Addendum
to the Preliminary Official Statement dated April 19, 2017

for the following bonds:

$137,995,000*
AUSTIN CONVENTION ENTERPRISES, INC.
(a Non-Profit Public Facility Corporation acting on behalf of the City of Austin, Texas)
CONVENTION CENTER HOTEL FIRST TIER REVENUE REFUNDING BONDS, SERIES 2017A

and

$61,745,000*
AUSTIN CONVENTION ENTERPRISES, INC.
(a Non-Profit Public Facility Corporation acting on behalf of the City of Austin, Texas)
CONVENTION CENTER HOTEL SECOND TIER REVENUE REFUNDING BONDS, SERIES 2017B

The cover page and page iv of the Preliminary Official Statement incorrectly stated that the Underwriters intend to limit the offering of the Series 2017B Bonds only to (a) "Accredited Investors" (within the meaning of Regulation D of the Securities Act of 1933, as amended) and (b) "Qualified Institutional Buyers" (within the meaning of Rule 144A of the Securities Act of 1933, as amended). Such provisions are hereby deleted from the Preliminary Official Statement.

Dated: April 20, 2017

PRELIMINARY OFFICIAL STATEMENT DATED APRIL 19, 2017

NEW ISSUE: BOOK-ENTRY ONLY

PRELIMINARY RATINGS: S&P - 2017A "BBB+"
S&P - 2017B "BBB-"
See **"RATINGS"** herein

IN THE OPINION OF BOND COUNSEL UNDER EXISTING LAW, AND ASSUMING COMPLIANCE WITH CERTAIN COVENANTS AND THE ACCURACY OF CERTAIN REPRESENTATIONS, INTEREST ON THE BONDS DESCRIBED HEREIN IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND IS NOT AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE FEDERAL ALTERNATIVE MINIMUM TAX IMPOSED ON INDIVIDUALS AND CORPORATIONS; HOWEVER, INTEREST ON THE BONDS WILL BE INCLUDED IN THE "ADJUSTED CURRENT EARNINGS" OF A CORPORATION (OTHER THAN AN S CORPORATION, REGULATED INVESTMENT COMPANY, REIT, REMIC, OR FASIT) FOR PURPOSES OF COMPUTING ITS ALTERNATIVE MINIMUM TAX LIABILITY. SEE "TAX MATTERS," HEREIN.

$137,995,000*
AUSTIN CONVENTION ENTERPRISES, INC.
(a Non-Profit Public Facility Corporation acting on behalf of the City of Austin, Texas)
CONVENTION CENTER HOTEL FIRST TIER REVENUE REFUNDING BONDS, SERIES 2017A

and

$61,745,000*
AUSTIN CONVENTION ENTERPRISES, INC.
(a Non-Profit Public Facility Corporation acting on behalf of the City of Austin, Texas)
CONVENTION CENTER HOTEL SECOND TIER REVENUE REFUNDING BONDS, SERIES 2017B

Austin Convention Enterprises, Inc. (the "Issuer"), a Texas nonprofit public facility corporation acting on behalf of the City of Austin, Texas (the "City"), is issuing its Convention Center Hotel Revenue Refunding Bonds, consisting of two series: (i) $137,995,000* Convention Center Hotel First Tier Revenue Refunding Bonds, Series 2017A (the "Series 2017A Bonds") and (ii) $61,745,000* Convention Center Hotel Second Tier Revenue Refunding Bonds, Series 2017B (the "Series 2017B Bonds" together with the Series 2017A Bonds, the "Series 2017 Bonds"). The Series 2017 Bonds are being issued pursuant to the provisions of Subchapter C of Chapter 1508, Texas Government Code, Chapter 303, Texas Local Government Code, and Chapter 1207, Texas Government Code, and an Amended and Restated Indenture of Trust, effective as of the Closing Date for the Series 2017 Bonds (the "Indenture") between the Issuer and U.S. Bank National Association, as trustee (the "Trustee").

The proceeds of the Series 2017 Bonds, together with certain other funds, will be used to (i) refund all of the Issuer's Outstanding Convention Center Hotel First Tier Revenue Refunding Bonds, Series 2006A (the "Series 2006A Bonds") and the Issuer's Outstanding Convention Center Hotel Second Tier Revenue Refunding Bonds, Series 2006B (the "Series 2006B Bonds"), which were previously issued to, among other things, refinance the construction of a full-service, convention center headquarters hotel, parking garage and supporting facilities (the "Hotel"); (ii) fund separate reserve funds for the Series 2017A Bonds and the Series 2017B Bonds; (iii) fund certain reserves for the Hotel; and (iv) pay certain costs of issuance of the Series 2017 Bonds. See "PLAN OF FINANCE – Estimated Sources and Uses".

The Hotel is managed by Hilton Management LLC (the "Hotel Manager") as the "Hilton Austin Convention Center" pursuant to a "Hotel Operating Agreement" and a "Room Block Commitment Agreement" each between the Issuer and the Hotel Manager as more fully described herein. The Hotel opened on December 27, 2003 and has been operated continuously since such date.

The Series 2017 Bonds will be registered and offered in denominations of $5,000 and integral multiples thereof. Interest on the Series 2017 Bonds will be payable on July 1, 2017 and semiannually on each January 1 and July 1 thereafter until maturity or prior redemption. The Series 2017A Bonds and the Series 2017B Bonds are subject to optional, extraordinary, and mandatory sinking fund redemption as described herein and are payable by the Issuer from the Trust Estate (as such term is defined in the Indenture).

Payment of principal of and interest on the Series 2017B Bonds are fully subordinated in right and time to payments of principal, interest, and redemption premium, if any, on the Series 2017A Bonds.

When issued, each series of the Series 2017 Bonds will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2017 Bonds. The Series 2017 Bonds will be issued in book-entry only form, and holders of the Series 2017 Bonds will not receive physical delivery of bonds except as described herein. During any period in which ownership of any of the Series 2017 Bonds is determined only by a book entry at DTC, the Trustee will make payments on such Series 2017 Bonds to DTC or DTC's nominee in accordance with arrangements between the Trustee and DTC.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY. IT IS INTENDED AS A SUMMARY OF THE TERMS AND SECURITY FOR THE SERIES 2017 BONDS. SEE "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS" AND "RISK FACTORS" HEREIN FOR A DISCUSSION OF CERTAIN RISK FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE SERIES 2017 BONDS.

THE SERIES 2017 BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE REVENUES OF THE HOTEL AND THE TRUST ESTATE PLEDGED TO THE TRUSTEE AS DESCRIBED HEREIN. THE SERIES 2017 BONDS WILL NEVER CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE CITY, THE STATE OF TEXAS, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS, WITHIN THE MEANING OF ANY CONSTITUTIONAL PROVISIONS OR STATUTORY LIMITATION WHATSOEVER, BUT THE SERIES 2017 BONDS WILL BE LIMITED OR SPECIAL OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR AS PROVIDED IN THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF TEXAS, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF THE SERIES 2017 BONDS OR THE INTEREST OR ANY PREMIUM THEREON OR OTHER COST INCIDENT THERETO. NEITHER THE MEMBERS OF THE GOVERNING BODY OF THE ISSUER NOR ANY PERSON EXECUTING THE SERIES 2017 BONDS WILL BE LIABLE PERSONALLY ON THE SERIES 2017 BONDS BY REASON OF THE ISSUANCE THEREOF. THE ISSUER HAS NO TAXING POWER.

SEE PAGES ii AND iii FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS AND CUSIP NUMBERS

THE UNDERWRITERS INTEND TO LIMIT THEIR OFFERING OF THE SERIES 2017B BONDS TO "ACCREDITED INVESTORS" (WITHIN THE MEANING OF REGULATION D OF THE SECURITIES ACT OF 1933, AS AMENDED) AND TO "QUALIFIED INSTITUTIONAL BUYERS" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")). THIS OFFICIAL STATEMENT IS NOT TO BE USED FOR ANY OTHER PURPOSE OR MADE AVAILABLE TO ANYONE NOT DIRECTLY CONCERNED WITH THE DECISION REGARDING SUCH PURCHASE BY THE BONDHOLDERS.

THE LIMITATION OF THE INITIAL OFFERING TO ACCREDITED INVESTORS AND TO QUALIFIED INSTITUTIONAL BUYERS DOES NOT DENOTE RESTRICTIONS ON TRANSFER IN ANY SECONDARY MARKET FOR THE SERIES 2017B BONDS.

The Series 2017 Bonds are offered for delivery when, as, and if issued and received by the initial purchasers thereof named below (collectively, the "Underwriters") and are subject to the approving opinions of the Attorney General of the State of Texas and the opinions of Winstead PC, Austin, Texas, Bond Counsel, as to the validity of the issuance of the Series 2017 Bonds under the Constitution and laws of the State of Texas. See "LEGAL MATTERS" herein. Certain legal matters will be passed upon the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Houston, Texas. The Series 2017A Bonds and the Series 2017B Bonds are expected to be available for delivery through the services of DTC on or about ________, 2017.

Citigroup

Piper Jaffray & Co.

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* Preliminary, subject to change.

STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, AND CUSIP NUMBERS

$137,995,000*
AUSTIN CONVENTION ENTERPRISES, INC.
CONVENTION CENTER HOTEL FIRST TIER REVENUE REFUNDING BONDS, SERIES 2017A

$ 80,115,000 Serial Bonds*

Maturity (January 1)[1]	Principal Amount*	Interest Rate	Yield	CUSIP No.[2]
2018	$1,430,000			
2019	4,925,000			
2020	5,310,000			
2021	5,705,000			
2022	6,125,000			
2023	6,565,000			
2024	7,030,000			
2025	7,515,000			
2026	8,035,000			
2027	8,575,000			
2028	9,150,000			
2029	9,750,000			

$57,880,000 Term Bonds*

$57,880,000 Term Bond maturing January 1, 2034 [1] priced at _________% to yield ______%[3]; CUSIP No. ____[2][4]

* Preliminary, subject to change.
1 The Series 2017A Bonds are subject to redemption at the option of the Issuer, in whole or in part on any date, on or after January 1, 2027, from any legally available funds, at a Redemption Price equal to the principal amount of Series 2017A Bonds called for redemption, plus accrued interest with respect thereto the date fixed for redemption.
2 CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the Issuer, the Financial Advisor, nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.
3 Priced to January 1, 2027* par call date.
4 The Bonds are subject to mandatory sinking fund redemption as set forth in "THE BONDS – Redemption Provision".

STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, AND CUSIP NUMBERS

$61,745,000*
AUSTIN CONVENTION ENTERPRISES, INC.
CONVENTION CENTER HOTEL SECOND TIER REVENUE REFUNDING BONDS, SERIES 2017B

$40,795,000 Serial Bonds*

Maturity (January 1)(1)	Principal Amount	Interest Rate	Yield	CUSIP No.(2)
2018	$980,000			
2019	3,415,000			
2020	3,450,000			
2021	3,490,000			
2022	3,530,000			
2023	3,575,000			
2024	3,615,000			
2025	3,665,000			
2026	3,700,000			
2027	3,750,000			
2028	3,790,000			
2029	3,835,000			

$20,950,000 Term Bonds*

$20,950,000 Term Bond maturing January 1, 2034(1) priced at _________% to yield _____%(3); CUSIP No. ____(2)(4)

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* Preliminary, subject to change.
1 The Series 2017B Bonds are subject to redemption at the option of the Issuer, in whole or in part on any date, on or after January 1, 2027, from any legally available funds, at a Redemption Price equal to the principal amount of Series 2017B Bonds called for redemption, plus accrued interest with respect thereto the date fixed for redemption.
2 CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the City, the Financial Advisor, nor the Underwriters are responsible for the selection or correctness of the CUSIP numbers set forth herein.
3 Priced to January 1, 2027* par call date.
4 The Bonds are subject to mandatory sinking fund redemption as set forth in "THE BONDS – Redemption Provision".

NOTICE TO INVESTORS

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the "Rule"), and in effect on the date of this Preliminary Official Statement, this document constitutes an "official statement" of the Issuer with respect to each series of the Series 2017 Bonds that has been deemed "final" by the Issuer as of its date except for the omission of no more than the information permitted by Rule.

This document, when further supplemented by adding additional information specifying the interest rates and certain other information relating to the Series 2017 Bonds, shall constitute a "final official statement" of the Issuer with respect to the Series 2017 Bonds, as such term is defined in Rule.

No dealer, broker, salesman, or other person has been authorized to give any information or to make any representation, other than the information contained in this Official Statement, in connection with the offering of the Series 2017 Bonds, and, if given or made, such information or representation must not be relied upon as having been authorized by the City, the Issuer, the Hotel Manager, the Underwriters, or their respective consultants and attorneys.

This Official Statement is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, and engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Citigroup Global Markets Inc., 100 Citibank Drive, Building 2, San Antonio, Texas, 78245.

THE SERIES 2017 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF CERTAIN EXEMPTIONS CONTAINED IN THE SECURITIES ACT OF 1933, AS AMENDED. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE SERIES 2017 BONDS, THE SECURITY PLEDGED TO THE PAYMENT OF THE SERIES 2017 BONDS, THE ISSUER, THE HOTEL MANAGER, THE CITY, AND THE TERMS OF THE OFFERING OF THE SERIES 2017 BONDS, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY, NOR HAVE SUCH AUTHORITIES CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE UNDERWRITERS INTEND TO LIMIT THEIR OFFERING OF THE SERIES 2017B BONDS TO "ACCREDITED INVESTORS" (WITHIN THE MEANING OF REGULATION D OF THE SECURITIES ACT OF 1933, AS AMENDED) AND TO "QUALIFIED INSTITUTIONAL BUYERS" (WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT")) AND WHO HAVE SUFFICIENT KNOWLEDGE AND EXPERIENCE IN FINANCIAL AND BUSINESS MATTERS, INCLUDING PURCHASE AND OWNERSHIP OF TAX-EXEMPT MUNICIPAL OBLIGATIONS, TO BE ABLE TO EVALUATE THE ECONOMIC RISKS AND MERITS OF THE INVESTMENT REPRESENTED BY THE PURCHASE OF OBLIGATIONS SUCH AS THE SERIES 2017B BONDS, AND ARE WILLING AND ABLE TO CONDUCT AN INDEPENDENT INVESTIGATION OF THE RISKS INVOLVED WITH OWNERSHIP OF SUCH BONDS, FAMILIARIZE THEMSELVES WITH THE AFFAIRS OF THE ISSUER AS WELL AS OTHER PARTIES TO THE TRANSACTION.

THE LIMITATION OF THE INITIAL OFFERING TO ACCREDITED INVESTORS AND TO QUALIFIED INSTITUTIONAL BUYERS DOES NOT DENOTE RESTRICTIONS ON TRANSFER IN ANY SECONDARY MARKET FOR THE SERIES 2017B BONDS.

The information in this Official Statement is subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Hotel Manager since the date hereof. This Official Statement does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Series 2017 Bonds are qualified in their entirety by reference to the form thereof included in the Indenture and the provisions with respect thereto included in the aforementioned documents and agreements.

The information set forth herein includes information obtained from other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriters. The information and expressions of opinions contained herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Hotel Manager since the date hereof.

This Official Statement is not to be construed as a contract with the purchaser of the Series 2017 Bonds. Statements contained in this Official Statement which involve estimates, forecasts, or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of fact.

THE SERIES 2017 BONDS WILL NEVER CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OF THE CITY, THE STATE OF TEXAS, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS, WITHIN THE MEANING OF ANY CONSTITUTIONAL PROVISIONS OR STATUTORY LIMITATION WHATSOEVER, BUT THE SERIES 2017 BONDS WILL BE SPECIAL OBLIGATIONS OF THE ISSUER PAYABLE SOLELY FROM THE FUNDS PROVIDED THEREFOR AS PROVIDED IN THE INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY, THE STATE OF TEXAS, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF THE SERIES 2017 BONDS OR THE INTEREST OR ANY PREMIUM THEREON OR OTHER COST INCIDENT THERETO. WITHOUT LIMITING AND IN ADDITION TO THE FOREGOING, THE UNDERWRITERS UNDERSTAND THAT THE ISSUER IS AN ENTITY ENTIRELY SEPARATE AND APART FROM THE CITY, AND THAT NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT OF THE SERIES 2017 BONDS NOR IS AVAILABLE WITH RESPECT TO ANY PAYMENT OBLIGATIONS OF THE ISSUER DESCRIBED IN OR CONTEMPLATED BY THIS OFFICIAL STATEMENT. NEITHER THE MEMBERS OF THE GOVERNING BODY OF THE ISSUER, NOR ANY PERSON EXECUTING THE SERIES 2017 BONDS WILL BE LIABLE PERSONALLY ON THE SERIES 2017 BONDS BY REASON OF THE ISSUANCE THEREOF. THE ISSUER HAS NO TAXING POWER. NO OBLIGATION OR RESPONSIBILITY OF THE ISSUER ARISING UNDER OR CONCERNING THE CLOSING DOCUMENTS WILL EVER CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OR RESPONSIBILITY OF THE CITY. THE ISSUER CANNOT PLEDGE THE CREDIT OF THE CITY OR CAUSE THE CITY TO INCUR OR ASSUME ANY INDEBTEDNESS ON BEHALF OF THE ISSUER.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT MATERIAL FACTS AND CIRCUMSTANCES AS THEY EXIST ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION WILL NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE SERIES 2017 BONDS SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

THE TRUSTEE ASSUMES NO RESPONSIBILITY FOR THIS OFFICIAL STATEMENT AND HAS NOT REVIEWED OR UNDERTAKEN TO VERIFY ANY INFORMATION CONTAINED HEREIN.

NEITHER THE HOTEL MANAGER, NOR ANY OF ITS AFFILIATES OR ITS OFFICERS, DIRECTORS, AGENTS, OR EMPLOYEES WILL IN ANY WAY BE DEEMED AN ISSUER OR

UNDERWRITER OF THE SERIES 2017 BONDS AND WILL HAVE NO LIABILITY WHATSOEVER ARISING OUT OF OR RELATING TO ANY FINANCIAL STATEMENTS, PROSPECTUSES, OR OTHER FINANCIAL INFORMATION CONTAINED IN ANY DISCLOSURE DOCUMENT OR SIMILAR WRITTEN OR ORAL COMMUNICATION OTHER THAN THAT WHICH PERTAINS TO THE HOTEL MANAGER, AND/OR ITS OPERATIONS, RESPECTIVELY. ALL TERMS USED IN THIS PARAGRAPH HAVE THE MEANING AS DEFINED IN THE SECURITIES ACT OF 1933, AS AMENDED.

THE FINANCIAL ADVISOR HAS BEEN EMPLOYED BY THE CITY TO ADVISE IT WITH RESPECT TO CERTAIN MATTERS RELATING TO THE PROPOSED STRUCTURE OF THE SERIES 2017 BONDS. THE FINANCIAL ADVISOR HAS NOT BEEN EMPLOYED AND ASSUMES NO DUTY OR OBLIGATION TO ADVISE ANY OTHER PARTY AS TO ANY ASPECT OF THE TRANSACTION, INCLUDING THE HOLDERS OF THE SERIES 2017 BONDS.

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 RESPECTIVE RESPONSIBILITIES TO INVESTORS UNDER THE 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.

Except as otherwise expressly stated herein, Hilton Worldwide Holdings Inc., its affiliated partnerships or bodies corporate, partners, shareholders, officers, employees or agents of any of them (the foregoing collectively, "**Hilton Parent**") has not verified the information contained in this offering. Hilton Parent does not assumes any responsibility for or makes any representation or warranty, express or implied, as to the accuracy, currency, reliability, reasonableness or completeness of, any information contained in this offering. All such parties, entities and persons expressly disclaim any and all liability, claim, loss or damage (except in the case of fraud) for, or based on, or relating to any such information contained in, or errors or omissions from, this offering or based upon or relating to the use of this offering by any recipient of it, including any liability or responsibility for any financial statements, projections or other financial information or other information contained in this offering or otherwise disseminated in connection with the offer to participate in the investment referred to in this offering.

Except as otherwise expressly stated herein, Hilton Parent has had no involvement in the preparation of any part of this Memorandum, has not authorised or caused the issue of any part of this offering and does not endorse or underwrite any participation in the investment referred to in this offering.

The interests in the investment referred to in this offering do not represent an interest in or obligation of Hilton Worldwide Holdings Inc. or any of its affiliated partnerships or bodies corporate. If you participate in the investment referred to in this offering, you are not investing in Hilton Worldwide Holdings Inc. or any of its affiliated partnerships or bodies corporate.

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ISSUER BOARD OF DIRECTORS AND OFFICERS

Name	Office	Occupation
Mark Tester	President	Director of the Austin Convention Center – City of Austin
Art Alfaro	Secretary and Treasurer	Treasurer – City of Austin
Greg Canally	Vice President	Interim Chief Financial Officer – City of Austin
Elaine Hart	Member	Interim City Manager – City of Austin
Vacant		

ISSUER'S AND CITY'S CONSULTANTS AND ADVISORS

Bond Counsel
Winstead PC
Austin, Texas

Issuer Counsel
Winstead PC
Austin, Texas

Financial Advisor to the City
Public Financial Management, Inc.
Austin, Texas

Trustee
U.S. Bank National Association
Minneapolis, Minnesota

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PRELIMINARY OFFICIAL STATEMENT

\$137,995,000*
AUSTIN CONVENTION ENTERPRISES, INC.
(a Non-Profit Public Facility Corporation acting on behalf of the City of Austin, Texas)
CONVENTION CENTER HOTEL FIRST TIER REVENUE REFUNDING BONDS,
SERIES 2017A

and

\$61,745,000*
AUSTIN CONVENTION ENTERPRISES, INC.
(a Non-Profit Public Facility Corporation acting on behalf of the City of Austin, Texas)
CONVENTION CENTER HOTEL SECOND TIER REVENUE REFUNDING BONDS,
SERIES 2017B

INTRODUCTION

Austin Convention Enterprises, Inc. (the "Issuer") is issuing its Convention Center Hotel First Tier Revenue Refunding Bonds, Series 2017A (the "Series 2017A Bonds"); and Convention Center Hotel Second Tier Revenue Refunding Bonds, Series 2017B (the "Series 2017B Bonds") in the principal amounts provided above. This Official Statement contains certain information relating to the offering and sale by the Issuer of its Series 2017A Bonds and the Series 2017B Bonds.

