liquidity Provider Bonds), (ii) any amounts payable under Article Two of the Reimbursement Agreement (other than amounts described in clause (i) of this paragraph (c)), or (iii) any other amount payable pursuant to the Reimbursement Agreement, the Fee Agreement or the Bonds (including Liquidity Provider Bonds) (other than amounts described in clauses (i) and (ii) of this paragraph (c));

(d) default in the due observance or performance of any of the certain specified covenants set forth in the Reimbursement Agreement;

(e) (i) default in the due observance and performance of any covenant set forth in a certain specified covenant set forth in the Reimbursement Agreement and such default has not been remedied within three (3) days after the earlier of (x) the date of written notice thereof from the Bank or (y) the date on which such default shall first become known to any officer of the City, (ii) default in the due observance or performance of any covenant set forth in any of the certain specified covenants set forth in the Reimbursement Agreement and such default has not been remedied within fifteen (15) days after the earlier of (x) the date of written notice thereof from the Bank or (y) the date on which such default shall first become known to any officer of the City, or (iii) default in the due observance or performance of any other term, covenant or agreement set forth in the Reimbursement Agreement and such default has not been remedied within thirty (30) days after the earlier of (x) the date of written notice thereof from the Bank or (y) the date on which such default shall first become known to any officer of the City;

(f) the City makes an assignment for the benefit of creditors, files a petition in bankruptcy, becomes insolvent, as defined in Section 101(32) of the United States Bankruptcy Code, or is unable generally to pay its debts as they come due, is adjudicated insolvent or bankrupt or there is entered any order or decree granting relief in any involuntary case commenced against the City under any applicable bankruptcy, insolvency or other similar law now or in effect after the effective date of the Reimbursement Agreement, or if the City petitions or applies to any tribunal for or otherwise seeks, consents to, or acquiesces in the appointment of any receiver, examiner, trustee, liquidator, assignee, custodian, sequestrator or other similar official for the City or of any substantial part of its Properties, or commences any proceeding in a court of law seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, or for winding up, arrangement, marshalling of assets, reorganization, adjustment or composition of debt, dissolution, liquidation or other similar procedure under the law or statutes of any jurisdiction, whether now or after the effective date of the Reimbursement Agreement in effect, or if there is commenced against the City any such proceeding in a court of law which remains undismissed or shall not be discharged, vacated or stayed, or such jurisdiction shall not be relinquished, within sixty (60) days after commencement, or the City by any act, indicates its consent to, approval of, or acquiescence in any such proceeding in a court of law or fails to file an answer or other pleading denying the material allegations of any such proceeding filed against it in the time allotted for such answer, or to an order for relief in an involuntary case commenced against the City under any such law, or to the appointment of any receiver, examiner, trustee, liquidator, assignee, custodian, sequestrator or other similar official for the City or a substantial part of its Properties, or if the City suffers any such receivership, examination, trusteeship, liquidation, assignment, custodianship, sequestration or other similar procedure to continue undischarged for a period of sixty (60) days after commencement or if the City takes any action for the purposes of effecting the foregoing;

(g) any material provision of any of the Related Documents shall cease to be valid and binding for any reason, or the City or any Governmental Authority shall contest any such provision or the City, or any agent or trustee on behalf of the City, shall deny that it has any or further liability under any of the Related Documents or with respect to its obligations to pay any Parity Obligation;

(h) default shall occur in the payment when due of any Indebtedness of the City payable from and/or secured by all or any part of the Pledged Revenues not otherwise described in this **“Events of Default and Remedies under the Subseries B Reimbursement Agreement”** caption which exceeds in the aggregate \$10,000,000 issued, assumed or guaranteed by the City and shall continue beyond any applicable period of grace, or default shall occur under any indenture, agreement or other instrument under which the same may be issued, and such default shall continue for a

period of time sufficient to permit the acceleration of the maturity of any such Indebtedness payable from and/or secured by all or any part of the Pledged Revenues;

(i) judgment for the payment of money in excess of an aggregate of \$10,000,000 (or its equivalent in another currency or currencies) that is payable from Pledged Revenues and not fully covered by insurance shall be rendered against the City and the same shall remain unvacated, unbonded, unstayed or undischarged for a period of thirty (30) consecutive days during which execution shall not be effectively stayed or for the payment of which a surety bond or other adequate security has not been obtained in the judgment of the Bank;

(j) all or any part of the Security shall not be subject to a security interest for the benefit of the Owners and the Bank;

(k) (i) the City shall impose, declare or announce a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on the repayment when due and payable of the principal of or interest on any Indebtedness of the City payable from and/or secured by all or any part of the Pledged Revenues or (ii) any Governmental Authority having appropriate jurisdiction over the City shall make a finding or ruling or shall enact or adopt legislation or issue an executive order or enter a judgment or decree which results in a debt moratorium, debt restructuring, debt adjustment or comparable extraordinary restriction on the repayment when due and payable of the principal of or interest on the Obligations, any Bonds or on any Indebtedness of the City payable from and/or secured by all or any part of the Pledged Revenues; or

(l) any long-term, unenhanced debt rating assigned to the Parity Bonds shall be withdrawn, suspended or lowered below “BBB” (or its equivalent) by Fitch or S&P or “Baa2” (or its equivalent) by Moody’s.

Upon the occurrence and during the continuance of any Event of Default under the Reimbursement Agreement, all Obligations shall bear interest at the Default Rate and the Bank, shall, with notice thereof to the Paying Agent/Registrar, exercise any one or more of the following rights and remedies, in addition to any other remedies in the Reimbursement Agreement or by law provided:

(a) by notice to the City, declare all Obligations to be, and such amounts shall thereupon become, immediately and automatically due and payable without further presentment, demand, protest or other notice of any kind, all of which are waived by the City in the Reimbursement Agreement, provided that upon the occurrence of an Event of Default under the Reimbursement Agreement such acceleration shall automatically occur (unless such automatic acceleration is waived by the Bank in writing);

(b) give written notice of the occurrence of an Event of Default to the Paying Agent/Registrar, directing the Paying Agent/Registrar to cause a mandatory tender of the Bonds, thereby causing the Letter of Credit to expire fifteen (15) days thereafter;

(c) direct the Paying Agent/Registrar to exercise its rights under the Ordinance and the Related Documents; and

(d) pursue any other action available at law or in equity;

*provided, however*, that the failure of the Bank to give notice of the exercise of any such right or remedy shall not affect the validity or enforceability thereof.

#### **MATTERS RELATING TO PLEDGED REVENUES**

As described under the caption “SECURITY FOR THE BONDS” in the 2008 Official Statement, the Series 2008 Bonds and any Additional Bonds thereafter issued are special obligations of the City that are, together with other Parity Obligations, equally and ratably secured by a lien on the Pledged Revenues, such lien being junior and subordinate to the lien securing the payment of the Prior Lien Bonds. The City has previously issued and there is currently outstanding \$16,995,000 in aggregate principal amount of the City of Austin, Texas Hotel Occupancy Tax Subordinate Lien Revenue Refunding Bonds, Series 2012 (Convention Center/Waller Creek Venue Project) (the “Series 2012 Bonds”), which Series 2012 Bonds were issued as Additional Bonds and, accordingly, are secured by a lien on the Pledged Revenues on parity with the Series 2008 Bonds. The City has covenanted that it will not issue any additional bonds or other

obligations payable from and secured by a lien on and pledge of the Pledged Revenues that is senior to the lien securing the Parity Obligations.

On December 5, 2013, the City issued its City of Austin, Texas 4.5% Hotel Occupancy Tax Revenue Refunding Bonds, Series 2013 (the “Series 2013 Bonds”), a portion of the proceeds of which were used to refund and defease all Prior Lien Bonds that remained outstanding as of such date. As a result of the issuance of the Series 2013 Bonds, the prior lien on the Pledged Revenues securing the Prior Lien Bonds has been extinguished.

The Series 2013 Bonds are secured by a lien on and pledge of the revenues derived by the City from the 4.5% HOT, which lien and pledge is subordinate to the lien on and pledge of the revenues derived by the City from the 4.5% HOT securing the Series 2008 Bonds and the Series 2012 Bonds. The revenues derived by the City from the 2% HOT have not been pledged to the payment of the Series 2013 Bonds. The Series 2013 Bonds constitute Junior Subordinate Lien Bonds under the terms of the Ordinance authorizing the issuance of the Series 2008 Bonds and the ordinance authorizing the issuance of the Series 2012 Bonds.

In connection with the issuance of the Series 2013 Bonds, the Ordinance authorizing the issuance of the Series 2008 Bonds and the ordinance authorizing the issuance of the Series 2012 Bonds were amended to provide that the revenues derived by the City from the 2% HOT will be used first to pay the amounts owed on the Series 2008 Bonds and the Series 2012 Bonds, and should the revenues derived by the City from the 2% HOT be insufficient to fully pay the amounts owed on the Series 2008 Bonds and the Series 2012 Bonds, the revenues derived by the City from the 4.5% HOT will be applied to that purpose prior to such revenues from the 4.5% HOT being available to pay the Series 2013 Bonds. See “APPENDIX C – CERTAIN REVISIONS TO 2008 OFFICIAL STATEMENT.”

In the ordinance authorizing the issuance of the Series 2013 Bonds, the City has covenanted that it will not issue any additional bonds or incur other obligations payable from and secured by a lien on and pledge of the revenues derived by the City from the 4.5% HOT that is senior to the lien securing the Series 2013 Bonds, other than obligations issued to refund the Series 2008 Bonds or the Series 2012 Bonds, or obligations issued to refund those refunding obligations, for debt service savings.

### **THE INTEREST RATE MANAGEMENT AGREEMENT**

The information in this heading supersedes the information under the caption “THE INTEREST RATE MANAGEMENT AGREEMENT” in the 2008 Official Statement.

Under the Ordinance, payments made under a Credit Agreement may be treated as an obligation payable solely from and equally and ratably secured by a lien on the Pledged Revenues on a parity with the Series 2008 Bonds.

In addition to the payment obligations of the City under the terms of the Reimbursement Agreements, in conjunction with the delivery of the Series 2008 Bonds, the City entered into an ISDA Master Agreement dated as of August 7, 2008, a schedule attached thereto and a confirmation, dated as of August 7, 2008, all between the City and Morgan Keegan Financial Products, Inc., which formally changed its name to Raymond James Financial Products, Inc. on July 22, 2013 (“RJFP”), a Replacement Transaction Agreement, dated as of August 7, 2008, between the City, RJFP and Deutsche Bank AG, New York Bank (“Deutsche Bank”) and a Credit Support Annex, dated as of August 7, 2008, between the City and Deutsche Bank (collectively, the “Series 2008 Interest Rate Management Agreement”). Under the terms of the Series 2008 Interest Rate Management Agreement, the City is obligated to make payments to RJFP calculated on a notional amount equal to the scheduled outstanding principal amount of the Series 2008 Bonds and a fixed interest rate of 3.2505% per annum, and RJFP is obligated to make reciprocal payments to the City calculated on a notional amount equal to the scheduled outstanding principal amount of the Series 2008 Bonds and a variable rate equal to 67% of the one-month London Interbank Borrowing Rate (“LIBOR”) for U.S. deposits. Payments under the Series 2008 Interest Rate Management Agreement will be made on a net basis on the fifteenth day of each month, commencing in September 2008 and ending in November 2029. Interest on the Series 2008 Bonds is calculated on the basis of an index that differs from the LIBOR index used to calculate amounts payable to the City under the terms of the Series 2008 Interest Rate Management Agreement. The City entered into the Series 2008 Interest Rate Management Agreement in conjunction with the issuance of the Series 2008 Bonds in order to effect and quantify a debt service savings on outstanding bonds that were refunded with the proceeds of variable rate bonds. Payments to be made by the City under the terms of the Series 2008 Interest Rate Management Agreement (other than a “termination payment” as discussed below) are payable solely from and equally and ratably secured by a lien on the Pledged Revenues of equal rank and

dignity with the lien and pledge securing the payment of the Series 2008 Bonds. As of August 15, 2017, the net aggregate monthly payments the City has made under the Series 2008 Interest Rate Management Agreement equal \$34,420,383.35.

If any party to the Series 2008 Interest Rate Management Agreement commits an event of default, suffers a reduction in credit worthiness, or merges with a materially weaker entity, or in certain other circumstances, the Series 2008 Interest Rate Management Agreement may be terminated at the option of the other party. Accordingly, no assurance can be given that the Series 2008 Interest Rate Management Agreement will continue in existence until November 2029. If the Series 2008 Interest Rate Management Agreement is terminated, then current market conditions will determine whether the City will owe a termination payment to RJFP or be entitled to receive a termination payment from RJFP. Such termination payment generally would be based on the market value of the Series 2008 Interest Rate Management Agreement on the date of termination and could be substantial. In addition, a partial termination of the Series 2008 Interest Rate Management Agreement could occur to the extent any Series 2008 Bonds are redeemed pursuant to the City exercising its right to effect an optional redemption of Series 2008 Bonds. If such optional redemption were to occur, termination payments related to the portion of the Series 2008 Interest Rate Management Agreement to be terminated will be owed by either the City or Deutsche Bank, depending on the existing market conditions. The obligation of the City to pay a termination payment to Deutsche Bank could result in the City issuing Parity Bonds or Junior Subordinate Lien Bonds to enable the City to make such a termination payment.

### **SPECIAL CONSIDERATIONS RELATING TO REMARKETING OF BONDS**

**Each Remarketing Agent is Paid by the City.** Each Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Series 2008 Bonds of a subseries that are optionally or mandatorily tendered to it or the Tender Agent by the beneficial owners thereof (subject, in each case, to the terms of the Remarketing Agreements). Each Remarketing Agent is appointed by the City and is paid by the City for its services. As a result, the interests of each Remarketing Agent may differ from those of beneficial owners and potential purchasers of Series 2008 Bonds.

**Determination of Interest Rates by the Remarketing Agents.** On each Rate Determination Date, each Remarketing Agent is required to determine the interest rate that will be effective with respect to the Series 2008 Bonds of a subseries for the next Interest Period. That rate is required by the Ordinance to be the lowest rate necessary in the judgment of the Remarketing Agent to remarket the respective subseries of Series 2008 Bonds at par, plus accrued interest on the applicable Rate Determination Date. For example, while a subseries of the Series 2008 Bonds bear interest at a Weekly Rate, by 10 a.m. on Wednesday (the Rate Determination Date), the Remarketing Agent for that subseries of Series 2008 Bonds will determine the interest rate that will be effective on such date.

**Each Remarketing Agent Routinely Purchases Series 2008 Bonds for its Own Account.** The Remarketing Agents act as remarketing agent for a variety of variable rate demand obligations issued by many issuers and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agents are permitted, but not obligated, to purchase tendered Series 2008 Bonds for their own account and, in their sole discretion, routinely acquire such tendered Series 2008 Bonds in order to achieve a successful remarketing of the Series 2008 Bonds (i.e., because there otherwise are not enough buyers to purchase the Series 2008 Bonds) or for other reasons. However, the Remarketing Agents are not obligated to purchase Series 2008 Bonds, and may cease doing so at any time without notice. If a Remarketing Agent ceases to purchase Series 2008 Bonds, it may be necessary for the Paying Agent to draw on a Letter of Credit to pay tendering bondholders.

Each Remarketing Agent may also make a secondary market in the Series 2008 Bonds by routinely purchasing and selling Series 2008 Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales must be at fair market value, which may be at, above, or below par. No notice period is required for such purchases. However, a Remarketing Agent is not required to make a secondary market in the Series 2008 Bonds. Thus, investors who purchase the Series 2008 Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series 2008 Bonds other than by tendering the Series 2008 Bonds in accordance with the tender process.

Each Remarketing Agent may also sell any Series 2008 Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Series 2008 Bonds. The purchase of Series 2008 Bonds by a Remarketing Agent may create the

appearance that there is greater third party demand for the Series 2008 Bonds in the market than is actually the case. The practices described above also may result in fewer Series 2008 Bonds being tendered in a remarketing.

**Series 2008 Bonds May be Offered at Different Prices on Any Date.** Pursuant to the Remarketing Agreements, on each Rate Determination Date, the Remarketing Agents are required to determine the interest rate that will be effective with respect to a subseries of the Series 2008 Bonds on such date. That rate is required by the Ordinance to be the lowest rate necessary in the judgment of the applicable Remarketing Agent to remarket the respective subseries of the Series 2008 Bonds at par, plus accrued interest, if any, on the Rate Determination Date. The interest rate will reflect, among other factors, the level of market demand for the Series 2008 Bonds (including whether a Remarketing Agent is willing to purchase Series 2008 Bonds for its own account). There may or may not be Series 2008 Bonds tendered and remarketed on a Rate Determination Date, and the Remarketing Agents may or may not be able to remarket any Series 2008 Bonds tendered for purchase on such date at par. The Remarketing Agents are not obligated to advise purchasers in a remarketing if they do not have third-party buyers for all of the Series 2008 Bonds at the remarketing price.

**Under Certain Circumstances, the Remarketing Agents May Be Removed, Resign or Cease Remarketing the Series 2008 Bonds, Without a Successor Being Named.** Under certain circumstances a Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreements. In the event there is no Remarketing Agent for a subseries of the 2008 Bonds, bondholders may tender their Series 2008 Bonds to the Paying Agent. In that event, the Series 2008 Bonds will bear interest at the rate set in accordance with the terms of the Ordinance, the remarketing of the particular subseries of Series 2008 Bonds will cease until a successor remarketing agent for such subseries has been appointed. In this case, tendering bondholders will be paid from draws on the applicable Letter of Credit.

## RATINGS

Moody's Investors Service ("Moody's") has assigned to the Subseries 2008A Bonds the rating of "VMIG 1", based on the ratings assigned to Citibank, and has assigned to the Subseries 2008B Bonds a rating of "VMIG 1", based on the ratings assigned to SMBC. S&P Global ("S&P"), is expected to assign to the Subseries 2008A Bonds the rating of "A-1", based on the ratings assigned to Citibank, and is expected to assign to the Subseries 2008B Bonds a rating of "A-1", based on the ratings assigned to SMBC. The Series 2008 Bonds have received an underlying long-term rating of "Aa1" from Moody's and are expected to receive a rating of "AA+" from S&P.

The ratings described above reflect only the views of Moody's and S&P, and any explanation of the significance of the ratings may be obtained only from such organizations. There is no assurance that any of the ratings will continue for any given period of time or that any rating may not be lowered or withdrawn if, in the judgment of a rating agency, circumstances so warrant. Any such downward change in or withdrawal of the rating may have an adverse effect on the secondary market prices of the Series 2008 Bonds.

## THE CITY; DOCUMENTS INCORPORATED BY REFERENCE

### General

The 2008 Official Statement, other than Appendices A, B, and F thereto, is attached hereto as APPENDIX B, and is incorporated herein by reference. The information in APPENDIX C to this Information Circular supersedes certain information in the 2008 Official Statement.

The City files periodic reports and other information regarding the Series 2008 Bonds with the Municipal Securities Rulemaking Board (the "MSRB"). These reports and information are available free of charge from the MSRB via the Electronic Municipal Market Access system ("EMMA") at [www.emma.msrb.org](http://www.emma.msrb.org).

This Information Circular "incorporates by reference" the information regarding the Series 2008 Bonds the City files with the MSRB, which means that important information is disclosed to you by referring you to those documents. The information regarding the Pledged Revenues incorporated by reference is an important part of this Information Circular. The information incorporated by reference includes the City's annual report for the fiscal year ended September 30, 2016, including the consolidated financial statements and consolidating schedules and Management Discussion and Analysis of Financial Condition and Results of Operations that are a part thereof, as well as any filing

made by the City in the future. Certain information relating to the current operations and management of the Convention Center is set forth below under “ – The Convention Center”.

Any statement incorporated or deemed to be incorporated by reference will be deemed to be modified or superseded for purposes of this Information Circular to the extent that a statement contained in this Information Circular modifies or supersedes that statement.

### **The Convention Center**

The Convention Center is located in downtown Austin at 500 East Caesar Chavez Street (formerly First Street) on the east side of the City’s central business district. The Convention Center occupies four blocks bounded by Trinity Street on the west, Red River Street on the east, Fourth Street on the north, and Cesar Chavez Street on the south. The construction of the Austin Convention Center commenced in late 1989 and it opened for business in July 1992 and was expanded in 2002. In June 1992, the City acquired a 10-story, 1,100 space parking garage as a part of the Convention Center located at 201 East Second Street, one block from the Convention Center. The Convention Center underwent a \$110-million expansion in 2002 that brought the size of the facility to roughly 881,400 gross square feet. The Convention Center currently features roughly 247,052 square feet of contiguous and column-free exhibition space within five exhibition halls. The expansion included the addition of the Grand Ballroom, measuring approximately 43,300 square feet. Located in tech-heavy Austin, the Convention Center’s telecommunications and infrastructure enables the facility to support gigabit Ethernet over its fiber optic network, making exhibitions and trade shows a more “hands-on” experience for both attendees and exhibitors. The Convention Center is a LEED Gold-certified facility. In 2005, the Convention Center Department constructed a 685 space parking garage located at 601 East 5th Street. The City has entered into a management contract with Levy Premium Foodservice, L.L.C. to provide catering and beverage services at the Austin Convention Center that expires September 30, 2022.

In addition, the City owns and operates the Palmer Events Center and parking garage as a part of the City’s Convention Center Department. The Palmer Events Center and parking garage are located at 900 Barton Springs Road next to Lady Bird Lake (formerly Town Lake) and are utilized for arts and craft shows, concerts, trade shows and small conventions. The Palmer Events Center has approximately 70,000 square feet of exhibit space and five meeting rooms. The parking garage has 1,200 parking spaces. On January 5, 2004, a Hilton Hotel adjacent to the Convention Center opened for business. This hotel is owned by Austin Convention Enterprises, Inc., a non-profit public facilities corporation created by the City to act on its behalf in connection with the development of such hotel.