The Series 2017A Bonds and the Series 2017B Bonds are collectively referred to herein as the "Series 2017 Bonds." "Bonds" as used herein means the Series 2017 Bonds, any Additional Bonds, and Refunding Bonds of the Issuer, authenticated and delivered under and pursuant to the Indenture or under any Supplemental Indenture. For definitions of certain capitalized terms used in this Official Statement and not herein defined, see APPENDIX B – Master Glossary of Terms.

The purchase of Series 2017 Bonds is subject to certain risks. See "RISK FACTORS". Each prospective investor in the Series 2017 Bonds should read this Official Statement in its entirety, including all Appendices hereto.

General

The City of Austin, Texas (the "City") determined that construction of a convention center headquarters hotel on a site adjacent to the Austin Convention Center (the "Convention Center") would result in economic benefits to the City, including improved coordination of event bookings at the Convention Center and the generation of additional tax revenues, employment opportunities, and economic activity related to the construction and operation of the hotel.

The City Council of the City authorized the creation of the Issuer to finance the construction, renovation, and improvement of the convention center headquarters hotel, garage and supporting facilities operated as the "Hilton Austin Convention Center" (referred to herein as the "Hotel"). In June 2001, the Issuer issued bonds for such purpose. In December 2006, the Issuer issued refunding bonds for the purpose of refunding the bonds issued in 2001. See "INTRODUCTION – The Prior Bonds" below. The Hotel opened on December 27, 2003 and has been operated continuously ever since. See "INTRODUCTION – The Hotel" below.

The Issuer

The Issuer, a nonprofit public facility corporation, has been duly established and created as a constituted authority and instrumentality of the City, organized to meet the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), and Chapter 303, Local Government Code, and is authorized to act on behalf of the City to

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* Preliminary, subject to change.

issue obligations to finance and refinance the costs of "public facilities" within the meaning of Subchapter C of Chapter 1508, Texas Government Code, and Chapter 303, Texas Local Government Code (the "Act").

The Issuer is governed by a Board of Directors consisting of five members, each of whom is appointed by the City Council of the City. The Board of Directors of the Issuer consists of the persons named on page vii hereof.

Among other things, the Issuer is authorized by the Act to issue bonds and use the proceeds derived from the sale of such bonds to finance the construction, expansion, or improvement of a "public facility," which term includes facilities located within the City which have been found by the Board of Directors of the Issuer to be required, necessary, or suitable for the acquisition, construction, rehabilitation, and equipping of real, personal, or mixed use property devoted to public use, including the Hotel, which the Issuer found to be a public facility at the time the Series 2001 Bonds (as defined herein) were issued.

The Board authorized the issuance of the Series 2017 Bonds and approved documents and actions related thereto by a resolution adopted on December 13, 2016 (the "Resolution").

On February 16, 2017, the City Council of the City adopted resolutions approving the issuance of the Series 2017 Bonds by the Issuer. The Issuer has no employees, and does not intend to engage or employ anyone other than (i) the Asset Manager to assist it in the operations of the Hotel, (ii) a facilities consultant, (iii) an Advisor to the Board, (iv) an Insurance Consultant, and (v) a Hotel Consultant when required under the Indenture.

The financial statements of the Issuer, as of December 31, 2015, and for the year then ended, included in this Official Statement, have been audited by Padgett, Stratemann & Co., LLP, independent auditors, as stated in their report appearing in APPENDIX G – Audited Financial Statements.

Padgett, Stratemann & Co., LLP, independent auditor to the Issuer, has not been engaged to perform and has not performed, since the date of the report included as APPENDIX G, any procedures on the financial statements addressed in that report. Padgett, Stratemann & Co., LLP also has not performed any procedures relating to this Official Statement. The Issuer has received a consent from Padgett, Stratemann & Co., LLP for the inclusion of its 2015 audit report in this Official Statement.

The Prior Bonds

In order to provide for financing of the costs of the Hotel, in June 2001, the Issuer issued its $109,665,000 Austin Convention Enterprises, Inc. Convention Center Hotel First Tier Revenue Bonds, Series 2001A (the "Series 2001A Bonds"), its $134,950,000 Convention Center Hotel Second Tier Revenue Bonds, Series 2001B Bonds (the "Series 2001B Bonds"), and its $20,498,811 Convention Center Hotel Third Tier Revenue Bonds, Series 2001C Bonds (the "Series 2001C Bonds" and, together with Series 2001A Bonds and Series 2001B Bonds, the "Series 2001 Bonds"), in accordance with the provisions of the Act, the resolutions, ordinances, and the Indenture of Trust dated as of June 1, 2001 by and between the Issuer and U.S. Bank National Association. The proceeds of the Series 2001 Bonds were issued to: (a) finance the acquisition of a condominium interest recorded against certain real property adjacent to the City's Convention Center and the construction of that portion of a building being constructed on such property for a full service 800 room hotel together with 600 parking spaces in an underground parking garage; (b) pay capitalized interest for the Series 2001A Bonds and Series 2001B Bonds during construction of the Hotel and for the six months immediately following the anticipated completion date; (c) fund separate debt service reserve funds for the Series 2001A Bonds and Series 2001B Bonds; (d) partially fund an operating reserve fund; (e) fund initial working capital for the Hotel; and (f) pay certain costs of issuing the Series 2001 Bonds, including, without limitation, the purchase of a surety bond, such surety bond has been since canceled.

In December 2006, the Issuer issued its $165,000,000 Convention Center Hotel First Tier Revenue Refunding Bonds, Series 2006A (the "Series 2006A Bonds") and its $95,170,000 Convention Center Hotel Second Tier Revenue Refunding Bonds, Series 2006B (the "Series 2006B Bonds" together with the Series 2006A Bonds, the "Series 2006 Bonds") in accordance with the provisions of the Act, the resolutions, ordinances, and the Amended and Restated Indenture of Trust (the "Amended Indenture") dated as of December 7, 2006 by and between the Issuer and U.S. Bank National Association. The proceeds of the Series 2006 Bonds were used to: (a) fund a deposit to the escrow fund held by U.S. Bank National Association as escrow agent (the "2006 Escrow Agent") under an Escrow Agreement effective as of the Closing Date for the Series 2006 Bonds by and between the 2006 Escrow Agent and the Issuer, in an amount sufficient, together with investment earnings thereon, to pay debt service on the Series 2001A Bonds and Series 2001B Bonds through January 1, 2011, and to pay the redemption price of certain of the Series 2001A Bonds and Series 2001B Bonds on January 1, 2011, in order to legally defease all of the Series 2001A Bonds and Series 2001B Bonds; (b) fund separate reserve funds for the Series 2006A Bonds and the Series 2006B Bonds, including the purchase of a debt service reserve fund policy issued by a bond insurer to satisfy a portion of the required deposit to the First Tier Debt Service Reserve Fund; (c) fund certain reserves for the Hotel; and (d) pay certain costs of issuance.

In connection with the issuance of the Series 2006 Bonds, Hilton Management LLC fka Hilton Hotel Corporation (the "Hotel Manager" or "Hilton") forgave a portion of the Series 2001C Bonds owned by the Hotel Manager in consideration for the amendment of certain terms to the Hotel Operating Agreement by and between the Hotel Manager and the Issuer, including the extension of the term of such Agreement to December 6, 2021. The remaining Series 2001C Bonds in the aggregate principal amount of $21,755,000, which were initially held by FaulknerUSA, Inc. have been paid in full.

The Series 2017 Bonds

The Series 2017 Bonds will be issued by the Issuer pursuant to the laws of the State of Texas, particularly the Act, and Chapter 1207, Texas Government Code, and an Amended and Restated Indenture of Trust, effective as of the Closing Date for the Series 2017 Bonds (the "Indenture"), between the Issuer and U.S. Bank National Association, as trustee (the "Trustee"). Proceeds of the Series 2017 Bonds will be used as set forth in "PLAN OF FINANCE – Estimated Sources and Uses."

Pursuant to the Indenture, the Issuer has covenanted not to take any action, or omit to take any action with respect to the Series 2017 Bonds which would cause interest on the Series 2017 Bonds to lose its exclusion from gross income for federal income tax purposes under section 103 of the Code or from alternative minimum taxable income as defined in section 55(b)(2), except to the extent such interest is required to be included under section 56 of the Code in calculating corporate alternative minimum taxable income. The Issuer will comply with the procedures set forth in the Federal Tax Certificate and any similar certificates or instruments.

The proceeds of the Series 2017 Bonds, together with certain funds currently held by the Trustee under the Amended Indenture, will be used to (a) refund all of the Outstanding Series 2006A Bonds and the Series 2006B Bonds, which were previously issued to, among other things, refinance the construction of the Hotel, parking garage and supporting facilities; (b) fund separate reserve funds for the Series 2017A Bonds and the Series 2017B Bonds; (c) fund certain reserves for the Hotel; and (d) pay certain costs of issuance.

Security for the Series 2017 Bonds

The Series 2017 Bonds are limited obligations of the Issuer. The Series 2017A Bonds are payable by the Issuer solely from Total Net Revenues generated from the Hotel, and from certain amounts held by the Trustee under the Indenture. The Series 2017B Bonds are payable by the Issuer solely from Total Net Revenues generated from the Hotel after certain other deposits, including deposits to the First Tier Debt Service Account and certain other Funds as required by the Indenture, have been made, and from certain other amounts held by the Trustee under the Indenture.

The Gross Operating Revenues from the Hotel are deposited into a lockbox fund (the "Lockbox Fund") when received and then distributed to the Trustee on the tenth Business Day each month after payment of certain operating expenses pursuant to the Indenture and the Amended and Restated Cash Management and Lockbox Agreement (the "Cash Management Agreement") by and among Wells Fargo Bank, N.A. as depository bank (the "Depository Bank"), the Trustee, the Issuer and the Hotel Manager, as amended and supplemented from time to time. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS – Lockbox Fund." The Lockbox Fund was established pursuant to the terms of the Cash Management Agreement. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS – Flow of Funds."

As additional security for payment of the Series 2017 Bonds, the Issuer has granted a lien on, and a security interest in, all of its interest in the Legal Hotel Unit in favor of the Trustee pursuant to a Deed of Trust and Assignment of Rents, Security Agreement and Fixture Filing dated as of June 1, 2001, as modified by the First Amendment to Deed of Trust and Assignment of Rents, Security Agreement and Fixture Filing dated August 1, 2003; the Second Amendment to Deed of Trust and Assignment of Rents, Security Agreement and Fixture Filing dated December 7, 2006; and the Third Amendment to Deed of Trust and Assignment of Rents, Security Agreement and Fixture Filing effective as of the Closing Date for the Series 2017 Bonds (the "Deed of Trust"); and Security Agreement dated June 1, 2001, as amended (the "Security Agreement") between the Issuer and the Trustee. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS – Deed of Trust" and " – Security Agreement."

Payment of the Series 2017B Bonds is fully subordinated in right and time to payments of principal, interest, and redemption premium, if any, on the Series 2017A Bonds. The owners of the Series 2017B Bonds have no right to declare an Event of Default while any of the Series 2017A Bonds are Outstanding.

THE SERIES 2017 BONDS

General

The Series 2017 Bonds will be issued in fully registered form in denominations of $5,000 or integral multiples thereof. Interest due and payable on the Series 2017 Bonds on any Interest Payment Date will be paid to the person who is the Registered Owner as of the Record Date. Each Series 2017 Bond bears interest from the Closing Date if authenticated prior to July 1, 2017 or otherwise from the Interest Payment Date (as defined herein) that is, or immediately precedes the date on which such Series 2017 Bond is authenticated. In no event will the interest rate borne by any Series of the Bonds exceed the maximum "net effective interest rate," as defined and calculated in accordance with the terms of Chapter 1204, Texas Government Code.

The Series 2017 Bonds will be dated the Business Day prior to the Closing Date and will bear interest from the date of closing of the Series 2017 Bonds at the interest rates as set forth on the inside front pages hereof payable on July 1, 2017, and each January 1 and July 1 thereafter until maturity or prior redemption (each an "Interest Payment Date"). If interest on the Series 2017A Bonds is in default, Series 2017A Bonds issued in exchange for the Series 2017A Bonds surrendered for transfer or exchange will bear interest from the Interest Payment Date to which interest has been paid. The Series 2017B Bonds will bear interest at the interest rates as set forth on the inside front pages hereof payable on July 1, 2017, and each January 1 and July 1 thereafter until maturity or prior redemption. If interest on the Series 2017B Bonds is in default, Series 2017B Bonds issued in exchange for Series 2017B Bonds surrendered for transfer or exchange will bear interest from the Interest Payment Date to which interest has been paid. Interest on the Series 2017A Bonds and the Series 2017B Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

See APPENDIX C – Summary of Certain Provisions of the Bond Documents – Indenture for certain provisions contained in the Indenture, including without limitation certain covenants, the rights and duties of the Trustee, the rights and remedies of the Trustee acting at the direction of a Majority of Bondholders, provisions relating to amendments of the Indenture, and procedures for defeasance of the Bonds.

Redemption Provisions*

Optional Redemption

The Series 2017A Bonds are subject to redemption at the option of the Issuer, in whole or in part on any date, on or after January 1, 2027*, from any legally available funds, at a Redemption Price equal to the principal amount of Series 2017A Bonds called for redemption, plus accrued interest with respect thereto the date fixed for redemption.

* Preliminary, subject to change.

The Series 2017B Bonds are subject to redemption at the option of the Issuer, in whole or in part on any date, on or after January 1, 2027*, from any legally available funds, at a Redemption Price equal to the principal amount of Series 2017B Bonds called for redemption, plus accrued interest with respect thereto to the date fixed for redemption.

Prior to giving any notice of an optional redemption as provided below under " – Notice of Redemption," there must be paid to the Trustee for deposit into the appropriate Redemption Account an amount which, in addition to other moneys, if any, available therefor held by the Trustee, will be sufficient to redeem on the Redemption Date at the Redemption Price, plus interest accrued and unpaid to the Redemption Date, all of the Bonds called for redemption.

Mandatory Redemption

The Series 2017A Bonds maturing on January 1, 20__ are subject to mandatory redemption, at a Redemption Price equal to the principal amount of the Series 2017A Bonds redeemed, together with accrued interest thereon to the Redemption Date pursuant to Sinking Fund Installments on January 1 in each of the years and principal amounts set forth in the tables below, except that the Sinking Fund Installments of Series 2017A Bonds will be reduced in chronological order by the principal amount of any Series 2017A Bonds redeemed pursuant to any other optional or mandatory redemption provision on or before the date on which any such Sinking Fund Installment is due:

Series 2017A Bonds maturing January 1, 20__

Year	Sinking Fund Installment

*Final Maturity

The Series 2017B Bonds maturing on January 1, 20__ are subject to mandatory sinking fund redemption in part (the actual Series 2017B Bonds of such maturity or portions thereof to be redeemed to be selected by lot in such manner as may be designated by the Trustee) at a Redemption Price equal to the principal amount thereof as of the date of the Sinking Fund Installment, together with any accrued interest with respect thereto, without premium, on each January 1, in the amounts and as set forth below:

Series 2017B Bonds maturing January 1, 20__

Year	Sinking Fund Installment

*Final Maturity

FAILURE TO REDEEM THE SERIES 2017B BONDS ON THE DATES DESCRIBED ABOVE OR TO PAY AT MATURITY ANY SERIES 2017B BONDS FOR ANY REASON WILL NOT CONSTITUTE AN EVENT OF DEFAULT UNDER THE INDENTURE WHILE ANY FIRST TIER BONDS ARE OUTSTANDING; PROVIDED THAT IF SUCH SERIES 2017B BONDS ARE NOT PAID UPON SUCH

* Preliminary, subject to change.

SCHEDULED REDEMPTION DATES OR ON THEIR SCHEDULED MATURITY DATE, SUCH SERIES 2017B BONDS CONTINUE TO ACCRUE INTEREST AT THE RATE APPLICABLE THERETO.

In lieu of depositing cash with the Trustee as a mandatory sinking fund payment, the Issuer has the option to tender to the Trustee for cancellation at least 60 days prior to a sinking fund redemption date any amount for any Series of Bonds purchased by the Issuer, which Bonds may be purchased by or upon the direction of the Issuer at public or private sale as, when, and at such prices not in excess of the par amount thereof, as the case may be, plus accrued interest thereto as the Issuer may in its discretion determine from moneys held by the Trustee which are available for such purpose. The par amount of any Bonds of any Series so purchased by or upon the direction of the Issuer and tendered to the Trustee in any 12-month period ending on November 1 in any calendar year will be credited toward and reduce the next mandatory sinking fund payments required to be made for such Series of Bonds in the order in which they are required to be made pursuant to the Indenture.

Extraordinary Mandatory Redemption

The Series 2017 Bonds will be subject to extraordinary mandatory redemption at the direction of the Issuer pursuant to the Indenture to repair or replace the Hotel, in whole or in part on the earliest date following the date for which notice of redemption can be given as provided in the Indenture, at a price equal to the principal amount of Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium, from proceeds of insurance (including any title insurance), or condemnation awards not used to repair or replace the Hotel, provided that no Second Tier Bonds will be redeemed pursuant to this paragraph until no First Tier Bonds remain outstanding.

Notice of Redemption

The Trustee must give notice in the name of the Issuer, of the redemption of Bonds to Registered Owners of any registered Bond or portions of registered Bonds to be redeemed not less than thirty (30) days and no more than sixty (60) days before the Redemption Date and send such notice of redemption by first class mail to each such Registered Owner of a Bond to be redeemed to the Registered Owner's last address appearing upon the Register.

Such notice must specify the Series and maturities of the Series 2017 Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such Redemption Date will be payable, and, if less than all of the Series 2017 Bonds of any like Series and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notices must also specify the respective portions of the principal amounts thereof to be redeemed. Such notice must further state that on such Redemption Date there will become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof, in the case of Bonds to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such date interest thereon will cease to accrue and be payable.

The Trustee will only give notice for an optional redemption of Bonds upon the prior payment to the Trustee of funds sufficient to pay the Redemption Price, plus interest accrued and unpaid to the Redemption Date on the Series 2017 Bonds to which such notice relates.

The failure to give notice to any Registered Owner of any Bond or portion thereof to be redeemed or any defects therein does not affect the validity of any proceedings for the redemption of any other Bond for which such notice has been duly given.

Payment of Redeemed Bonds

The Series 2017 Bonds or portions thereof so called for redemption become due and payable on the Redemption Date so designated at the Redemption Price, plus interest accrued and unpaid to the Redemption Date, and upon presentation and surrender thereof at the office specified in such notice. If less than all of the principal of any Bond is called for redemption, the Issuer will execute and the Trustee or the Authenticating Agent will authenticate, upon the surrender of such Bond, without charge to the Registered Owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered, Bonds of like Series and maturity in any Authorized

Denomination. If, on the Redemption Date, moneys for the redemption of all the Series 2017 Bonds or portions thereof of like Series and maturity to be redeemed, together with interest to the Redemption Date, is held by the Trustee so as to be available therefor on said date and if notice of redemption has been given as aforesaid, then, from and after the Redemption Date interest on the Series 2017 Bonds or portions thereof of such Series and maturity so called for redemption ceases to accrue and become payable. If said moneys is not available on the Redemption Date, such Bonds or portions thereof continue to bear interest until paid at the same rate as they would have borne at had they not been called for redemption.

Selection of Bonds to be Redeemed

Bonds subject to optional redemption will be selected in such order of maturity and from such Series of Bonds as the Issuer may direct. If less than all of the Series 2017 Bonds of a single maturity within the same Series are to be redeemed, the Series 2017 Bonds of such Series to be redeemed will be selected by lot or other random method by the Trustee in such a manner as the Trustee may determine. In case of any partial redemption during the continuance of an Event of Default, such redemption will be applied on a pro rata basis to all Outstanding Bonds of the Series called for redemption, without differentiation by maturity or within a maturity.

Book-Entry Only System

This section describes how ownership of the Series 2017 Bonds is to be transferred and how the principal of, premium, if any, and interest on the Series 2017 Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Series 2017 Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Issuer and the Underwriters believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The Issuer cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Series 2017 Bonds, or redemption or other notices, to DTC Participant, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Series 2017 Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Series 2017 Bonds. The Series 2017 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 certificate will be issued for each maturity of the Series 2017 Bonds, in the aggregate principal amount of each such maturity, 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 issues, 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 regulated 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"). Direct

Participants and Indirect Participants are referred to herein collectively as "Participants". DTC has Standard & Poor's rating of "AA+." 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.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 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 Series 2017 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 the Series 2017 Bonds, except in the event that use of the book-entry system for the Series 2017 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 affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2017 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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 the Series 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds and principal and interest payments on the Series 2017 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 Issuer or the Trustee, on payable dates 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 in 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, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, 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.

DTC may discontinue providing its services as depository with respect to the Series 2017 Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be printed and delivered.

The Issuer 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 system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes not responsibility for the accuracy thereof.

NOTWITHSTANDING ANY PROVISION OF THE INDENTURE, THE TRUSTEE, SO LONG AS THE DTC BOOK-ENTRY SYSTEM IS USED FOR THE SERIES 2017 BONDS, WILL SEND ANY NOTICE OF REDEMPTION, NOTICE OF PROPOSED AMENDMENT TO THE INDENTURE, OR OTHER NOTICES WITH RESPECT TO THE SERIES 2017 BONDS ONLY TO DTC. ANY FAILURE BY DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO NOTIFY THE BENEFICIAL OWNERS, OF ANY NOTICES AND THEIR CONTENTS OR EFFECT WILL NOT AFFECT THE VALIDITY OF THE REDEMPTION OF THE SERIES 2017 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON ANY SUCH NOTICE. REDEMPTION OF PORTIONS OF THE SERIES 2017 BONDS BY THE ISSUER WILL REDUCE THE OUTSTANDING PRINCIPAL AMOUNT OF SUCH BONDS HELD BY DTC. IN SUCH EVENT, DTC MAY IMPLEMENT, THROUGH ITS BOOK-ENTRY SYSTEM, A REDEMPTION OF SUCH BONDS HELD FOR THE ACCOUNT OF DTC PARTICIPANTS IN ACCORDANCE WITH ITS OWN RULES OR OTHER AGREEMENTS WITH DTC PARTICIPANTS, AND DIRECT PARTICIPANTS AND INDIRECT PARTICIPANTS MAY IMPLEMENT A REDEMPTION OF SUCH BONDS FROM THE BENEFICIAL OWNERS. ANY SUCH SELECTION OF THE SERIES 2017 BONDS TO BE REDEEMED WILL NOT BE GOVERNED BY THE INDENTURE AND WILL NOT BE CONDUCTED BY THE TRUSTEE. NEITHER THE ISSUER, THE TRUSTEE, NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR THE PERSONS FOR WHOM DIRECT OR INDIRECT PARTICIPANTS ACT AS NOMINEES, WITH RESPECT TO THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY PARTICIPANT; THE PAYMENT BY DTC OR ANY PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OR INTEREST; ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO THE REGISTERED OWNERS OF THE SERIES 2017 BONDS UNDER THE INDENTURE; THE SELECTION BY DTC OR ANY PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF PARTIAL REDEMPTION OF THE SERIES 2017 BONDS; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC (OR ITS NOMINEE) AS THE REGISTERED OWNER OF THE SERIES 2017A BONDS AND THE SERIES 2017B BONDS. IF LESS THAN ALL OF THE SERIES 2017 BONDS ARE TO BE REDEEMED, THE CURRENT DTC PRACTICE IS TO DETERMINE BY LOT THE AMOUNT OF INTEREST OF EACH DTC PARTICIPANT IN EACH MATURITY TO BE REDEEMED.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Series 2017 Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Series 2017 Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Orders will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Issuer or the Underwriters.