The Convention Center is operated by the City as a City Department and a separate enterprise fund of the City. The Convention Center Department was created by the City Council in 1989 and initially included the Austin Convention and Visitor’s Bureau which is now a separate non-profit corporation. In January 2008, the City of Austin named Mark Tester as the director for the Austin Convention Center Department. Mr. Tester was formerly the senior director of convention sales at Chicago’s McCormick Place.

### **MISCELLANEOUS**

This Information Circular has been prepared for use by Raymond James & Associates, Inc., as Remarketing Agent for the Subseries 2008A Bonds and for use by Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Remarketing Agent for the Subseries 2008B Bonds, for the sole purpose of providing information with respect to the Series 2008 Bonds in connection with the substitution of the Letters of Credit of the Series 2008 Bonds. Except with respect to such matters as provided for in this Information Circular, the 2008 Official Statement has not been updated since its date.

## APPENDIX A

## INFORMATION REGARDING THE BANKS

*The information contained in this Appendix A relates to and has been obtained from the Banks. The delivery of this Information Circular shall not create any implication that there has been no change in the affairs of the Banks since the date hereof, or that the information contained or referred to in this Appendix A is correct as of any time subsequent to its date.*

## CITIBANK

Citibank was originally organized on June 16, 1812, and now is a national banking association organized under the National Bank Act of 1864. Citibank is an indirect wholly owned subsidiary of Citigroup Inc. (“Citigroup”), a Delaware holding company.

The long-term ratings of Citibank and its consolidated subsidiaries are as follows:

Rating Agency	Long-Term	Short-Term	Outlook
Moody’s	A1	P-1	Stable
S&P	A+	A-1	Stable
Fitch	A+	F1	Stable

Citibank is a commercial bank that, along with its subsidiaries and affiliates, offers a wide range of banking and trust services to its customers throughout the United States and the world. As a national bank, Citibank is a regulated entity permitted to engage only in banking and activities incidental to banking. Citibank is primarily regulated by the Office of the Comptroller of the Currency (the “Comptroller”), which also examines its loan portfolios and reviews the sufficiency of its allowance for credit losses.

Citibank’s deposits at its U.S. branches are insured by the Federal Deposit Insurance Corporation (the “FDIC”) and are subject to FDIC insurance assessments. The Letter of Credit is not insured by the FDIC or any other regulatory agency of the United States or any other jurisdiction. Citibank may, under certain circumstances, be obligated for the liabilities of its affiliates that are FDIC-insured depository institutions.

Under U.S. law, deposits in U.S. offices and certain claims for administrative expenses and employee compensation against a U.S. insured depository institution which has failed will be afforded a priority over other general unsecured claims, including deposits in non-U.S. offices and claims under non-depository contracts in all offices, against such an institution in the “liquidation or other resolution” of such an institution by any receiver. Such priority creditors (including the FDIC, as the subrogee of insured depositors) of such FDIC-insured depository institution will be entitled to priority over unsecured creditors in the event of a “liquidation or other resolution” of such institution.

For further information regarding Citibank, reference is made to the Annual Report on Form 10-K of Citigroup and its subsidiaries for the year ended December 31, 2016, filed by Citigroup with the Securities and Exchange Commission (the “SEC”). Copies of Citigroup’s 10-K may be obtained, upon payment of a duplicating fee, by writing to the SEC at 100 F Street, N.E., Washington, D.C. 20549. In addition, Citigroup’s 10-K is available at the SEC’s web site (<http://www.sec.gov>).

In addition, Citibank submits quarterly to the Comptroller certain reports called “Consolidated Reports of Condition and Income for a Bank With Domestic and Foreign Offices” (“Call Reports”). The Call Reports are on file with, and publicly available at, the Comptroller’s offices at 250 E Street, SW, Washington, D.C. 20219 and are also available on the web site of the FDIC (<http://www.fdic.gov>). Each Call Report consists of a Balance Sheet, Income Statement, Changes in Equity Capital and other supporting schedules at the end of and for the period to which the report relates.

Any of the reports referenced above are available upon request without charge from Citi Document Services by calling toll-free at (877) 936-2737 (outside the United States at (716) 730-8055), by e-mailing a request to [docserv@citi.com](mailto:docserv@citi.com) or by writing to: Citi Document Services, 540 Crosspoint Parkway, Getzville, New York 14068.

The information contained under “APPENDIX A-1—Citibank” in this Information Circular relates to and has been obtained from Citibank. The information concerning Citibank contained herein is furnished solely to provide limited introductory information regarding Citibank and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced above.

**SUMITOMO MITSUI BANKING CORPORATION**

Sumitomo Mitsui Banking Corporation (Kabushiki Kaisha Mitsui Sumitomo Ginko) (“SMBC”) is a joint stock corporation with limited liability (Kabushiki Kaisha) under the laws of Japan. The registered head office of SMBC is located at 1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo 100-0005, Japan.

SMBC was established in April 2001 through the merger of two leading banks, The Sakura Bank, Limited and The Sumitomo Bank, Limited. In December 2002, Sumitomo Mitsui Financial Group, Inc. (“SMFG”) was established through a stock transfer as a holding company under which SMBC became a wholly-owned subsidiary. **SMFG reported ¥201,864.7 billion (US\$1.83 trillion) in consolidated total assets as of June 30, 2017.**

SMBC is one of the world’s leading commercial banks and provides an extensive range of banking services to its customers in Japan and overseas. In Japan, SMBC accepts deposits, makes loans and extends guarantees to corporations, individuals, governments and governmental entities. It also offers financing solutions such as syndicated lending, structured finance and project finance. SMBC also underwrites and deals in bonds issued by or under the guarantee of the Japanese government and local government authorities, and acts in various administrative and advisory capacities for certain types of corporate and government bonds. Internationally, SMBC operates through a network of branches, representative offices, subsidiaries and affiliates to provide many financing products, including syndicated lending and project finance.

The New York Branch of SMBC is licensed by the New York State Department of Financial Services to conduct branch banking business at 277 Park Avenue, New York, New York, and is subject to examination by the New York State Department of Financial Services and the Federal Reserve Bank of New York.

**Financial and Other Information**

Audited consolidated financial statements for SMFG and its consolidated subsidiaries for the fiscal year 2016 ended March 31, 2017, as well as other corporate data, financial information and analyses, are available in English on SMFG's website at [www.smfg.co.jp/english](http://www.smfg.co.jp/english).

The information herein has been obtained from SMBC, which is solely responsible for its content. The delivery of the Information Circular shall not create any implication that there has been no change in the affairs of SMBC since the date hereof, or that the information contained or referred to herein is correct as of any time subsequent to its date.

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The information contained in this Appendix relates to and has been obtained from the Banks. The delivery of this Information Circular shall not create any implication that there has been no change in the affairs of the Banks since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.



**APPENDIX B**

**2008 OFFICIAL STATEMENT**

*The information contained in this APPENDIX B reflects the Official Statement dated August 7, 2008, delivered in connection with the initial issuance of the Series 2008 Bonds, other than Appendices A, B and F thereto.*

DRAFT

## OFFICIAL STATEMENT

Dated August 7, 2008

Ratings: Moody's: "Aaa"/"VMIG-1"

Standard &amp; Poor's: "AAA"/"A-1+"

(See "OTHER RELEVANT INFORMATION – Ratings")

**NEW ISSUE – Book-Entry-Only**

*Delivery of the Bonds is subject to the receipt of the opinion of Fulbright & Jaworski L.L.P. Bond Counsel, to the effect that, assuming continuing compliance by the City with certain covenants contained in the Ordinance described herein and subject to the matters described under "Tax Exemption" herein, interest on the Bonds will be excludable from gross income for purposes of federal income taxation under existing law, subject to the matters described under "Tax Exemption" herein, including the alternative minimum tax on corporations.*

**\$125,280,000****CITY OF AUSTIN, TEXAS**

(Travis and Williamson Counties)

**Hotel Occupancy Tax****Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008**

Consisting of

**\$62,640,000 Subseries A****\$62,640,000 Subseries B****Dated Date: Date of Original Delivery****Due: November 15, 2029**

The bonds offered hereby are the City of Austin, Texas (the "City") \$125,280,000 Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008 (the "Bonds"), issued as \$62,640,000 Subseries A Bonds ("Subseries 2008A Bonds") and as \$62,640,000 Subseries B Bonds ("Subseries 2008B Bonds"). The Bonds are issued pursuant to Chapters 1207 and 1371, Texas Government Code, as amended, and Chapter 334, Texas Local Government Code, as amended (the "Act"), and other applicable laws of the State of Texas, and an ordinance (the "Ordinance") adopted by the City and pricing certificated delegated thereunder. The Bonds are special obligations of the City that are equally and ratably payable from and secured by a lien on certain Pledged Revenues, such lien being junior and subordinate to the lien securing the payment of the Prior Lien Bonds (as defined in the Ordinance) now Outstanding. The Pledged Revenues consist primarily of a pledge, on a subordinate basis as noted above, of (i) that portion of revenues derived by the City from a hotel occupancy tax levied by the City pursuant to Chapter 351, Texas Tax Code, as amended, which is equal to at least 4.5% of the consideration paid by occupants of sleeping rooms furnished by hotels located within the corporate limits of the City in which the cost of occupancy is \$2.00 or more a day (the "4.5% HOT"), and (ii) the available revenues from a special hotel occupancy tax deposited to the credit of the Venue Project Fund (the "2% HOT"), together with certain investment earnings, all as described herein. The City, pursuant to the Ordinance, does not grant any lien on or security interest in, or any mortgage on any of the physical properties of the City. THE BONDS DO NOT CONSTITUTE OR CREATE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE CITY AND NEITHER THE TAXING POWER OF THE CITY (EXCEPT WITH RESPECT TO A PORTION OF THE REVENUES DERIVED FROM THE HOTEL OCCUPANCY TAX AS SPECIFICALLY DESCRIBED HEREIN) NOR THE TAXING POWER OF THE STATE OF TEXAS IS PLEDGED AS SECURITY FOR THE BONDS. SEE "SECURITY FOR THE BONDS" HEREIN. The City is also incurring additional obligations in connection with the issuance of the Bonds, specifically the City's obligations related to scheduled payments under the Series 2008 Interest Rate Swap Agreement and the Reimbursement Agreement related to the Bonds, all as more fully described herein. See "SECURITY FOR THE BONDS" and "THE INTEREST RATE MANAGEMENT AGREEMENT".

The Bonds will initially bear interest at an initial rate to be established on or about August 13, 2008 and to be in effect during the Initial Rate Period, which shall commence on the date of the initial issuance and delivery of the Bonds and continue to (but not include) August 21, 2008. Thereafter, the Bonds will bear interest at a Weekly Rate and the interest rate on the Bonds will be adjusted on each Wednesday (or the immediately preceding Business Day if such Wednesday is not a Business Day) of each week by Morgan Keegan & Company, Inc., as Remarketing Agent for the Subseries 2008A Bonds, and Banc of America Securities LLC, as the Remarketing Agent for the Subseries 2008B Bonds. The Bonds will continue to bear interest at a Weekly Rate unless, at the direction of the City and subject to the satisfaction of certain conditions precedent included in the Ordinance, the interest rate mode on the Bonds is changed to another

type of interest rate mode. **This Official Statement describes terms and provisions applicable to the Bonds only while they are in the Weekly Mode. In the event of a conversion to another Mode, the Bonds will be subject to mandatory tender and potential purchasers of the converted Bonds will be provided with separate offering materials containing descriptions of the terms of the Bonds applicable to the Mode to which the Bonds are being converted.** The Bonds are subject to optional and mandatory redemption prior to maturity and to optional and mandatory tender, all as described herein. See “DESCRIPTION OF THE BONDS” herein.

The Bonds are issuable only in fully registered form in the denomination of \$100,000 or any integral multiple of \$5,000 in excess of \$100,000, and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act initially as Securities Depository of the Bonds, and individual purchases of the Bonds will be made in book-entry form only. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar named herein to the registered owners of the Bonds (as long as the book-entry-only system is in effect and DTC is the Securities Depository, Cede & Co.). Subsequent disbursements of such principal and interest will be made to the individual purchasers of beneficial interests in the Bonds. Interest on the Bonds in the Weekly Mode will be payable on the fifteenth day of each month (or the next succeeding Business Day) commencing September 15, 2008. Principal at maturity or upon redemption will be payable upon presentation and surrender at the designated payment/transfer office of the Paying Agent/Registrar, which is Deutsche Bank Trust Company Americas, New York, New York (the “Designated Payment/Transfer Office”). The purchase price of the Bonds upon optional or mandatory tender for purchase will be payable by the Tender Agent upon presentation and surrender of the Bonds at the designated tender office of the Tender Agent (the “Tender Agent”), initially Deutsche Bank Trust Company Americas, in New York, New York, (the “Tender Office”) which shall be established and maintained in accordance with the Ordinance. Notwithstanding the foregoing, during any period in which the beneficial ownership of the Bonds is in the book-entry system at a securities depository, the requirements in the Ordinance for holding, registering, delivering exchanging or transferring the Bonds are deemed modified to conform to the arrangements between the City and the Securities Depository.

Bondholders will (a) have the option to tender their Bonds for purchase at a price equal to the principal amount thereof, plus accrued interest, while in a Weekly Rate Period on seven days prior notice to the Tender Agent and at such other times and subject to the conditions described herein, (b) be required to tender their Bonds for purchase upon conversion of the interest rate on the Bonds to any other interest rate Mode that is not a Weekly Mode, (c) be required to tender their Bonds for purchase upon the expiration or replacement of a Credit Facility or Liquidity Facility, including the initial Liquidity Facility (described herein), and (d) be required to tender their Bonds for purchase under other circumstances described herein. All tenders are required to be made to the Tender Agent. Tendered Bonds may be remarketed and remain Outstanding. Bonds tendered for purchase will be paid, first from the proceeds of remarketing, if any, and second, from a Direct Pay Letter of Credit (the “Liquidity Facility”) issued pursuant to a Reimbursement Agreement dated August 1, 2008, between the City and Dexia Crédit Local, acting through its New York Branch (the “Bank”). **The City has no obligation to purchase tendered Bonds.** (See “INITIAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT - General”).



In connection with the issuance of the Bonds, the City has entered into an interest rate swap agreement with Morgan Keegan Financial Products, Inc. and Deutsche AG, New York Branch to enable the City to substantially fix its interest obligation on the debt represented by Bonds (see “THE INTEREST RATE MANAGEMENT AGREEMENT”).

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Price: 100%

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The Bonds are offered for delivery when, as, and if issued and subject, among other things, to the opinion of the Attorney General of the State of Texas and Fulbright & Jaworski L.L.P., Bond Counsel for the City, as to the validity of the issuance of the Bonds under the Constitution and laws of the State of Texas. The opinion of Bond Counsel will be printed on or attached to the Bonds. (See APPENDIX D “Form of Bond Counsel’s Opinion”). Certain legal matters will be passed on for the Underwriters by their counsel, Andrews Kurth LLP, Austin, Texas. Certain legal matter will be passed upon for the Bank by its counsel, Andrews Kurth LLP, Houston, Texas.

It is expected that the Bonds will be delivered through the facilities of DTC on or about August 14, 2008.

**MORGAN KEEGAN & COMPANY, INC.**

**BANC OF AMERICA SECURITIES LLC**

## CITY OF AUSTIN

**Elected Officials**

		<u>Term Expires June 20</u>
Will Wynn .....	Mayor	2009
Lee Leffingwell .....	Councilmember Place 1	2012
Mike Martinez .....	Councilmember Place 2	2009
Randi Shade .....	Councilmember Place 3	2012
Laura Morrison .....	Councilmember Place 4	2012
Brewster McCracken .....	Councilmember Place 5	2009
Sheryl Cole .....	Councilmember Place 6	2009

**Appointed Officials**

Marc Ott.....	City Manager
Robert Goode.....	Assistant City Manager
Sue Edwards .....	Assistant City Manager
Rudy Garza .....	Assistant City Manager
Mike McDonald .....	Assistant City Manager
Bert Lumbreras.....	Assistant City Manager
Leslie Browder, CPA .....	Chief Financial Officer
Jeff Knodel, CPA .....	Deputy Chief Financial Officer
David Allan Smith.....	City Attorney
Shirley A. Gentry.....	City Clerk

**BOND COUNSEL**

Fulbright & Jaworski L.L.P.  
Austin and Dallas, Texas

**SECURITIES COUNSEL FOR THE CITY**

McCall, Parkhurst & Horton L.L.P.  
Austin and Dallas, Texas

**FINANCIAL ADVISOR**

The PFM Group  
Austin, Texas

**AUDITORS**

KPMG LLP and R. Mendoza & Company, PC  
Austin, Texas

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No dealer, salesman or any other person has been authorized by the City or by the Underwriters to give any information or to make any representations, other than the information and representations contained herein, in connection with the offering of the Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the City or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, any of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

Certain information set forth in this Official Statement has been furnished by the City and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters. The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof. The delivery of this Official Statement at any time does not imply that the information herein is correct as to any time subsequent to its date. See “CONTINUING DISCLOSURE OF INFORMATION” for a description of the City’s undertaking to provide certain information on a continuing basis.

The price and other terms representing the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the bonds into investment accounts. In connection with the offering and sale of the Bonds, the Underwriters may over allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in open markets. Such stabilizing, if commenced, may be discontinued at any time.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THESE SECURITIES HAVE BEEN REGISTERED OR EXEMPTED FROM REGISTRATION SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

Neither the City, the Financial Advisor nor the Underwriters make any representation regarding the information contained in this Official Statement regarding The Depository Trust Company or its book-entry-only system, as such information has been furnished by The Depository Trust Company. This Official Statement contains “forward-looking” statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from the future results, performance and achievements expressed or implied by such forward-looking statements. **Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.** See “OTHER RELEVANT INFORMATION – Forward-Looking Statements.”

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**OFFICIAL STATEMENT****\$125,280,000****CITY OF AUSTIN, TEXAS****(Travis and Williamson Counties)****Hotel Occupancy Tax****Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008****Consisting of****\$62,640,000 Subseries A****\$62,640,000 Subseries B****INTRODUCTION**

This Official Statement, which includes the cover page and the appendixes hereto, sets forth information in connection with the issuance and sale by the City of Austin, Texas (the “City”) of its Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008, consisting of \$62,640,000 Subseries A (the “Subseries 2008A Bonds”) and \$62,640,000 Subseries B (the “Subseries 2008B Bonds, together with the Subseries 2008A Bonds, the “Bonds”) in the original aggregate principal amount of \$125,280,000.

The Bonds are being issued pursuant to Chapters 1207 and 1371, Texas Government Code, as amended, and Chapter 334, Texas Local Government Code, as amended (the “Act”), and an Ordinance of the City Council (the “Ordinance”) adopted on July 24, 2008, which delegated pricing of the Bonds and certain other matters to a “Pricing Officer” who approved a “Pricing Certificate” (the Ordinance together with the Pricing Certificate is collectively referred to herein as the “Ordinance”). Unless otherwise indicated, capitalized terms used in this Official Statement shall have the meanings established in the Ordinance. See APPENDIX C hereto for selected definitions of terms used in this Official Statement.

The Bonds are special limited obligations of the City, equally and ratably secured by a lien on certain “Pledged Revenues”, which lien is junior and subordinate to the lien securing the payment of the Prior Lien Bonds now Outstanding. The Pledged Revenues consist primarily of a subordinate pledge of (i) that portion of the revenues derived by the City from the hotel occupancy tax levied by the City pursuant to Chapter 351, Texas Tax Code, as amended (the “Tax Act”), which is equal to at least 4.5% of the consideration paid by occupants of sleeping rooms (the “Qualified Hotel Rooms”) furnished by hotels located within the corporate limits of the City in which the cost of occupancy is \$2.00 or more a day (the “4.5% HOT”) and (ii) the available revenues from a Special Hotel Occupancy Tax deposited to the credit of the Venue Project Fund (the “2% HOT”), together with certain investment earnings, all as described herein. The City, pursuant to the Ordinance, does not grant any lien on or security interest in, or any mortgage on any of the physical properties of the City. See “SECURITY FOR THE BONDS – Pledge” herein.

THE BONDS DO NOT CONSTITUTE GENERAL OBLIGATION DEBT OF THE CITY, AND NEITHER THE TAXING POWER OF THE CITY (EXCEPT WITH RESPECT TO A PORTION OF THE PLEDGED REVENUES) NOR THE TAXING POWER OF THE STATE OF TEXAS IS PLEDGED AS SECURITY FOR THE BONDS.

The Ordinance permits the issuance of additional bonds (the “Additional Bonds”) which rank on a parity with, or subordinate to, the Bonds. See “SECURITY FOR THE BONDS – Additional Bonds” herein.

**PLAN OF FINANCING****Authorization and Purpose**

The Bonds are being issued to refund the outstanding maturities of the City’s Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2005, in the aggregate principal amount identified in APPENDIX E (the “Refunded Bonds”). The Bonds are to be issued pursuant to the Ordinance. The City is also incurring additional obligations in connection with the issuance of the Bonds, specifically the City’s obligations related to payments under the Series 2008 Interest Rate Swap Agreement and the Liquidity Facility related to the Bonds, all as more fully described herein.



## Refunded Bonds

The Refunded Bonds and interest due thereon are to be paid on the scheduled interest payment dates, the maturity dates, and redemption dates thereof from funds to be deposited with Deutsche Bank Trust Company Americas, New York, New York, as escrow agent (the "Escrow Agent") pursuant to a special escrow agreement (the "Escrow Agreement") between the City and the Escrow Agent.

The Ordinance provides that from the proceeds of the sale of the Bonds received from the Underwriters, together with other legally available funds of the City, if any, the City will deposit with the Escrow Agent in a special escrow account (the "Escrow Fund") the amount necessary to accomplish the discharge and final payment of the Refunded Bonds. Such funds will be held uninvested, unless otherwise directed by the City, by the Escrow Agent in the Escrow Fund and used to redeem the Refunded Bonds. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Bonds. The moneys held in the Escrow Fund will not be available to pay the debt service on the Bonds.

By the deposit of the Bond proceeds and cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have affected the defeasance of the Refunded Bonds in accordance with applicable law. As a result of such defeasance, the Refunded Bonds will be outstanding only for the purpose of receiving payments from such funds and cash held for such purpose by the Escrow Agent, and such Refunded Bonds will not be deemed as being outstanding obligations of the City payable from Pledged Revenues or for the purpose of applying any limitation on the issuance of Parity Obligations by the City.

The City has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund of any additional amounts required to pay the principal of and interest on the Refunded Bonds if, for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

## SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are as follows.

Sources:	
Par Amount of Bonds	\$125,280,000.00
City Contribution	<u>8,600,000</u>
Total	<u>\$133,880,000.00</u>
Uses:	
Deposit to Escrow Fund	\$122,272,250.00
Deposit to Reserve Fund	8,497,516.24
Underwriter's Discount	173,389.11
Cost of Issuance(1)	<u>2,936,844.65</u>
Total	<u>\$133,880,000.00</u>

- 
- (1) Includes the cost of termination of the 2005 interest rate management agreement in relation to the Refunded Bonds; and underwriting, legal, accounting fees, initial fees of Paying Agent/Registrar, Initial Letter of Credit fees, publishing costs and printing expense.

## THE CONVENTION CENTER

### The Facilities

The Convention Center is located at 500 East Caesar Chavez Street on six city blocks on the east side of the City's central business district. The construction of the Austin Convention Center commenced in late 1989 and the Convention Center opened for business in July 1992. In June 1992 the City acquired a 10-story, 1,100 space parking garage as a part of the Austin Convention Center located at 201 East 2nd Street, approximately two blocks from the Austin Convention Center. An expansion of the Convention Center was completed in June of 2002 that approximately

doubled the size of the facility. Five exhibit halls, two ballrooms, fifty-four meeting rooms and show offices are contained in the Austin Convention Center's 811,400 square feet of enclosed space. In addition, the Convention Center has two complete kitchen facilities and support space. The City has entered into a management contract with Aramark Sports and Entertainment Services of Texas, Inc. to provide catering and beverage services at the Austin Convention Center that expires September 30, 2012. In addition, the City owns and operates the new Palmer Events Center and parking garage as a part of the City's Convention Center Department. The Palmer Events Center and parking garage are located at 900 Barton Springs Road next to Lady Bird Lake (formerly Town Lake) and are utilized for arts and craft shows, concerts, trade shows and small conventions. The Palmer Events Center has approximately 70,000 square feet of exhibit space and five meeting rooms. The parking garage has 1,200 parking spaces. On January 5, 2004, a new Hilton Hotel adjacent to the Convention Center opened for business. This hotel is owned by Austin Convention Enterprises, Inc., a non-profit public facilities corporation created by the City to act on its behalf in connection with the development of such hotel.

### **Operations and Management**

The Convention Center is operated by the City as a City Department and a separate enterprise fund of the City. The Convention Center Department was created by the City Council in 1989 and initially included the Austin Convention and Visitor's Bureau which is now a separate non-profit corporation. In January 2008, the City of Austin named Mark Tester as the new director for the Austin Convention Center Department. Mr. Tester was formerly the senior director of convention sales at Chicago's McCormick Place, the largest convention center in the Western hemisphere. Mr. Tester, a seasoned veteran in the meeting business industry for 20 years, brings an impressive resume to his new position. He was with the Chicago Convention and Tourism Bureau for ten years, holding several high-level positions, including vice president of convention sales and senior director of new business development.

## **SECURITY FOR THE BONDS**

### **Pledge**

The Bonds and any Additional Bonds hereafter issued are special limited obligations of the City that are, together with other Parity Obligations, equally and ratably secured by a lien on the "Pledged Revenues" (as hereinafter described) such lien being junior and subordinate to the lien securing the payment of the Prior Lien Bonds now Outstanding. No bonds or other obligations may be issued in the future that are secured by a lien on Pledged Revenues senior to the lien securing the Bonds. The Pledged Revenues consist primarily of that portion of the revenues derived by the City from the 4.5% HOT and the 2% HOT, together with certain investment earnings, all as described herein. The City, pursuant to the Ordinance, does not grant any lien on or security interest in, or any mortgage of any of the physical properties of the City or a security interest in the revenues of the Convention Center.

The City covenants and represents in the Ordinance that the Pledged Revenues are not and will not be made subject to any other lien, pledge or encumbrance to secure the payment of any debt or obligation of the City other than to the payment of the Prior Lien Bonds, the Bonds, Additional Bonds (including Parity Obligations and Junior Subordinate Lien Bonds) if certain tests set forth in the Ordinance are met, Refunding Bonds, obligations related to the foregoing and Junior Obligations. See "SECURITY FOR THE BONDS – Additional Bonds" below.

The City, pursuant to the Ordinance, grants a first lien on the Bond Fund and the Reserve Fund to secure the payment of principal of, premium, if any, and interest on the Bonds and any Additional Bonds and, in the case of the Bond Fund, to secure payment of amounts due on any Parity Obligations and Junior Obligations. The City does not grant any lien on or security interest in, or any mortgage of any of the physical properties or revenues of the City other than the Pledged Revenues. See "SECURITY FOR THE BONDS – Funds and Flow of Funds" herein.

THE BONDS AND OTHER PARITY OBLIGATIONS DO NOT CONSTITUTE GENERAL OBLIGATION DEBT OF THE CITY, AND NEITHER THE TAXING POWER OF THE CITY (EXCEPT WITH RESPECT TO THE PLEDGED REVENUES) NOR THE TAXING POWER OF THE STATE OF TEXAS IS PLEDGED AS SECURITY FOR THE BONDS.

Excluding the Refunded Bonds, as of August 1, 2008, there are two series of Prior Lien Bonds Outstanding in the aggregate principal amount of \$22,600,000 and \$50,605,000 and having final maturity dates of November 15, 2029 and November 15, 2019, respectively. See "DEBT SERVICE REQUIREMENTS."

### **Levy of Hotel Occupancy Tax**

The City has levied, and while any Bonds remain Outstanding the City shall continue to levy, a hotel occupancy tax (the “Hotel Occupancy Tax”) on the cost of occupancy of any sleeping room furnished by any hotel within the corporate limits of the City, in which the cost of occupancy is \$2.00 or more a day, at a rate of at least 7% of the consideration paid by the occupant of the sleeping room to the hotel, all as authorized by the Tax Act. In addition, the City has levied, and while any Bonds remain Outstanding the City shall continue to levy, a special hotel occupancy tax (the “Special Hotel Occupancy Tax”) on the cost of occupancy of any sleeping room furnished by any hotel within the corporate limits of the City, in which the cost of occupancy is \$2.00 or more a day, at a rate of at least 2% of the consideration paid by the occupant of the sleeping room to the hotel, all as authorized by Subchapter H of Chapter 334, Texas Local Government Code, and an election held in the City on May 2, 1998. A hotel is a building where members of the public obtain sleeping accommodations for consideration, such as a hotel, motel, tourist home, tourist house, tourist court, lodging house, inn, rooming house, or bed and breakfast in the City. A hotel does not include a hospital, sanitarium, nursing home, or dormitory or other housing facility owned or leased and operated by a public, private or independent institution of higher education used for the purpose of providing sleeping accommodations for students enrolled or others attending educational programs or other activities at such institution of higher education. The City further covenants in the Ordinance to enforce the provisions of the Ordinance, or any other ordinance levying a hotel occupancy tax, concerning the collection, remittance and payment of the Hotel Occupancy Tax and the Special Hotel Occupancy Tax. As described above, the City, pursuant to the Ordinance, has pledged the Pledged Revenues to the payment of the Bonds.

A number of factors, many of which may be beyond the control of the City, could have an adverse impact on hotel occupancy levels in the Austin market generally, including adverse changes in the national economy and levels of corporate travel and tourism, competition from hotels in other markets, energy costs, governmental rules and policies, potential environmental and other liabilities, and interest rate levels. Corporate travel and tourism are highly dependent upon gasoline and other fuel prices, airline fares, and the national economy. The hotel occupancy tax revenues largely depend on the occupancy and average daily rates at hotels located within the City. Key factors that may adversely affect the amount of hotel occupancy tax rate revenues generated from the rental of hotel rooms include: market support; general levels of convention business; levels of tourism; seasonality; and competition from other markets. Events such as terrorist attacks have had and in the future could have an adverse impact on hotel occupancy levels in the City.

### **Historical Hotel Occupancy Tax Receipts**

Pursuant to state law and an implementing ordinance, the City has levied a tax upon the cost of occupancy of any Qualified Hotel Room since 1971. The City ordinance authorizing this tax also provides rules and regulations for collection, describes violations, requires reports and provides penalties for violations. In the Ordinance the City has pledged a portion of its Hotel Occupancy Tax revenues (equal to at least \$.045 per dollar of consideration paid by occupants of Qualified Hotel Rooms) and the Special Hotel Occupancy Tax revenues (equal to \$.02 per dollar of consideration paid by occupants of Qualified Hotel Rooms). The Ordinance affirms that, subject to the prior lien on the Pledged Revenues securing the Prior Lien Bonds, at least \$.045 per dollar (from the total Hotel Occupancy Tax currently levied at \$.07 per dollar of consideration paid by occupants of Qualified Hotel Rooms) and all of the proceeds of the Special Hotel Occupancy Tax deposited to the Venue Project Fund are to be allocated to provide for the payment of the Parity Bonds, other Parity Obligations and Junior Obligations, all in the manner and with such priority of payment as described herein and in the Ordinance.

Historically such revenues have generated debt service coverage in the range of 1.30x – 1.90x for obligations payable therefrom, including the Refunded Bonds. Coverage can be affected by several factors beyond the control of the City. See “Levy of Hotel Occupancy Tax” herein.

*[The remainder of this page is intentionally left blank.]*

**Historical Hotel Occupancy Tax Collections (1)**

The following table reflects the City's hotel occupancy tax collections for the past fourteen years. Hotel occupancy tax collections are affected by the number of rooms available, the level of occupancy and the average room rate charged. The Austin Convention and Visitor's Bureau reports that city-wide occupancy for 2008 (through May of 2008) was 64.83% with an average room rate of \$112.27. There are approximately 26,018 rooms available city-wide, including 800 rooms in the Hilton Hotel adjacent to the Austin Convention Center.

**Table 1**

Fiscal Year Ended September 30	(In thousands)					Pledged Hotel Tax Revenue	Total Annual Increase/ (Decrease)
	1 <sup>st</sup> Quarter October - December	2 <sup>nd</sup> Quarter January - March	3 <sup>rd</sup> Quarter April - June	4 <sup>th</sup> Quarter July - September	Total		
1995	\$ 3,115	\$ 2,870	\$ 3,501	\$ 3,654	\$13,140	\$ 8,447	14.50%
1996	3,494	3,203	3,763	3,800	14,260	9,167	8.50%
1997	3,537	3,353	3,860	4,468	15,218	9,783	6.70%
1998 (1)	4,539	4,284	4,936	5,061	18,820	12,107	23.70%
1999	5,612	5,552	6,375	7,073	24,612	12,598	30.80%
2000	6,637	6,264	7,573	8,284	28,758	14,399	16.80%
2001 (2)	7,595	7,671	8,043	7,836	31,145	15,580	8.30%
2002	5,832	5,355	6,350	7,222	24,759	12,380	(20.50%)
2003	5,766	5,874	7,045	6,823	25,508	12,754	3.00%
2004	6,136	5,413	6,537	7,292	25,378	12,689	(0.51%)
2005	6,847	6,393	7,901	8,937	30,078	15,039	18.50%
2006	7,730	8,673	9,610	10,545	36,558	18,279	21.50%
2007	9,739	9,481	11,485	11,467	42,172	21,086	15.40%
2008	10,923	10,087	N/A	N/A	N/A	N/A	N/A

- (1) Includes Special Hotel Occupancy Tax. Tax levy increased from 7% to 9% effective August 1, 1998, pursuant to Ordinance No. 980709-G, which amended Section 5-3-2(a) of Chapter 5-3 of Title V of the 1981 Code of the City of Austin. Additional 2% tax represents the Special Hotel Occupancy Tax and is pledged to (i) the City's Outstanding Convention Center/Waller Creek Venue Project Bonds, Series 1999A and (ii) subject to such pledge, the Parity Obligations (including the Bonds).
- (2) Beginning in fiscal year 2001, the City implemented GASB Statement No. 33, which changes the method of reporting tax collections in the City's financial statements. This table will continue to be reported on a cash basis to provide a more meaningful comparison.

Source: City of Austin, Texas.

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**Top Twenty Hotel Occupancy Taxpayers for Fiscal Year 2007/2008 through May 31, 2008**

<u>Name</u>	<u>Total Collections</u>	<u>Percent of Total Collections</u>
Austin Hilton Convention Hotel	\$2,538,108.42	7.76%
Four Seasons Hotel	1,565,086.32	4.79%
Stouffer Renaissance Austin Hotel	1,364,323.91	4.17%
Hyatt Regency Austin	1,249,642.11	3.82%
Omni Austin Hotel	1,103,496.64	3.38%
Radisson Hotel Town Lake	900,771.75	2.76%
Driskill Hotel	874,283.93	2.67%
Sheraton Austin	803,850.66	2.46%
Courtyard by Marriott - Downtown	786,449.26	2.41%
Intercontinental Hotel	736,702.12	2.25%
Embassy Suites - Town Lake #510	718,262.48	2.20%
Capital Place Hotel Austin	644,965.42	1.97%
Doubletree Hotel Austin	574,893.31	1.76%
Doubletree Guest Suites	562,983.64	1.72%
Hampton Inn and Suites	543,530.53	1.66%
Omni Austin Southpark	507,054.55	1.55%
Hilton - Austin Airport	468,370.20	1.43%
Marriott – Austin South	451,010.37	1.38%
Embassy Suites Austin - Arboretum	448,569.36	1.37%
Holiday Inn – Town Lake	392,155.38	1.20%

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Source: City of Austin, Texas.

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**Historical Hotel Occupancy Data**

<u>Fiscal Year Ended September 30</u>	<u>Average Occupancy</u>	<u>Number of Rooms</u>	<u>Average Room Rate</u>
2000	74.90%	21,445	\$ 90.34
2001	62.10%	23,952	\$ 81.98
2002	56.80%	25,373	\$ 78.28
2003	56.30%	25,373	\$ 76.66
2004	62.20%	25,386	\$ 79.40
2005	64.01%	25,425	\$ 76.69
2006	67.21%	26,231	\$ 89.52
2007	70.13%	25,998	\$106.19
2008 May	64.83%	26,018	\$112.27

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Source: Smith Travel Research Data.

**Funds and Flow of Funds**

*Hotel Occupancy Tax Special Funds.* In accordance with the ordinances authorizing the issuance of the Prior Lien Bonds secured by a lien on and pledge of the Pledged Revenues, the following special funds and accounts have been created, established and shall be maintained while any of the Prior Lien Bonds remain Outstanding:

- (1) Convention Center Hotel Occupancy Tax Fund (“Tax Fund”);
- (2) Convention Center Hotel Occupancy Tax Bond Debt Service Fund (“Senior Debt Service Fund”);
- (3) Subordinate Lien Hotel Occupancy Debt Service Fund (“Original Subordinate Debt Service Fund”, together with the Senior Debt Service Fund, the “Debt Service Fund”);
- (4) Convention Center Hotel Occupancy Tax Bond Debt Service Reserve Fund (“Senior Debt Service Reserve Fund”); and
- (5) Subordinate Lien Hotel Occupancy Tax Debt Service Reserve Fund (“Original Subordinate Debt Service Reserve Fund,” and together with the Senior Debt Service Reserve Fund, the “Debt Service Reserve Fund”).

Such funds and accounts may also include any additional accounts or subaccounts as may from time to time be designated by the City, including specifically rebate accounts or subaccounts for accumulating rebatable arbitrage payable to the federal government, provided such accounts or subaccounts are not inconsistent with the ordinances authorizing the issuance of the Prior Lien Bonds and the Ordinance.

*Special Hotel Occupancy Tax Special Funds.* In accordance with the ordinance authorizing the issuance of the Special Venue Project Bonds (which also constitute Prior Lien Bonds), the City confirms the establishment of the Venue Project Fund maintained at an official depository of the City for the Convention Center/Waller Creek Venue Project in accordance with Section 334.042 of the Venue Act and the ordinances authorizing the issuance of such Prior Lien Bonds and the establishment of the following sub-accounts within such Venue Project Fund on the books of the City for the benefit of such Prior Lien Bonds:

- (1) Convention Center/Waller Creek Venue Project Special Hotel Occupancy Tax Account (“Tax Account”);
- (2) Convention Center/Waller Creek Venue Project Bond Debt Service Account (“Debt Service Account”); and
- (3) Convention Center/Waller Creek Venue Project Bond Reserve Account (“Debt Service Reserve Account”).

Such funds and accounts may also include any additional accounts or subaccounts as may from time to time be designated by the City, including specifically rebate accounts or subaccounts for accumulating rebatable arbitrage payable to the federal government, provided such accounts or subaccounts are not inconsistent with the ordinance authorizing the issuance of the Special Venue Project Bonds and the Ordinance.

*Special Funds for Parity Obligations.* For the benefit of the Holders of the Parity Bonds and the beneficiaries of the other Parity Obligations, the City agrees and covenants to establish and maintain the following special funds or accounts:

- (1) 2008 Subordinate Lien Hotel Occupancy Tax Fund (the “Bond Fund”) for the payment of the Parity Obligations when and as the same shall become due and payable, and
- (2) 2008 Subordinate Lien Hotel Occupancy Tax Reserve Fund (the “Reserve Fund”) to provide a reserve to pay the principal of and interest on the Parity Bonds when funds in the Bond Fund are insufficient.

The Bond Fund and Reserve Fund may also include any additional accounts or subaccounts as may from time to time be designated by the City, including specifically rebate accounts or subaccounts for accumulating rebatable arbitrage payable to the federal government, provided such accounts or subaccounts are not inconsistent with the provisions of the Ordinance.

*Flow of Funds regarding Pledged Hotel Occupancy Tax Revenues.* The City covenants and agrees that all Pledged Hotel Occupancy Tax Revenues shall be deposited as received into the Tax Fund. Money from time to time credited to the Tax Fund shall be applied as follows in the following order of priority:

First, to transfer all amounts to the Debt Service Fund required by the ordinances authorizing the issuance of Prior Lien Bonds (in such relative order of priority as is required by the related ordinances).

Second, to transfer all amounts to the Debt Service Reserve Fund required by the ordinances authorizing the issuance of the Prior Lien Bonds (in such relative order of priority as is required by the related ordinances).

Third, to transfer to the Bond Fund all amounts necessary to provide for the payment of Parity Obligations.

Fourth, to transfer to the Reserve Fund the amounts required as described under the heading “SECURITY FOR THE BONDS – Reserve Fund.”

Fifth, to the payment of all Junior Obligations secured under the Ordinance on a pari passu basis

Sixth, for any lawful purpose under the Tax Act.

*Flow of Funds regarding Special Hotel Occupancy Tax Revenues.* The City covenants and agrees that all receipts and revenue collected and received by the City from the Special Hotel Occupancy Tax shall be deposited to the credit of the Venue Project Fund and more particularly to the credit of the Tax Account. Following the issuance of the Bonds and while Parity Obligations and Junior Obligations remain Outstanding, money from time to time credited to the Tax Account shall be applied as follows in the following order of priority:

First, to transfer all amounts to the Debt Service Account required by the ordinances authorizing the issuance of the Prior Lien Bonds (in such relative order of priority as is required by the related ordinances).

Second, to transfer all amounts to the Debt Service Reserve Account required by the ordinances authorizing the issuance of the Prior Lien Bonds (in such relative order of priority as is required by the related ordinances).

Third, to transfer to the Bond Fund all amounts necessary to provide for the payment of the Bonds and Parity Obligations related to the Bonds in the manner and to the extent required by the Ordinance.

Fourth, to transfer to the Reserve Fund the amounts required as described under the heading “SECURITY FOR THE BONDS – Reserve Fund.”

Fifth, to the payment of all Junior Obligations secured under the Ordinance on a prior pari passu basis

Sixth, to pay the costs of operating or maintaining the Convention Center/Waller Creek Venue Project.

## **Bond Fund**

In addition (and subject) to the deposits to the Bond Fund for the payment of the Prior Lien Bonds, the City covenants and agrees that prior to each interest payment date, stated maturity date and mandatory redemption date for the Parity Bonds (and prior to the dates payments are due on other Parity Obligations) there shall be deposited into the Bond Fund, which is to be an Eligible Account held for the benefit of the Parity Obligations, from the Pledged Revenues, an amount equal to one hundred percent (100%) of the amount required to fully pay the amount then due and payable on the Parity Obligations, and such deposits are required to be made in substantially equal quarterly installments (based on the total annual Debt Service Requirements to be paid on the Bonds divided by the number of Transfer Dates (i.e. February 14, May 14, August 14, and November 14) to occur during the period covered by such calculation) on or before each Transfer Date, beginning August 14, 2008.

In addition, on each Transfer Date, the City covenants and agrees to cause to be deposited into the Bond Fund from the Pledged Revenues an amount calculated to pay all expenses of providing for the full and timely payment of the principal of, premium, if any, and interest on the Parity Bonds in accordance with their terms, including without limitation, all fees charged or incurred by the Paying Agent/Registrar and any Remarketing Agent, or Tender Agent, and for paying agent/registrar services rendered in connection with the Parity Bonds.