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued printed Bonds will be issued to the registered owners and the Series 2017 Bonds will be subject to transfer, exchange and registration provisions as set forth in the Orders and summarized under "Transfer, Exchange and Registration" below.

Transfer, Exchange and Registration

In the event the Book-Entry-Only System should be discontinued, printed certificates shall be delivered to the registered owner and thereafter the Series 2017 Bonds may be transferred and exchanged on the registration books of the Trustee only upon presentation and surrender to the Trustee and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Trustee. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Series 2017 Bonds.

THE HOTEL AND CONVENTION CENTER

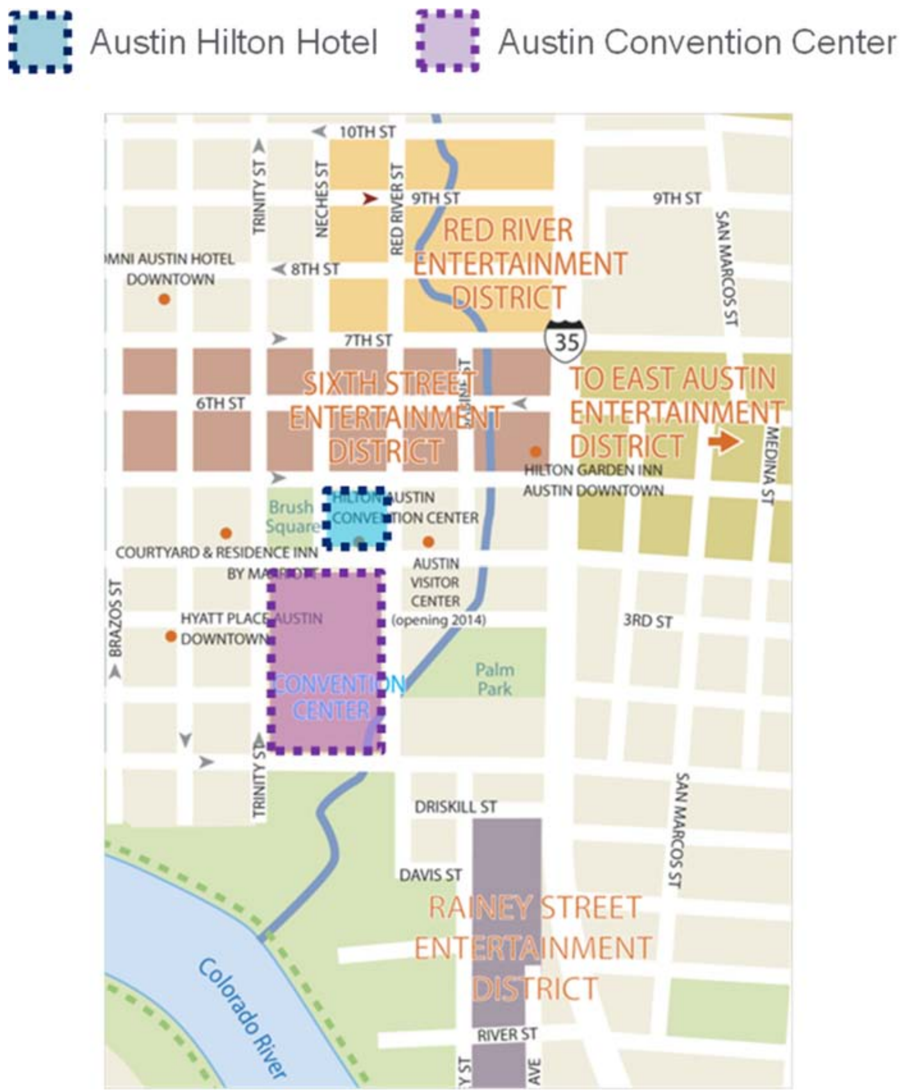
The Hotel

The Hotel is a single 31-story L-shaped tower, containing approximately 98,761 square feet of meeting and pre-function space, a newly renovated full-service Starbucks®, a lobby bar, two restaurants, a health club and spa, a rooftop outdoor swimming pool, a business center, two executive levels, a multi-level parking garage and in-house support facilities. Opened on December 27, 2003, the Hotel is an 801 room full-service convention center hotel, bounded by 4th, 5th, Red River, and Neches Streets downtown Austin. The Hotel is directly north of and immediately adjacent to the City's Convention Center and ten blocks from the State Capitol. See map of the Hotel and the Convention Center below. The Hotel's main entrance is designated by a circular driveway and porte-cochere in the middle of the western side of the building, facing Neches Street. Most of the Hotel's public space is located on the first, second, fourth, and sixth floors. One restaurant is located on level one, and a second restaurant and lounge, a Starbucks®, the business center, and the front desk are located on level two. Recreational spaces are on the eighth floor and include an outdoor swimming pool, a health club, and a full service spa. The meeting spaces are concentrated on levels four and six. In terms of back-of-the-house areas, the front office, revenue manager, and reservations offices are situated on the second floor and the banquet office is located on the fourth floor. Administrative, housekeeping, sales and catering, and human resources departments are situated on the third level and the engineering offices are housed on the fifth level. The guestrooms are on floors 10 through 26. Nine guest elevators serve hotel guests, in addition to two escalator banks which run from the first to second floors and from the second to fourth levels. The Hotel is part of a condominium regime. Levels two and three constitute the condominium retail unit (the "Retail Unit") owned by the Austin Chamber of Commerce. Levels six through nine and twenty seven through thirty two constitute the condominium apartment unit and penthouse unit (the "Apartment and Penthouse Units"). The Apartment and Penthouse Units consists of 99 residential condominiums called "The 555 Condos". The Retail Unit and the Apartment and Penthouse Units are privately owned units and are not part of the Hotel, nor do such units serve as security for the Series 2017 Bonds. The Issuer and the owners of the Retail Unit and the Apartment and Penthouse units have entered into certain agreements related to the use of the Hotel. See "OPERATIONS OF THE HOTEL – Condominium Documents" herein.

A subterranean parking garage is located on five basement levels underneath the Hotel, which accommodates parking for approximately 750 automobiles, 600 of which serve the Hotel. The parking spaces in excess of 600 are reserved for retail and non-hotel residential use. Entrance, exit, and pay booth operations are exiting at a single ramp located on Red River Street. The Hotel is easily accessible through the "Capital Metro's Downtown Station" adjacent to the Hotel. The Capital Metro's Downtown Station has plans to expand in 2019 which would likely cause congestion around the Hotel and would restrict any automobile access to the Hotel on 4th Fourth Street. See "RISK FACTORS – Operations Risk - Fourth Street Access to and from the Hotel."

Since the issuance of the Series 2006 Bonds, the Hotel has undergone several renovation projects. In 2008, the rooms of the Hotel received approximately $3,000,000 in soft renovations, including carpet and soft goods. In 2009, approximately $2,500,000 was spent on partial replacement of room, restaurant and health club hard goods. In 2010 and 2011, approximately $8,000,000 was spent to purchased unfinished space on the first floor and move the banquet kitchen from the 6th floor to the first floor space adjacent to the restaurant main kitchen. The 6th floor space, along with additional back-of-house space on the 4th floor were converted to meeting rooms with flexible break out space to accommodate hotel groups. This modification created approximately 10,000 square feet of additional, flexible meeting space and consolidated the kitchen facilities to a single, more efficient facility. In 2012, approximately $500,000 was spend to complete a material renovation of the two-meal dining facility, Liberty Tavern, creating three-meal capacity and adding a full service sports bar area. In 2013, $1 million was spent to elevate the experience at the eighth-floor pool, including the addition of a pool-side bar. In 2013 and 2014, approximately $23,000,000 was spent to complete a full renovation of the Hotel's 801 guest rooms, suites and executive lounge. In 2016, a renovation of the 4th and 6th floor meeting rooms and ballrooms was completed at a cost of approximately $6,800,000.

The Hotel also has ongoing renovation projects. In 2017, the Hotel will complete a renovation of the lobby area and all four restaurant facilities of the Hotel with an estimated project cost exceeding $12,500,000. The restaurant renovation includes the conversion of: (1) Java Jive grab/go area to a full service Starbucks®, (2) Loft Bar to a three-meal restaurant named Cannon & Belle, (3) Liberty Tavern to a lunch/dinner facility named Austin Taco Project serving casual fare and cocktails, and (4) Finn & Porter restaurant to The Reverbery, a special events space designed for group use. All four renovated restaurants have started operations. For 2017, plans have been submitted for an approximately $7,500,000 overhead walkway project to connect the Hotel to the Convention Center, and create an outdoor terrace venue by the 6th floor ballroom area that will be available for group rental. The funding for the aerial walkway improvements will be financed from excess net revenues of the Hotel, and not from the issuance of additional bonds.



Source: Austin Convention & Visitors Bureau.

The Convention Center

The Convention Center is located in downtown Austin at 500 East Cesar 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 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 ten story 1,100 car parking garage as 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 exhibit 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 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.

OPERATION OF THE HOTEL

The Asset Manager

The Issuer hired CHMWarnick & Company (the "Asset Manager") to assist the Issuer in overseeing the operation of the Hotel for the benefit of and on behalf of the Issuer, the Bondholders, and the Trustee. Among its duties, the Asset Manager reviews and recommends approval or disapproval of the proposed Capital Budget and Operating Plan and Budget for each Operating Year and reviews all reports delivered by the Hotel Manager pursuant to the Hotel Operating Agreement.

The Hotel Manager

The Hotel has been continually operated and managed by the Hotel Manager pursuant to an Operating Agreement, as amended or supplemented from time to time (the "Hotel Operating Agreement"), and a Room Block Commitment Agreement (the "Room Block Commitment"), each by and between the Issuer and the Hotel Manager. The following information described under "OPERATION OF THE HOTEL – The Hotel Manager" has been provided by the Hotel Manager for use in this Official Statement in connection with the offering of the Series 2017 Bonds. No representation is made by the Issuer, the City, or the Underwriters as to the accuracy or completeness of the information set forth herein concerning the Hotel Manager or its affiliates or brands.

General

The Issuer has contracted with the Hotel Manager to manage and operate the Hotel under the Hilton name. See APPENDIX D – Summary of Certain Provisions of the Hotel Operating Agreement. The Hotel Manager's ultimate parent entity is Hilton Worldwide Holdings Inc. a New York Stock Exchange listed company (NYSE:HLT) and is primarily engaged, together with its subsidiaries, in the ownership, management, and franchising of hotels. Hilton Parent is recognized internationally as a preeminent hospitality company. Hilton Parent's world headquarters are located at 7930 Jones Branch Drive, McLean, Virginia 22102. Hilton Management LLC.

Hilton Management LLC

As of December 31, 2016, the Hilton Parent's system included 4,922 hotels, resorts and timeshare properties, totaling approximately 804,097 rooms. The Hilton brand is Hilton Parent's global flagship brand with approximately 570 hotels and resorts.

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Number of Properties and Rooms

The number of properties and rooms at December 31, 2016 by brand and type are as follows:

Brand	Properties	Rooms
Waldorf Astoria	26	10,203
Conrad	29	9,554
Canopy	1	112
Hilton	570	208,762
Curio	31	7,242
Doubletree	494	117,699
Embassy Suites	232	54,589
Hilton Garden Inn	717	102,786
Hampton	2,221	223,114
Homewood Suites	418	47,104
Home2 Suites	129	13,349
Tru	-	-
Other	7	1,926
Timeshare	47	7,657
Total	**4,922**	**804,097**

Hilton's convention center hotels portfolio includes, but is not limited to the following (with all room numbers being approximate):

- Hilton Anaheim – 1,572 rooms
- Hilton Austin Convention Center – 801 rooms
- Hilton Americas Houston – 1,200 rooms
- Hilton Omaha – 600 rooms
- Hilton Vancouver – 226 rooms

Reservation Service/Hilton Honors Program

Hilton hotels participate in the reservation service operated by Hilton Parent and its subsidiaries.

Hilton Honors is a guest loyalty program provided to hotels and timeshare properties by Hilton Parent and its subsidiaries. Nearly all Hilton hotels participate in the Hilton Honors program. Hilton Honors members earn points based on their spending at our participating hotels and timeshare properties and through participation in affiliated partner programs. When points are earned by Hilton Honors members, the property or affiliated partner pays Hilton Honors based on an estimated cost per point for the costs of operating the program, which include marketing, promotion, communication, administration and the estimated cost of award redemptions. Hilton Honors member points are accumulated and may be redeemed for the right to stay at participating properties, as well as for other goods and services from third parties, including, but not limited to, airlines, car rentals, cruises, vacation packages, shopping and dining.

Securities Disclosure

Under the terms of the Indenture, in the event the Issuer at any time or from time to time, sells or offers to sell, any securities (including any Bonds) issued by the Issuer, the Issuer is required under the Indenture to clearly disclose to all purchasers and offerees that (i) neither the Hotel Manager nor any of its affiliates or their respective officers, directors, agents, or employees will in any way be deemed an issuer or underwriter of said securities and (ii) neither the Hotel Manager nor any of its affiliates or their respective officers, directors, agents, or employees will have any liability whatsoever arising out of or relating to any financial statements, prospectuses, or other financial information contained in any disclosure document or similar written or oral communication . The Hotel Manager is required to cooperate in providing adequate disclosure regarding the Hotel Manager and its operations in such disclosure document and to certify to Issuer that such information regarding the Hotel Manager and its operations is true and correct in all material respects. All terms used in this paragraph have the meaning as defined in the Securities Act of 1933, as amended.

The Garage Operator

The Hotel Manager currently operates and manages the Garage. If the Hotel Manager hires a third party to operate and manage the Garage, the Issuer has the right to approve such third party manager.

The Hotel Operating Agreement

The Issuer is required to manage and operate, or cause the Hotel to be managed and operated, as a revenue-producing, full-service, first-class “upscale” convention hotel affiliated with a national hotel chain with experience in managing such hotels. Under the Hotel Operating Agreement, subject to the terms thereof and applicable law, the Hotel Manager is required to cause the Hotel to be operated: (a) in a manner consistent with the requirements and limitations set forth in the Hotel Operating Agreement (including those relating to the applicable Operating Plan and Budget and the applicable Capital Budget) and the Condominium Documents; (b) in accordance with standards, policies, and programs which are prevailing in effect from time to time and applicable to the operation of Other Hilton Hotels, including standards and policies applicable to all phases of operation and programs such as purchasing programs, sales promotion programs, and quality improvement programs; (c) as a full service, first class, convention hotel in a manner reasonably expected to earn the Hotel at least an Upscale Rating, which is at least comparable to other first class convention Other Hilton Hotels, taking into account the character, size and location of the facility; and (d) to the extent consistent with (a), (b), and (c), in a manner reasonably calculated to: (i) protect and preserve the assets that comprise the Hotel; (ii) maximize over the Operating Term the financial return to the Issuer from the operation of the Hotel as a first class, convention center headquarters hotel, after taking into consideration the Room Block Commitment; and (iii) control Operating Expenses (collectively, the “Operating Standard”).

The Hotel Operating Agreement has a term of 15 years commencing on the Closing Date of the Series 2006 Bonds and terminating on December 6, 2021. The Hotel Manager or the Issuer may terminate the Hotel Operating Agreement upon the occurrence of an Event of Default under the Hotel Operating Agreement by the other Party thereto, and the Issuer may terminate the Hotel Operating Agreement upon the occurrence of a Performance Termination Event and with appropriate notice as required by the Hotel Operating Agreement. The Hotel Operating Agreement contains additional provisions allowing termination of the Hotel Operating Agreement upon the occurrence of certain events. See APPENDIX D – Summary of Certain Provisions of the Hotel Operating Agreement. Also see “RISK FACTORS – Operation Risks – Reliance on Brand Name Recognition and Competent Management.” The Hotel Operating Agreement and the Hotel Manager’s rights thereunder are subordinate to the provisions of the Indenture and all other Bond Documents.

The Indenture requires the Issuer to include in the Hotel Operating Agreement and any other management agreement covering the Hotel provisions relating to the attainment of certain debt service coverage ratios and the need in some circumstances for the appointment of a Hotel Consultant to make written recommendations regarding the operation, management, marketing, improvement, condition or use of the Hotel. See APPENDIX D – Summary of Certain Provisions of the Hotel Operating Agreement.

The Issuer has covenanted to cause the Hotel to be managed and operated as a revenue-producing, full – service, first-class "upscale" (as categorized by J.D. Powers and Associates in its annual study of upscale hotel chains) convention hotel affiliated with a national hotel chain with experience in managing full service, first class "upscale" convention hotels. The Issuer shall not amend, modify or otherwise alter such Hotel Operating Agreement without the prior written consent of a Majority of the Bondholders; provided, however, that no consent shall be required if the Issuer delivers a certified report of the Asset Manager, evidencing that (i) the terms of such amendment, modification or replacement, including the performance termination provisions thereof, are consistent with those of similar convention center headquarter hotels under then current market conditions, or, if such terms are not consistent with comparable convention center hotels, such aberrations are necessary or advisable in order to maintain the tax-exempt status of the Bonds, and (ii) such amendment, modification or replacement is not reasonably expected to cause the projected Debt Service Coverage Ratio for the First Tier Bonds and the Second Tier Bonds, based upon the projections originally set forth in this Official Statement, to be less than 2.50:1.00 and 1.50:l.00, respectively, for each Calendar Year succeeding the date of such amendment or modification for the remainder of the term of such Hotel Operating

Agreement. The Hotel Operating Agreement shall expressly permit the assignment thereof to the Trustee for the benefit of Registered Owners, and entitle the Trustee to the benefits thereof upon the occurrence of an Event of Default. The Issuer has covenanted that it will not disapprove of any rate schedules, prepared by the Hotel Manager, which meet certain requirements as specified in the Indenture. The Issuer must at all times maintain applicable licenses, permits, certificates, and other governmental approvals necessary to operate the Hotel Unit. The Issuer is required to equip the Hotel to facilitate its overall operation in a manner reasonably expected to qualify as a full-service, first-class, “upscale” convention center headquarters hotel, but solely from money in the Insurance and Condemnation Proceeds Fund, if applicable, and Gross Revenues available for such purpose.

The Hotel Manager has consented to the Issuer's execution and delivery of the Indenture (substantially in the form provided to Hotel Manager as of April 14, 2017) and the issuance of the Series 2017 Bonds subject to (i) execution of a technical amendment to the Hotel Operating Agreement relating to the Indenture, which amendment would become effective upon the issuance of the Series 2017 Bonds and (ii) delivery of executed Bond Documents substantially in the forms provided to and approved by Hotel Manager.

The Issuer is currently in negotiations with the Hotel Manager for the amendment and extension of the Hotel Operating Agreement but makes no representations or warranties regarding any definitive documents being executed or delivered in connection with such negotiations.

The Room Block Commitment

A Room Block Commitment has been entered into between the Issuer and the Hotel Manager, pursuant to which the Hotel Manager will agree to reserve for use by potential clients of the Convention Center 600 guest rooms within the Hotel for 274 days each year. Calculation of days is as determined by the Room Block Commitment. Within 5 business days after receipt of a room block request from the Issuer, Convention Center representative or other designee of the Issuer, the Hotel Manager will provide a written offer to commit rooms in response to the request subject to certain conditions as described in the Room Block Commitment.

The Issuer and the Hotel Manager will, during the annual budgeting process under the Hotel Operating Agreement, agree upon a range of permitted room rates for the next calendar year. If the parties are unable to agree upon such range of permitted rates, the range of permitted room rates for the applicable Operating Year will be the permitted room rates for the preceding Operating Year adjusted by a percentage equal to 102% of the percentage increase or decrease in the average daily rate charged by the Competitive Set for guest rooms for the previous year.

Until no Series 2017 Bonds are Outstanding, any damages owed to the Hotel Manager by the Issuer under the Room Block Commitment will be satisfied solely out of (a) the amounts from time to time in the Cash Trap Fund and the Excess Proceeds Fund, (b) after satisfaction of all Series 2017 Bonds, and if the Issuer remains the owner of the Hotel, then out of the general assets of the Issuer, including the Issuer’s interest in the Hotel and Gross Revenues, and (c) if the Issuer sells, transfers, or conveys the Hotel to a third party, the net sale proceeds (i.e., after payment of normal and ordinary closing costs, payment of all expenses required under the contract of sale and satisfaction of all Bonds, and all amounts owing under the Bond Documents) received by the Issuer upon the sale of the Hotel. So long as any unpaid damages are owed to the Hotel Manager, such damages will constitute an ongoing claim against the amounts specified.

Condominium Documents

The Hotel is part of a multi-unit condominium known as Neches Hotel Condominiums (the "Condominium"), as set forth in the Declaration. The Issuer, along with the other Condominium unit owners are currently in the process of amending and restating the Declaration to more accurately reflect the as-constructed and as-operated nature of the Condominium. The proposed amendment will not reduce any rights of the Issuer in the Condominium. The Trustee is authorized and directed under the Indenture to consent in writing to any amendment or modification to the Declaration upon receipt of a certificate of an authorized representative of the Issuer to the effect that such amendment or modification does not materially restrict the ability of the Issuer to operate the Hotel or access any portion thereof, or materially impact the value of the Trust Estate.