Money credited to the Bond Fund shall be used solely for the purpose of paying on a *pari passu* basis (except as otherwise described herein) principal (at maturity or prior redemption or to purchase Parity Bonds issued as term bonds in the open market to be credited against mandatory redemption requirements), interest and redemption premiums on Parity Bonds and all other amounts due on other Parity Obligations, plus all other charges, costs and expenses relating to such payment, including those described above. On or before each payment due date for the Parity Obligations, the City shall transfer from the Bond Fund to the appropriate paying agent/registrar amounts due on the Parity Obligations on such date.

### **Reserve Fund**

The City shall establish and maintain as hereinafter provided a balance in the Reserve Fund equal to the Reserve Fund Requirement. The Reserve Fund Requirement is an amount equal to the least of: (i) 10% of the Outstanding principal amount of the Parity Bonds, or (ii) the maximum annual Debt Service Requirements scheduled to occur in the then current and each future Fiscal Year for all Parity Bonds at any time Outstanding, or (iii) the maximum amount in a reasonably required reserve fund that can be invested without restriction as to yield pursuant to Subsection (d) of Section 148 of the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder. By reason of the issuance of the Bonds the Reserve Fund Requirement will be \$8,497,516.24 and immediately following the delivery of the Bonds, the City shall cause to be deposited to the credit of the Reserve Fund an amount equal to \$8,497,516.24 to fully fund the Reserve Fund Requirements.

In any Transfer Period in which the Reserve Fund contains less than the Reserve Fund Requirement or in which the City is obligated to repay or reimburse any issuer of a Reserve Fund Surety Bond (in the event such Reserve Fund Surety Bond is drawn upon), then after making all required transfers to the Bond Fund, there is required to be transferred into the Reserve Fund from the available Pledged Revenues on each Transfer Date such amounts as are necessary to reestablish the Reserve Fund Requirement and satisfy any repayment obligations to the issuer of any Reserve Fund Surety Bond. After such amount has been accumulated in the Reserve Fund and after satisfying any repayment obligation to any issuer of a Reserve Fund Surety Bond and so long thereafter as such fund contains such amount and all such repayment obligations have been satisfied, no further transfers shall be required to be made, and any excess amounts in such fund shall be transferred to the Bond Fund. But if and whenever the balance in the Reserve Fund is reduced below the Reserve Fund Requirement or any Reserve Fund Surety Bond repayment obligation arises, transfers to the Reserve Fund shall be resumed and continued in the manner provided above to restore the Reserve Fund Requirement and to pay such reimbursement obligations.

The Reserve Fund shall be used to pay the principal of and interest on the Parity Bonds at any time when there is not sufficient money available in the Bond Fund for such purpose, and to make any payments required to satisfy repayment obligations to issuers of Reserve Fund Surety Bonds, and may be used to make the final payments for the retirement or defeasance of Parity Bonds.

If it is determined to be in the best interest of the City, the Reserve Fund Requirement may be funded in whole or in part by a Reserve Fund Surety Bond. In connection with a Reserve Fund Surety Bond and any Additional Bonds that are Parity Bonds, the City, the Paying Agent/Registrar and the Surety Bond Issuer may approve procedures providing for a reasonable allocation among Reserve Fund Surety Bonds and funds held in the Reserve Fund to make payments on Parity Bonds and to provide for repayments to issuers of Reserve Fund Surety Bonds.

### **Deficiencies in Funds or Accounts**

Subject to satisfying the required payments for the benefit of the Prior Lien Bonds in accordance with the ordinances authorizing their issuance, if on any Transfer Date there shall not be transferred into any fund or account maintained pursuant to the Ordinance the full amounts required therein, amounts equivalent to such deficiency shall be set apart and transferred to such fund or account from the first available and unallocated Pledged Revenues, and such transfer shall be



in addition to the amounts otherwise required to be transferred to such fund or account on any succeeding Transfer Date or Transfer Dates.

### **Investment of Funds; Transfer of Investment Income**

Money in all funds required to be maintained by the Ordinance will, at the option of the City, be invested in the manner provided by Texas law; provided that all such deposits and investments shall be made in such manner that the money required to be expended from any fund will be available at the proper time or times. All such investments shall be valued no less frequently than the last Business Day of the City's Fiscal Year at market value, except that any direct obligations of the United States of America - State and Local Government Series shall be continuously valued at their par value or principal face amount. For purposes of maximizing investment returns, money in such funds may be invested, together with money in other funds or with other money of the City, in common investments or in a common pool of such investments maintained by the City at an official depository of the City or in any fund or investment vehicle permitted by Texas law, which shall not be deemed to be a loss of the segregation of such money or funds provided that safekeeping receipts, certificates of participation or other documents clearly evidencing the investment or investment pool in which such money is invested and the share thereof purchased with such money or owned by such funds are held by or on behalf of each such fund. If and to the extent necessary, such investments or participations therein shall be promptly sold to prevent any default.

All interest and income derived from deposits and investments credited to the Bond Fund and Reserve Fund shall remain a part of the fund from which such investment was made and such investment interest and income shall reduce by like amount any required transfer to such funds from the Pledged Revenues, provided that at any time when the Reserve Fund has on deposit an amount in excess of the Reserve Fund Requirement, all investment interest and income received on any investment of funds in such fund shall be deposited to the credit of the Bond Fund.

Notwithstanding anything to the contrary contained in the Ordinance, any interest and income derived from deposits and investments of any amounts credited to any fund or account may be (i) transferred into any rebate account or subaccount and (ii) paid to the federal government if in the opinion of nationally recognized bond counsel such payment is required to comply with any covenant contained in an order, resolution or ordinance to prevent interest on any Parity Bonds from being includable within the gross income of the owners thereof for federal income tax purposes.

### **Additional Bonds**

(a) No Additional Prior Lien Bonds. The City has covenanted that it will not issue any additional bonds or other obligations payable from and secured by a lien on and pledge of the Pledged Revenues that is senior to the lien securing the Parity Obligations.

(b) Refunding Bonds. The City has expressly reserved the right to issue refunding bonds to refund all or a portion of the Bonds or refunding bonds previously issued to refund Bonds. Such refunding bonds may be secured by a lien on Pledged Revenues on a parity with or subordinate to the lien securing the Bonds.

(c) Other Additional Obligations.

(A) In regard to the Pledged Revenues, the City has reserved and retained the right to issue or incur additional obligations secured in whole or in part by a parity lien on Pledged Revenues or by a lien junior and subordinate to the lien on such Pledged Revenues securing payment of the Parity Bonds; provided, however, that no such Parity Bonds or Junior Subordinate Lien Bonds may be issued unless the following conditions are satisfied:

(i) the City's Chief Financial Officer (or other officer of the City having primary responsibility for the financial affairs of the City) shall provide a certificate showing that, for the City's most recently completed Fiscal Year or for any consecutive 12 month period out of the most recent 18 months preceding the month the ordinance authorizing the issuance of the Parity Bonds or Junior Subordinate Lien Bonds is adopted (the "Coverage Period"), (x) the Pledged Hotel Occupancy Tax Revenues for the Coverage Period are equal to at least 130% of the maximum annual Debt Service Requirement of all Prior Lien Bonds and Parity Bonds then Outstanding scheduled to occur in the then current or any future Fiscal Year after taking into consideration the issuance of the Parity Bonds, if any, proposed to be issued, and deducting from the maximum annual Debt Service Requirement for such Prior Lien Bonds and Parity Bonds an amount equal to the revenues received

from the Special Hotel Occupancy Tax for the Coverage Period and (y) the “Net Hotel Occupancy Tax Revenues” for the Coverage Period (i.e., the Pledged Hotel Occupancy Tax Revenues after deducting an amount equal to the maximum annual Debt Service Requirement applied in satisfying the coverage requirement in clause (x) above), together with any other revenues pledged in whole or in part to the payment of any Junior Subordinate Lien Bonds, are equal to at least 130% of the maximum annual Debt Service Requirement on all Junior Subordinate Lien Bonds then Outstanding and scheduled to occur in the then current or any future Fiscal Year after giving effect to the issuance of the Junior Subordinate Lien Bonds then being issued, if any; provided, however, at such time as the Prior Lien Bonds are no longer Outstanding, the coverage requirement in clause (x) above shall be reduced to 125% and the coverage requirement of clause (y) shall be reduced to 100%; and

(ii) provision is made in the ordinance authorizing issuance of the Parity Bonds or Junior Subordinate Lien Bonds, as the case may be, for the complete funding of any required reserves for payment of principal of and interest on such Parity Bonds or Junior Subordinate Lien Bonds as of the initial delivery thereof.

(B) The City is authorized to issue or incur Credit Agreements pursuant to the provisions described in this Section. The City may enter into a Credit Agreement payable from and secured in whole or in part by a lien on Pledged Revenues if it obtains either (i) the consent from any Credit Facility Provider issuing a Credit Facility in support of the Bonds or (ii) written confirmation from each Rating Agency then rating the Parity Bonds at the request of the City that issuance of the Credit Agreement will not cause a withdrawal or reduction in the rating assigned to the Bonds; provided, however, that such consent in clause (i) and confirmation in clause (ii) above is not required for Interest Rate Management Agreements. The City may secure its obligations under a future Credit Agreement by a lien on Pledged Revenues if such lien is on parity with or subordinate to the lien securing the Parity Bonds.

(C) If the City issues Variable Rate Obligations, it shall use the following procedures for purposes of determining the maximum and the average annual Debt Service Requirements of Variable Rate Obligations:

(i) At the sole discretion of the City, such Variable Rate Obligation shall be deemed to bear interest at one of the following rates: (x) an interest rate equal to the average rate borne by such obligations (or by comparable debt in the event that such obligations have not been outstanding during the preceding 24 months) for any 24 month period ending within 30 days prior to the date of calculation; (y) if the City has entered into a related Credit Agreement in the nature of an Interest Rate Management Agreement, the rate payable by the City under such Credit Agreement; or (z) an interest rate equal to the 30 Year Tax-Exempt Revenue Bond Index rate as published in The Bond Buyer on any date selected by the City within 30 days prior to the date of calculation. If such index is no longer published in The Bond Buyer, an index of tax-exempt revenue bonds with maturities of 20 years, or more, published in a financial newspaper or journal with national circulation may be selected by the City and used for this purpose.

(ii) If the City has entered into a Credit Agreement in connection with an issue of obligations payable from and secured by Pledged Revenues and if clause (y) of paragraph (C)(i) above does not apply, (x) payments due under the Credit Agreement, from either the City or the other party to the Credit Agreement, shall be included in such calculation except to the extent that the payments are already taken into account in the debt service calculation, (y) any payments that would otherwise be included under the debt service calculation which are to be replaced by payments under a Credit Agreement from either the City or the other party to the Credit Agreement shall be excluded from such calculation, and (z) payments due under a Credit Agreement that are paid at a variable rate shall be deemed to be made at a fixed rate determined in a manner consistent with clause (x) of paragraph (C)(i) above. For any calculation of historic data, only those payments actually made in the subject period shall be taken into account in making such calculation and for prospective calculations, only those payments reasonably expected to be made in the subject period shall be taken into account in making the calculation.

(D) If the City has entered into a Credit Agreement to discharge or purchase any of its obligations payable from or secured by Pledged Revenues under arrangements whereby the City's obligation to repay the amounts advanced under the Credit Agreement for the discharge or purchase is payable over more than one year from the advance under the Credit Agreement, then the portion of the obligations committed to be discharged or purchased

pursuant to the Credit Agreement shall be excluded from any calculation of debt service requirements, and the principal of and interest requirements that constitute the City's reimbursement obligation shall be added.

(E) In determining the Pledged Hotel Occupancy Tax Revenues available to satisfy the coverage requirements of condition (a) above, the City may take into consideration an increase in the portion of the Pledged Hotel Occupancy Tax Revenues that became effective during the Coverage Period and, for purposes of satisfying the above coverage tests, make a pro forma determination of the Pledged Hotel Occupancy Tax Revenues for the Coverage Period based on such increased portion of the Pledged Hotel Occupancy Tax Revenues being in effect for the entire Coverage Period.

(F) Any Additional Bonds may bear any name or designation provided by the ordinance authorizing their issuance and be issued in such form and manner as may be authorized by law. Furthermore, any such bonds may be secured by any other source of payment lawfully available for such purposes, including a Credit Agreement, financial guaranty insurance policy or similar credit or liquidity support. Any Reimbursement Obligation or obligation under a Credit Agreement may be secured by Pledged Revenues on a basis *pari passu* with the Parity Bonds or Junior Subordinate Lien Bonds.

The Outstanding principal balance on all Prior Lien Bonds as of August 1, 2008 is \$73,205,000, with the final maturity payment occurring on November 15, 2029.

### **THE INITIAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT**

The following is a summary of certain provisions of the Initial Letter of Credit and the Reimbursement Agreement. The Initial Letter of Credit and the Reimbursement Agreement each contain various provisions, covenants and conditions, certain of which are summarized below. Various words or terms used in the following summary are defined elsewhere in this Official Statement, the Initial Letter of Credit or the Reimbursement Agreement, and reference is made thereto for a full understanding of their import.

#### **General**

The Bank and the City have entered into the Reimbursement Agreement dated August 1, 2008 (the "Reimbursement Agreement"). Pursuant to the Reimbursement Agreement, the Bank will issue the Initial Letter of Credit which will constitute the initial Credit Facility and the initial Liquidity Facility. By issuing the Initial Letter of Credit, the Bank is serving in the capacity as both the Credit Facility Provider and the Liquidity Facility Provider for the Bonds pursuant to the Ordinance.

The Paying Agent/Registrar is authorized to make drawings for the payment of principal of and interest on the Bonds (each, a "Credit Drawing") and a drawing for the payment of the purchase price of the Bonds bearing interest at the Weekly Rate that have been tendered and not remarketed (each, a "Liquidity Drawing"), subject to certain conditions set forth in the Initial Letter of Credit and in the Reimbursement Agreement. The Bonds purchased by the Bank ("Bank Bonds") shall bear interest at the rates set forth in the Reimbursement Agreement and shall be repaid as provided therein. All Liquidity Drawings and Credit Drawings shall be made under the Initial Letter of Credit in accordance with its terms. The City has directed the Bank to make payments under the Initial Letter of Credit in the manner provided in the Initial Letter of Credit.

The Initial Letter of Credit will terminate on the earliest of (a) August 14, 2011 (as extended from time to time); (b) the earlier of (i) the date which is 15 days following the date on which the rate on all of the Bonds has been converted to bear interest at a rate other than a Covered Mode (the "Conversion Date"), or (ii) the date on which the Bank honors a drawing under the Initial Letter of Credit on or after the Conversion Date; (c) the date which is 15 days following receipt by the Bank of a certificate from the Paying Agent/Registrar certifying that (i) no Bonds remain Outstanding within the meaning of the Ordinance; (ii) all drawings required to be made under the Ordinance and available under the Initial Letter of Credit have been made and honored; or (iii) a substitute letter of credit has been issued to replace the Initial Letter of Credit; and (d) the date which is 15 days following receipt by the Paying Agent/Registrar of a written notice from the Bank specifying the occurrence of an Event of Default under the Reimbursement Agreement, and directing the Paying Agent/Registrar to cause a mandatory tender of the Bonds pursuant to the terms of the Ordinance.

Upon the Bank's honoring any Liquidity Drawing, the Bank shall be deemed to have purchased the Bank Bonds in respect of which such Drawing is made, and the City shall cause the Paying Agent/Registrar to hold such Bank Bonds for the benefit of the Bank and register such Bank Bonds in the name of the Bank or its nominee, or to otherwise deliver such Bank Bonds as directed by the Bank pursuant to the Ordinance. During such time as the Bank is the owner of any Bonds, the Bank shall have all the rights granted to a Bondholder under the Ordinance and such additional rights as may be granted to the Bank under the Reimbursement Agreement.

### Events of Default

The occurrence and continuance of any one or more of the following events shall be an "Event of Default" under the Reimbursement Agreement:

- (a) the City fails to pay, or cause to be paid, when due (i) any principal of or interest on any Drawing or any Advance; or (ii) any principal of or interest on any Bonds for any reason other than the failure of the Bank to perform its obligations under the Reimbursement Agreement;
- (b) any representation, warranty or statement made by or on behalf of the City in the Reimbursement Agreement or in any Program Document to which the City is a party or in any certificate delivered by the City proves to be untrue in any material respect on the date as of which made or deemed made; or the documents, certificates or statements of the City (including unaudited financial reports, budgets, projections and cash flows of the City) furnished to the Bank by or on behalf of the City in connection with the transactions contemplated by the Reimbursement Agreement, when taken as a whole, are materially inaccurate in light of the circumstances under which they were made and as of the date on which they were made;
- (c) the City fails to perform or observe certain terms, covenants or agreements contained in the Reimbursement Agreement and such failure is not cured by the specific grace period, if any, set forth in the Reimbursement Agreement;
- (d) the City (i) defaults on any payment of any principal, premium, or interest on any of the City's long-term indebtedness in excess of \$5,000,000 (other than the Bonds, the Drawings or the Advances), beyond the period of grace, if any, provided in the instrument or agreement under which such long-term indebtedness was created; or (ii) defaults in the observance or performance of any agreement or condition relating to any long-term indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such long-term indebtedness (or a trustee or agent on behalf of such holder or holders) to cause (determined without regard to whether any notice is required), any such long term indebtedness to become due prior to its stated maturity;
- (e) (i) a court or other governmental authority with jurisdiction to rule on the validity of the Reimbursement Agreement, the Ordinance or any other Program Document to which the City is a party shall find, announce or rule that (A) any material provision of the Reimbursement Agreement and any other Program Document to which the City is a party; or (B) any provision of the Ordinance relating to the security for the Bonds or the Obligations, the City's ability to pay the Obligations or perform its obligations hereunder or the rights and remedies of the Bank, is not a valid and binding agreement of the City; or (ii) the City contests the validity or enforceability of the Reimbursement Agreement, any other Program Document to which the City is a party or any provision of the Ordinance relating to the security for the Bonds or the Obligations, the City's ability to pay the Obligations or perform its obligations hereunder or the rights and remedies of the Bank, or shall seek an adjudication that the Reimbursement Agreement, any other Program Document to which the City is a party or any provision of the Ordinance relating to the security for the Bonds or the Obligations, the City's ability to pay the Obligations or perform its obligations hereunder or the rights and remedies of the Bank, is not valid and binding on the City;
- (f) any provision of the Ordinance relating to the security for the Bonds or the Obligations, the City's ability to pay the Obligations or perform its obligations hereunder or the rights and remedies of the Bank, or any Program Document to which the City is a party, except for any Remarketing Agreement which has been terminated due to a substitution of the Remarketing Agent, or any material provision thereof shall cease to be in full force or effect, or the City or any Person acting by or on behalf of the City shall deny or disaffirm the City's obligations under the Ordinance or any other Program Document to which the City is a party;
- (g) a final judgment or order for the payment of money in excess of \$5,000,000 (in excess of the coverage limits of any applicable insurance therefore) has been rendered against the City and such judgment or order shall not have been satisfied, stayed, vacated, discharged or bonded pending appeal within a period of thirty (30) days from the date on which it was first so rendered;

- (h) (i) a debt moratorium, debt restructuring, debt adjustment or comparable restriction is imposed on the repayment when due and payable of the principal of or interest on any obligation secured by a lien, charge or encumbrance upon the Pledged Revenues; (ii) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors, the City seeks to have an order for relief entered with respect to it or seeking to adjudicate it insolvent or bankrupt or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts; (iii) the City seeks appointment of a receiver, trustee, custodian or other similar official for itself or for any substantial part of the City's property, or the City shall make a general assignment for the benefit of its creditors; (iv) there shall be commenced against the City any case, proceeding or other action of a nature referred to in clause (ii) above and the same shall remain undismissed; (v) there shall be commenced against the City any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distrain or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal, within 60 days from the entry thereof; (vi) the City takes action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), (iii), (iv) or (v) above; or (vii) the City is generally unable to, or admits in writing its inability to, pay its debts as they become due;
- (i) any of Moody's, Fitch or S&P has downgraded its long-term unenhanced rating of any debt of the City secured by a lien on and pledge of the Pledged Revenues to below "Baa3" (or its equivalent), "BBB-" (or its equivalent) or "BBB-" (or its equivalent), respectively, or suspended or withdrawn its rating of the same; or
- (j) an event of default under the Ordinance shall have occurred.

### **Remedies if Event of Default Occurs**

Upon the occurrence of any Event of Default the Bank may exercise any one or more of the following rights and remedies in addition to any other remedies in the Reimbursement Agreement or by law provided:

- (a) by written notice to the City require that the City immediately prepay to the Bank in immediately available funds an amount equal to the Available Amount (such amount to be held by the Bank as collateral security for the Obligations); provided, however, that in the case of an Event of Default described above in clause (h) of the Events of Default section above, such prepayment of an amount equal to the Available Amount shall automatically become immediately due and payable without any notice (unless the coming due of such Obligations is waived by the Bank in writing);
- (b) by notice to the City, declare all Obligations to be, and such amounts thereupon become, immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the City; provided that upon the occurrence of an Event of Default described above in clause (h) such acceleration will automatically occur (unless such automatic acceleration is waived by the Bank in writing);
- (c) give notice of the occurrence of any Event of Default to the Paying Agent/Registrar directing the Paying Agent/Registrar to cause a mandatory tender of the Bonds pursuant to the terms of the Ordinance, thereby causing the Initial Letter of Credit to expire 15 days thereafter;
- (d) pursue any rights and remedies it may have under the Program Documents; or
- (e) pursue any other action available at law or in equity.

### **Alternate Liquidity Facility**

In the Ordinance, the City is required while the Bonds are in the Weekly Mode, to maintain in effect a Liquidity Facility meeting the requirements set forth therein. The City is required to obtain an Alternate Liquidity Facility to replace the Liquidity Facility (which, at the time of issuance of the Bonds, is the Initial Letter of Credit) or cause the Bonds to be converted to bear interest at interest rate mode other than the Weekly Mode in the event that (i) the City terminates the Liquidity Facility pursuant to the terms thereof or (ii) the Bank furnishes a termination notice to the Tender Agent.