History of Cash Flows

The Hotel's total Gross Operating Revenues grew from $56.1 million in 2006 to over $80.8 million in 2015. In 2016, as a result of meeting room and restaurant renovations, Gross Operating Revenues were $78.9 million - a strong performance considering the disruption created by the 2016 renovations. See "THE HOTEL AND CONVENTION CENTER" for a description of the capital improvements made to the Hotel. Based upon a review of similar convention center headquarters hotels by the Asset Manager, the Hotel has achieved strong operating margins with Gross Operating Profit as a percentage of revenues consistently around 50% or better on an annual basis.

When compared to the Hotel's Competitive Set, the Hotel consistently achieves a RevPAR penetration index in excess of its "fair share", ending 2016 at 107.7%, driven by the group segment's RevPAR penetration of 158.1%. See "Primary Competitive Set –Historical Penetration Performance" table below for more information.

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Primary Competitive Set – Historical Penetration Performance Table[1]

2015 Year End

	Transient			Group			Total		
			% Chg			**% Chg**			**% Chg**
Occupancy (%)	My Property	32.9	8.6	My Property	45.9	5.7	My Property	80.9	7.8
	Comp set	49.9	-1.4	Comp set	30.4	-2.8	Comp set	83.2	-1.2
	Index (MPI)	65.9	10.1	Index (MPI)	150.7	8.7	Index (MPI)	97.3	9.0
ADR	My Property	231.88	-0.7	My Property	218.52	1.3	My Property	223.76	0.4
	Comp set	198.38	1.6	Comp set	206.07	6.2	Comp set	198.35	3.2
	Index (ARI)	116.9	-2.2	Index (ARI)	106.0	-4.6	Index (ARI)	112.8	-2.7
RevPAR	My Property	76.25	7.9	My Property	100.23	7.1	My Property	181.07	8.2
	Comp set	98.98	0.2	Comp set	62.71	3.2	Comp set	165.03	2.0
	Index (RGI)	77.0	7.7	Index (RGI)	159.8	3.7	Index (RGI)	109.7	6.1

2016 Year End

	Transient			Group			Total		
			% Chg			**% Chg**			**% Chg**
Occupancy (%)	My Property	35.2	7.0	My Property	43.3	-5.6	My Property	80.7	-0.3
	Comp set	51.2	2.6	Comp set	29.3	-3.6	Comp set	84.1	1.1
	Index (MPI)	68.7	4.3	Index (MPI)	147.5	-2.1	Index (MPI)	95.9	-1.4
ADR	My Property	218.07	-6.0	My Property	222.93	2.0	My Property	219.65	-1.8
	Comp set	194.01	-2.2	Comp set	208.01	0.9	Comp set	195.68	-1.3
	Index (ARI)	112.4	-3.8	Index (ARI)	107.2	1.1	Index (ARI)	112.2	-0.5
RevPAR[2]	My Property	76.77	0.7	My Property	96.50	-3.7	My Property	177.17	-2.2
	Comp set	99.36	0.4	Comp set	61.04	-2.7	Comp set	164.57	-0.3
	Index (RGI)	77.3	0.3	Index (RGI)	158.1	-1.1	Index (RGI)	107.7	-1.9

Source: STR, Inc.
(1) Contract segment excluded.
(2) 2016 revenue displacement due to meeting room renovations.

Since the Hotel's opening in 2003, the Issuer has made concerted efforts to deploy capital to ensure the premier positioning of the Hotel within the Austin market and amongst hotels in competing cities. These efforts are evident in the physical condition of the Hotel and represented in the financial performance. See "THE HOTEL AND CONVENTION CENTER" for a description of the capital improvements made to the Hotel. Strategic long-term capital planning remains a priority for the Issuer and continued top-tier positioning of the Hotel is anticipated moving forward. The structure of the Indenture's flow of funds supports this commitment with 4% of Gross Operating Revenues being set aside annually in the Renewal and Replacement Fund and 8% of Gross Operating Revenues being set aside annually in the Supplemental Renewal and Replacement Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS – Flow of Funds"

The following table sets forth a history of audited cash flows for the past ten calendar years. Investors should be aware that collection of revenue, or components thereof, may not continue at the levels shown below and the coverage factors in future years may not remain at the historic levels indicated.

Table 1 - Historical Operations

Fiscal Year Ending	2007[2]	2008	2009	2010	2011
OPERATING HISTORY					
Occupancy Rate	76%	74%	70%	75%	77%
Average Daily Rate	$171	$179	$174	$169	$178
Revenue Per Available Room (RevPar)	$130	$132	$122	$127	$138
COMPUTATION OF TOTAL NET REVENUE					
Gross Operating Revenue	$61,914,568	$62,809,447	$55,502,917	$58,251,951	$63,785,882
Operating Expenses	38,300,688	37,033,321	31,317,706	31,748,391	33,344,982
Gross Operating Profit	23,613,880	25,776,126	24,185,211	26,503,560	30,440,900
Net Operating Income	21,383,719	23,097,617	21,350,243	23,754,017	27,320,948
Administrative Expenses	305,795	362,650	595,941	1,024,323	814,727
Total Net Revenue	**$21,077,924**	**$22,734,967**	**$20,754,302**	**$22,729,694**	**$26,506,221**
DEBT SERVICE COVERAGE RATIOS					
First Tier Bonds Debt Service	$8,523,377	$8,133,905	$9,958,476	$10,064,888	$10,171,762
First Tier Bonds Debt Service Coverage Ratio	2.47x	2.80x	2.08x	2.26x	2.61x
First and Second Tier Bonds Debt Service	$13,955,392	$13,469,789	$16,013,010	$16,371,550	$16,548,124
Total Debt Service Coverage Ratio	1.51x	1.69x	1.30x	1.39x	1.60x
PRINCIPAL BALANCE					
First Tier Bonds	$165,000,000	$165,000,000	$165,000,000	$163,185,000	$161,160,000
Second Tier Bonds	$95,170,000	$95,170,000	$95,170,000	$94,595,000	$93,720,000
FUND BALANCES					
First Tier Debt Service Reserve Fund	$5,886,002	$5,889,483	$5,886,002	$5,886,002	$5,886,002
Second Tier Debt Service Reserve Fund	10,000,000	10,005,915	10,000,000	10,000,000	10,000,000
Operating Reserve Fund	8,000,000	8,004,732	8,000,000	8,000,000	8,000,000
Cash Trap Fund	5,000,000	5,001,957	5,000,000	5,000,000	5,000,000
Total Fund Balance	**$28,886,002**	**$28,903,087**	**$28,886,002**	**$28,886,002**	**$28,886,002**

Fiscal Year Ending	2012[1]	2013[1]	2014	2015	2016[2]
OPERATING HISTORY					
Occupancy Rate	78%	79%	75%	81%	81%
Average Daily Rate	$196	$209	$223	$224	$220
Revenue Per Available Room (RevPar)	$152	$165	$167	$181	$177
COMPUTATION OF TOTAL NET REVENUE					
Gross Operating Revenue	$67,618,413	$72,781,693	$74,756,936	$80,845,398	$78,900,037
Operating Expenses	34,211,058	36,332,190	37,914,052	40,849,097	43,936,346
Gross Operating Profit	33,407,355	36,449,503	36,842,884	39,996,301	34,963,691
Net Operating Income	29,429,524	26,654,802	32,750,171	36,297,862	31,359,319
Administrative Expenses	697,430	631,606	878,222	774,161	444,553
Total Net Revenue	**$28,732,094**	**$26,023,196**	**$31,871,949**	**$35,523,701**	**$30,914,766**
DEBT SERVICE COVERAGE RATIOS					
First Tier Bonds Debt Service	$10,275,486	$10,382,049	10,489,858	$10,597,658	$10,705,325
First Tier Bonds Debt Service Coverage Ratio	2.80x	2.51x	3.04x	3.35x	2.89x
First and Second Tier Bonds Debt Service	$16,707,665	$16,878,285	17,051,418	$17,224,418	$17,397,687
Total Debt Service Coverage Ratio	1.72x	1.54x	1.87x	2.06x	1.78x
PRINCIPAL BALANCE					
First Tier Bonds	$156,425,000	$153,690,000	$150,590,000	$147,410,000	$143,835,000
Second Tier Bonds	$91,585,000	$90,315,000	$88,895,000	$87,315,000	$85,565,000
FUND BALANCES					
First Tier Debt Service Reserve Fund	$5,886,082	$5,886,032	$5,886,032	$5,886,032	$5,886,002
Second Tier Debt Service Reserve Fund	10,000,136	10,000,051	10,000,051	10,000,051	10,000,001
Operating Reserve Fund	8,000,109	8,000,041	8,000,041	8,000,041	8,000,001
Cash Trap Fund	5,000,068	5,000,026	5,000,026	5,000,026	5,000,000
Total Fund Balance	**$28,886,395**	**$28,886,150**	**$28,886,150**	**$28,886,150**	**$28,886,004**

[1] In 2012 and 2013, the debt service coverage ratio calculation did not limit the Renewal and Replacement (R&R) contribution to 4%. As a result, the overall debt service coverage ratios are understated, as these contributions should have been ½ in 2012 and ½ in 2013. Adjusted numbers have been used in 2013, and in subsequent years the Issuer made additional capital contributions to the Supplemental R&R Fund in order to eliminate the impact to the debt service coverage calculation.
[2] Metrics in 2007 and 2016 represent estimates based upon unaudited financial statements. Additionally, some 2007 data references the Series 2006 Official Statement.

PLAN OF FINANCE

A portion of the proceeds of the Series 2017 Bonds, together with certain other funds held by the Trustee, will be used to currently refund all of the Series 2006 Bonds currently outstanding in the aggregate principal amount of $223,580,000. The balance of the proceeds will be used as further described below under "- Estimated Sources and Uses".

Estimated Sources and Uses*

The table below sets forth the estimated sources and uses of funds of the Series 2017 Bonds.

Sources of Funds	Series 2017A Bonds	Series 2017B Bonds	Transferred Funds	Total
Bonds (Par Amount)	$137,995,000.00	$61,745,000.00	-	$199,740,000.00
Original Issue Premium	14,185,373.50	4,418,875.95	-	18,604,249.45
Total Bond Proceeds	$152,180,373.50	$66,163,875.95	-	$218,344,249.45
Transfer from Series 2006 Debt Service Reserve Funds	-	-	$15,886,002.00	$15,886,002.00
Transfer of Series 2006 Operating Reserve Fund	-	-	$8,000,000.00	$8,000,000.00
Transfer from Series 2006 Cash Trap Fund	-	-	$5,000,000.30	$5,000,000.30
Transfer from Series 2006 Prepayment Account	-	-	$3,298,592.00	$3,298,592.00
Transfer from Series 2006 Debt Service Funds	-	-	9,049,866.00	9,049,866.00
Total Sources	**$152,180,373.50**	**$66,163,875.95**	**$41,234,460.30**	**$259,578,709.75**
Uses of Funds				
Deposit to Refund the Series 2006 Bonds	$136,548,712.32	$58,759,046.83	$33,234,460.30	$228,542,219.45
Deposit to Operating Reserve Fund	-	-	8,000,000.00	8,000,000.00
Deposit to Debt Service Reserve Funds	13,730,000.00	6,453,250.00	-	20,183,250.00
Costs of Issuance, including legal fees and Underwriters' discount	1,901,661.18	950,485.49	-	2,852,146.67
Contingency	-	1,093.63	-	1,093.63
Total Uses	**$152,180,373.50**	**$66,163,875.95**	**$41,234,460.30**	**$259,578,709.75**

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* Preliminary, subject to change.

Debt Service Schedule*

The annual debt service schedule for the Series 2017 Bonds to maturity is set forth below:

Year 1/1	Series 2017A Bonds Principal	Series 2017A Bonds Interest	Series 2017A Bonds Total	Series 2017B Bonds Principal	Series 2017B Bonds Interest	Series 2017B Bonds Total	Total Debt Service
2018	$1,430,000.00	$4,542,335.42	$5,972,335.42	$980,000.00	$2,032,439.58	$3,012,439.58	$8,984,775.00
2019	4,925,000.00	6,828,250.00	11,753,250.00	3,415,000.00	3,038,250.00	6,453,250.00	18,206,500.00
2020	5,310,000.00	6,582,000.00	11,892,000.00	3,450,000.00	2,867,500.00	6,317,500.00	18,209,500.00
2021	5,705,000.00	6,316,500.00	12,021,500.00	3,490,000.00	2,695,000.00	6,185,000.00	18,206,500.00
2022	6,125,000.00	6,031,250.00	12,156,250.00	3,530,000.00	2,520,500.00	6,050,500.00	18,206,750.00
2023	6,565,000.00	5,725,000.00	12,290,000.00	3,575,000.00	2,344,000.00	5,919,000.00	18,209,000.00
2024	7,030,000.00	5,396,750.00	12,426,750.00	3,615,000.00	2,165,250.00	5,780,250.00	18,207,000.00
2025	7,515,000.00	5,045,250.00	12,560,250.00	3,665,000.00	1,984,500.00	5,649,500.00	18,209,750.00
2026	8,035,000.00	4,669,500.00	12,704,500.00	3,700,000.00	1,801,250.00	5,501,250.00	18,205,750.00
2027	8,575,000.00	4,267,750.00	12,842,750.00	3,750,000.00	1,616,250.00	5,366,250.00	18,209,000.00
2028	9,150,000.00	3,839,000.00	12,989,000.00	3,790,000.00	1,428,750.00	5,218,750.00	18,207,750.00
2029	9,750,000.00	3,381,500.00	13,131,500.00	3,835,000.00	1,239,250.00	5,074,250.00	18,205,750.00
2030	10,380,000.00	2,894,000.00	13,274,000.00	3,885,000.00	1,047,500.00	4,932,500.00	18,206,500.00
2031	11,045,000.00	2,375,000.00	13,420,000.00	3,935,000.00	853,250.00	4,788,250.00	18,208,250.00
2032	11,755,000.00	1,822,750.00	13,577,750.00	3,975,000.00	656,500.00	4,631,500.00	18,209,250.00
2033	12,495,000.00	1,235,000.00	13,730,000.00	4,020,000.00	457,750.00	4,477,750.00	18,207,750.00
2034	12,205,000.00	610,250.00	12,815,250.00	5,135,000.00	256,750.00	5,391,750.00	18,207,000.00
Total	**$137,995,000.00**	**$71,562,085.42**	**$209,557,085.42**	**$61,745,000.00**	**$29,004,689.58**	**$90,749,689.58**	**$300,306,775.00**

Market Study Report

In connection with the issuance of the Series 2017 Bonds, HVS Consulting & Valuation, a division of TS Worldwide, LLC, Boulder, Colorado (the "Hotel Market Consultant"), prepared a Market Study Report (the "Hotel Market Study"), dated February 21, 2017, which is presented in its entirety in APPENDIX A. The Hotel Market Consultant has given its consent to the inclusion of the Hotel Market Study in this Official Statement.

This portion of this Official Statement contains financial data taken from or based upon the information contained in the Hotel Market Study. Investors considering purchase of the Series 2017 Bonds are urged to carefully review the Hotel Market Study in its entirety. Although the Hotel Market Consultant believes the assumptions underlying the forecasts included in the Hotel Market Study are reasonable, investors are cautioned that there may be differences between the forecasted and actual results. There are a number of factors which may cause actual results to vary materially from forecasts. See "RISK FACTORS" and "FORWARD-LOOKING STATEMENT DISCLAIMER."

The objective of the Hotel Market Study is to evaluate the supply and demand factors affecting the market for transient accommodations in the Austin area for the purpose of developing a forecast of income and expenses for the Hotel. The Hotel Market Study presents a forecast of income and expenses for the Hotel from January 1, 2017 through December 31, 2036 (the "Forecast Period"), including the assumptions upon which the forecasts are based. In the Hotel Market Study projections are made for a successive twelve month period ending December 31 (a "Projection Year") within the Forecast Period.

Significant assumptions made in the Hotel Market Study include (1) continued operation of the Hotel by the Hotel Manager or other competent management, and (2) no sharp rise or decline in the local or national economic condition. The Hotel Market Study should be read in its entirety for an understanding of the forecasts and all of the underlying assumptions contained therein.

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* Preliminary, subject to change.

Since the Hotel's opening, the Hotel's occupancy generally trended upward until the recessionary period between 2008 and 2010. Since that time, occupancy rose until 2014, when the Hotel property's guestrooms underwent its major renovation program. In 2015, the Hotel surpassed 80% in occupancy for the first time, despite the opening of the JW Marriott in February of that year. Recent data illustrate a continuation of this trend, with occupancy remaining above 80% in the year-to-date 2016 period. The Hotel has averaged just above fair share in occupancy penetration since 2004, its first full year of operation; the ability of the Hotel to average fair share over an extended period of time is indicative of the Hotel's brand and operational strength.

Average rate at the Hotel has increased all but two years since its opening due not only to its quality facilities, but also to the internal compression created by significant convention and in-house group blocks, which allowed management to charge a premium to transient guests. However, the resulting penetration levels for the Hotel has fallen below fair share since 2011, indicating opportunity for rate growth now that the renovations are complete. The Hotel's occupancy penetration is forecast to stabilize around 103.5%, reflecting a slight increase over the base year because of the Hotel's ability to book large in-house corporate and social groups.

The following table summarizes the Hotel Market Consultant's forecast of the occupancy levels, average rates and net income for the Hotel. Since all forecasts are based on estimates and assumptions which are inherently subject to uncertainty and variations depending on future events, there are likely to be differences between the forecast and actual results and the differences may be material. See "FORWARD-LOOKING STATEMENT DISCLAIMER."

Projection Year	**Occupancy Level**	**Average Rate**	**RevPAR (1)**
2017	80.9%	$217.45	$176.14
2018	79.2	219.63	173.51
2019	77.8	224.02	174.74
2020	76.0	232.98	177.07
2021	75.9	241.14	183.26
2022	76.4	248.37	188.76

(1) Revenue per available room.

Cash Flow Projections*

The table set forth below, prepared by the Underwriters, summarizes the Total Net Revenue projections, the estimated annual Debt Service requirements for the Series 2017 Bonds, the projected Debt Service coverage for each series of the Series 2017 Bonds, and, projected balances of certain funds held by the Trustee.

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* Preliminary, subject to change.

Fiscal Year Bond Year	2017[4] 2018	2018 2019	2019 2020	2020 2021	2021 2022	2022 2023
TOTAL NET REVENUES (000's)						
EBITDA Less Reserve [1]	$20,548	$30,187	$30,197	$30,123	$31,245	$32,182
Plus: Available Revenue Fund Earnings	-	-	-	-	-	-
Plus: Management Fee (4.5%) [1]	2,430	3,684	3,754	3,802	3,928	4,046
Less: Senior Management Fee[2]	(1,686)	(2,617)	(2,696)	(2,777)	(2,860)	(2,697)
Plus: Reserve for Replacement (2.0%) [3]	1,080	1,638	1,669	1,690	1,746	1,798
Less: Administrative Expenses (Estimate)	(132)	(204)	(208)	(212)	(216)	(221)
Total Net Revenues	**$22,240**	**$32,688**	**$32,716**	**$32,626**	**$33,842**	**$35,108**
FIRST TIER BONDS DEBT SERVICE (000's)						
First Tier Bonds Debt Service	$5,972	$11,753	$11,892	$12,022	$12,156	$12,290
Less: First Tier Debt Service Reserve Fund Earnings	(181)	(275)	(275)	(275)	(275)	(275)
First Tier Bonds Net Debt Service	5,792	11,479	11,617	11,747	11,882	12,015
Cash Flow Remaining After First Tier Debt Service	**$16,448**	**$21,209**	**$20,099**	**$20,879**	**$21,961**	**$23,092**
SECOND TIER BONDS DEBT SERVICE (000's)						
Second Tier Bonds Debt Service	$3,012	$6,453	$6,318	$6,185	$6,051	$5,919
Less: Second Tier Debt Service Reserve Fund Earnings	(85)	(129)	(129)	(129)	(129)	(129)
Second Tier Bonds Net Debt Service	2,927	6,324	6,188	6,056	5,921	5,790
Cash Flow Remaining After Second Tier Debt Service	**$13,521**	**$14,885**	**$14,910**	**$14,823**	**$16,039**	**$17,303**
OTHER DEPOSITS PURSUANT TO FLOW OF FUNDS (000's)						
Operating Reserve Fund	-	-	-	-	-	-
Supplemental Renewal and Replacement Fund (8.0%)	$4,319	$6,551	$6,675	$6,760	$6,983	$7,192
Subordinate Management Fee Fund[2]	701	1,088	1,121	1,154	1,189	1,349
Cash Trap Fund	-	-	-	-	-	-
Corporation	-	-	-	-	-	-
Excess Revenues Fund	8,501	7,246	7,115	6,909	7,867	8,762
Total Deposits	**$13,521**	**$14,885**	**$14,910**	**$14,823**	**$16,039**	**$17,303**
Detail of Excess Revenues Fund Deposits (000's)						
Corporation Account	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000
Bond Prepayment Account / Supplemental Renewal and Replacement Fund	6,501	5,246	5,115	4,909	5,867	6,762
Total Excess Revenues Fund Deposits	**$8,501**	**$7,246**	**$7,115**	**$6,909**	**$7,867**	**$8,762**
Coverage Ratios						
First Tier Net Debt Service	3.84x	2.85x	2.82x	2.78x	2.85x	2.92x
Second Tier Net Debt Service	2.55x	1.84x	1.84x	1.83x	1.90x	1.97x
Debt Service Reserve Fund Balances (000's)						
First Tier Debt Service Reserve Fund	$13,730	$13,730	$13,730	$13,730	$13,730	$13,730
Second Tier Debt Service Reserve Fund	6,453	6,453	6,453	6,453	6,453	6,453
Total Debt Service Reserve Fund Balances	**$20,183**	**$20,183**	**$20,183**	**$20,183**	**$20,183**	**$20,183**
Total Reserve Fund Balances (000's)						
Lock Box Minimum Fund Balance	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000
Operating Reserve Fund	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000
Cash Trap Fund	-	-	-	-	-	-
Total Other Fund Balances	9,000	9,000	9,000	9,000	9,000	9,000
Plus: Debt Service Reserve Fund Balances	20,183	20,183	20,183	20,183	20,183	20,183
Total Reserve Fund Balances	**$29,183**	**$29,183**	**$29,183**	**$29,183**	**$29,183**	**$29,183**

(1) Provided by the Hotel Market Consultant.

(2) Based on Hotel Operating Agreement in fiscal years 2017-2021 and 3.00% thereafter when calculating the Senior Management Fee and 1.50% thereafter when calculating the Subordinate Management Fee Fund.

(3) Adjustment to reflect Renewal and Replacement Set-aside Amount.

(4) The Hotel Market Consultant's projections in calendar year 2017 represent the portion of the year between the date of the issuance of the Bonds and year-end.

Fiscal Year Bond Year	2023 2024	2024 2025	2025 2026	2026 2027	2027 2028	2028 2029
TOTAL NET REVENUES (000's)						
EBITDA Less Reserve [1]	$33,148	$34,142	$35,166	$36,221	$37,308	$38,427
Plus: Available Revenue Fund Earnings	-	-	-	-	-	-
Plus: Management Fee (4.5%) [1]	4,167	4,292	4,421	4,554	4,690	4,831
Less: Senior Management Fee[2]	(2,778)	(2,861)	(2,947)	(3,036)	(3,127)	(3,221)
Plus: Reserve for Replacement (2.0%) [3]	1,852	1,908	1,965	2,024	2,085	2,147
Less: Administrative Expenses (Estimate)	(225)	(230)	(234)	(239)	(244)	(249)
Total Net Revenues	**$36,164**	**$37,251**	**$38,370**	**$39,524**	**$40,712**	**$41,936**
FIRST TIER BONDS DEBT SERVICE (000's)						
First Tier Bonds Debt Service	$12,427	$12,560	$12,705	$12,843	$12,989	$13,132
Less: First Tier Debt Service Reserve Fund Earnings	(275)	(275)	(275)	(275)	(275)	(275)
First Tier Bonds Net Debt Service	12,152	12,286	12,430	12,568	12,714	12,857
Cash Flow Remaining After First Tier Debt Service	**$24,012**	**$24,965**	**$25,940**	**$26,955**	**$27,998**	**$29,079**
SECOND TIER BONDS DEBT SERVICE (000's)						
Second Tier Bonds Debt Service	$5,780	$5,650	$5,501	$5,366	$5,219	$5,074
Less: Second Tier Debt Service Reserve Fund Earnings	(129)	(129)	(129)	(129)	(129)	(129)
Second Tier Bonds Net Debt Service	5,651	5,520	5,372	5,237	5,090	4,945
Cash Flow Remaining After Second Tier Debt Service	**$18,360**	**$19,445**	**$20,568**	**$21,718**	**$22,908**	**$24,134**
OTHER DEPOSITS PURSUANT TO FLOW OF FUNDS (000's)						
Operating Reserve Fund	-	-	-	-	-	-
Supplemental Renewal and Replacement Fund (8.0%)	$7,408	$7,631	$7,860	$8,095	$8,339	$8,588
Subordinate Management Fee Fund[2]	1,389	1,431	1,474	1,518	1,563	1,610
Cash Trap Fund	-	-	-	-	-	-
Corporation	-	-	-	-	-	-
Excess Revenues Fund	9,563	10,383	11,235	12,106	13,006	13,935
Total Deposits	**$18,360**	**$19,445**	**$20,568**	**$21,718**	**$22,908**	**$24,134**
Detail of Excess Revenues Fund Deposits (000's)						
Corporation Account	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000
Bond Prepayment Account / Supplemental Renewal and Replacement Fund	7,563	8,383	9,235	10,106	11,006	11,935
Total Excess Revenues Fund Deposits	**$9,563**	**$10,383**	**$11,235**	**$12,106**	**$13,006**	**$13,935**
Coverage Ratios						
First Tier Net Debt Service	2.98x	3.03x	3.09x	3.14x	3.20x	3.26x
Second Tier Net Debt Service	2.03x	2.09x	2.16x	2.22x	2.29x	2.36x
Debt Service Reserve Fund Balances (000's)						
First Tier Debt Service Reserve Fund	$13,730	$13,730	$13,730	$13,730	$13,730	$13,730
Second Tier Debt Service Reserve Fund	6,453	6,453	6,453	6,453	6,453	6,453
Total Debt Service Reserve Fund Balances	**$20,183**	**$20,183**	**$20,183**	**$20,183**	**$20,183**	**$20,183**
Total Reserve Fund Balances (000's)						
Lock Box Minimum Fund Balance	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000
Operating Reserve Fund	$8,000	$8,000	$8,000	$8,000	$8,000	$8,000
Cash Trap Fund	-	-	-	-	-	-
Total Other Fund Balances	9,000	9,000	9,000	9,000	9,000	9,000
Plus: Debt Service Reserve Fund Balances	20,183	20,183	20,183	20,183	20,183	20,183
Total Reserve Fund Balances	**$29,183**	**$29,183**	**$29,183**	**$29,183**	**$29,183**	**$29,183**

[1] Provided by the Hotel Market Consultant.
[2] Based on Hotel Operating Agreement in fiscal years 2017-2021 and 3.00% thereafter when calculating the Senior Management Fee and 1.50% thereafter when calculating the Subordinate Management Fee Fund.
[3] Adjustment to reflect Renewal and Replacement Set-aside Amount.

Fiscal Year Bond Year	2029 2030	2030 2031	2031 2032	2032 2033	2033 2034
TOTAL NET REVENUES (000's)					
EBITDA Less Reserve [1]	$39,580	$40,768	$41,991	$43,250	$44,548
Plus: Available Revenue Fund Earnings	4,976	5,125	5,279	5,437	5,600
Plus: Management Fee (4.5%) [1]	(3,317)	(3,417)	(3,519)	(3,625)	(3,733)
Less: Senior Management Fee[2]	2,211	2,278	2,346	2,417	2,489
Plus: Reserve for Replacement (2.0%) [3]	4,976	5,125	5,279	5,437	5,600
Less: Administrative Expenses (Estimate)	(254)	(259)	(264)	(269)	(275)
Total Net Revenues	**$43,196**	**$44,495**	**$45,833**	**$47,210**	**$48,629**
FIRST TIER BONDS DEBT SERVICE (000's)					
First Tier Bonds Debt Service	$13,274	$13,420	$13,578	$13,730	$12,815
Less: First Tier Debt Service Reserve Fund Earnings	(275)	(275)	(275)	(275)	(14,005)
First Tier Bonds Net Debt Service	12,999	13,145	13,303	13,455	(1,189)
Cash Flow Remaining After First Tier Debt Service	**$30,197**	**$31,350**	**$32,530**	**$33,754**	**$49,818**
SECOND TIER BONDS DEBT SERVICE (000's)					
Second Tier Bonds Debt Service	$4,933	$4,788	$4,632	$4,789	$5,392
Less: Second Tier Debt Service Reserve Fund Earnings	(129)	(129)	(129)	(129)	(6,582)
Second Tier Bonds Net Debt Service	4,803	4,659	4,502	4,349	(1,191)
Cash Flow Remaining After Second Tier Debt Service	**$25,394**	**$26,691**	**$28,027**	**$29,406**	**$51,009**
OTHER DEPOSITS PURSUANT TO FLOW OF FUNDS (000's)					
Operating Reserve Fund	-	-	-	-	-
Supplemental Renewal and Replacement Fund (8.0%)	$8,845	$9,111	$9,384	$9,667	$9,956
Subordinate Management Fee Fund[2]	1,659	1,708	1,760	1,812	1,867
Cash Trap Fund	-	-	-	-	-
Corporation	-	-	-	-	-
Excess Revenues Fund	14,890	15,872	16,884	17,927	39,186
Total Deposits	**$25,394**	**$26,691**	**$28,027**	**$29,406**	**$51,009**
Detail of Excess Revenues Fund Deposits (000's)					
Corporation Account	$2,000	$2,000	$2,000	$2,000	$2,000
Bond Prepayment Account / Supplemental Renewal and Replacement Fund	12,890	13,872	14,884	15,927	37,186
Total Excess Revenues Fund Deposits	**$14,890**	**$15,872**	**$16,884**	**$17,972**	**$39,186**
Coverage Ratios					
First Tier Net Debt Service	3.32x	3.38x	3.45x	3.51x	-
Second Tier Net Debt Service	2.43x	2.50x	2.57x	2.65x	-
Debt Service Reserve Fund Balances (000's)					
First Tier Debt Service Reserve Fund	$13,730	$13,730	$13,730	$13,730	-
Second Tier Debt Service Reserve Fund	6,453	6,453	6,453	6,453	-
Total Debt Service Reserve Fund Balances	**$20,183**	**$20,183**	**$20,183**	**$20,183**	**-**
Total Reserve Fund Balances (000's)					
Lock Box Minimum Fund Balance	$1,000	$1,000	$1,000	$1,000	$1,000
Operating Reserve Fund	$8,000	$8,000	$8,000	$8,000	$8,000
Cash Trap Fund	-	-	-	-	-
Total Other Fund Balances	9,000	9,000	9,000	9,000	9,000
Plus: Debt Service Reserve Fund Balances	20,183	20,183	20,183	20,183	-
Total Reserve Fund Balances	**$29,183**	**$29,183**	**$29,183**	**$29,183**	**$9,000**

(1) Provided by the Hotel Market Consultant.

(2) Based on Hotel Operating Agreement in fiscal years 2017-2021 and 3.00% thereafter when calculating the Senior Management Fee and 1.50% thereafter when calculating the Subordinate Management Fee Fund.

(3) Adjustment to reflect Renewal and Replacement Set-aside Amount.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS

Limited Obligations

The Series 2017 Bonds are limited obligations of the Issuer payable from the Trust Estate in accordance with the Indenture. The Series 2017A Bonds are payable from Total Net Revenues and money held by the Trustee in certain funds and accounts under the Indenture, including certain reserve funds. The pledge of the Trust Estate securing the Series 2017B Bonds is subordinate to the pledge of the Trust Estate securing the Series 2017A Bonds. See "-Subordination of Second Tier Bonds" below. The Series 2017B Bonds are also payable from excess Total Net Revenues, after certain deposits, including deposits to the First Tier Debt Service Account and certain other Funds, required by the Indenture have been made and money held by the Trustee in certain funds and accounts under the Indenture, including certain reserve funds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS – Flow of Funds" below.

NEITHER THE STATE, THE CITY, NOR ANY POLITICAL CORPORATION, SUBDIVISION, OR AGENCY OF THE STATE IS OBLIGATED TO PAY THE PRINCIPAL OF OR PREMIUM, IF ANY, OR INTEREST ON THE BONDS, OTHER THAN THE ISSUER SOLELY IN ACCORDANCE WITH THE INDENTURE AND ANY APPLICABLE SUPPLEMENTAL INDENTURE. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE, THE CITY, OR ANY OTHER POLITICAL CORPORATION, SUBDIVISION, OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR PREMIUM, IF ANY, OR THE INTEREST ON THE BONDS. THE OBLIGATIONS OF THE ISSUER TO THE BONDHOLDERS ARE LIMITED SOLELY TO THE ASSETS OF THE ISSUER AS DESCRIBED IN THE INDENTURE. THE ISSUER HAS NO TAXING POWER. NO OBLIGATION OR RESPONSIBILITY OF THE ISSUER ARISING UNDER OR CONCERNING THE CLOSING DOCUMENTS WILL EVER CONSTITUTE AN INDEBTEDNESS OR GENERAL OBLIGATION OR RESPONSIBILITY OF THE CITY. THE ISSUER CANNOT PLEDGE THE CREDIT OF THE CITY OR CAUSE THE CITY TO INCUR OR ASSUME ANY INDEBTEDNESS ON BEHALF OF THE ISSUER.

Subordination of Second Tier Bonds

Notwithstanding any other provision of the Indenture, and until no First Tier Bonds remain outstanding and unpaid, upon the occurrence and during the continuance of certain Events of Default pursuant to specific provisions of the Indenture, no payment will be made with respect to the Second Tier Bonds other than from the amounts then on deposit in the Second Tier Debt Service Account or transferred thereto from amounts on deposit in the Second Tier Debt Service Reserve Fund to pay any scheduled payments of debt service, including mandatory or anticipated sinking fund payments, with respect to any Second Tier Bond. **Accordingly, nonpayment of such amounts will not constitute an Event of Default under the Indenture so long as any First Tier Bonds remain outstanding and unpaid, and Registered Owners of Second Tier Bonds will not have any rights to pursue any rights or remedies thereunder in such event.**

Trust Estate

Subject to the terms, provisions, and limitations set forth in the Indenture including, without limitation, the priority of payment of the Bonds as set forth therein, the Issuer will grant, convey, mortgage, create a security interest in, pledge, and assign all of the Issuer's right, title, and interest in and to the following (collectively, the "Trust Estate") to the Trustee as security for the payment of the Bonds.

(a) Subject to the rights of the Issuer and the Hotel Manager to use such amounts in accordance with the terms of the Cash Management Agreement, the Hotel Operating Agreement and the Indenture, all amounts on deposit in or required from time to time to be deposited in or credited to the Funds to be held by the Trustee thereunder (except the Rebate Fund) and all amounts that constitute Gross Operating Revenues on deposit in or required from time to time to be deposited in or credited to the Lockbox Fund held by the Depository Bank under the Cash Management Agreement, all in accordance with the Indenture, the Cash Management Agreement, and the Hotel Operating Agreement, together with any investments and reinvestments made with such amounts and the proceeds thereof;

(b) subject to the rights of the Issuer and the Hotel Manager to use such amounts in accordance with the terms of the Hotel Operating Agreement, the Cash Management Agreement, and the Indenture, in and to the Hotel, the Transaction Documents, including all rents and revenues derived therefrom and all Gross Revenues, together with all rights, powers, privileges, options, and other benefits of the Issuer contained therein, and all rights, titles, interests, liens, privileges, claims, demands, and equities held by the Issuer existing and to exist in connection with or as security for the payment of the Debt Service on the Bonds when due and all amounts (other than amounts in, or required to be deposited in, the Rebate Fund) to be received from the Hotel; and

(c) any and all property (other than amounts in, or required to be deposited in, the Rebate Fund) of every kind or description now or hereafter owned by the Issuer, or which may now or hereafter be sold, transferred, conveyed, assigned, hypothecated, endorsed, deposited, pledged, mortgaged, granted, or delivered to, or deposited with, the Trustee by or on behalf of the Issuer or the City as additional security under the Indenture, or which pursuant to any of the provisions of the Bond Documents may come into the possession or control of the Trustee or the Depository Bank, or of a receiver lawfully appointed pursuant to the Indenture, as such additional security; and the Trustee is authorized to receive all such property as additional security for the payment of the Series 2017 Bonds, and to hold and apply all such property subject to the terms of the Indenture and the Cash Management Agreement.

In addition, the Issuer has granted to the Trustee a first and prior lien against the Legal Hotel Unit pursuant to the Deed of Trust. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS – Deed of Trust" below.

Lockbox Fund

The Issuer, the Trustee, and the Hotel Manager have established and currently maintain one or more Lockbox Funds with the Depository Bank. In addition, the Hotel Manager may establish one or more segregated deposit accounts with the Depository Bank or other banks the balances of which will be transferred to the Lockbox Fund at the end of each Business Day. All Gross Operating Revenues as calculated on a cash basis (less a reasonable petty cash amount to be held at the Hotel) will be deposited into the Lockbox Fund as soon as practical upon receipt (but not less often than once each Business Day). During each month the Hotel Manager will withdraw from the Lockbox Fund amounts sufficient to pay Operating Expenses. On the tenth Business Day of each month after payment (i) Operating Expenses including, without limitation, (A) the Base Management Fee then due and owing, and (B) the Additional Management Fee then due and owing, which Base Management Fee and/or Additional Management Fee then due and owing shall be paid out on the first Business Day of each month immediately prior to any other disbursements, including, without limitation, the disbursements to the Available Revenue Fund as provided in Section 5.04 of the Indenture, and (ii) Short Term Indebtedness then due and owing, all of the Available Revenue held in the Lockbox Fund in excess of $1 million will be transferred to the Trustee for deposit in the Available Revenue Fund. Amounts deposited in the Available Revenue Fund will then be applied as described in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS – Flow of Funds – Available Revenues" below in this section.

If on the 25th day immediately preceding each Interest Payment Date there are not on deposit in the First Tier Debt Service Account and the Second Tier Debt Service Account amounts sufficient to pay the interest and principal to become due on the First Tier Bonds and Second Tier Bonds, respectively, on such Interest Payment Date, and sufficient amounts are not on deposit in the other Funds held by the Trustee which are available to make up such deficiency, then the Trustee will notify the Issuer and the Depository Bank of the deficiency, and, unless funds to cover such deficiency are transferred to the Trustee for deposit to the Available Revenue Fund within ten days after receipt of such notice, the Issuer will cause the Depository Bank to transfer the Lockbox Fund to the name and credit of the Trustee, as assignee of the Issuer.

The Lockbox Fund has been established in the name of the Issuer. Pursuant to the Cash Management Agreement, the Trustee has been irrevocably appointed as the Issuer's attorney-in-fact with full authority after an Event of Default to take any action in the name of the Issuer and to cause the Depository Bank to transfer the Lockbox Fund to the name and credit of the Trustee upon demand thereof, as provided in and permitted under the Indenture. During any period that the Lockbox Fund is held in the name and to the credit of the Trustee, the Trustee will use and withdraw from time to time amounts in such fund, to make payments first on the First Tier Bonds and second on the Second Tier Bonds, as such payments become due.

During any period that the Lockbox Fund is held in the name and to the credit of the Trustee, the Issuer will not be entitled to use or withdraw any of the Gross Operating Revenues except for the payment of current or past due Operating Expenses; provided, however, that the Issuer will be entitled to withdraw any amounts in the Lockbox Fund which do not constitute Gross Operating Revenues. Notwithstanding the foregoing, (i) if the Hotel Manager has not been terminated under the Hotel Operating Agreement and an Event of Default (as defined in the Hotel Operating Agreement) by the Hotel Manager has not occurred and is continuing under the Hotel Operating Agreement, the Hotel Manager will be entitled to continue to receive certain funds, to the extent funds are available for such purpose, as provided in the Lockbox Agreement, the Hotel Operating Agreement, and the Indenture; and (ii) if an Event of Default (as defined in the Hotel Operating Agreement) by the Hotel Manager has occurred and is continuing under the Hotel Operating Agreement of which the Trustee has notice, but the Trustee has not received notice that the Hotel Manager has been terminated under the Hotel Operating Agreement, the Trustee is required to pay the Hotel Manager (x) the budgeted Operating Expenses then due and owing, Short Term Indebtedness then due and owing, items within the Capital Budget, and amounts needed to pay taxes and insurance with respect to the Hotel Unit, (y) and with the prior written consent of the Asset Manager and the Issuer, unbudgeted expenses and amounts reasonably determined by the Hotel Manager as being required to be made to protect life, health or property from imminent danger or to comply with Legal Requirements, provided that the Hotel Manager is required to supply a weekly accounting of such expenditures to the Trustee and the Issuer.

Assignment Agreements

Pursuant to the Assignment Agreement dated June 1, 2001, as amended or supplemented from time to time, the Issuer assigned to the Trustee (i) all of the Issuer's rights and interests in any and all contracts, instruments, and agreements, now existing or hereafter arising, in connection with the acquisition, operation, construction, use or occupancy of the Hotel, and the right to enforce performance, exercise such remedies conferred upon the Issuer by such documents for the purpose of securing performance by the Issuer under the Indenture; provided that, so long as no Event of Default has occurred and be continuing under the Indenture, the Issuer will have, and may exercise, all of its rights under such documents, as applicable, including the rights to receive performance under such documents and the rights to enforce such documents in accordance therewith and (ii) to the extent permitted under applicable law, all licenses, permits, authorizations, consents, and approvals heretofore or hereafter issued by any and all governmental instrumentalities and authorities in connection with the operation, construction, use, or occupancy of the Hotel.

Pursuant to an Assignment and Subordination of Hotel Operating Agreements ("Hotel Assignment") dated June 1, 2001, as amended or supplemented from time to time, the Issuer transferred, set over and assigned, to the Trustee all of its right, title and interest under the Hotel Operating Agreement and Room Block Commitment (collectively, the "Hotel Agreements"). So long as there is no Event of Default under the Indenture, or other documentation executed in connection therewith, the Issuer will have a license to perform under and receive performance of the Hotel Agreements. Upon any Event of Default under the Indenture, the Trustee will have the right at its option (i) to foreclose on the Hotel Assignments or (ii) with or without foreclosures, to exercise any right of the Issuer, to give any consent or notice, to take the Issuer in, under or pursuant to the Hotel Agreements and in order to do so, each grants the Trustee an irrevocable power of attorney, coupled with an interest, to use the Issuer's name and to so act. In the Hotel Assignment, the Issuer and the Hotel Manager have agreed that the Hotel Agreements and any and all liens, rights (including the right to receive fees) and interests owed, claimed or held by the Hotel Manager in and to the Hotel or arising in connection with the Hotel Manager's possession or operation of the Hotel will in all respects be subordinate and inferior to the liens, security interests or rights of the Trustee, its successors and assigns, and securing the payment and performance of the Indenture and all renewals, extensions, increases, amendments, modifications or replacements thereof. Notwithstanding the foregoing, the Hotel Manager is entitled to receive and retain the Base Management Fee and the Additional Management Fees in accordance with the terms and provisions of the Hotel Operating Agreement. In addition, and provided the Hotel Manager is not then in default under any Hotel Agreement, in the event that the Trustee either forecloses or takes control of the Legal Hotel Unit in the Trustee's name, the Trustee may not terminate the Hotel Agreements then in effect unless a termination is then authorized or permitted under the applicable Hotel Agreement.

Limitations on Remedies Available to Owners

Pursuant to the Indenture, a Majority of Bondholders may direct the Trustee to pursue remedies available to it under the Indenture to the extent an Event of Default has occurred and is continuing thereunder. See "Events of

Default and Remedies" in APPENDIX C – Summary of Certain Provisions of the Bond Documents – Indenture and "RISK FACTORS – Enforceability of Remedies and Bankruptcy of the Issuer."