Any Alternate Liquidity Facility must require, as a condition to the effectiveness of the Alternate Liquidity Facility, that the Alternate Liquidity Facility will provide funds to the extent necessary, in addition to other funds available, on the date the Alternate Liquidity Facility becomes effective, for the purchase of all Bank Bonds at par plus interest (at the Bank Rate) through the date purchased. On such date any and all amounts owed to the Bank shall be payable in full to the Bank.

If, at any time, the City provides for an Alternate Liquidity Facility by delivering to the Paying Agent/Registrar (1) an Alternate Liquidity Facility in substitution for the Liquidity Facility with respect to Bonds of a subseries then in effect

(which, at the time of issuance of the Bonds, is the Initial Letter of Credit), and (2) a Favorable Opinion of Bond Counsel, then the Paying Agent/Registrar is required to accept such Alternate Liquidity Facility and surrender the Liquidity Facility then in effect to the Liquidity Facility Provider on the Substitution Date, but only if all draws in connection with the mandatory tender occurring on such Substitution Date have been honored in full.

The Paying Agent/Registrar will provide notice of such proposed substitution by United States mail, first-class postage prepaid, to the Holders of the Bonds no less than fifteen (15) days prior to the proposed Substitution Date.

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## DEBT SERVICE REQUIREMENTS\*

<u>Date</u>	Total Prior Lien 4.5 Cent HOT Outstanding Series 2004 <u>Debt Service</u>	Series 1999A Waller Creek <u>Debt Service</u>	<u>The Bonds (1)</u>	Total Debt Service Payable From 4.5 & 2.0 Cent <u>Revenues</u>
9/30/2009	\$ 5,574,438	\$ 1,760,400	\$ 4,422,890	\$ 6,183,290
9/30/2010	5,571,250	1,761,650	7,307,161	9,068,811
9/30/2011	5,572,000	1,761,245	8,269,285	10,030,530
9/30/2012	5,573,375	1,763,888	8,266,523	10,030,410
9/30/2013	5,571,500	1,764,418	8,263,912	10,028,329
9/30/2014	5,570,125	1,767,488	8,261,290	10,028,777
9/30/2015	5,568,750	1,768,113	8,243,900	10,012,013
9/30/2016	5,576,625	1,766,638	8,246,120	10,012,758
9/30/2017	5,573,250	1,767,931	8,218,491	9,986,423
9/30/2018	5,573,250	1,766,863	8,200,743	9,967,606
9/30/2019	5,571,000	1,763,431	8,206,982	9,970,413
9/30/2020	5,570,875	1,767,375	8,207,044	9,974,419
9/30/2021	-	1,762,250	8,210,660	9,972,910
9/30/2022	-	1,762,850	8,212,639	9,975,489
9/30/2023	-	1,760,150	8,169,038	9,929,188
9/30/2024	-	1,754,150	8,183,313	9,937,463
9/30/2025	-	1,754,575	8,194,977	9,949,552
9/30/2026	-	1,751,150	8,213,595	9,964,745
9/30/2027	-	1,743,875	8,209,494	9,953,369
9/30/2028	-	1,742,475	8,226,941	9,969,416
9/30/2029	-	1,736,675	8,245,504	9,982,179
9/30/2030	-	1,731,338	8,274,586	10,005,924

(1) Calculated using synthetic fixed rate of 3.2505% to be paid by the City pursuant to the Series Interest Rate Management Agreement. See "THE INTEREST RATE MANAGEMENT AGREEMENT."

\*As of August 7, 2008.

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## Convention Center Fund

**Schedule of Revenues, Expenses and Net Income/Change in Net Assets**  
**Year Ended September 30, 2007**  
**With Comparative Totals for Years Ended September 30, 2006, 2005, 2004 and 2003**  
**(In thousands)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
OPERATING REVENUES					
User fees and rentals	<u>\$15,040</u>	<u>\$10,404</u>	<u>\$11,169</u>	<u>\$14,692</u>	<u>\$14,577</u>
Total Operating Revenues	\$15,040	\$10,404	\$11,169	\$14,692	\$14,577
OPERATING EXPENSES					
Operating Expenses Before Depreciation	\$21,778	\$18,192	\$19,468	\$23,092	\$24,114
Depreciation and Amortization	<u>5,270</u>	<u>6,444</u>	<u>6,735</u>	<u>6,800</u>	<u>8,574</u>
Total Operating Expenses	\$27,048	\$24,636	\$26,203	\$29,892	\$32,688
Operating Income (Loss)	\$(12,008)	\$(14,232)	\$(15,034)	\$(15,200)	(18,111)
NONOPERATING REVENUES (EXPENSES)					
Interest and Other Revenues	\$ 893	\$ 35	\$ 613	\$ 2,960	\$ 4,658
Interest on Revenue Bonds and Other Debt	(14,517)	(13,772)	(13,572)	(11,733)	(11,477)
Interest Capitalized During Construction	1,052	1,390	1,602	938	366
Amortization of Bond Issue Cost	(168)	(175)	(187)	(175)	(140)
Other Nonoperating Expense	<u>60</u>	<u>(15,291)</u>	<u>(657)</u>	<u>(1,063)</u>	<u>(20)</u>
Total Nonoperating Revenues (Expenses)	\$(12,680)	\$(27,813)	\$(12,201)	\$ (9,073)	\$ (6,613)
Income (Loss) Before Contributions and Transfers	\$(24,688)	\$(42,045)	\$(27,235)	\$(24,273)	\$(24,724)
Capital Contributions			290	276	
Transfers In	\$22,895	\$22,712	\$26,446	\$32,445	\$36,697
Transfers Out	<u>(75)</u>	<u>(75)</u>	<u>(75)</u>	<u>(75)</u>	<u>(75)</u>
Net Income (Loss)	N/A	N/A	N/A	N/A	N/A
Change in Net Assets (1)	\$ (1,868)	\$ (19,408)	\$ (574)	\$ 8,373	\$11,898

(1) The City of Austin implemented GASB 34 effective Fiscal Year End 2002.

The revenues reflected in this table do not constitute a portion of the Pledged Revenues securing the Bonds.

### DESCRIPTION OF THE BONDS

The Weekly Rates for the Bonds of each subseries will be determined by the applicable Remarketing Agent for such subseries. This Official Statement only describes the Bonds while they bear interest at a Weekly Rate. If the Bonds are converted to a Mode other than a Weekly Mode, such Mode will be described in disclosure materials in connection with such conversion. For descriptions of the method of determination of the interest rates during the Weekly Mode, changes in Mode and certain other terms applicable to the Bonds in the Weekly Mode, see the provisions of this section and APPENDIX C. Each Subseries of Bonds are sometimes referred to herein as “Bonds of a Subseries.”

The Bonds will be issued in the aggregate amount of \$125,280,000 and will mature on November 15, 2029 (the “Maturity Date”), subject to prior redemption. The Bonds shall bear interest as described below.

#### General

Authorized Denominations. Initially, the Bonds will be issued in denominations of \$100,000 and integral multiples of \$5,000 in excess thereof. The authorized denominations are subject to change if the Mode is converted to another Mode.



Calculation of Interest. Interest on the Bonds in the Weekly Mode will be calculated on the basis of a 365-day or 366-day year, as applicable, for the actual number of days elapsed at the applicable Weekly Rate. Initially the Bonds are issued at the Weekly Rate; provided, that from the date of issuance of the Bonds to, but not including August 21, 2008, the Bonds will bear interest at a per annum rate to be established on or about August 13, 2008. No Bond may bear interest at an interest rate higher than the Maximum Rate.

Interest Payment Method. Other than as provided in the Ordinance with respect to the Bonds held in the Book-Entry System, interest on the Bonds shall be paid to the Holders whose names appear in the Security Register at the close of business on the Record Date and shall be paid by the Paying Agent/Registrar (i) by check sent by United States Mail, first class postage prepaid, to the address of the Holder recorded in the Security Register or (ii) by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of the Holder.

Record Date for Interest Payment. The regular record date ("Record Date") for the interest payable on any interest payment date on Bonds bearing interest at a Weekly Rate, means the Business Day immediately preceding the interest payment date.

Interest Payment Dates. Interest on the Bonds in the Weekly Mode is to be paid on the fifteenth day of each month commencing September 15, 2008, in an amount equal to the interest accrued during the Interest Accrual Period preceding the applicable Interest Payment Date. If such date is not a Business Day, such interest will be paid on the next Business Day.

Paying Agent/Registrar. Deutsche Bank Trust Company Americas will serve as Paying Agent/Registrar and may resign at any time and may be replaced in accordance with the Ordinance; provided, however, that any such resignation shall not take effect until a successor is appointed. The address of Deutsche Bank Trust Company Americas for purposes of its duties as Paying Agent/Registrar is 60 Wall Street 27<sup>th</sup> Floor, New York, New York 10005.

Tender Agent. Deutsche Bank Trust Company Americas will serve as initial Tender Agent for the Bonds and may resign at any time and may be replaced in accordance with the Ordinance; provided, however, that any such resignation shall not take effect until a successor is appointed. All notices and Bonds required to be delivered to the Tender Agent shall be delivered by mail delivery/overnight mail to: Deutsche Bank Trust Company Americas (the "Tender Agent"), 60 Wall Street 27<sup>th</sup> Floor, New York, New York 10005.

Remarketing Agents. Morgan Keegan & Company, Inc. has been appointed to serve as the initial remarketing agent for the Sub-series A Bonds ("Subseries A Remarketing Agent") and Banc of America Securities LLC has been appointed to serve as the initial remarketing agent for the Subseries B Bonds (the "Subseries B Remarketing Agent", and together with the Subseries A Remarketing Agent, the "Remarketing Agents"). The Remarketing Agents may resign or be removed as Remarketing Agent and a successor may be appointed in accordance with the Ordinance as the applicable Remarketing Agent. The offices of Morgan Keegan & Company, Inc. and Banc of America Securities LLC for purpose of its duties as Remarketing Agents are 50 North Front Street, 16<sup>th</sup> Floor, Memphis, Tennessee 38103 and 214 North Tryon Street, Charlotte, North Carolina 28255, respectively.

### **Interest Rate Modes; Conversion**

The Ordinance permits the City, by complying with certain conditions, to convert the interest rate on the Bonds from a Weekly Rate to another interest rate, including a daily rate, a commercial paper rate, an auction period rate, a term rate, or a rate that is fixed to the maturity of the Bonds.

### **Determination of Interest Rates in the Weekly Mode**

Weekly Mode. The Bonds are being issued in a Weekly Mode for a Weekly Rate Period beginning on the Thursday of each week to and including the Wednesday of the following week (provided, however, that the first Weekly Rate Period for each subseries of the Bonds will be from the Closing Date of such subseries of the Bonds to and including the Wednesday of the following week, and the last Weekly Rate Period will be from and including the Thursday of the week

prior to the Mode Change Date to the day next succeeding the Mode Change Date), and such Bonds will bear interest at the rates to be set as described below.

Determination of Interest Rates During the Weekly Mode. The interest rate for the Bonds in the Weekly Mode shall be the rate of interest per annum determined by the applicable Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest which, in the opinion of such Remarketing Agent under then-existing market conditions, would result in the sale of the Bonds in the Weekly Rate Period at a price equal to the principal amount thereof, plus interest, if any, accrued through the Rate Determination Date. During the Weekly Mode, the applicable Remarketing Agent shall establish the Weekly Rate for each subseries and shall make such Weekly Rate available for each other Notice Party by 5:00 P.M. on the Rate Determination Date by Electronic Means.

If (i) a Remarketing Agent fails to determine the interest rate(s) for the Bonds of a subseries, or (ii) the method of determining the interest rate(s) with respect to the Bonds of a subseries is held unenforceable by a court of law of competent jurisdiction, then the Bonds of such subseries will bear interest at the Alternate Rate for subsequent Interest Periods, in each case until the applicable Remarketing Agent again makes such determination or until there is delivered to the City and the Paying Agent/Registrar a Favorable Opinion of Bond Counsel.

### **Changes in Mode**

All or a portion of any subseries of the Bonds in any Mode other than a Fixed Rate Mode may be changed from one Mode at the times and in the manner provided in the Ordinance and described below. Subsequent to such change in Mode, any subseries of the Bonds may again be changed, in whole or in part, to a different Mode at the times and in the manner provided in the Ordinance and described below.

- (a) Changes in Modes. All or a portion of each subseries of the Bonds (other than Bonds in the Fixed Rate Mode) may be changed from one Mode to another Mode as follows:
  - (i) Mode Change Notice; Notice to Owners. No later than 20 days preceding the proposed Mode Change Date, the City (or the Authorized Representative on behalf of the City) shall give written notice to the Notice Parties of its intention to effect a change in the Mode from the Mode then prevailing (for purposes herein, the "Current Mode") to another Mode (for purposes herein, the "New Mode") specified in such written notice. Notice of the proposed change in Mode shall be given by the Paying Agent/Registrar to the applicable Owners of the Bonds and the Notice Parties not less than 15 days before the Mode Change Date. Such notice shall state: (1) the reason for the mandatory tender for purchase, (2) the Mandatory Purchase Date, (3) the Purchase Price, (4) the place and manner of payment, (5) that the Owner has no right to retain such Bonds, (6) that no further interest will accrue to such Owner from and after the Mandatory Purchase Date, (7) the conditions that have to be satisfied in order for the New Mode to become effective and (8) the consequences that the failure to satisfy any of such conditions would have.
  - (ii) Determination of Interest Rates. The New Mode shall commence on the Mode Change Date and the interest rate(s) (together, in the case of a change to the commercial paper mode, with the Interest Period(s)) shall be determined by the applicable Remarketing Agent in the manner provided herein and in the Ordinance. In the case of the Bonds being converted to the term rate mode or the auction rate mode, the length of the term rate period or the initial auction period, as the case may be, shall be selected by the Authorized Representative on behalf of the City and the interest rate for the term rate period or the initial auction period, as the case may be, commencing on the Mode Change Date shall be the lowest rate which, in the judgment of the applicable Remarketing Agent or broker-dealer, as the case may be, is necessary to enable the Bonds to be remarketed at a price equal to the principal amount thereof, plus accrued interest, if any, on the Mode Change Date.
  - (iii) Serialization and Sinking Fund. Upon conversion of any Bonds to the term rate mode or the Fixed Rate Mode, such Bonds shall be remarketed at par, and shall mature on the same Maturity Date(s) and be subject to the same mandatory sinking fund redemption, if any, and optional redemption provisions as set forth in the Ordinance for any prior Mode; provided, however, that the City may elect to have some of the Bonds be serial bonds and some subject to sinking fund redemption even if such Bonds were not serial bonds prior to such change.

## (iv) Conditions Precedent:

- (A) The Mode Change Date must be a Business Day.
- (B) The following items shall have been delivered to the Paying Agent/Registrar on or prior to the Mode Change Date:
  - (1)
  - (2) a Favorable Opinion of Bond Counsel dated the Mode Change Date, unless otherwise set forth in the Ordinance;
  - (3) if required, unless Tender Agent and Remarketing Agreements are already effective, executed copies of Tender Agent and Remarketing Agreements;
  - (4) a certificate of an authorized officer of the Tender Agent to the effect that all of the Bonds of a subseries tendered or deemed tendered, unless otherwise redeemed, have been purchased at a price at least equal to the Purchase Price thereof; and
  - (5) with respect to a change in the Mode to an auction rate mode, an executed copy of an auction agreement and one or more broker dealer agreements.
- (b) Failure to Satisfy Conditions Precedent to a Mode Change. If the conditions described above are not satisfied by the Mode Change Date, then the New Mode may not take effect and the Bonds shall remain in the Weekly Mode with interest rates established in accordance with the applicable provisions in the Ordinance on and as of the failed Mode Change Date.

**Redemption**

Optional Redemption. The Bonds in the Weekly Mode are subject to optional redemption by the City, in whole or in part, on any Business Day, at a redemption price equal to the principal amount thereof, plus accrued interest, if any, from the end of the preceding Interest Period to the Redemption Date.

Mandatory Sinking Fund Redemption. The Bonds shall be redeemed on November 15 of each year listed below on the dates and in the respective principal amounts set forth below, at a price of one hundred percent (100%) of the principal amount of the Bonds or portions thereof called for redemption, plus interest accrued from the most recent Interest Payment Date to the Redemption Date:

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## \$62,640,000 Term Subseries 2008A Bonds due November 15, 2029

Mandatory Redemption Dates (November 15)	<u>Subseries 2008A Bonds Mandatory Redemption Requirements</u>
2009	\$1,665,000
2010	2,210,000
2011	2,285,000
2012	2,360,000
2013	2,440,000
2014	2,510,000
2015	2,595,000
2016	2,665,000
2017	2,750,000
2018	2,840,000
2019	2,940,000
2020	3,035,000
2021	3,140,000
2022	3,225,000
2023	3,335,000
2024	3,455,000
2025	3,580,000
2026	3,700,000
2027	3,830,000
2028	3,965,000
2029 (Maturity)	4,115,000

## \$62,640,000 Term Subseries 2008B Bonds due November 15, 2029

Mandatory Redemption Dates (November 15)	<u>Subseries 2008B Bonds Mandatory Redemption Requirements</u>
2009	\$1,660,000
2010	2,215,000
2011	2,285,000
2012	2,360,000
2013	2,435,000
2014	2,510,000
2015	2,595,000
2016	2,670,000
2017	2,745,000
2018	2,845,000
2019	2,935,000
2020	3,040,000
2021	3,140,000
2022	3,220,000
2023	3,340,000
2024	3,455,000
2025	3,580,000
2026	3,695,000
2027	3,830,000
2028	3,970,000
2029 (Maturity)	4,115,000

The City will receive a credit in respect of its mandatory sinking fund redemption obligations described above for Bonds

of each subseries as hereinafter provided, if the City, at its option, (i) purchases and delivers or tenders to the Paying Agent/Registrar for cancellation Bonds of a subseries at least 50 days before a mandatory redemption date, in an aggregate principal amount desired, or (ii) directs the Paying Agent/Registrar to grant a credit for any such Bonds that prior to said date have been redeemed (otherwise than through mandatory sinking fund redemption) and canceled by the Paying Agent/Registrar and not theretofore applied as a credit against any mandatory sinking fund redemption obligation. Each such Bond so purchased and delivered, tendered or redeemed will be credited by the Paying Agent/Registrar at one hundred percent (100%) of the principal amount thereof.

**Notice of Redemption.** No notice of redemption is required to be given for a redemption occurring on a Mandatory Purchase Date.

Notice of redemption of any Bond, if required, must be given by first-class mail, postage prepaid, not less than 15 days prior to the redemption date, to each Holder of the Bonds to be redeemed in whole or in part, addressed to such Holder at its last address appearing in the Bond Register. Notice having been so given, the Bonds designated for redemption shall on the redemption date specified in such notice become due and payable at the redemption price, and from and after the redemption date (unless there shall be a default in the payment of the redemption price) such Bonds shall cease to bear interest.

If less than all of the Bonds of a particular Stated Maturity are to be redeemed, the particular Bonds to be redeemed shall be selected prior to the redemption date by the Paying Agent/Registrar from the Outstanding Bonds (or, if pursuant to mandatory sinking fund redemption, from all the Bonds not yet due) of such Stated Maturity not previously called for redemption, by such method as the Paying Agent/Registrar shall deem fair and appropriate and that may provide for the selection for redemption of portions (equal to an Authorized Denomination) of the principal of the Bonds of such Stated Maturity of a denomination larger than the minimum Authorized Denomination.

Notwithstanding anything in the Ordinance to the contrary, no notice of redemption is required to be given for a redemption occurring on a Mandatory Purchase Date.

### **Tenders and Purchases**

**Optional Tenders.** The Owners of the Bonds of a subseries in a Weekly Mode (other than Liquidity Provider Bonds) may elect to have such Bonds (or portions thereof in Authorized Denominations) purchased at a price equal to the Purchase Price upon irrevocable notice submitted by Electronic Means to the Tender Agent and the applicable Remarketing Agent, promptly confirmed in writing to the Tender Agent and the applicable Remarketing Agent at their respective offices set forth in the Ordinance, not later than 4:00 p.m. New York, New York time, on a Business Day not less than seven days before the Purchase Date specified by the Owner.

**Mandatory Purchase Upon Expiration Date, Termination Tender Date and Substitution Date.** The Bonds are subject to mandatory tender for purchase on: (i) the second Business Day preceding the Expiration Date of a Credit Facility or Liquidity Facility (an “Expiration Tender Date”); (ii) the fifth calendar day (or if such day is not a Business Day, the preceding Business Day) preceding the Termination Date of a Credit Facility or a Liquidity Facility (a “Termination Tender Date”), if the Liquidity Facility permits a draw thereon on the Termination Tender Date; and (iii) the Substitution Date for a Credit Facility or a Liquidity Facility.

The Paying Agent/Registrar will give notice at least 15 days prior to the Expiration Tender Date to the Owners and Notice Parties of the mandatory tender of the Bonds of such subseries on such Expiration Tender Date if it has not received confirmation that the Expiration Date has been extended.

Upon receipt of a written notice from the Credit Facility Provider, the Liquidity Facility Provider or the City that the Credit Facility or the Liquidity Facility, as the case may be, will terminate or the obligation of the Credit Facility Provider or Liquidity Facility Provider, as the case may be, to provide a loan thereunder will terminate prior to its Expiration Date, the Paying Agent/Registrar will within one Business Day, after receipt of such written notice, give notice to the Owners and any other Notice Parties of the mandatory tender of the Bonds of such subseries that is to occur on such Termination Tender Date if it has not theretofore received from the Credit Facility Provider, the Liquidity Facility Provider or the City, as the case may be, a notice to the Owners stating that the event which resulted in the Credit Facility Provider, the Liquidity Facility Provider or the City giving a notice of the Termination Date has been cured and that the Credit Facility Provider, the Liquidity Facility Provider or the City has rescinded its election to terminate the

Credit Facility or Liquidity Facility, as the case may be. Such notice will be given by Electronic Means capable of creating a written notice. Any notice given substantially as provided is conclusively presumed to have been duly given, whether or not actually received by each Owner.