Debt Service Coverage

The Issuer has covenanted in the Indenture to include in the Hotel Operating Agreement, and any other subsequent hotel operating agreement relating to the Hotel, the following:

(a) If the proposed Operating Plan and Budget will result in a Debt Service Coverage Ratio of less than the Debt Service Coverage Requirement, the Hotel Manager will include with its delivery of the applicable proposed Operating Plan and Budget a detailed explanation as to why the Hotel Manager has not budgeted to attain such ratios;

(b) The Issuer and the Trustee will have the right to object to any aspect of any proposed Operating Plan and Budget if the proposed Operating Plan and Budget will result in a Debt Service Coverage Ratio of less than the Debt Service Coverage Requirement;

(c) The Issuer will have the right to appoint and will appoint if requested a Majority of Bondholders, a Hotel Consultant under each of the following circumstances:

(i) If the proposed Operating Plan and Budget will not result in the Debt Service Coverage Requirement being met, the Issuer will thereafter have the right to hire a Hotel Consultant (within 30 days of receipt of such proposed Operating Plan and Budget) to make written recommendations as to the operation, management, marketing, improvement, condition, or use of the Hotel or any part thereof that the Hotel Consultant believes could result in satisfying such Debt Service Coverage Requirement or improving the total amount of Net Revenues available to pay Debt Service;

(ii) If the actual Debt Service Coverage Ratio for the First Tier Bonds and Second Tier Bonds for any four consecutive quarters is less than the Debt Service Coverage Ratio Requirement, then unless the Issuer has appointed a Hotel Consultant pursuant to (i) above within the preceding twelve months, the Issuer will thereafter have the right to hire a Hotel Consultant (within 30 days of receipt of the quarterly report from the Hotel Manager which reflects that such Debt Service Coverage Requirement was not met for the prior four consecutive quarters) to make written recommendations as to the operation, management, marketing, improvement, condition, or use of the Hotel or any part thereof that the Hotel Consultant believes could result in satisfying the Debt Service Coverage Requirement or improving the total amount of Net Revenues available to pay Debt Service; or

(iii) If the audited annual financial statement delivered to the Issuer pursuant to the Hotel Operating Agreement reflects that the Debt Service Coverage Requirement was not achieved, then unless the Issuer has appointed a Hotel Consultant pursuant to (i) above within the preceding twelve months, the Issuer will thereafter have the right to hire a Hotel Consultant (within 30 days of the Issuer's receipt of such audited annual financial statements) to make written recommendations as to the operation, management, marketing, improvement, condition, or use of the Hotel or any part thereof that the Hotel Consultant believes could result in satisfying the Debt Service Coverage Requirement or improving the total amount of Net Revenues available to pay Debt Service.

The Issuer will deliver the Hotel Consultant's reports and findings to the Hotel Manager, Trustee and Asset Manager within three Business Days of receipt thereof by the Issuer. The Hotel Manager and the Asset Manager will study and review such reports and any written recommendations made by the Hotel Consultant. The Hotel Manager will reasonably cooperate with the Hotel Consultant in order to assist the Hotel Consultant in creating such reports and findings, and the Hotel Manager must also, upon the request of the Issuer or the Trustee, meet with the Hotel Consultant to discuss the Hotel Consultant's reports, findings and written recommendations. Manager will act in good faith in reviewing and implementing all of the Hotel Consultant's written recommendations except those written recommendations which require an expenditure of funds greater than the amount available for such purpose under the Indenture, those written recommendations that compromise the Operating Standards, or those written recommendations which could, in the opinion of Bond Counsel, adversely affect the tax exempt status of the interest on the Bonds. In addition, if the Hotel Manager believes that it is not in the best interest of the Hotel to implement any of the Hotel Consultant's written recommendations, the Hotel Manager will not be required to follow such written recommendations if the Hotel Manager provides a written explanation to Issuer, Asset Manager and Trustee as to why the Hotel Manager is not implementing such written recommendations; *provided*, *however*, that if the Debt Service Coverage Ratio for the First Tier Bonds and Second Tier Bonds is less than 1.20:1.00 for the prior eight consecutive calendar quarters, the Hotel Manager will act in good faith in implementing such Hotel Consultant's written recommendations unless it receives a written waiver from the Asset Manager with respect to the implementation of any such written recommendations.

The Issuer also has covenanted and agreed to exercise the full discretion, power, and authority provided to it under the Hotel Operating Agreement, including but not limited to its rights and authority to review, comment, and grant or withhold approval of the proposed Operating Plan and Budgets and proposed Capital Budgets of the Hotel. The Issuer will consult with the Asset Manager when exercising such discretion, power, and authority.

The Issuer must include in the Hotel Operating Agreement and each other operating agreement covering the Hotel a covenant requiring the Hotel Manager to deliver to the Issuer within six months after the end of each Operating Year audited financial statements (including a calculation of the Debt Service Coverage Ratio) for the preceding Operating Year prepared by an independent accountant.

Deed of Trust

The Issuer has granted a Deed of Trust for the benefit of the Trustee in order to secure its obligation to pay Debt Service on the Series 2001 Bonds, modified to secure the Series 2006 Bonds, and other amounts and obligations under the Indenture and will execute a modification of such deed of trust to secure the Series 2017 Bonds. See APPENDIX C – Summary of Certain Provisions of the Bond Documents – Deed of Trust for a summary of certain provisions contained in the Deed of Trust, including the rights of the Trustee on behalf of the Owners thereunder.

A deed of trust is the instrument generally used in the State of Texas for granting liens on real property. A deed of trust is similar to a mortgage with power of sale. The deed of trust trustee's authority is governed by law, the express provisions of the deed of trust and the directions of the beneficiary, being the Trustee (on behalf of the Registered Owners) under the Deed of Trust. Under the Deed of Trust, the Trustee, as beneficiary, will have the option to foreclose judicially or nonjudicially.

Security Agreement

The Issuer has granted to the Trustee, subject to the exclusive right of the Hotel Manager in certain proprietary and other property belonging to the Hotel Manager and the rights of the Hotel Manager to certain funds in order to operate the Hotel, a first and prior security interest in the personal property portion of the Hotel, in any equipment or inventory located at the Hotel and in the account, documents, chattel paper, instruments, and general intangibles arising in any manner from the Issuer's ownership and preparations of the Hotel Unit. See APPENDIX C – Summary of Certain Provisions of the Bond Documents – Security Agreement.

Perfection of Security

Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the Trust Estate granted by the Issuer under the Indenture and such pledge is, therefore, valid, effective, and perfected. Should Texas law be amended at any time while the Series 2017 Bonds are outstanding and unpaid, the result of such amendment being that the pledge of the Trust Estate granted by the Issuer under the Indenture is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, in order to preserve the Registered Owners of the Bonds a security interest in such pledge, the Issuer and the Trustee covenant to take such measures as it determines are reasonable and necessary to enable a filing of a security interest in said pledge to occur. The Indenture constitutes a "security agreement," as such term is defined in Chapter 1208, Texas Government Code.

Flow of Funds

As graphically depicted on page 33, pursuant to the Indenture, all Available Revenues will be deposited by the Trustee in the Available Revenue Fund on each Waterfall Distribution Date and, except as otherwise provided in the provisions of the Indenture relating to Events of Default or as described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS – Lockbox Fund" in this section, will be applied for the following purposes in the priority in which listed (including curing any deficiencies in deposits, transfers, or payments required in prior months), the requirements of each Fund, deposit, transfer, or payment to be fully satisfied, leaving no deficiencies, prior to any deposit, transfer, or payment later in priority, unless as otherwise specifically provided below:

First, to the Rebate Fund, amounts which, when added to other amounts in the Rebate Fund, will equal the amount required to be on deposit therein pursuant to the Tax Certificates delivered in connection with the issuance of each Series of Bonds;

Second, to the Taxes and Insurance Fund, an amount which together with money otherwise transferred to such Fund will equal but not exceed the Taxes and Insurance Set Aside Amount for the current Operating Year;

Third, to the Administrative Fee Fund, an amount which together with money otherwise transferred to such Fund will equal but not exceed the amount budgeted by the Issuer to pay the Administrative Expenses for the current Operating Year;

Fourth, to the Renewal and Replacement Fund, an amount which together with money otherwise transferred to such Fund will equal but not exceed the Renewal and Replacement Set Aside Amount accrued but not paid through the preceding month;

Fifth, to the First Tier Debt Service Account of the Debt Service Fund, an amount which together with money otherwise transferred to such Account will equal but not exceed:

(A) the interest to become due and payable on each Series of Outstanding First Tier Bonds on the next Interest Payment Date for such Series; plus

(B) for the months of January through June, commencing with the month of Closing, one-half of the next Principal Installment to become due and payable within the next twelve months on each Series of Outstanding First Tier Bonds; and

(C) for the months of July through December, commencing the July 2017 Waterfall Distribution Date, all of the next Principal Installment to become due and payable within the next twelve months on each Series of Outstanding First Tier Bonds to the extent not funded with deposits required by the immediately preceding clause (B).

Sixth, if the First Tier Debt Service Reserve Fund contains less than the First Tier Reserve Fund Requirement, to the First Tier Debt Service Reserve Fund, an amount equal to the amount needed to attain the First Tier Reserve Debt Service Fund Requirement;

Seventh, unless provision for such payments has been made as contemplated herein, to the Second Tier Debt Service Account of the Debt Service Fund an amount which together with money otherwise transferred to such Fund will equal but not exceed:

(A) the interest to become due and payable on each Series of Outstanding Second Tier Bonds on the next Interest Payment Date for such Series; plus

(B) for the months of January through June, commencing one month after the closing date of the Series 2017 Bonds, one-half of the next Principal Installment to become due and payable within the next twelve months on each Series of Outstanding Second Tier Bonds; and

(C) for the months of July through December, commencing July 2017 Waterfall Distribution Date, all of the next Principal Installment to become due and payable within the next twelve months on each

Series of Outstanding Second Tier Bonds to the extent not funded with deposits required by the immediately preceding clause (B).

Eighth, if the Second Tier Debt Service Reserve Fund contains less than the Second Tier Debt Service Reserve Fund Requirement, to the Second Tier Debt Service Reserve Fund an amount equal to the amount needed to attain the Second Tier Debt Service Reserve Fund Requirement;

Ninth, if the Operating Reserve Fund contains less than the Operating Reserve Requirement, to the Operating Reserve Fund an amount equal to the amount needed to attain the Operating Reserve Requirement;

Tenth, to the Supplemental Renewal and Replacement Fund, an amount which together with money otherwise transferred to such Fund will equal but not exceed the Supplemental Renewal and Replacement Set Aside Amount accrued but not paid through the preceding month;

Eleventh, to the Subordinate Management Fee Fund, an amount such that the moneys on deposit therein equals an amount which together with moneys otherwise transferred to such Fund will equal but not exceed (A) any unpaid Deferred Subordinate Management Fee; plus (B) during the months of January through June, one-half (1/2) of the Subordinate Management Fee for the current Operating Year as and when such fee is due pursuant to the Indenture; and (C) during the months of July through December; all of the remaining Subordinate Management Fee for the current Operating Year as and when such Subordinate Management Fee is due pursuant to the Indenture;

Twelfth, to the Cash Trap Fund, all remaining Available Revenues, but only as required by Indenture;

Thirteenth, to the Issuer, amounts necessary for payments then due or transfers then required by any agreement or other instrument creating or evidencing any secured obligation meeting the requirements of the Indenture which is not a First Tier Bond, a Second Tier Bond, or a Short Term Indebtedness, as so directed by the Issuer in writing;

Fourteenth, to the Excess Revenues Fund, the balance, if any, of moneys remaining in the Available Revenue Fund after making the transfers required by clauses First through Thirteenth above; provided, that any amounts transferred to the Excess Revenues Fund shall be distributed as described under the caption "Funds, Accounts, and Reserves Available for Debt Service on the Bonds – Excess Revenues Fund".

Notwithstanding the foregoing, if on the 15th day immediately preceding each Interest Payment Date there are not on deposit in the First Tier Debt Service Account and the Second Tier Debt Service Account amounts sufficient to pay the interest and Principal Installments to become due on the First Tier Bonds and the Second Tier Bonds, respectively, on such Interest Payment Date, and sufficient amounts are not on deposit in the Funds referenced in provisions of the Indenture with respect to insufficiency of amounts on deposit in the First Tier Debt Service Account and provisions of the Indenture with respect to insufficiency of amounts on deposit in the Second Tier Debt Service Account, to make up either such deficiency, then the Trustee will notify the Depository Bank and the Issuer on the immediately succeeding Business Day of such shortfall and, unless funds to cover such deficiency are transferred to the Trustee for deposit to the Available Revenue Fund within ten days after receipt of such notice, the Issuer will cause the Depository Bank to transfer the Lockbox Fund to the name and credit of the Trustee, as assignee of the Issuer. The Lockbox Fund will remain in the name and to the credit of the Trustee until the amounts on deposit in said Fund are sufficient to pay in full (or have been used to pay in full) all amounts in default on the First Tier Bonds and the Second Tier Bonds, and until all other Events of Default known to the Trustee will have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate will have been made therefor, whereupon the Lockbox Fund (except for the Available Revenues held in the Lockbox Fund which are required to make such payments or cure such defaults) will be returned to the name and credit of the Issuer. During any period that the Lockbox Fund is held in the name and to the credit of the Trustee, the Trustee will use and withdraw from time to time amounts in said fund to make payments of Debt Service first on the First Tier Bonds and second on the Second Tier Bonds when due. During any period that the Lockbox Fund is held in the name and to the credit of the Trustee, the Issuer will not be entitled to use or withdraw any of the Gross Operating Revenues except for the payment of current or past due Operating Expenses; provided, however, that the Issuer will be entitled to withdraw any amounts in the Lockbox Fund which do not constitute Gross Operating Revenues and apply such amounts in the manner set forth in the Indenture for the application of such Gross Revenues. Notwithstanding the foregoing: (a) if the Hotel

Manager has not been terminated under the Hotel Operating Agreement and an Event of Default (as defined in the Hotel Operating Agreement), is not then in existence, the Hotel Manager will be entitled to continue to receive the funds it would have otherwise been entitled to as if no Event of Default had occurred under the Indenture as provided in the Indenture, the Hotel Operating Agreement, the Cash Management Agreement, and Lockbox Agreement and (b) if an Event of Default (as defined in the Hotel Operating Agreement) by the Hotel Manager has occurred and is continuing under the Hotel Operating Agreement of which the Trustee has notice, but the Trustee has not received notice that the Hotel Manager has been terminated under the Hotel Operating Agreement, the Trustee will pay the Hotel Manager (x) the budgeted Operating Expenses (including but not limited to the Base Management Fee and Additional Management Fee) then due and owing, Short Term Indebtedness then due and owing, items within the Capital Budget, and amounts needed to pay Taxes and Insurance Costs with respect to the Hotel, and (y) with the prior written consent of the Asset Manager and the Issuer, unbudgeted expenses and amounts reasonably determined by the Hotel Manager as being required to be made to protect life, health, or property from imminent danger or to comply with Legal Requirements; provided, however, that the Hotel Manager will supply a weekly accounting of such expenditures paid during such week to the Trustee and the Issuer.

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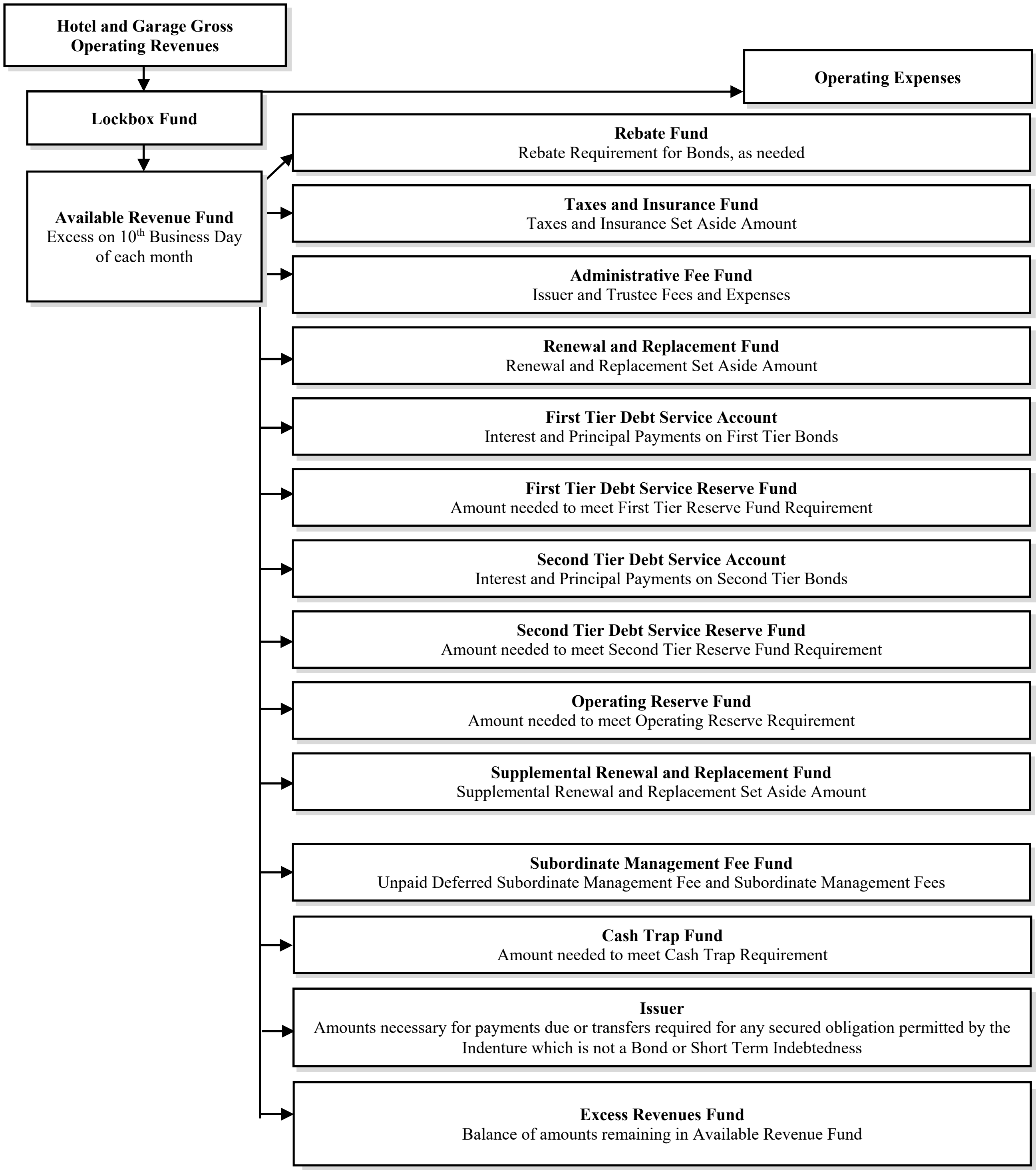
FLOW OF FUNDS



Funds, Accounts, and Reserves Available for Debt Service on the Bonds

Amounts contained in the following funds and accounts held by the Trustee under the Indenture are available to pay debt service on the Bonds when due in the manner described below.

Debt Service Fund

The Trustee will pay from the appropriate Account of the Debt Service Fund:

(i) On or before each Interest Payment Date for any of the Bonds, the amount required for the interest payment on such date, and on or before each Principal Installment due date, the amount required for the Principal Installment payable on such due date. On or before any Redemption Date for Bonds to be redeemed, there will also be paid out of the appropriate Account of the Debt Service Fund, from available amounts deposited therein from time to time, the Redemption Price of and interest on the Bonds then to be redeemed;

(ii) Upon any purchase of any Bonds by the Issuer at public or private sale as permitted by the Indenture, or any redemption pursuant to any redemption provision, other than a mandatory or anticipated sinking fund redemption provision, of the Indenture or any Supplemental Indenture, of Bonds of any Series and maturity for which Sinking Fund Installments have been established, the principal amount of such Bonds so purchased or redeemed will be credited toward the next Sinking Fund Installment or Installments;

(iii) Amounts for the mandatory or anticipated sinking fund redemption of Bonds of the Series and maturity for which such Sinking Fund Installment was established in an amount not exceeding that necessary to complete the retirement of such Sinking Fund Installment as provided in the Indenture; and

(iv) At any time at the direction of the Issuer from any amount of Bonds purchased by the Issuer at public or private sale, amounts for the payment of any Principal Installments to pay the principal portion of Bonds of any Series and maturity for which such Sinking Fund Installments has been established.

Except as otherwise provided in the Indenture, amounts in the First Tier Debt Service Account and the Second Tier Debt Service Account of the Debt Service Fund must be applied only to the payment of Debt Service on the Bonds of the same designation; provided, however, that if any amounts remain on deposit in a Debt Service Account for Bonds of a Tier which are no longer outstanding, such amounts will be transferred to the Available Revenue Fund.

Shortfalls in First Tier Debt Service Account

Notwithstanding anything in the Indenture to the contrary except as provided in *Fourth* and *Ninth* below, if on the twelfth Business Day prior to any Interest Payment Date there is not sufficient money in the First Tier Debt Service Account on such date to pay principal of and interest on the First Tier Bonds to become due and owing on such Interest Payment Date (other than First Tier Bonds for which money have been already set aside and dedicated to the payment of such First Tier Bonds as permitted under the Indenture), money will be transferred to the First Tier Debt Service Account from the following sources and in the following order of priority in an amount which, together with the amount then on deposit in the First Tier Debt Service Account, will result in the First Tier Debt Service Account having the balance required to be on deposit therein in order to pay interest and principal to become due and payable on such Interest Payment Date:

First, from the Excess Revenues Fund (and to the extent there are amounts in the Bond Prepayment Account and the Corporation Account, first from the Corporation Account and thereafter from the Bond Prepayment Account);

Second, from the Cash Trap Fund;

Third, from the Subordinate Management Fee Fund;

Fourth, from the Operating Reserve Fund an amount which does not cause the amount then on deposit in the Operating Reserve Fund to be less than $1 million;

Fifth, from the Second Tier Debt Service Account (to the extent such amounts are not attributable to transfers to such Account from the Second Tier Debt Service Reserve Fund);

Sixth, from the First Tier Debt Service Reserve Fund (but only at the end of the Business Day immediately preceding the Interest Payment Date);

*Sevent*h, from the Supplemental Renewal and Replacement Fund; and

Eighth, from the Renewal and Replacement Fund (but only at the end of the Business Day immediately preceding the Interest Payment Date).

Shortfalls in Second Tier Debt Service Account

Notwithstanding anything in the Indenture to the contrary except as provided in *Fourth and Eighth* below, if on the eleventh Business Day immediately preceding any Interest Payment Date there are not sufficient money in the Second Tier Debt Service Account on such date to pay principal of and interest on the Second Tier Bonds to become due and owing on such Interest Payment Date (other than Second Tier Bonds for which money have been already set aside and dedicated to the payment of such Second Tier Bonds as permitted hereby), an Event of Default with respect to the Second Tier Bonds will not have occurred so long as any First Tier Bonds are Outstanding and money will not be transferred to the Second Tier Debt Service Account from any other Funds and Accounts held by the Trustee under the Indenture except from the following sources (subject to the application of such sources for the purposes set forth above under the caption "Funds, Accounts, and Reserves Available for Debt Service on the Bonds – Shortfalls in First Tier Debt Service Account") in an amount which, together with the amount then on deposit in the Second Tier Debt Service Account, will result in the Second Tier Debt Service Account having the balance required to be on deposit therein in order to pay interest and principal to become due and payable on such Interest Payment Date:

First, from the Excess Revenues Fund (and to the extent there are amounts in the Bond Prepayment Account and the Corporation Account, first from the Corporation Account and thereafter from the Bond Prepayment Account);

Second, from the Cash Trap Fund;

Third, from the Subordinate Management Fee Fund;

Fourth, from the Operating Reserve Fund an amount which does not cause the amount then on deposit in the Operating Reserve Fund to be less than $1 million;

Fifth, from the Second Tier Debt Service Reserve Fund (but only at the end of the Business Day immediately preceding the Interest Payment Date);

Sixth, from the Supplemental Renewal and Replacement Fund; and

Seventh, from the Renewal and Replacement Fund (but only at the end of the Business Day immediately preceding the Interest Payment Date).

First Tier Debt Service Reserve Fund

The Trustee will apply amounts from the First Tier Debt Service Reserve Fund to the extent necessary to make good the deficiency in the First Tier Debt Service Account in the order of priority set forth in "Funds, Accounts, and Reserves Available for Debt Service on the Bonds – Shortfalls in First Tier Debt Service Account."

Subject to the provisions of the Indenture as to investment of funds and application of interest earnings, if on the last Business Day of any month the amount on deposit in the First Tier Debt Service Reserve Fund will exceed the First Tier Debt Service Reserve Fund Requirement, such excess will be deposited in the First Tier Debt Service Account.

When the amount in the First Tier Debt Service Reserve Fund, together with the amounts in the First Tier Debt Service Account and all amounts in the Cash Trap Fund if no Second Tier Bonds are then Outstanding, is sufficient to fully pay all Outstanding First Tier Bonds in accordance with their terms (including principal or Redemption Price and interest), the amount on deposit in the First Tier Debt Service Reserve Fund, together with the amount on deposit in the First Tier Debt Service Account and, if applicable, all amounts in the Cash Trap Fund may, at the direction of the Issuer, be applied to pay the principal and Redemption Price of and interest on all Outstanding First Tier Bonds.

In the event of the refunding of one or more First Tier Bonds (or portions thereof), the Trustee will, upon the written direction of an Authorized Corporation Representative, withdraw from the First Tier Debt Service Reserve Fund any or all of the amounts on deposit therein with respect to the First Tier Bonds being refunded and deposit such amounts with itself as Trustee to be held for the payment of the principal or Redemption Price, if any, of, and interest on, the First Tier Bonds (or portions thereof) being refunded; provided that such withdrawal will not be made unless: (i) immediately thereafter the First Tier Bonds (or portions thereof) being refunded will be deemed to have been paid pursuant to the defeasance provisions of the Indenture; and (ii) the amount remaining in the First Tier Debt Service Reserve Fund after such withdrawal, taking into account any deposits to be made in the First Tier Debt Service Reserve Fund in connection with such refunding and the issuance of Refunding Bonds, will not be less than the First Tier Debt Service Reserve Fund Requirement.

Second Tier Debt Service Reserve Fund

The Trustee will apply amounts from the Second Tier Debt Service Reserve Fund to the extent necessary to make good the deficiency in the First Tier debt Service Account and Second Tier Debt Service Account in the manner described under the caption “Funds, Accounts, and Reserves Available for Debt Service on the Bonds – Shortfalls in Second Tier Debt Service Account” herein.

Subject to the provisions of the Indenture relating to the application of interest earnings, if on the last Business Day of any month the amount on deposit in the Second Tier Debt Service Reserve Fund will exceed the Second Tier Debt Service Reserve Fund Requirement (other than due to interest earnings on amounts in such Fund), such excess will be deposited in the Second Tier Debt Service Account and applied to the payment of the Debt Service of the Second Tier Bonds.

When the amount in the Second Tier Debt Service Reserve Fund, together with the amount in the Second Tier Debt Service Account, is sufficient to fully pay all Outstanding Second Tier Bonds in accordance with their terms (including principal or Redemption Price and interest) the amount on deposit in the Second Tier Debt Service Reserve Fund, together with the amount in the Second Tier Debt Service Account may, at the written direction of the Issuer, be applied to pay the principal and Redemption Price of and interest on all Outstanding Second Tier Bonds.

In the event of the refunding of all of the Second Tier Bonds, the Trustee will, upon the written direction of an Authorized Corporation Representative, withdraw from the Second Tier Debt Service Reserve Fund all of the amounts on deposit therein with respect to the Second Tier Bonds being refunded and deposit such amounts with itself as Trustee to be held for the payment of the principal or Redemption Price, if any, of, and interest on, the Second Tier Bonds (or portions thereof) being refunded; provided that such withdrawal will not be made unless immediately thereafter the Second Tier Bonds being refunded will be deemed to have been paid pursuant to the Indenture.

Operating Reserve Fund

The Trustee will apply amounts from the Operating Reserve Fund to the extent necessary to make good the deficiency in the First Tier Debt Service Account in the manner described under the caption “Funds, Accounts, and Reserves Available for Debt Service on the Bonds – Shortfalls in First Tier Debt Service Account” herein.

The Trustee will apply amounts from the Operating Reserve Fund in excess of the amount required to be maintained therein pursuant to the Hotel Operating Agreement to the extent necessary to make good the deficiency in the Second Tier Debt Service Account in the manner described under the caption “Funds, Accounts, and Reserves Available for Debt Service on the Bonds – Shortfalls in Second Tier Debt Service Account” herein.

If the amount on deposit in the Operating Reserve Fund exceeds the Operating Reserve Requirement, amounts in excess of the Operating Reserve Requirement will be deposited into the Available Revenue Fund.

Unless the Hotel Operating Agreement has been terminated, the Operating Reserve Fund will be applied, pursuant to the Indenture and the Cash Management Agreement, to the payment of the Operating Expenses, Capital Expenses, other expenses, and items specifically provided for in the Hotel Operating Agreement and/or any other expenses which, if unbudgeted, must be approved in writing by the Hotel Manager, the Issuer, and the Asset Manager at any time during which such expenses exceed Gross Operating Revenue for such month plus the amount otherwise available in the Lockbox Fund, the Renewal and Replacement Fund, and the Supplemental Renewal and Replacement Fund to pay such Capital Expenses (to the extent amounts in such Funds are authorized to be used for such expenses), upon receipt by the Trustee of a request therefor of the Hotel Manager; provided, however, that if payment of such Operating Expense or Capital Expense would require the consent of the Issuer under the Hotel Operating Agreement or the Cash Management Agreement, such request will be conditioned upon written approval by the Issuer and the Asset Manager. In addition, the Trustee will apply amounts on deposit in the Operating Reserve Fund for repair or replacement of the Hotel in the event of casualty damage or for the payment of amounts reasonably determined by the Hotel Manager as are required to be made to protect life, health, or property from imminent danger or to comply with Legal Requirements.

Cash Trap Fund

The Trustee will apply amounts from the Cash Trap Fund to the extent necessary to make good the deficiency in the First Tier Debt Service Account to the extent amounts available therefor as provided under the caption "Funds, Accounts, and Reserves Available for Debt Service on the Bonds – Shortfalls in First Tier Debt Service Account" are insufficient to make good the deficiency.

The Trustee will apply amounts from the Cash Trap Fund to the extent necessary to make good the deficiency in the Second Tier Debt Service Account to the extent amounts available therefor as provided under the caption "Funds, Accounts, and Reserves Available for Debt Service on the Bonds – Shortfalls in Second Tier Debt Service Account" are insufficient to make good the deficiency.

All funds not otherwise distributed as required by clauses First through Eleventh under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS – Flow of Funds" will be transferred to and held in the Cash Trap Fund in an amount not to exceed $5,000,000, but only in the event that one of the following occurs: (i) an Event of Default has occurred or is occurring; (ii) there is a draw on the Second Tier Debt Service Reserve Account or the Operating Reserve Account; or (iii) the Debt Service Coverage Ratio falls below 1.50:1.00 at the end of the immediately preceding Operating Year.

The Trustee will use funds on deposit in the Cash Trap Fund to fund on a monthly basis any shortfall in any Fund or Account as provided in the Indenture. Upon cure of all Events of Default then continuing or replenishment of the Second Tier Debt Service Reserve Account or the Operating Reserve Account, amounts on deposit in the Cash Trap Fund in excess of $2,000,000 will be applied to the extent necessary to make good any deficiency in any Account or Fund set forth in clauses Ninth through Eleventh under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS – Flow of Funds" in such order of priority if amounts then on deposit in the Excess Revenues Fund are insufficient for such purposes. If an Event of Default has not occurred and is not then continuing and the amounts on deposit in the Funds and Accounts set forth in clauses First through Eighth under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS – Flow of Funds" are then equal to the amounts required to be on deposit therein, the Issuer may, by written request direct the Trustee, with respect to amounts in the Cash Trap Fund in excess of $2,000,000, to pay any unpaid expenses or obligations incurred with respect to the Hotel Unit or any unpaid expenses or obligations owed by the Issuer to third parties which are not otherwise payable as Administrative Expenses, including without limitation any amounts the Issuer is obligated to pay under the Hotel Operating Agreement or any expenses or obligations which the Hotel Operating Agreement provides will be paid out of the Cash Trap Fund if amounts then on deposit in the Excess Revenues Fund are insufficient for such purposes.

Unless the Hotel Operating Agreement has been terminated, pursuant to the Hotel Operating Agreement and the Cash Management and Lockbox Agreement, the Trustee will apply money on deposit in the Cash Trap Fund as directed by a Request of the Hotel Manager: (i) to pay amounts reasonably determined by the Hotel Manager to be required to be made to protect life, health or property from imminent danger or to comply with Legal Requirements to the extent funds available in the Operating Reserve Fund and the Excess Revenues Fund are insufficient therefor; and (ii) at least three (3) Business Days after such Request to pay Operating Expenses, Capital Expenses within the Capital Budget, taxes, and cost of insurance, or any other expenses and items requested by the Hotel Manager with prior written notice to the Issuer and the Asset Manager, at any time during which such Operating Expenses, Capital Expenses, or other expenses and items exceed Gross Operating Revenues for such month plus the amount otherwise available in the Lockbox Fund, the Operating Reserve Fund, the Excess Revenues Fund, the Renewal and Replacement Fund, and the Supplemental Renewal and Replacement Fund (to the extent amounts in such Funds are authorized to be used for such expenses and items); provided, however, that if the payment of such Operating Expenses, Capital Expenses, or other expenses and items is not authorized under the Hotel Operating Agreement or requires the consent or approval of the Issuer under the Hotel Operating Agreement or the Cash Management Agreement, such request will be conditioned upon approval by the Issuer and the Asset Manager.

Amounts in excess of $2,000,000 in the Cash Trap Fund (or all amounts in the Cash Trap Fund if no Second Tier Bonds are then Outstanding), together with amounts available for such purpose in the Funds and Accounts as set forth under the caption " – First Tier Debt Service Reserve Fund", may, at the direction of the Issuer, be applied to pay the principal and Redemption Price of and interest on all Outstanding First Tier Bonds in the manner provided therein.

Renewal and Replacement Fund

The Trustee will apply amounts from the Renewal and Replacement Fund to the extent necessary to make good the deficiency in the First Tier Debt Service Account or in the Second Tier Debt Service Account in the manner described under the caption "Funds, Accounts, and Reserves Available for Debt Service on the Bonds – Shortfalls in First Tier Debt Service Account" herein.

Pursuant to the Cash Management Agreement, unless an Event of Default (as defined in the Hotel Operating Agreement) by the Hotel Manager has occurred and is continuing under the Hotel Operating Agreement or the Hotel Operating Agreement has been terminated, the Trustee will make disbursements directed by a request of the Hotel Manager of funds deposited in the Renewal and Replacement Fund for the purpose of paying for (i) FF&E and Capital Expenses included in the Capital Budget, (ii) if funds are insufficient in the Operating Reserve Fund, the Excess Revenues Fund or the Cash Trap Fund to make such payment, amounts reasonably determined by the Hotel Manager to be required to be made to protect life, health, or property from imminent danger or to comply with Legal Requirements, and (iii) FF&E and Capital Expenses not included in the Capital Budget with the prior written consent of the Asset Manager and the Issuer. If an Event of Default (as defined in the Hotel Operating Agreement) by the Hotel Manager has occurred and is continuing under the Hotel Operating Agreement the Trustee will make disbursements as directed by a request of the Hotel Manager (and consented to by the Issuer and the Asset Manager in writing) of funds deposited in the Renewal and Replacement Fund for the purpose, and in the manner described in the immediately preceding sentence; provided that the Hotel Manager must provide a weekly report summarizing all amounts paid out of the Renewal and Replacement Fund during each week to the Trustee and the Issuer.

Supplemental Renewal and Replacement Fund

The Trustee will apply amounts from the Supplemental Renewal and Replacement Fund to the extent necessary to make good the deficiency in the First Tier Debt Service Account in the manner described under the caption "Funds, Accounts, and Reserves Available for Debt Service on the Bonds – Shortfalls in First Tier Debt Service Account" herein.

The Trustee will apply amounts from the Supplemental Renewal and Replacement Fund to the extent necessary to make good the deficiency in the Second Tier Debt Service Account in the manner described under the caption "Funds, Accounts, and Reserves Available for Debt Service on the Bonds – Shortfalls in Second Tier Debt Service Account" herein.

Pursuant to the Cash Management Agreement, unless an Event of Default (as defined in the Hotel Operating Agreement) by the Hotel Manager has occurred and is continuing under the Hotel Operating Agreement or the Hotel

Operating Agreement has been terminated, the Trustee will make disbursements directed by a Request of the Hotel Manager of funds deposited in the Supplemental Renewal and Replacement Fund for the purpose of paying for: (i) if funds in the Renewal and Replacement Fund are insufficient to make such payment, FF&E and Capital Expenses included in the Capital Budget; (ii) if funds are insufficient in the Renewal and Replacement Fund, Operating Reserve Fund or the Cash Trap Fund to make such payment, amounts reasonably determined by the Hotel Manager to be required to be made to protect life, health, or property from imminent danger or to comply with Legal Requirements; and (iii) if funds are insufficient in the Renewal and Replacement Fund, FF&E and Capital Expenses with the prior written consent of the Issuer and the Asset Manager. If an Event of Default (as defined in the Hotel Operating Agreement) by the Hotel Manager has occurred and is continuing under the Hotel Operating Agreement the Trustee will make disbursements as directed by a request of the Hotel Manager (and consented to by the Issuer and the Asset Manager in writing) of funds deposited in the Supplemental Renewal and Replacement Fund for the purpose, and in the manner described in the immediately preceding sentence; provided that the Hotel Manager must provide a weekly report summarizing all amounts paid out of the Supplemental Renewal and Replacement Fund during each week to the Trustee and the Issuer.

Subordinate Management Fee Fund

The Trustee will apply amounts from the Subordinate Management Fee Fund to the extent necessary to make good the deficiency in the First Tier Debt Service Account to the extent amounts available therefor as provided under the caption "Funds, Accounts, and Reserves Available for Debt Service on the Bonds – Shortfalls in First Tier Debt Service Account" are insufficient to make good the deficiency.

The Trustee will apply amounts from the Subordinate Management Fee Fund to the extent necessary to make good the deficiency in the Second Tier Debt Service Account to the extent amounts available therefor as provided under the caption "Funds, Accounts, and Reserves Available for Debt Service on the Bonds – Shortfalls in Second Tier Debt Service Account" are insufficient to make good the deficiency.

The Subordinate Management Fee Fund must be applied to the payment of the portion of the Subordinate Management Fee which has accrued through the prior six months on the Business Day immediately following each Interest Payment Date and to the payment of the Deferred Subordinate Management Fee as and when funds are on deposit in the Subordinate Management Fee Fund upon receipt by the Trustee of a requisition therefor of the Hotel Manager, after making all transfers, payments, and deposits as described in the preceding two paragraphs.

Excess Revenues Fund

After making the deposits required by Section 5.04(a) *First* through *Thirteenth*, all remaining moneys in the Available Revenue Fund will be deposited to the Excess Revenues Fund. On each December Waterfall Distribution Date, such deposits shall first be transferred to the Corporation Account of the Excess Revenues Fund in an amount not to exceed $2,000,000 on an annual basis, and second, any remaining amounts shall thereafter be transferred to the Bond Prepayment Account of the Excess Revenues Fund. The Issuer may elect, in its sole and absolute discretion, from time to time, to direct the Trustee in writing to use amounts in the Bond Prepayment Account of the Excess Revenues Fund to:

(i) redeem (provided such Bonds are then subject to optional redemption) or purchase, at a purchase price not greater than the principal amount of the Bonds being purchased, together with accrued and unpaid interest, of all or a portion of the Bonds as designated by the Issuer; or

(ii) transfer funds to the Supplemental Renewal and Replacement Fund to be used for FF&E and Capital Expenses; or

(iii) to the extent permitted by Applicable Law, and subject to the Trustee's receipt of an opinion of Bond Counsel to the effect that such expenditures will not cause interest on the Bonds to be includible in gross income for federal income tax purposes under Section 103 of the Code, for the payment of capital project expenditures constituting public facilities in the approximate area of the Hotel that the Corporation Board believes would be of direct or indirect benefit to the Hotel.

If on the twentieth Business Day of each June and December (i) the amounts on deposit in the First Tier Debt Service Account of the Debt Service Fund and the Second Tier Debt Service Account of the Debt Service Fund are not then equal to the respective amounts required to be on deposit therein to make the next respective debt service payments thereon; or (ii) there are unbudgeted expenditures reasonably determined by the Manager to be required to be made to protect life, health or property from imminent danger or to comply with Legal Requirements, then in each case, amounts on deposit in the Excess Revenues Fund shall be applied to the extent necessary to pay for certain expenditures set forth below or to make good any deficiency in such Fund or Account (first, from the Corporation Account of the Excess Revenues Fund, and then from the Bond Prepayment Account of the Excess Revenues Fund), in each case, in the following order of priority:

First, for the payment of any unbudgeted expenditures reasonably determined by the Manager to be required to be made to protect life, health or property from imminent danger or to comply with Legal Requirements;

Second, to the First Tier Debt Service Account, an amount that will satisfy payment of debt service on the First Tier Bonds when due;

Third, to the First Tier Debt Service Reserve Fund, an amount equal to the amount needed to attain the First Tier Debt Service Reserve Fund Requirement;

Fourth, to the Second Tier Debt Service Account, an amount that will satisfy payment of debt service on the Second Tier Bonds when due;

Fifth, to the Second Tier Debt Service Reserve Fund, an amount equal to the amount needed to attain the Second Tier Debt Service Reserve Fund Requirement;

Sixth, to the Operating Reserve Fund, an amount equal to the amount needed to attain the Operating Reserve Requirement;

Seventh, to the Cash Trap Fund, the amount required to be maintained pursuant to Section 5.11; and

Eighth, to the Subordinate Management Fee Fund, the amount required to be maintained pursuant to Section 5.17.

Other Funds and Accounts

Available Revenue Fund

The Available Revenue Fund has been established for the purpose of depositing and distributing Available Revenues in the manner described under " SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS – Flow of Funds."

Taxes and Insurance Fund

Unless the Hotel Operating Agreement has been terminated, pursuant to the Cash Management Agreement, money in the Taxes and Insurance Fund will be paid out from time to time by the Trustee to pay Taxes (including but not limited to personal property taxes) and Insurance Costs that become due and payable with respect to the ownership and operation of the Hotel Unit, as directed by a Request of the Hotel Manager, or if none, the Issuer.

Insurance and Condemnation Proceeds Fund

The proceeds of insurance with respect to the Hotel maintained or caused to be maintained by the Issuer against loss or damage by fire, lightning, and all other risks covered by the extended coverage insurance endorsement as required by the Indenture; the proceeds of any title insurance with respect to the Hotel obtained pursuant to the

Indenture; the proceeds of any performance and payment bond or guaranty with respect to the Hotel; and the proceeds of any Taking with respect to the Hotel, will be deposited immediately upon receipt by the Trustee, as assignee of the Issuer, in the Insurance and Condemnation Proceeds Fund; provided, however, that if such amount is less than $50,000 then subject to the Indenture, such amount will be distributed immediately to or at the direction of the Issuer which amount will be applied to the cost of the repair or replacement of the property damaged, destroyed, or taken. After deducting therefrom the reasonable charges and expenses of the Trustee in connection with the collection and disbursement of such money, money in the Insurance and Condemnation Proceeds Fund will be disbursed or applied by the Trustee in accordance with and subject to the Indenture.

If amounts deposited into the Insurance and Condemnation Proceeds Fund are not to be applied to repair or replace the property damaged, destroyed, or taken, the Trustee, upon request of the Issuer, will transfer all amounts in the Insurance and Condemnation Proceeds Fund allocable to the Hotel on account of such damage, destruction, or condemnation to the First Tier Debt Service Account in order to redeem the First Tier Bonds; and only to the extent of excess proceeds after all the Outstanding First Tier Bonds are redeemed, to redeem Second Tier Bonds.

After completion of the repairs or replacement of the property damaged, destroyed taken, and all costs associated therewith have been paid, any amounts remaining in the Insurance and Condemnation Proceeds Fund attributable to the Legal Hotel Unit will be applied to redeem a portion of the First Tier Bonds pursuant to the Indenture, provided, however, that if such excess amount is less than $50,000, the Issuer may direct the Trustee to deposit such amount in the Available Revenue Fund.

Notwithstanding the first paragraph of this subsection, the proceeds of business interruption insurance maintained pursuant to the Indenture will be deposited by the Trustee when and as received in a segregated account (the "Business Interruption Account") within the Insurance and Condemnation Proceeds Fund, which Account will be established by the Trustee upon receipt of notice that the carrier of such insurance will be paying claims thereon to the Trustee. The Trustee will hold the Business Interruption Account in trust under the Indenture separate and apart from any other Funds and Accounts. Amounts deposited in the Business Interruption Account will be immediately transferred as follows:

First, to the First Tier Debt Service Account, an amount for payment of debt service on the First Tier Bonds when due;

Second, to the Second Tier Debt Service Account, an amount for payment of debt service on the Second Tier Bonds when due;

Third, to the Lockbox Fund, an amount for payment of Operating Expenses (including the Base Management Fee and Additional Management Fee) when due;

Fourth, to the Taxes and Insurance Fund, an amount for payment of Taxes or Insurance Costs when due with respect to the ownership and operation of the Hotel;

Fifth, once insurance proceeds for any Claim are fully funded, to the Subordinate Management Fee Fund, an amount for payment of the Subordinate Management Fee when due;

Sixth, to the Lockbox Fund, the balance, if any, for application by the Trustee as provided in the Indenture.