The Paying Agent/Registrar will, at least 15 days prior to any Substitution Date with respect to a Liquidity Facility relating to any Bonds, give notice of the mandatory tender of such Bonds that is to occur on such Substitution Date to the Owners and the Notice Parties.

The Paying Agent/Registrar will, at least 15 days prior to any Mode Change Date or any Purchase Date (other than a Purchase Date for Bonds for which an Owner has given irrevocable notice of optional tender) give notice to the Owners and the Notice Parties of the mandatory tender for purchase of such Bonds that is to occur on such date.

Any notice to Owners mailed or given is conclusively presumed to have been duly given, whether or not the Owner of any Bond receives the notice, and the failure of such Owner to receive any such notice will not affect the validity of the action described in such notice.

#### Remarketing of the Bonds.

- (a) Remarketing of the Bonds. Each Remarketing Agent shall offer for sale at par and use its best efforts to find purchasers for:
  - (i) all the Bonds of the subseries or portions thereof as to which notice of optional tender pursuant to the Ordinance has been given; and
  - (ii) all the Bonds of the subseries required to be tendered for purchase.

To the extent a Liquidity Facility is in effect, no Bonds of a subseries supported by such Liquidity Facility may be remarketed to the City nor may any Liquidity Provider Bonds be remarketed unless the Liquidity Facility has been or will be, immediately upon such remarketing, reinstated by the amount of the reduction that occurred when such Bonds became Liquidity Provider Bonds.

- (b) Notice of Remarketing; Registration Instructions; New Bonds. On each date on which a Bond is to be purchased:
  - (i) the applicable Remarketing Agent shall (A) notify the City, the Paying Agent/Registrar and the Tender Agent by Electronic Means by 9:30 a.m. New York, New York time, of the principal amount of tendered Bonds that were not successfully remarketed, and (B) confirm by Electronic Means to the Paying Agent/Registrar and the Tender Agent the transfer of the Purchase Price of remarketed Bonds to the Tender Agent in immediately available funds at or before 9:45 a.m. New York, New York time, such confirmation to include the pertinent Fed Wire reference number;
  - (ii) the applicable Remarketing Agent shall notify the Tender Agent by Electronic Means not later than 12:45 p.m. New York, New York time, on the Purchase Date or Mandatory Purchase Date of such information as may be necessary to register and deliver Bonds remarketed; and
  - (iii) if the Bonds are no longer in the Book-Entry System, the Tender Agent will authenticate new Bonds for the respective purchasers thereof which shall be available for pick-up by the Remarketing Agent not later than 2:30 p.m. New York, New York time on the Purchase Date or Mandatory Purchase Date.
- (c) Draw on Liquidity Facility. If a Liquidity Facility is in effect, on each date on which a Bond is to be purchased, if the applicable Remarketing Agent has given notice that it has been unable to remarket any of the Bonds of a subseries, the Paying Agent/Registrar (or the Tender Agent acting on its behalf) will draw on the Liquidity Facility by 10:30 a.m. New York, New York time, in an amount equal to the Purchase Price of all such Bonds tendered or deemed tendered less the aggregate amount of remarketing proceeds.
- (d) Source of Funds for Purchase of the Bonds. By the close of business on the date on which a Bond is to be purchased, and except as set forth herein and in the Ordinance, the Tender Agent shall purchase tendered Bonds from the tendering Owners at the applicable Purchase Price. Funds for the payment of such

Purchase Price shall be derived solely from the following sources in the order of priority indicated and neither the Tender Agent nor the Remarketing Agent shall be obligated to provide funds from any other source:

- (i) immediately available funds on deposit in the Remarketing Proceeds Account; and
  - (ii) immediately available funds on deposit in the Liquidity Facility Purchase Account.
- (e) Delivery of the Bonds. On each date on which a Bond is to be purchased, such Bond shall be delivered as follows:
- (i) Bonds sold by a Remarketing Agent shall be delivered by such Remarketing Agent to the purchasers of such Bonds by 3:30 P.M.; and
  - (ii) Bonds purchased by the Tender Agent shall be registered in the name of the Liquidity Provider or its nominee (which may be DTC) on or before the close of business on the Mandatory Purchase Date.

### **Book-Entry Tenders**

- (a) Notwithstanding any other provision herein to the contrary, all tenders for purchase during any period in which the Bonds are registered in the name of Cede & Co. (or the nominee of any successor to DTC) shall be subject to the terms and conditions set forth in the Blanket Issuer Letter of Representation and to any regulations promulgated by DTC (or any successor DTC). For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, the tender option rights of Holders of Bonds may be exercised only by DTC by giving notice of its election to tender Bonds or portions thereof at the times and in the manner described above. Beneficial Owners will not have any rights to tender Bonds directly to the Tender Agent. Procedures under which a Beneficial Owner may direct a Direct Participant or DTC, or an Indirect Participant of DTC acting through a Director Participant of DTC, to exercise a tender option right in respect of Bonds or portions thereof in an amount equal to all or a portion of such Beneficial Owner's beneficial ownership interest therein shall be governed by standing instructions and customary practices determined by such Direct Participant or Indirect Participant. For so long as the Bonds are registered in the name of Cede & Co., as nominee for DTC, delivery of Bonds required to be tendered for purchase shall be effected by the transfer on the applicable Purchase Date of a book-entry credit to the account of the Tender Agent of a beneficial interest in such Bonds.
- (b) Notwithstanding anything expressed or implied herein to the contrary, so long as the Book-Entry System for the Bonds is maintained by the City:
  - (i) there shall be no requirement of physical delivery to or by the Tender Agent or any Remarketing Agent of:
    - (A) any Bonds subject to mandatory or optional purchase as a condition to the payment of the Purchase Price therefor;
    - (B) any Bonds that have become Liquidity Provider Bonds; or
    - (C) any remarketing proceeds of such Bonds or Liquidity Provider Bonds; and
  - (ii) except as provided in (iii) below, neither the Tender Agent nor the Paying Agent shall have any responsibility for paying the Purchase Price of any tendered Bond or for remitting remarketing proceeds to any person; and
  - (iii) the Tender Agent's sole responsibilities in connection with the purchase and remarketing of a tendered Bond shall be to:
    - (A) draw upon the Liquidity Facility in the event a Remarketing Agent notifies the Tender Agent as provided herein that such Bond of a subseries has not been remarketed on or before the

Purchase Date therefor, which draw shall be in an amount equal to the difference between such Purchase Price and any remarketing proceeds received by such Remarketing Agent in connection with a partial remarketing of such Bonds, and to remit the amount so drawn to or upon the order of DTC for the benefit of the tendering Beneficial Owners; and

- (B) remit any proceeds derived from the remarketing of a Liquidity Provider Bond to the Liquidity Provider.

### **Disclosure Concerning Tender Process and Sales of Adjustable Rate Bonds by Remarketing Agents**

#### Conditions for Suspension, Resignation or Termination of Remarketing Efforts.

Each Remarketing Agent may suspend its remarketing efforts upon receipt of notice of the occurrence of an event of default under the Bonds, the Ordinance, a Credit Facility or a Liquidity Facility, or upon a wrongful dishonor of a Credit Facility or a Liquidity Facility or other default of a Credit Facility Provider or a Liquidity Facility Provider.

In addition, a Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Remarketing Agreement by giving at least thirty (30) days written notice to the City, the Paying Agent/Registrar, the Tender Agent, the Credit Facility Provider and the Liquidity Facility Provider; provided a successor remarketing agent has been appointed. If no successor is appointed prior to the expiration of such thirty (30) day period, such resignation will take effect on the earlier of the sixtieth (60th) day following the date of such notice or the effective date of the appointment of a successor; provided that a Remarketing Agent may immediately cease to offer and sell the Bonds if the City ceases to pay such Remarketing Agent's fees, when due, or if a Remarketing Agent determines, in its reasonable judgment, that its ability to remarket the Bonds has been or will be adversely affected as a result of the occurrence of any of the following events, which suspension will continue so long as, in such Remarketing Agent's reasonable judgment, such event continues to adversely affect such Remarketing Agent's ability to remarket the Bonds: (a) legislation shall be enacted or be proposed or actively considered for enactment, or a decision by a court of the United States shall be rendered, or a ruling, regulation, proposed regulation, or statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made, to the effect that (i) the Bonds, or any comparable securities of the City or any obligations of the general character of the Bonds, are not exempt from the registration, qualification or other requirements of the Securities Act of 1933, as amended and as then in effect or (ii) the offer and sale of the Bonds, or any comparable securities of the City or any obligations of the general character of the Bonds would be in violation of any provision of applicable securities laws; (b) there shall have been any material adverse change in the affairs of the City; (c) a general banking moratorium shall have been declared by federal or state authorities having jurisdiction or a material disruption in commercial banking or securities settlement or clearance services shall have occurred; (d) there shall have occurred (i) an outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war occurs or (ii) the occurrence of any other calamity or crisis or any change in the financial, political, or economic conditions in the United States or elsewhere; (e) a downgrade or withdrawal of the rating of the Bonds shall have occurred or there shall have occurred or notice shall have been given of any intended downgrading or published negative change in outlook in the rating accorded to any of the City's debt obligations that are secured in a like manner as the Bonds (including the Bonds); (f) there shall be established any new or additional restriction on transactions in securities materially affecting trading in or the free market for securities (including the imposition of any limitation on interest rates) or the extension of credit by, or a change to the net capital requirements of, underwriters established by the New York Stock Exchange, the Securities and Exchange Commission or any other governmental, administrative, executive or regulatory authority or by any national securities exchange; (g) a stop order, release, regulation, or no-action letter by or on behalf of the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall have been issued or made to the effect that the remarketing of the Bonds, including all the underlying obligations as contemplated hereby or by any disclosure document, is or would be in violation of any provision of applicable securities laws; (h) there shall be in force a general suspension of trading on the New York Stock Exchange, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on the New York Stock Exchange, whether by virtue of a determination by that exchange or by an order of the Securities and Exchange Commission or any other governmental authority having jurisdiction; (i) there shall exist any event or circumstance that in the Remarketing Agent's reasonable judgment either makes untrue or incorrect in any material respect any statement or information in any disclosure document or is not reflected in any disclosure document but should be reflected therein in order to make any statement of material fact therein not misleading in any material respect; (j) such Remarketing Agent determines, in its sole



discretion upon consultation with counsel, that either (i) a disclosure document is required by applicable law to be distributed to prospective purchasers and that such document is not available or, if available, is not reasonably satisfactory to such Remarketing Agent in form or substance or (ii) a continuing disclosure undertaking is required by applicable law and that such undertaking is either not then in effect or is not reasonably satisfactory to such Remarketing Agent in form or substance; (k) legislation shall have been enacted or introduced by the Congress of the United States or the legislature of the State or legislation shall have been reported out of committee of either body or be pending in committee of either body, or a decision shall have been rendered by a court of the United States or the State or the Tax Court of the United States, or a ruling, resolution, regulation, or temporary regulation, release, or announcement shall have been made or shall have been proposed to be made by the Treasury Department of the United States or the Internal Revenue Service, or other federal or State authority, with respect to federal or State taxation upon revenues or other income of the general character of that to be derived by the City from its operations, or upon interest received on obligations of the general character of the Bonds that, in the applicable Remarketing Agent's reasonable judgment, materially adversely affects the market for the Bonds, or the market price generally of obligations of the general character of the Bonds; (l) such Remarketing Agent receives an opinion of Bond Counsel to the City that substantial grounds exist upon which interest on the Bonds is not excludable from gross income for federal income tax purposes; or (m) an insolvency event, including, without limitation, the bankruptcy or default of any other issuer of or obligor on obligations of the general character of the Bonds, shall have occurred.

Remarketing Agents Paid by the City. The Remarketing Agents' responsibilities include, but are not limited to, determining the interest rate from time to time and remarketing the applicable subseries of Bonds that are optionally or mandatorily tendered to it by the beneficial owners thereof (subject, in each case, to the terms of the Remarketing Agreement). The Remarketing Agents are appointed by the City and are paid by the City for their services. As a result, the interests of the Remarketing Agents may differ from those of beneficial owners and potential purchasers of Bonds.

Determination of Interest Rates by the Remarketing Agents. On each Rate Determination Date, the Remarketing Agents are required to determine the interest rate that will be effective with respect to their subseries of Bonds on the Rate Determination Date. That rate is required by the Ordinance to be the lowest rate necessary in the judgment of each Remarketing Agent to remarket such subseries of Bonds at par, plus accrued interest on the Rate Determination Date.

Tenders to the Remarketing Agents or the Tender Agent. As described under "Book-Entry Tenders" and "BOOK-ENTRY-ONLY SYSTEM," while the Bonds are in book-entry form, a beneficial owner may give notice to elect to tender its Bonds, through its Participant, to the applicable Remarketing Agent or the Tender Agent, and may effect delivery of such Bonds by causing the Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the applicable Remarketing Agent or the Tender Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory tender may be deemed satisfied when the ownership rights in the Bonds are transferred by Participants on DTC's records and followed by a book entry credit of tendered Bonds to the applicable Remarketing Agent's or the Tender Agent's DTC account. Tendering Bondholders will receive par, plus accrued interest, if any, after the required number of days' notice have elapsed. For example, while the Bonds bear interest at the Weekly Rate, tendering Bondholders will receive par, plus accrued interest on the fifth Business Day following their tender to the applicable Remarketing Agent or the Tender Agent. Tendering Bondholders will be paid with the proceeds of the remarketing of the Bonds and, to the extent those proceeds are insufficient, from the proceeds of draws on the Letter of Credit by the Paying Agent/Registrar or Tender Agent, as applicable.

The Remarketing Agents Routinely Purchase Bonds for their Own Account. The Remarketing Agents act as remarketing agents for a variety of variable rate demand obligations issued by many issuers and, in their sole discretion, routinely purchase such obligations for their own account. The Remarketing Agents are permitted, but not obligated, to purchase tendered Bonds for their own account and, in their sole discretion, routinely acquire such tendered Bonds in order to achieve a successful remarketing of each subseries of the Bonds (i.e., because there otherwise are not enough buyers to purchase the Bonds) or for other reasons. However, the Remarketing Agents are not obligated to purchase the Bonds, and may cease doing so at any time without notice, in which case it may be necessary for the Paying Agent/Registrar to draw on the Letter of Credit to pay tendering Bondholders.

The Remarketing Agents may also make a secondary market in the Bonds by routinely purchasing and selling Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales must be at fair market value, which may be at, above, or below par. No notice period is required for such purchases. However, the Remarketing Agents are not required to make a secondary market in the Bonds. Thus, investors who purchase the

Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Bonds other than by tendering the Bonds in accordance with the tender process.

The Remarketing Agents may also sell any Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Bonds. The purchase of Bonds by the Remarketing Agents may create the appearance that there is greater third party demand for the Bonds in the market than is actually the case. The practices described above also may result in fewer Bonds being tendered in a remarketing.

Bonds May be Offered at Prices Other Than Par. Pursuant to the Remarketing Agreements, on each Rate Determination Date, the Remarketing Agents are required to determine the interest rate that will be effective with respect to the Bonds on the Rate Determination Date. That rate is required by the Ordinance to be the lowest rate necessary in the judgment of each Remarketing Agent to remarket such subseries of the Bonds at par, plus accrued interest on the Rate Determination Date. The interest rate will reflect, among other factors, the level of market demand for the Bonds (including whether the Remarketing Agents are willing to purchase Bonds for their own account). There may or may not be Bonds tendered and remarketed on a Rate Determination Date, and the Remarketing Agents may or may not be able to remarket any Bonds tendered for purchase on such date at par. The Remarketing Agents are not obligated to advise purchasers in a remarketing if it does not have third-party buyers for all of the Bonds at the remarketing price. If the Remarketing Agents own Bonds for their own account, in their sole discretion, they may sell those Bonds at fair market value, which may be at prices above or below par only on days other than Rate Determination Dates after the interest rate for the succeeding Interest Period has been set. The Remarketing Agents may not agree in advance of the Rate Determination Date to sell the Bonds to a customer at a price below par.

Under certain circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the Bonds, Without a Successor Being Named. Under certain circumstances the Remarketing Agents may be removed or have the ability to resign or cease their remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreements.

### **Ownership**

The City, the Paying Agent/Registrar, and any other person may treat the person in whose name any Bond is registered as the absolute Owner of such Bond for the purpose of making and receiving payment of the principal thereof and premium, if any, thereon, and for the further purpose of making and receiving payment of the interest thereon, and for all other purposes, whether or not such Bond is overdue, and neither the City nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary. All payments made to the person deemed to be the Owner of any Bond in accordance with the Ordinance shall be valid and effectual and shall discharge the liability of the City and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

### **Defeasance**

If the City pays or causes to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Bonds, at the times and in the manner described herein, then the pledge of the Pledged Revenues under the Ordinance and all other obligations of the City to the Holders will thereupon cease, terminate, and become void and be discharged and satisfied.

Bonds or any principal amount(s) thereof shall be deemed to have been paid within the meaning and with the effect described above when (i) money sufficient to pay in full such Bonds or the principal amount(s) thereof at maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (ii) Government Obligations shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Government Obligations have been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to pay when due the principal of and interest on such Bonds, or the principal amount(s) thereof, on and prior to the Stated Maturity thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor acceptable to the Paying Agent/Registrar have been made) the redemption date thereof. The City has covenanted that no deposit of moneys or Government Obligations will be made as described herein and no use made of any such deposit which would cause the Bonds to be treated as “arbitrage bonds” within the

meaning of Section 148 of the Code, or the Regulations.

Any money so deposited with the Paying Agent/Registrar, or an authorized escrow agent, and all income from Government Obligations held in trust by the Paying Agent/Registrar or an authorized escrow agent, described herein which is not required for the payment of the Bonds, or any principal amount(s) thereof, or interest thereon with respect to which such moneys have been so deposited shall be remitted to the City or deposited as directed by the City. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Bonds and remaining unclaimed for a period of three (3) years after the Stated Maturity, or applicable redemption date, of the Bonds such moneys were deposited and are held in trust to pay shall, upon the request of the City, be remitted to the City against a written receipt therefor. Notwithstanding the foregoing, any remittance of funds from the Paying Agent/Registrar to the City shall be subject to any applicable unclaimed property laws of the State of Texas.

All money or Government Obligations set aside and held in trust pursuant to the provisions herein shall be used at the first practicable date to pay the Purchase Price or Redemption Price, as applicable, of the Bonds being deemed paid, retired and no longer outstanding as contemplated in the first paragraph hereof.

No Bonds of a subseries in the Weekly Mode may be defeased without prior written consent of the Credit Facility Provider and written confirmation from each Rating Agency then rating such Bonds to the effect that the deposit made pursuant to the Ordinance will not, by itself, result in a reduction or withdrawal of the short-term or long-term rating of such Bonds below the rating category of such Rating Agency then in effect with respect to such Bonds.

#### **Amendment of Ordinance with the Consent of the Bondholders**

The City may at any time adopt one or more ordinances amending, modifying, adding to or eliminating any of the provisions of the Ordinance but, if such amendment is not of the character described in “Amendment of the Ordinance Without the Consent of Bondholders” below, only with the consent of the Holders of not less than 51% of the aggregate unpaid principal amount of the Parity Bonds then Outstanding and affected by such amendment, modification, addition, or elimination; provided, however, that nothing described herein shall permit (a) an extension of the maturity of the principal of or interest on any Bond issued under the Ordinance, or (b) a reduction in the principal amount of any Bond or the rate of interest on any Bond or redemption price therefor, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such amendment.

If and to the extent required by a Credit Facility, Liquidity Facility, an Interest Rate Management Agreement, another Credit Agreement or other provision of the Ordinance, the City is required to first obtain the consent of the Credit Provider, any Liquidity Provider and the Interest Rate Management Counterparty to any such amendment.

Any consent described in the preceding two paragraphs will be deemed given:

- (a) By all Holders of Outstanding Bonds if a Credit Facility is in effect, the Credit Provider is not in default thereunder and the Credit Provider has given its written consent to the amendments in writing,
- (b) By any Holder in any number of concurrent writings of similar tenor, signed by such Holder or his duly authorized attorney in the manner set forth in the Ordinance; and
- (c) Under such other circumstances described in the Ordinance, none of which may occur prior to a mandatory tender of all Bonds.

#### **Amendment of Ordinance without the Consent of the Bondholders**

The City may, without the consent of or notice to any of the Holders of the Bonds, amend the Ordinance for any one or more of the following purposes:

- (a) to cure any ambiguity, defect, omission or inconsistent provision in the Ordinance or in the Bonds; or to comply with any applicable provision of law or regulation of federal agencies; provided, however, that such action shall not adversely affect the interests of the Holders of the Bonds;

(b) to change the terms or provisions of the Ordinance to the extent necessary to prevent the interest on the Bonds from being includable within the gross income of the owners thereof for federal income tax purposes;

(c) to grant to or confer upon the Holders of the Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Holders of the Bonds;

(d) to add to the covenants and agreements of the City contained in the Ordinance other covenants and agreements of, or conditions or restrictions upon, the City or to surrender or eliminate any right or power reserved to or conferred upon the City in the Ordinance;

(e) to amend any provisions of the Ordinance relating to the issuance of Additional Bonds provided that the City first obtains a Rating Confirmation Notice with respect to such amendment; and

(f) to subject to the lien and pledge of the Ordinance additional Pledged Revenues, provided such amendment does not cause any reduction in any rating assigned to the Bonds by any major municipal securities evaluation service then rating the Bonds;

provided, however, that if and to the extent required by a Credit Facility, Liquidity Facility, an Interest Rate Management Agreement, another Credit Agreement or other provision of the Ordinance, the City is required to first obtain the consent of the Credit Provider, any Liquidity Provider and the Interest Rate Management Counterparty to any such amendment described under this Section.

### **Transfer, Exchange and Registration**

Beneficial ownership of the Bonds registered in the name of The Depository Trust Company, New York, New York (“DTC”), will initially be transferred as described under “BOOK-ENTRY-ONLY SYSTEM.”

So long as any Bonds remain Outstanding, the Paying Agent/Registrar will keep the Register at its principal corporate trust office in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar will provide for the registration and transfer of the Bonds in accordance with the terms of the Supplemental Ordinance. A copy of the Register will be maintained at an office of the Paying Agent/ Registrar.

Each Bond will be transferable only upon the presentation and surrender thereof at the principal corporate trust office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in a form satisfactory to the Paying Agent/Registrar. Upon due presentation and surrender of any Bond for transfer, the Paying Agent/Registrar is required under the Ordinance to authenticate and deliver in exchange therefor, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and bearing interest at the same rate as the Bond or Bonds so presented and surrendered.

If the Bonds are not in the DTC book-entry only registration system, all Bonds will be exchangeable upon the presentation and surrender thereof at the principal corporate trust office of the Paying Agent/Registrar for Bonds of the same series of the same maturity and interest rate and in any authorized denomination, in an aggregate principal amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange.

Each Bond delivered in accordance with the Ordinance is entitled to the benefits and security of the Ordinance to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

The City or the Paying Agent/Registrar may require DTC or any subsequent Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the City.

The Paying Agent/Registrar is not required to transfer or exchange any Bond during the 45-day period prior to the date fixed for redemption; provided, however, that such restrictions do not apply to the transfer or exchange by the Registered Owner of the unredeemed portion of any Bond called for redemption in part.

### **Bondholders Remedies**

If the City defaults in the payment of principal, interest or redemption price on the Bonds when due, or the City defaults in the observation or performance of any other covenants, conditions, or obligations set forth in either the Ordinance, the registered owners may seek a writ of mandamus to compel the City or City officials to carry out the legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Ordinance authorizing the issuance of the Bonds, and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the courts, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be finance by, the registered owners. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the City for breach of the Bonds or covenants contained in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property.

The City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenue, such provision is subject to judicial construction. Chapter 9 also includes an automatic stay provision that would prohibit, with Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Bonds of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

### **THE INTEREST RATE MANAGEMENT AGREEMENT**

The City has entered into an Interest Rate Management Agreement, consisting of an ISDA Master Agreement dated as of August 7, 2008, schedule attached hereto and confirmation, dated as of August 7, 2008, all between the City and Morgan Keegan Financial Products, Inc. ("MKFP"), a Replacement Transaction Agent, dated as of August 7, 2008, between the City, MKFP and Deutsche Bank AG, New York Bank ("Deutsche Bank") and a Credit Support Annex, dated as of August 7, 2008, between the City and Deutsche Bank. (collectively, the "Series 2008 Interest Rate Management Agreement") to enable the City to substantially fix its interest obligation on the debt represented by Bonds. Under the Series 2008 Interest Rate Management Agreement, from (1) August 14, 2008 (which coincides with the date of delivery of the Bonds) until November 15, 2009, MKFP is obligated to make payments to the City calculated on a notional amount equal to the scheduled Outstanding principal amount of the Bonds and a variable rate equal to the USD-SIFMA Municipal Swap Index and (2) November 15, 2009, the scheduled maturity date of the Bonds, the MKFP is obligated to make payments to the City calculated on a notional amount equal to the scheduled Outstanding principal amount of the Bonds and a variable rate equal to 67% of the one-month London Interbank Borrowing Rate (LIBOR) for U.S. deposits. The City, under the Series 2008 Interest Rate Management Agreement, is obligated to make payments to MKFP calculated on a notional amount equal to the scheduled outstanding principal amount of the Bonds and a fixed rate of 3.2505% per annum. Payments under each Series 2008 Interest Rate Management Agreement will be made on a net basis (as to that agreement only) on the 15th day of each month, commencing in September 2008.

Arrangements made in respect of the Series 2008 Interest Rate Management Agreement does not alter the City's obligation to pay principal of and interest on the Bonds. The Series 2008 Interest Rate Management Agreement does not provide a source of security or other credit for the Bonds. The City's obligations under the Series 2008 Interest Rate Management Agreement to make scheduled payments are payable on a parity with the City's obligation to pay principal of and interest on the Bonds.

If any party to the Series 2008 Interest Rate Management Agreement commits an event of default, suffers a reduction in credit worthiness, or merges with a materially weaker entity, or in certain other circumstances, the affected Series 2008 Interest Rate Management Agreement may, with certain exceptions, be terminated at the option of the other party. Accordingly, no assurance can be given that the Series 2008 Interest Rate Management Agreement will continue to be in existence. If the Series 2008 Interest Rate Management Agreement is terminated under certain market conditions, the City may owe a termination payment to Duetsche Bank or the City may receive a termination payment from Duetsche Bank. Such termination payment generally would be based on the market value of the affected Series 2008 Interest Rate Management Agreement on the date of termination and could be substantial. In addition, a partial termination of the Series 2008 Interest Rate Management Agreement could occur to the extent that any Bonds are redeemed pursuant to an optional redemption. If such optional redemption occurs, termination payments related to the portion of the Series 2008 Interest Rate Management Agreement to be terminated will be owed by either the City, or Duetsche Bank, depending on market conditions. The obligation of the City to pay a termination payment to Duetsche Bank could result in the City issuing Parity Bonds or Junior Subordinate Lien Bonds to make a termination payment.

### **BOOK-ENTRY-ONLY SYSTEM**

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued in the total aggregate principal amount of each maturity of the Bonds and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its registered subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AAA." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Tender Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Tender Agent or applicable Remarketing Agent. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Tender Agent's or the applicable Remarketing Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

Subject to DTC's policies and guidelines, the City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

**The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.**

## INVESTMENTS

The City invests its available funds in investments authorized by Texas law and in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

### Legal Investments

Under Texas law, the City is authorized to invest in: (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and

instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, the “PFIA”) that are issued by or through an institution that either has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (9) certain bankers’ acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least “A-1” or “P-1” or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least “A-1” or “P-1” or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than “AAA” or its equivalent; and (13) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Act) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than “AAA”, “AAA-m” or at an equivalent rating by at least one nationally recognized rating service. The City may also invest bond proceeds in guaranteed investment contracts that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

Political subdivisions such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City’s name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

Effective September 1, 2005, the City, as the owner of a municipal electric utility that is engaged in the sale of electric energy to the public, may invest funds held in a “decommissioning trust” (a trust created to provide the Nuclear Regulatory Commission assurance that funds will be available for decommissioning purposes as required under 10 C.F.R. Part 50 or other similar regulation) in any investment authorized by Subtitle B, Title 9, Texas Property Code (commonly referred to as the “Texas Trust Code”). The Texas Trust Code provides that a trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill and caution. See “CUSTOMER RATES – Energy Risk Management”.

The City may also contract with an investment management firm registered under the Investment Advisor Act of 1940 (15 U.S.C. Section 80b.1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term of up to two years, but the City retains ultimate responsibility as fiduciary of its assets.



The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

### **Investment Policies**

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield and maturity; and also that address the quality and capability of investment personnel. The policy includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement must describe the investment objectives for the particular fund using the following priorities: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion and intelligence would exercise in the management of that person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly, the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to (a) adopted investment strategy statements and (b) Texas law. No person may invest City funds without express written authority of the City Council or the Chief Financial Officer.

### **Additional Provisions**

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require the registered representative of firms seeking to sell securities to the City to (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and (7) provide specific investment training for the Chief Financial Officer, Treasurer and Investment Officers.

### **Current Investments**

As of June 1, 2008, the City's investable funds were invested in the following categories:

<u>Type of Investment</u>	<u>Percentage</u>
U.S. Treasuries	11%
U.S. Agencies	51%
Money Market Funds	3%
Local Government Investment Pools	35%

The dollar weighted average maturity for the combined City investment portfolios is 1.17 years. The City prices the portfolios weekly utilizing a market pricing service.

### TAX EXEMPTION

The delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the “Code”), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof who are individuals or, except as hereinafter described, corporations. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel’s opinion is attached here to as APPENDIX D.

Interest on all tax-exempt obligations, including the Bonds, owned by a corporation will be included in such corporation’s adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporation, other than an S corporation, a qualified mutual fund, a real estate investment trust, a real estate mortgage investment conduit or a financial asset securitization investment trust (FASIT). A corporation’s alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 will be computed.

In rendering the foregoing opinions, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Bonds. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage “profits” from the investment of the proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from date of the issuance of the Bonds.

Bond Counsel’s opinion will note that no opinion is being expressed on excludability from gross income for federal income tax purposes of any action taken under the Ordinance, which action requires that the City receive an opinion of Bond Counsel to the effect that such action will not adversely affect excludability of the interest on the Bonds from the gross income of the owner thereof federal income tax purposes. Such actions that require an opinion of Bond Counsel include, but are not limited to, converting the interest rate on the Bonds.

Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the “Service”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the issuer as the “taxpayer,” and the owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on either series of the Bonds, the City may have different or conflicting interests from the owners. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information vendors. This information will be available to securities brokers and others who subscribe to receive the information from the vendors.

### **Annual Reports**

The City will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the City's hotel occupancy taxes of the general type included in the main text of the Official Statement within the numbered tables only and in APPENDIX B. The City will update and provide this information as of the end of such fiscal year or for the twelve month period then ended within six months after the end of each fiscal year end. The City will provide the updated information to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of Texas and approved by the United States Securities and Exchange Commission (the "SEC").

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not provided by that time, the City will provide unaudited financial statements by the required time and audited financial statements when and if they become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year is October 1 to September 30. Accordingly, it must provide updated information by March 31 of each year unless the City changes its fiscal year. If the City changes its fiscal year, it will notify each NRMSIR and the SID of the change.

### **Material Event Notices**

The City will also provide timely notices of certain events to certain information vendors. The City will provide notice of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports." The City will provide each notice described in this paragraph to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB").

### **Availability of Information from NRMSIRs and SID**

The City has agreed to provide the foregoing information only to NRMSIRs (or the MSRB in the case of material event notices) and the SID. The information will be available to holders of Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

The Municipal Advisory Council of Texas (the "MAC") has been designated by the State of Texas and approved by the SEC staff as a qualified SID. The address of the MAC is 600 West 8th Street, Post Office Box 2177, Austin, Texas 78768-2177, its telephone number is 512/476-6947, and its website address is [www.mactexas.com](http://www.mactexas.com). The MAC has also received SEC approval to operate, and has begun to operate, a "central post office" for information filings made by municipal issuers, such as the City. A municipal issuer may submit its information filings with the central post office,

which then transmits such information to the NRMSIRs and the appropriate SID for filing. This central post office can be accessed and utilized at [www.DisclosureUSA.org](http://www.DisclosureUSA.org) (“DisclosureUSA”). The City may utilize DisclosureUSA for the filing of information relating to the Bonds.

### **Limitations and Amendments**

The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if the agreement, as amended, would have permitted an underwriter to purchase or sell the Bonds in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the Outstanding Bonds consent or any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. If the City amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

### **Compliance with Prior Undertakings**

During the last five (5) years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule. The City did not receive the Comprehensive Audited Financial Report for the fiscal year ended September 30, 2006 (the “CAFR”) from its auditors until October 23, 2007. As a result of not receiving the CAFR within 180 days of the end of the City’s 2006 Fiscal Year, the City filed unaudited financial statements with the NRMSIRs and the SID, in accordance with its continuing disclosure agreements. On October 24, 2007, the City filed the CAFR with the NRMSIRs and the SID.

## **OTHER RELEVANT INFORMATION**

### **Ratings**

The Bonds have received unenhanced ratings of “A2” by Moody’s Investors Service, Inc. (“Moody’s”) and “A-” by Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc. (“S&P”). The Bonds will also be rated “Aaa” by Moody’s and “AAA” by S&P as a result of the issuance of the Initial Letter of Credit by the Bank and the deposit of Pledged Revenues by the City (see “THE INITIAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT”). Moody’s and S&P will also assign the Bonds short-term ratings of “VMIG-1” and “A-1+” based on the obligation of the Bank to purchase Bonds pursuant to the Initial Letter of Credit. See “THE INITIAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT”. An explanation of the significance of such ratings may be obtained from the organization furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by one or all of such rating companies, if in the judgment of one or more companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

### **Registration and Qualification of Bonds**

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities

acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

### **Legal Investments and Eligibility to Secure Public Funds in Texas**

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the PFIA requires that the Bonds be assigned a rating of not less than “A” or its equivalent as to investment quality by a national rating agency. See “OTHER RELEVANT INFORMATION – Ratings” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

### **Legal Opinions**

The delivery of the Bonds is subject to the approval of the Attorney General of Texas to the effect that the Bonds are valid and legally binding special obligations of the City in accordance with their terms payable solely from Pledged Revenues and secured by a lien on and pledge of the Pledged Revenues in the manner provided in the Ordinance and the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest, on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under “Tax Matters” herein, including the alternative minimum tax on corporations. The form of Bond Counsel’s opinion is attached hereto as APPENDIX D.

Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in their capacity as Bond Counsel, such firm has reviewed the information in the Official Statement under the captions, “PLAN OF FINANCING – Refunded Bonds,” “SECURITY FOR THE BONDS,” (except for information in the last sentence of the first paragraph and the second paragraph of the subcaption “Historical Hotel Occupancy Tax Receipts” and under the subcaptions “Historical Hotel Occupancy Tax Collections,” “Top Twenty Hotel Occupancy Tax Payers” and “Historical Hotel Occupancy Data”) “DESCRIPTION OF THE BONDS,” except for Book-Entry Tenders”, “Disclosure Concerning Tender Process and Sales of Adjustable Rate Bonds by Remarketing Agents” and “Bondholders Remedies, “THE INITIAL LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT – Alternate Liquidity Facility,” “THE INTEREST RATE MANAGEMENT AGREEMENT,” “TAX EXEMPTION,” “CONTINUING DISCLOSURE OF INFORMATION,” (except for information under the captioned “Compliance With Prior Undertakings” “OTHER RELEVANT INFORMATION – Registration and Qualification of Bonds,” “OTHER RELEVANT INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas,” and “APPENDIX C” to verify that the information relating to the Bonds and the Ordinance contained under such captions and in APPENDIX C in all respects accurately and fairly reflects the provisions thereof and, insofar as such information relates to matters of law, is true and accurate. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the Closing occurring. The opinion of Bond Counsel will accompany the global certificate deposited with DTC in connection with the use of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Andrews Kurth LLP and the Bank by its counsel, Andrews Kurth LLP.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues expressly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise from the transaction.

### **Financial Advisor**

The PFM Group (“PFM” of the “Financial Advisor”), Austin, Texas is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The PFM Group’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. PFM, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the bond documentation with respect to the federal income tax status of the Bonds.

### **Underwriting**

Morgan Keegan & Company, Inc., as the Underwriter of the Subseries 2008A Bonds, has agreed, subject to certain customary conditions to delivery, to purchase the Subseries 2008A Bonds from the City at a price equal to the par amount of the Bonds, less an underwriting discount of \$86,830.39.

Banc of America Securities LLC, as the Underwriter of the Subseries 2008B Bonds, has agreed, subject to certain customary conditions to delivery, to purchase the Subseries 2008B Bonds from the City at a price equal to the par amount of the Bonds, less an underwriting discount of \$86,558.72.

Each Underwriter will be obligated to purchase all of the Bonds of a subseries if any Bonds of the subseries are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Prior to the issuance of the Bonds, an affiliate of Morgan Keegan & Company, Inc. entered into the Series 2008 Interest Rate Management Agreement with the City that will hedge the interest rate on the bonds. See “THE INTEREST RATE MANAGEMENT AGREEMENT” herein.

### **Forward - Looking Statements**

The statements contained in this Official Statement and in any other information provided by the City that are not purely historical are forward-looking statements, including statements regarding the City’s expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligations to update any such forward-looking statements. It is important to note that the City’s actual results could differ materially from those in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

### **Miscellaneous Information**

The financial data and other information contained herein have been obtained from the City’s records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These

summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Ordinance also approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the offering of the Bonds by the Underwriters.

/s/ Will Wynn  
Mayor  
City of Austin, Texas

ATTEST:

/s/ Shirley A. Gentry  
City Clerk  
City of Austin, Texas

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**APPENDIX C****CERTAIN DEFINITIONS**

In addition to the words and terms defined in this Official Statement, the following words and terms as used in this Official Statement, including the Appendices thereto, have the following meanings:

“Alternate Credit Facility” means a letter of credit, insurance policy, surety bond, line of credit, or other instrument, as the case may be, issued in accordance with the terms of the Ordinance as a replacement or substitute for a then-existing Credit Facility, as applicable, then in effect.

“Alternate Liquidity Facility” means a letter of credit, line of credit, standby purchase agreement or other instrument, as the case may be, issued in accordance with the terms of the Ordinance as a replacement or substitute for a then-existing Liquidity Facility, as applicable, then in effect.

Alternate Rate” means, on any Rate Determination Date, the SIFMA Index or if the SIFMA Index is no longer published, the Kenny Index, or if neither the SIFMA Index nor the Kenny Index are published, an index or a rate selected or determined by the Paying Agent/Registrar and consented to by the City and the Credit Facility Provider.

“Available Amount” means the amount available under the Credit Facility or Liquidity Facility, as applicable, to pay the principal of and interest on the Bonds or the Purchase Price of the Bonds, as applicable.

“Book-Entry System” means the book entry system of registering ownership described in the Official Statement under the heading “BOOK-ENTRY-ONLY SYSTEM.”

“Business Day” shall mean any day other than (a) a Saturday or Sunday, (b) a day on which banks located in the cities in which the designated office of any of the Tender Agent, the Remarketing Agent, the Paying Agent/Registrar, the Credit Provider or the Liquidity Provider is located are required or authorized by law or executive order to close, (c) a day on which the New York Stock Exchange is closed, or (d) a day on which the payment system of the Federal Reserve System is not operational.

“Closing Date” when used with respect to the Bonds of a subseries, means the date on which such Bonds are first issued, sold and delivered.

“Convention Center/Waller Creek Venue Project” means the capital improvement project described generally as consisting of the expansion of the City’s Convention Center, including the construction of tunnel improvements along Waller Creek in the vicinity of and functionally related to the convention center and related infrastructure and being a venue project within the meaning of Chapter 334 of the Local Government Code approved at an election held in the City on May 2, 1998, and designated by Resolution No. 980205-61.



“Credit Agreement” has the meaning set forth in Chapter 1371, Texas Government Code, as the same may be amended from time to time.

“Credit Facility” shall mean a letter of credit, insurance policy, surety bond, line of credit or other instrument then in effect which secures or guarantees the payment of principal of and interest on the Bonds. The initial Credit Facility for the Bonds is the Initial Letter of Credit.

“Credit Facility Provider” shall mean any bank, insurance company, pension fund or other financial institution which provides a Credit Facility or Alternate Credit Facility for the Bonds. The initial Credit Facility Provider shall be the Bank.

“Debt Service Requirements” of any series of bonds for any particular Bond Year, means an amount equal to the sum of the principal of and interest and any redemption premium on such bonds then Outstanding which will become due and owing during such Bond Year; subject, however, to adjustment as provided in the Ordinance.

“Electronic Means” means telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

“Eligible Account” means an account that must be maintained either with (i) a federal or state-chartered depository institution or trust company that has a Standard & Poor’s short-term debt rating of at least “A-2” (or, if no short-term debt rating, a long-term debt rating of “BBB+”); or (b) the corporate trust department of a federal depository institution or state-chartered depository institution subject to regulations regarding fiduciary funds on deposit similar to Title 12 of the U.S. Code of Federal Regulation Part 9.10(b), which, in either case, has corporate trust powers and is acting in its fiduciary capacity.

“Expiration Date” means, with respect to a Credit Facility or Liquidity Facility with respect to the Bonds of a subseries, the stated expiration date of such Credit Facility or Liquidity Facility, or such stated expiration date as it may be extended from time to time as provided therein; provided, however, that the “Expiration Date” does not mean any date upon which a Credit Facility or Liquidity Facility is no longer effective by reason of its Termination Date, the date on which all Bonds of such subseries bear interest at a Fixed Rate or an auction rate or the expiration of such Credit Facility or Liquidity Facility by reason of the obtaining of an Alternate Credit Facility or Alternate Liquidity Facility.

“Favorable Opinion of Bond Counsel” means, with respect to any action the occurrence of which requires such an opinion, an unqualified opinion of counsel to the effect that such action is permitted under the Ordinance and that such action will not impair the exclusion of interest on such Bonds from gross income for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Bonds).

“Fiscal Year” means the City’s fiscal year as from time to time designated by the City, which is currently October 1 to September 30.

“Fitch” means Fitch, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City after consultation with the Remarketing Agent.

“Fixed Rate” means an interest rate fixed to the Maturity Date of the Bonds of a subseries.

“Fixed Rate Mode” means the period during which Bonds of a subseries bear interest at a Fixed Rate.

“Government Obligations” mean (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and on the date of their acquisition or purchase by the City are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

“Guaranty Agreement” means a guaranty or other agreement pursuant to which the City is obligated to pay premiums, fees, and reimbursement obligations owing to the issuer of a Reserve Fund Surety Bond.

“Holder” or “Owner” when used with respect to any Bond (or Parity Bond) means the person or entity in whose name such Bond (or Parity Bond) is registered in the Security Register. Any reference to a particular percentage or proportion of the Holders or Owners shall mean the Holders or Owners at a particular time of the specified percentage or proportion in aggregate principal amount of all Bonds (or Parity Bonds) then Outstanding under the Ordinance.

“Interest Payment Date” means the following dates upon which interest is payable on Bonds of a subseries:

- (a) the Maturity Date or any Mode Change Date; and
- (b) the fifteenth day of each calendar month (provided that if such day is not a Business Day, interest shall be paid on the next Business Day), provided, however, the initial Interest Payment Date for the Bonds shall be September 15, 2008.

“Interest Period” means the period of time that any interest rate remains in effect, which period is the period from and including the Closing Date (if initially issued in the Weekly Mode), the Mode Change Date that they began to bear interest at the Weekly Rate to and including the following Wednesday and thereafter commencing on each Thursday to and including the earlier

of the Wednesday of the following week or the day preceding any Mandatory Purchase Date or the Maturity Date.

“Interest Rate Management Agreement” means the Series 2008 Interest Rate Management Agreement and any other Credit Agreement between the City and another party entered into in connection with or related to the City’s Variable Rate Obligations, which Credit Agreement is in the form of an interest rate exchange agreement, pursuant to which the City pays a fixed percentage rate of a notional amount and the other party pays a variable percentage rate of the same notional amount, of which the notional amount is equal to the principal amount of such Variable Rate Obligations of the City, and of which the notional amount is reduced as the principal of such Variable Rate Obligation is paid.

“Junior Obligations” means the payment obligations of the City under an Interest Rate Management Agreement, including but not limited to, the Series 2008 Interest Rate Management Agreement, that are termination payments, settlement payments or other payments that are not included in clause (iii) of the definition of Parity Obligations.

“Junior Subordinate Lien Bond” means an Additional Bond issued by the City pursuant to the Ordinance secured wholly or partly by liens on the Pledged Revenues that are junior and subordinate to the lien on Pledged Revenues securing payment of the Parity Bonds.

“Kenny Index” means the rate determined on the basis of the Kenny 30-Day High Grade Index announced on Tuesday or the next preceding Business Day and as computed by Kenny Information Systems, Inc.

“Liquidity Facility” means any letter of credit, line of credit, standby purchase agreement or other instrument then in effect which provides for the payment of the purchase price of Bonds upon the tender thereof in the event remarketing proceeds are insufficient therefor. The initial Liquidity Facility for the Bonds is the Initial Letter of Credit issued by the Bank.

“Liquidity Facility Provider” shall mean any bank, insurance company, pension fund or other financial institution which provides a Liquidity Facility or Alternate Liquidity Facility for the Bonds, including the Bank.

“Liquidity Facility Purchase Account” means the account within the Purchase Fund created by the Tender Agent.

“Liquidity Provider Bonds” means any Bonds purchased by the Liquidity Facility Provider with funds drawn on or advanced under the Liquidity Facility.

“Mandatory Purchase Date” means (i) any Mode Change Date, (ii) the Interest Non-Reinstatement Tender Date, (iii) the Substitution Date, (iv) the Expiration Tender Date and (v) the Termination Tender Date.

“Maturity Date” means, with respect to any Bond of a subseries, the final date specified therefor in the Ordinance.

“Maximum Rate” means, (i) the Tax-Exempt Maximum Rate or such lesser rate as may be specified in the Liquidity Facility for the Bonds of such subseries and (ii) with respect to Bonds of a subseries that are Liquidity Provider Bonds, the Liquidity Provider Bond Maximum Rate; provided, however, that in no event may the Maximum Rate on any such Bonds exceed the maximum rate permitted by applicable law.

“Mode” means the commercial paper mode, the daily mode, the Weekly Mode, the term rate mode, the auction rate mode or the Fixed Rate Mode.

“Mode Change Date” means, with respect to Bonds of a subseries, the date one Mode terminates and another Mode begins.

“Moody’s” shall mean Moody’s Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City after consultation with the Remarketing Agent.

“Notice Parties,” if not the Person providing the notice, means the City, the Paying Agent/Registrar, the Remarketing Agent the Tender Agent, the Credit Facility Provider (if any), and the Liquidity Facility Provider.

“Outstanding” when used with reference to any Prior Lien Bonds, Parity Bonds or Junior Subordinate Lien Bonds means, as of a particular date, all Prior Lien Bonds, Parity Bonds or Junior Subordinate Lien Bonds, any or all, theretofore and thereupon delivered except: (a) any such Prior Lien Bond, Parity Bond or Junior Subordinate Lien Bond paid, discharged or canceled by or on behalf of the City at or before said date; (b) any such Prior Lien Bond, Parity Bond and Junior Subordinate Lien Bond defeased pursuant to the defeasance provisions of the ordinance authorizing its issuance, or otherwise defeased as permitted by applicable law; and (c) any such Prior Lien Bond, Parity Bond or Junior Subordinate Lien Bonds in lieu of or in substitution for which another obligation shall have been delivered pursuant to the ordinances authorizing the issuance of such Prior Lien Bonds, Parity Bonds or Junior Subordinate Lien Bonds.

“Parity Bonds” mean the Bonds and Additional Bonds secured by a lien on the 4.5% HOT on a parity with the Bonds.

“Parity Obligations” mean at any time all (i) Parity Bonds, (ii) all Reimbursement Obligations, (iii) obligations of the City to make scheduled payments under an Interest Rate Management Agreement, and (iv) any future obligation of the City under Credit Agreements or other agreements to the extent such obligations are secured by a lien on the 4.5% HOT on an equal and ratable basis with the lien securing the Parity Bonds.

“Pledged Revenues” mean collectively, (i) the 4.5% HOT, (ii) the 2% HOT deposited to the credit of the Venue Project Fund (iii) interest and other income realized from the investment of amounts on deposit in the funds and accounts to be maintained pursuant to the Ordinance to the extent such interest and other income are required to be transferred or credited to the Tax

Fund, and (iv) any additional revenue, receipts or income hereafter pledged to the Bonds in accordance with the Ordinance.

“Prior Lien Bonds” mean (a) with respect to the Pledged Hotel Occupancy Tax Revenues, the outstanding “City of Austin, Texas, Hotel Occupancy Tax Revenue Refunding Bonds, Series 2004,” dated February 1, 2004, originally issued in the aggregate principal amount of \$52,715,000, and (b) with respect to the Special Hotel Occupancy Tax deposited to the credit of the Venue Project Fund, the Special Venue Project Bonds.

“Purchase Date” means with respect to any Bond of a subseries any Business Day upon which such Bond is tendered or deemed tendered for purchase pursuant to the Ordinance.

“Purchase Fund” means a separate fund created and maintained as an Eligible Account with the Tender Agent for the Bonds of each subseries.

“Purchase Price” means an amount equal to the principal amount of any Bonds purchased on any Purchase Date, plus accrued interest to the Purchase Date (unless the Purchase Date is an Interest Payment Date, in which case the Purchase Price shall not include accrued interest, which shall be paid in the normal course).

“Rate Determination Date” means any date on which the interest rate on any Bonds of a subseries is required to be determined, being for any Interest Period commencing on a Mode Change Date, the Business Day immediately preceding the Mode Change Date, and for any other Interest Period, each Wednesday or, if such Wednesday is not a Business Day, the Business Day next preceding such Wednesday.

“Rating Agency” means any nationally recognized rating agency that maintains a rating on the Bonds at the request of the City. Initially, the Rating Agencies are Moody’s and Standard & Poor’s.

“Rating Confirmation Notice” means, with respect to an action that affects the Bonds, a writing from each Rating Agency confirming that the rating(s) issued by such Rating Agency on such series of Bonds will not be lowered or withdrawn (other than a withdrawal of a short-term rating upon a change to a long-term mode) as a result of the action proposed to be taken.

“Redemption Date” means the date fixed for redemption of Bonds of a subseries subject to redemption in any notice of redemption given in accordance with the terms hereof.

“Redemption Price” means an amount equal to the principal of and premium, if any, and accrued interest, if any, on the Bonds to be paid on the Redemption Date.

“Reimbursement Obligation” mean any obligation entered into by the City in connection with any Parity Bond pursuant to which the City obligates itself to reimburse a bank, insurer, surety or other entity for amounts paid or advanced by such party pursuant to a letter of credit, line of credit, standby bond purchase agreement, credit facility, liquidity facility, insurance policy, surety bond or other similar credit agreement, guaranty or liquidity agreement to secure any portion of principal of, interest on or purchase price of any Parity Bond or reserves in connection therewith or otherwise relating to any Parity Bond. The City’s obligations under a

Guaranty Agreement, its obligations under a Liquidity Facility, and its obligations to reimburse a Credit Facility Provider for amounts paid under a Credit Facility constitute Reimbursement Obligations.

“Remarketing Proceeds Account” means the account within the Purchase Fund created by the Tender Agent.

“Reserve Fund Requirement” means the least of (i) 10% of the Outstanding principal amount of the Parity Bonds or (ii) the maximum annual Debt Service Requirements scheduled to occur in the then current and each future Fiscal Year for all Parity Bonds at any time Outstanding, or (iii) the maximum amount in a reasonably required reserve fund that can be invested without restriction as to yield pursuant to Subsection (d) of Section 148 of the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder.

“Reserve Fund Surety Bond” means any surety bond, insurance policy, letter of credit or other guaranty issued to the City for the benefit of the Holders of the Parity Bonds to satisfy any part of the Reserve Fund Requirement as provided in the Ordinance.

“Security Register” mean the books of registration maintained by the Paying Agent/Registrar for recording the names and addresses of and the principal amounts registered to each Holder.

“SIFMA Index” means the Securities Industry and Financial Markets Association Municipal Swap Index reported by the Securities Industry and Financial Markets Association. SIFMA Index was formerly called the BMA Index.

“Special Venue Project Bonds” mean City of Austin, Texas, Convention Center/Waller Creek Venue Project Bonds, Series 1999A, dated June 15, 1999, and originally issued in the aggregate principal amount of \$25,000,000.

“Standard & Poor’s” shall mean Standard & Poor’s Ratings Services, Inc., a division of The McGraw-Hill Companies, Inc., duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Standard & Poor’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City after consultation with the Remarketing Agent.

“Substitution Date” means:

- (a) the second Business Day preceding the date that is specified in a written notice given to the Paying Agent/Registrar and the Tender Agent in accordance with the Liquidity Facility or the Credit Facility as the date on which the assignment of the obligation of the Liquidity Facility Provider or the Credit Facility Provider under such Liquidity Facility or Credit Facility is effective; provided, however, that any date specified in such written notice as the effective date of such assignment is treated as the effective date of such assignment even if the assignment fails to occur on such date; and

- (b) the date that is specified in a written notice given by the City to the Paying Agent/Registrar and the Tender Agent as the date on which an Alternate Credit Facility or an Alternate Liquidity Facility is to be substituted for a then-existing Credit Facility or Liquidity Facility in effect pursuant to the Ordinance; provided, however, that any date so specified in the written notice is treated as a Substitution Date only if a written notice thereof is given to the Paying Agent/Registrar and the Tender Agent at least 16 days preceding such date; provided further, however, that any date so specified in the written notice is treated as a Substitution Date even if the substitution of the Alternate Credit Facility or the Alternate Liquidity Facility fails to occur on such date.

“Tax-Exempt Maximum Rate” means the greater of 12% per annum or the maximum allowed by Chapter 1204, Texas Government Code, as amended.

“Termination Date” means, with respect to a Credit Facility or a Liquidity Facility, (i) the date on which such Credit Facility or Liquidity Facility terminates pursuant to its terms or otherwise be terminated prior to its Expiration Date, including as a result of any default or event of default under the Credit Facility or Liquidity Facility, or (ii) the date on which the obligation of the Credit Facility Provider or the Liquidity Facility Provider to provide a loan terminates; provided, however, that “Termination Date” does not mean any date upon which a Credit Facility or Liquidity Facility is no longer effective by reason of its Expiration Date.

“Transfer Date” mean each February 14, May 14, August 14, and November 14, beginning August 14, 2008.

“Transfer Period” mean the period of time beginning on any Transfer Date and ending on the day immediately preceding the next succeeding Transfer Date.

“Variable Rate Obligations” mean any obligation pursuant to which the City is to pay interest at an interest rate that is not fixed for the life of the obligation and any obligation, such as an interest rate exchange agreement or other Credit Agreement, pursuant to which the City is to make payments the amounts of which are not known at the time the obligation is issued or incurred.

“Venue Project Fund” mean the Fund so designated created and established pursuant to Ordinance No. 980709-G, adopted by the City Council on July 9, 1998, providing for the levy, assessment and collection of the Special Hotel Occupancy Tax.

“Weekly Mode” means a period of time during which Bonds of a subseries bear interest at a Weekly Rate.

“Weekly Rate” means the rate of interest per annum determined by each Remarketing Agent on and as of the applicable Rate Determination Date or, in the case of an optional tender of Bonds, the optional tender date, as the minimum rate of interest that, in the opinion of the Remarketing Agent, would, under then existing market conditions, result in the sale of the Bonds of the subseries in the Weekly Mode on the Rate Determination Date or the optional tender date, as applicable, at a price equal to the principal amount thereof, plus accrued interest, if any.

**APPENDIX D**

**FORM OF BOND COUNSEL'S OPINION**



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**FULBRIGHT & JAWORSKI L.L.P.**

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IN REGARD to the authorization and issuance of the “City of Austin, Texas, Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008” (the “Bonds”), dated August 14, 2008, in the principal amount of \$125,280,000, we have examined the legality and validity of the issuance thereof by the City of Austin, Texas (the “City”), which Bonds are issuable in fully registered form and mature on November 15, 2029, unless redeemed prior to maturity in accordance with the applicable optional or mandatory redemption provisions. The Bonds bear interest on the unpaid principal amount from the date of issuance at the rates per annum applicable thereto from time to time as provided in the ordinance authorizing the issuance of the Bonds and a pricing certificate executed pursuant thereto (collectively, the “Ordinance”), and such interest is payable on the dates and in the manner provided in the Ordinance.

We have acted as Bond Counsel for the City solely to pass upon the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes, and none other. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data or other material relating to the financial condition or capabilities of the City or the history or prospects of the collection of hotel occupancy taxes, and have not assumed any responsibility with respect thereto. Capitalized terms used herein and not otherwise defined have the meanings assigned in the Ordinance.

Our examination into the legality and validity of the Bonds included a review of the applicable and pertinent provisions of the Constitution and laws of the State of Texas; the Charter of the City; a transcript of certified proceedings of the City relating to the authorization, issuance, sale, and delivery of the Bonds, including the Ordinance; certificates and opinions of officials of the City; other pertinent instruments authorizing and relating to the issuance of the Bonds; and an examination of the Bond executed and delivered initially by the City, which we found to be in due form and properly executed.

BASED ON OUR EXAMINATION, we are of the opinion that, under applicable law of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds have been authorized, issued and delivered in accordance with law; that the Bonds are valid, legally binding and enforceable special obligations of the City in accordance with their terms payable solely from and secured by a subordinate lien on and pledge of the Pledged Revenues in the manner provided in the Ordinance except to the extent the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors’ rights generally.

Page 2 of Legal Opinion of Fulbright & Jaworski L.L.P.

Re: City of Austin, Texas, Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue  
Refunding Bonds, Series 2008

Subject to the restrictions stated in the Ordinance, the City has reserved the right, to issue and incur additional revenue obligations payable from and secured by a lien on and pledge of the Pledged Revenues on a parity with, or subordinate to, the Bonds.

2. Assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance and in reliance upon representations and certifications of the City made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Bonds, interest on the Bonds for federal income tax purposes (i) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof, of the owners thereof pursuant to section 103 of such Code, existing regulations, published rulings, and court decisions thereunder, and (ii) will not be included in computing the alternative minimum taxable income of individuals or, except as hereinafter described, corporations. Interest on all tax-exempt obligations, such as the Bonds, owned by a corporation will be included in such corporation's adjusted current earnings for purposes of calculating the alternative minimum taxable income of such corporations, other than an S corporation, a qualified mutual fund, a real estate mortgage investment conduit, a real estate investment trust, or a financial asset securitization investment trust (FASIT). A corporation's alternative minimum taxable income is the basis on which the alternative minimum tax imposed by Section 55 of the Code will be computed.

We express no opinion as to the affect on the excludability from gross income for federal income tax purposes of any action taken under the Ordinance which requires that the City shall have received an opinion of counsel to the effect that such action will not adversely affect the excludability of interest on the Bonds from the gross income, as defined in Section 61 of the Code, of the owners thereof for federal income tax purposes. The Ordinance provides that prior to taking certain actions, including converting the interest rate on the Bonds, the City must have received such an opinion, which is dependent on the occurrence of certain events in the future.

We express no opinion with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income tax credit, owners of interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our

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attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

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**APPENDIX E**  
**SCHEDULE OF REFUNDED BONDS**

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# EXHIBIT E

		Maturity	Maturity Amount	Call Date	Redemption Price
Hotel Occupancy Tax Subordinate Lien, Series 2005	Term Bond	11/15/2029	\$ 119,290,000	9/15/2008	100%



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## APPENDIX C

## CERTAIN REVISIONS TO 2008 OFFICIAL STATEMENT

***Certain summaries in the 2008 Official Statement shall be superseded by the descriptions provided below. The revisions described below should be read in conjunction with the 2008 Official Statement, which is attached to this Information Circular as APPENDIX B.***

*The summary in the 2008 Official Statement under the caption “SECURITY FOR THE BONDS – Funds and Flow of Funds – Flow of Funds regarding Pledged Hotel Occupancy Tax Revenues” is replaced in its entirety by the following:*

*Flow of Funds regarding Pledged Hotel Occupancy Tax Revenues.* The City covenants and agrees that all revenues derived by the City from the 4.5% HOT (which revenues are defined in the Ordinance as the “Pledged Hotel Occupancy Tax Revenues”) shall be deposited as received into the Tax Fund. Money from time to time credited to the Tax Fund shall be applied as follows in the following order of priority:

First, to transfer all amounts to the Debt Service Fund required by the ordinances authorizing the issuance of the Prior Lien Bonds (in such relative order of priority as is required by the related ordinances).

Second, to transfer all amounts to the Debt Service Reserve Fund required by the ordinances authorizing the issuance of the Prior Lien Bonds (in such relative order of priority as is required by the related ordinances).

Third, to transfer to the Bond Fund all amounts necessary to provide for the payment of Parity Obligations, to the extent that the revenues from the Special Hotel Occupancy Tax are insufficient to meet the Debt Service Fund requirements of the related ordinances.

Fourth, to transfer to the Reserve Fund the amounts required pursuant to the provisions of the Ordinance as described under the heading “SECURITY FOR THE BONDS – Reserve Fund,” to the extent that the revenues from the Special Hotel Occupancy Tax are insufficient to meet the Reserve Fund requirements of the related ordinances.

Fifth, to transfer all amounts required to be deposited to the special funds and accounts created for the payment and security of the Junior Subordinate Lien Bonds.

Sixth, to the payment of all Junior Obligations secured under the Ordinance on a pari passu basis.

Seventh, for any lawful purpose under the Tax Act.

*The summary in the 2008 Official Statement under the caption “SECURITY FOR THE BONDS – Funds and Flow of Funds – Flow of Funds regarding Special Hotel Occupancy Tax Revenues” is replaced in its entirety by the following:*

*Flow of Funds regarding Special Hotel Occupancy Tax Revenues.* The City covenants and agrees that all receipts and revenues collected and received by the City from the Special Hotel Occupancy Tax shall be deposited to the credit of the Venue Project Fund and more particularly to the credit of the Tax Account. Following the issuance of the Bonds and while Parity Obligations and Junior Obligations remain Outstanding, money from time to time credited to the Tax Account shall be applied as follows in the following order of priority:

First, to transfer all amounts to the Debt Service Account required by the ordinances authorizing the issuance of the Prior Lien Bonds (in such relative order of priority as is required by the related ordinances).

Second, to transfer all amounts to the Debt Service Reserve Account required by the ordinances authorizing the issuance of the Prior Lien Bonds (in such relative order of priority as is required by the related ordinances).

Third, to transfer to the Bond Fund all amounts necessary to provide for the payment of the Parity Bonds and Parity Obligations related to the Parity Bonds.

Fourth, to transfer to the Reserve Fund the amounts required pursuant to the provisions of the Ordinance as described under the heading “SECURITY FOR THE BONDS – Reserve Fund.”

Fifth, to transfer all amounts required to be deposited to the special funds and accounts created for the payment and security of the Junior Subordinate Lien Bonds.

Sixth, to the payment of all Junior Obligations secured under the Ordinance on a pari passu basis.

Seventh, to pay the costs of operating or maintaining the Convention Center/Waller Creek Venue Project.

*The first paragraph under the caption “DESCRIPTION OF THE BONDS – Defeasance” in the 2008 Official Statement is replaced in its entirety with the following:*

If the City pays or causes to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Bonds, at the times and in the manner described in the Ordinance, and other obligations due under any Credit Facility or Liquidity Facility are paid in full or otherwise provided for and any related Credit Facility or Liquidity Facility has been canceled, then the pledge of the Pledged Revenues under the Ordinance and all other obligations of the City to the Holders will thereupon cease, terminate, and become void and be discharged and satisfied.

*The definitions of “Mandatory Purchase Date” and “Parity Obligations” contained in Appendix C to the 2008 Official Statement are replaced in their entirety with the following:*

“Mandatory Purchase Date” means (i) any Mode Change Date, (ii) the Substitution Date, (iii) the Expiration Tender Date, and (iv) the Termination Tender Date.

“Parity Obligations” mean at any time all (i) Parity Bonds, (ii) all Reimbursement Obligations, (iii) obligations of the City to make scheduled payments under an Interest Rate Management Agreement, (iv) all other obligations of the City under any Credit Agreements owing to the Credit Facility Provider or the Liquidity Facility Provider by the City, and (v) any future obligation of the City under Credit Agreements or other agreements to the extent such obligations are secured by a lien on the 4.5% HOT on an equal and ratable basis with the lien securing the Parity Bonds.

*[The remainder of this page is intentionally left blank.]*