Notwithstanding the foregoing, amounts required to be transferred pursuant to the priority set forth above, other than *First* through *Second*, will be reduced to the extent the insurance carrier has directly paid business interruption insurance proceeds to parties other than the Trustee, which reduction will be allocated in any manner deemed fair and appropriate by the Trustee in consultation with the Issuer. The Trustee will be entitled to rely on a certificate of the Issuer in making the transfers as described herein.

If proceeds of insurance relate to any loss or damage to any property not constituting the Hotel, such proceeds will be disbursed directly to the Persons legally entitled to such insurance proceeds.

Rebate Fund

Money must be deposited into the Rebate Fund pursuant to the Indenture and in the amount required pursuant to the Tax Certificate delivered in connection with the issuance of the Series 2017 Bonds and pursuant to any similar instrument or certificate delivered by the Issuer in connection with the issuance of any Additional Bonds. Money held in the Rebate Fund is not part of the Trust Estate and, except as otherwise provided in the Indenture, will be used solely for the purpose of paying amounts due to the United States of America with respect to the Bonds pursuant to the Code. Money on deposit in the Rebate Fund must be forwarded to the United States Treasury as directed by the Issuer at the times and in the amounts set forth in the Tax Certificates. Annually, the Issuer will cause a rebate analyst to calculate the amount of rebate that would be due to the United States of America during the prior year, and the Issuer will direct the Trustee to deposit such amount into the Rebate Fund. If a rebate analyst determines that an amount is then owed to the United States of America that is less than the amount then on deposit in the Rebate Fund, the Issuer will direct the Trustee to transfer from the Rebate Fund and deposit into the Available Revenue Fund the amount of such excess. If money on deposit in the Rebate Fund is insufficient for the purpose thereof, the Issuer must direct the Trustee to transfer money in the amount of the insufficiency to the Rebate Fund from any amounts in any of the Funds and Accounts in excess of the amount necessary to be on deposit therein and otherwise from amounts then on deposit in the Funds and Accounts described in clauses *First* through *Fourteenth* under the caption "Funds, Accounts, and Reserves Available for Debt Service on the Bonds – Shortfalls in First Tier Debt Service Account" in such order of priority; provided that such transfer will not be made without the prior written consent of the Hotel Manager from amounts on deposit in the Taxes and Insurance Fund or the Renewal and Replacement Fund and provided further, that transfers may be made from amounts on deposit in the Operating Reserve Fund but only to the extent if such transfer would result in the remaining balance in the Operating Reserve Fund being not less than $4,000,000, or any Debt Service Account if such transfer would result in a shortfall in the amount on deposit therein to pay Debt Service on any Bonds then due. Upon receipt by the Issuer of an opinion of Bond Counsel or a certificate of a Rebate Analyst to the effect that the amount in the Rebate Fund is in excess of the amount required to be contained therein, such excess will be transferred to the Available Revenue Fund.

Administrative Fee Fund

There will be deposited in the Administrative Fee Fund, such amounts as are required to pay the Administrative Expenses related to the administration of the Bonds and the Hotel, including specifically, but without limitation, fees, and expenses of the Trustee, Asset Manager, and any Consultant, and the expenses of the Issuer. Upon the written requisition of an Authorized Corporation Representative, amounts deposited in the Administrative Fee Fund are to be withdrawn for payment for the Administrative Expenses then due and owing or to reimburse the Issuer for the payments of any Administrative Expenses previously paid by the Issuer; provided, however, that the Trustee may debit its annual fee only which is then due and owing directly against the amount on deposit in the Administrative Fee Fund without the need for such requisition.

Right of Access to Funds by the Hotel Manager and the Issuer

So long as the Hotel Operating Agreement has not expired or terminated, the Hotel Manager is entitled to submit Requests and receive funds as described in the Indenture for the purposes and in the manner described therein notwithstanding any Event of Default (as defined in the Indenture), the breach of any provision of the Indenture, or the occurrence of any event or condition which with the giving of notice, the passage of time or both would constitute an Event of Default.

If the Hotel Operating Agreement has expired or terminated and a new Hotel Operating Agreement has not been entered into, until a replacement Hotel Manager has entered into a Hotel Operating Agreement with the Issuer, the Issuer will be entitled to submit Requests and receive funds as described in the Indenture as if the Issuer were the Hotel Manager.

Investments; Use of Investment Earnings

All money in any of the funds established pursuant to the Indenture will be invested as directed in writing by the Issuer, or a designee of the Issuer solely in Investment Securities; provided, however, that investments of money on deposit in the First Tier Debt Service Reserve Fund and the Second Tier Debt Service Reserve Fund will be invested solely in Investment Securities described in clause (a) of the definition thereof as set forth in APPENDIX B – Master Glossary of Terms, which mature in two years and/or less or in Investment Securities described in clauses (d), (g) and (k) of the definition thereof as also set forth in APPENDIX B – Master Glossary of Terms. If the Trustee fails to receive such directions at least one Business Day before the day on which any amounts are required to be invested, the Trustee will invest such amounts in "First American Funds Government Obligations Fund" so long as such fund qualifies as an Investment Security described in clause (d) of the definition thereof as set forth in APPENDIX B – Master Glossary of Terms.

Money in any Fund or Account established pursuant to the Indenture will be invested in Investment Securities maturing, or the principal of and accrued interest on such Investment Securities will be available for withdrawal without penalty, not later than such times as will be necessary to provide moneys when needed for payment to be made from such Funds and Accounts.

Except as otherwise provided in this subsection or by Supplemental Indenture, interest earned or profits realized from investing any moneys deposited in the Funds and Accounts or any subaccount thereof will be transferred to the Available Revenue Fund and applied pursuant to the Indenture, except that interest and profits received from the Rebate Fund must be retained therein.

The amount in the First Tier Debt Service Reserve Fund, the Second Tier Debt Service Reserve Fund and the Operating Reserve Fund must be valued at the date of deposit therein, and not less than every six months thereafter, at the lower of cost or market value thereof, including accrued interest thereon (and will retain the previously determined value until such value is required to be redetermined); provided, however, that Investment Securities described in clauses (g) and (k) of the definition thereof will be valued at an amount available to be withdrawn thereunder. The value of Investment Securities on deposit in other Funds and Accounts established pursuant to the Indenture will be computed by the Trustee not less often than annually.

Refunding Bonds

Subject to certain limitations imposed by the terms of the Hotel Operating Agreement, one or more Series of Refunding Bonds may be issued, authenticated and delivered to refund all Outstanding Bonds of one or more Series or all or any portion of the Outstanding Bond or Bonds of a maturity within one or more Series. Each Series of Refunding Bonds will be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding including providing amounts for the costs incidental to or connected with any such Bond and the making of any deposits into the First Tier Debt Service Reserve Fund, the Second Tier Debt Service Reserve Fund, and any of the funds and accounts required by the provisions of the Supplemental Indenture authorizing such Series of Refunding Bonds. Refunding Bonds of each Series will be executed, delivered and authenticated pursuant to the Indenture upon receipt by the Trustee of certain items required by the Indenture, including the following items; provided however, that if all of the Bonds Outstanding immediately prior to the issuance of the Refunding Bonds are no longer Outstanding immediately after such Refunding Bonds are issued, then only those items set forth in clause (a), (c), (d), (e) and (g)(2) will be required:

(a) certain opinions and instruments as specified by the Indenture;

(b) a certificate of either an Authorized Corporation Representative dated as of the date of issuance of such Series of Refunding Bonds stating that there exists no Event of Default under the Indenture or event which would constitute an Event of Default under the Indenture upon notice and failure to cure as provided in the Indenture;

(c) if any Bonds or portions thereof to be refunded are to be called for redemption, a Letter of Instructions containing irrevocable instructions to the Trustee, satisfactory to it, requiring that due notice be given of the redemption of the Bonds or portions thereof to be refunded on a Redemption Date specified in such instructions;

(d) a Letter of Instructions containing irrevocable instruction to the Trustee, satisfactory to it, requiring that such other notice be given to the Registered Owners of the Bonds being refunded as may be required by the Indenture;

(e) evidence satisfactory to the Trustee that the deposit of money and/or Investment Securities required for a defeasance of the Bonds under the Indenture has been made;

(f) evidence satisfactory to the Trustee that no amendments or supplements will be made to the Indenture in connection with the issuance of the Refunding Bonds which would otherwise require the prior written consent of any of the Registered Owners under the Indenture or, if any such amendments or supplements requiring such consents are being made to the Indenture, that such prior written consents have been obtained;

(g) receipt by the Trustee of one of the following: (1) a Certificate of Reduction in Debt Service; (2) a Certificate of an Authorized Corporation Representative that all of the Bonds Outstanding immediately prior to the issuance of the Refunding Bonds will be redeemed and no longer Outstanding pursuant to the Indenture immediately after the issuance of the Refunding Bonds; (3) if such Refunding Bonds are First Tier Bonds, an Accountant's Certificate that (A) proceeds of such Refunding Bonds, together with any other amounts available under the Indenture for such purpose, are sufficient to redeem on such date fixed for redemption thereof and redeem all of the First Tier Bonds that were Outstanding immediately prior to the issuance of such Refunding Bonds; and (B) unless all of the Second Tier Bonds Outstanding immediately prior to the issuance of the Refunding Bonds are also being redeemed pursuant to the Indenture the Projected Additional Bonds Debt Service Coverage Ratio for the Second Tier Bonds, as applicable, taking into account the Refunding Bonds proposed to be issued and all Outstanding Bonds (other than the Bonds proposed to be refunded with proceeds of such Refunding Bonds), is not less than the Projected Additional Bonds Debt Service Coverage Ratio for the Second Tier Bonds immediately preceding the issuance of the Refunding Bonds, for each Fiscal Year succeeding the date of issuance of such Refunding Bonds; or (4) if such Refunding Bonds are Second Tier Bonds, an Accountant's Certificate that proceeds of such Refunding Bonds, together with any other amounts available under the Indenture for such purpose, are sufficient to redeem on such date fixed for the redemption thereof and redeem all of the Second Tier Bonds that were Outstanding immediately prior to the issuance of such Refunding Bonds; and

(h) such further opinions and instruments as are required by the provisions of the Indenture or by the provisions of any Supplemental Indenture.

Additional Bonds

Subject to any limitations imposed by the terms of the Hotel Operating Agreement, one or more Series of Additional Bonds may be issued, authenticated and delivered upon original issuance for the purpose of financing or refinancing (excluding Refunding Bonds, which will be issued solely in accordance with the "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS – Refunding Bonds" as described herein) the construction, installation, and equipping of additions, renovation, betterments, extensions, or improvements to the Hotel. Additional Bonds of a Series issued for such purposes must be issued in a principal amount not to exceed, together with other money available therefor, the Issuer's estimate of the reasonable costs of the project to be financed or refinanced with the proceeds of the sale of such Series of Additional Bonds, including providing amounts for the costs incidental to or connected with any such Bond and the making of any deposits into the applicable Reserve Fund and any of the funds and accounts required by the provisions of the Supplemental Indenture authorizing such Series of Additional Bonds, as set forth in the resolution of the Issuer authorizing the issuance of such Series of Additional Bonds.

Additional Bonds of each Series, which do not otherwise constitute Refunding Bonds under the Indenture, will be issued only upon receipt by the Trustee (in addition to the opinions and instruments required by the Indenture) of the following items:

(a) a certificate of an Authorized Corporation Representative dated as of the date of issuance of such Series of Additional Bonds stating that there exists no Event of Default under the Indenture or an event which would cause an Event of Default upon notice and failure to cure as provided under the Indenture;

(b) if such Additional Bonds constitute First Tier Bonds, an Accountant's Certificate that (i) the Debt Service Coverage Ratio for the First Tier Bonds and the Second Tier Bonds during the Fiscal Year immediately preceding the date of issuance of such Additional Bonds was no less than 2.50:1.00 and 1.50:1.00, respectively; (ii) the Projected Additional Bonds Debt Service Coverage Ratio for the First Tier Bonds and Second Tier Bonds, in each case, taking into account the Additional Bonds proposed to be issued and all Outstanding Bonds, is not less than 2.50:1.00 and 1.50:l.00, respectively, for each Fiscal Year succeeding the date of issuance of such Additional Bonds; and (iii) each rating agency then rating the Bonds confirms in writing that the then-current ratings on the Outstanding First Tier Bonds will not be lowered as a result of the issuance of such Additional Bonds;

(c) if such Additional Bonds constitute Second Tier Bonds an Accountant's Certificate to the effect that (i) the Debt Service Coverage Ratio for the Second Tier Bonds during the Fiscal Year immediately preceding the date of issuance of such Additional Bonds was no less than 1.50:1.00; (ii) the Projected Additional Bonds Debt Service Coverage Ratio for the First Tier Bonds and the Second Tier Bonds is not less than 1.50:1.00 for each Fiscal Year following the date of issuance of such Additional Bonds; (iii) each rating agency then rating the Bonds confirms in writing that the then-current ratings on the Outstanding First Tier Bonds and Second Tier Bonds will not be lowered as a result of the issuance of such Additional Bonds; and

(d) such further opinions and instruments as are required by the provisions in the Indenture or by the provisions of any Supplemental Indenture.

Notwithstanding any provision of the Indenture to the contrary, the Issuer may incur or issue Short Term Indebtedness to fund any projected or actual Cash Flow Deficits secured by and payable from a pledge of and first lien on Gross Operating Revenues; provided, however, that the aggregate principal amount of Short Term Indebtedness that can be outstanding at any one time will not exceed $2,500,000. Such Short Term Indebtedness will not be secured by a pledge of or lien on any other portion of the Trust Estate including, without limitation, the Hotel, and will not be entitled to any of the rights or benefits granted to the Registered Owners of the Bonds in the Indenture, including, without limitation, the right to declare an Event of Default under the Indenture and to exercise the remedies as set forth in the Indenture.

Junior Lien Obligations

The Issuer reserves the right to issue for any lawful purpose directly related to the Hotel, bonds, notes, or other obligations secured in whole or in part by liens on the Available Revenues that are junior and subordinate to the lien on Available Revenues securing payment of the Bonds and Short Term Indebtedness and to the other provisions of the Indenture, payable from any amounts available therefor as set forth in clause *Thirteenth* under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS – Flow of Funds." Any such subordinated obligation will be subject to the provisions of a subordination agreement delivered by the creditors thereon to the Trustee, containing the provisions substantially to the effect in the Indenture providing that such obligations are and will remain junior and subordinate to the First Tier Bonds, the Second Tier Bonds, and the Short Term Indebtedness.

Priority of Payment of Bonds

Payment of Debt Service on each Tier of Bonds and of each Series of Bonds within each Tier will be subject to (i) the priority of the deposits to be made in the applicable Debt Service Accounts in accordance with any provisions of the Indenture and (ii) the availability of amounts on deposit in a particular Fund or Account to pay such Debt Service as set forth in the Indenture.

Notwithstanding any other provisions of the Indenture, as long as any First Tier Bonds are Outstanding, no Event of Default will exist or may be declared to exist with respect to the Second Tier Bonds and the Trustee will not declare a default with respect to the Second Tier Bonds or otherwise enforce the provisions hereof relating to the Second Tier Bonds. The Registered Owners of the Second Tier Bonds, by acceptance of their Bonds, expressly agree to and acknowledge that so long as any First Tier Bonds are Outstanding, no payments will be due and payable on any Second Tier Bond if the Trustee does not rightfully hold sufficient funds in the Second Tier Debt Service Account or which are otherwise rightfully available for transfer to the Second Tier Debt Service Account to make such payment, (i) no Registered Owner of a Second Tier Bond will institute against, or join any other person in instituting against, the City or the Issuer any bankruptcy, reorganization, arrangement, insolvency or liquidation proceeding, or other proceeding under any bankruptcy or similar law, until the date on which no First Tier Bonds remain Outstanding and (ii) so long as any First Tier Bonds remain Outstanding, no default or Event of Default will exist or may be declared to exist with respect to the Second Tier Bonds.

Upon any distribution of all or any part of the Trust Estate to any Registered Owner, (i) in the event of any insolvency or bankruptcy case or proceeding, or any receivership, liquidation, reorganization, or other similar case or proceeding in connection therewith, relative to the Issuer, or its assets; (ii) in the event of any liquidation, dissolution, or other winding up of the Issuer, whether voluntary or involuntary and whether or not involving insolvency or bankruptcy; (iii) in the event of any assignment for the benefit of creditors or any other marshalling of assets and liabilities of the Issuer; or (iv) in any manner inconsistent with the provisions of this subsection, then in any such event payment of Debt Service on the Bonds will be made in the order of priority as set forth in the Indenture. In addition, so long as any First Tier Bonds are then Outstanding, all rights and votes that the Registered Owners of Second Tier Bonds have upon the occurrence of any of the events set forth in clauses (i), (ii), or (iii) in this paragraph will be assigned to the Registered Owners of the First Tier Bonds.

If any payments are received by any of the Registered Owners on account of its Bonds contrary to the provisions of the Indenture, such payments will be held in trust by such Registered Owners for the Trustee's benefit and will be delivered to the Trustee in kind, to be applied to, or held as collateral for, the payment of the Bonds then entitled to be paid from such amounts.

RISK FACTORS

THE PURCHASE OF THE SERIES 2017 BONDS IS SUBJECT TO CERTAIN RISKS. EACH PROSPECTIVE INVESTOR IN THE SERIES 2017 BONDS SHOULD READ THIS OFFICIAL STATEMENT IN ITS ENTIRETY, INCLUDING ALL APPENDICES HERETO. PARTICULAR ATTENTION SHOULD BE GIVEN TO THE FACTORS DESCRIBED BELOW THAT, AMONG OTHERS, COULD AFFECT THE PAYMENT OF PRINCIPAL OF AND INTEREST ON THE SERIES 2017 BONDS AND THAT COULD ALSO AFFECT THE MARKET PRICE OF THE SERIES 2017 BONDS TO AN EXTENT THAT CANNOT BE DETERMINED.

General

The foregoing is intended only as a summary of certain risk factors attendant to an investment in the Series 2017 Bonds, and is not intended to be exhaustive of all potential risks. In order to allow potential investors to identify risk factors and make an informed investment decision, a potential investor should be thoroughly familiar with the entire Official Statement and the appendices hereto and should have accessed whatever additional financial and other information it has deemed necessary to make its decision to invest in the Series 2017 Bonds.

The Issuer has no appreciable assets other than its interest in the Hotel. The Issuer's ability to derive Available Revenues from the use and operation of the Hotel in amounts sufficient to pay Debt Service on the Series 2017 Bonds depends upon numerous factors most of which are not within the control of the Issuer. Further, additional and as-yet-unforeseeable considerations may develop in the future that may significantly affect the operation of the Hotel.

Although it is anticipated that the Hotel will generate sufficient Net Operating Revenues to enable the Issuer to pay the Debt Service when due on the Series 2017 Bonds, an investment in the Series 2017 Bonds involves an element of risk. Purchasers of the Series 2017 Bonds are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Series 2017 Bonds. Described below are certain factors that could affect completion of the Hotel, future use and operation of Hotel, and the ability of the Issuer to pay Debt Service on the Series 2017 Bonds.

Operations Risks

Special or Limited Obligations of the Issuer

The Series 2017 Bonds are limited obligations of the Issuer payable primarily from Total Net Revenues and money held in certain Funds and Accounts under the Indenture. Any factor that adversely affects the receipt of Total Net Revenues, therefore, creates a risk that Debt Service on the Bonds will not be paid when due. The principal source of Total Net Revenues will be revenues derived from room rentals, food sales to guests of the Hotel, and parking fees from the Hotel Unit Parking Spaces remaining after payment of Operating Expenses, Capital Expenses pursuant to an approved Capital Budget or to correct an emergency, Administrative Expenses, the Taxes and Insurance Set Aside Amount, and the Renewal and Replacement Set Aside Amount. The primary risk factor associated with the receipt of such revenues is the occupancy level of the Hotel Unit. Because Operating Expenses, Capital Expenses, Administrative Expenses, the Taxes and Insurance Set Aside Amount, and, with respect to the Series 2017B Bonds only, the Renewal and Replacement Set Aside Amount are paid or funded from Gross Operating Revenues of the Hotel before Debt Service on the Bonds, any factor that decreases occupancy or increases such amounts creates a risk that Debt Service on the Bonds will not be paid when due. Some of the factors that may adversely affect the receipt of Gross Operating Revenues of the Hotel are discussed below.

Risks Associated with the Hotel Industry

A number of factors, many of which may be beyond the control of the Issuer or the Hotel Manager, could have an adverse impact on the net revenues and value of the Hotel, including adverse changes in the national or state economy and levels of tourism, terrorist attacks, competition from other hotels, sales taxes, energy costs, governmental rules and policies (including environmental restrictions and changes in zoning and land use), potential environmental and other liabilities, interest rate levels, and tax laws affecting real estate. Levels of tourism are highly dependent upon gasoline and other fuel prices, airline fares, and the national economy. In addition, the revenues and value of the Hotel are dependent upon convention business in the City. Because hotel rooms are rented for a relatively short period of time compared to most commercial properties, hotels are affected more quickly to adverse economic conditions and competition than do other commercial properties that are rented for longer periods of time.

Occupancy and Room Rate Risks

Revenue from the Hotel is largely generated from the rental of hotel rooms. The Issuer's ability to make Debt Service payments largely depends on the occupancy rates and average daily rates ("ADRs") at the Hotel Unit and the ability of the Issuer to maintain occupancy volume at a level that does not adversely affect the Hotel's cash flow. Key factors affecting the amount of revenues generated from the rental of hotel rooms include the hotel's brand name recognition, market support, and reservation systems. Occupancy and ADRs will also be affected by factors outside the control of the Issuer, such as general levels of tourism, convention business, particularly convention business at the City's Convention Center, and seasonality. Such fluctuations may adversely affect the amount and timing of Net Operating Revenues and, consequently, adversely affect the amount and timing of amounts available to pay Debt Service on the Series 2017 Bonds.

Reliance on Brand Name Recognition and Competent Management

The occupancy rates and room rates charged by the Hotel are dependent in part on national brand name recognition. This is particularly true in the case of a convention center headquarters hotel. Convention planners and in-house group planners in large part book their conventions and groups into hotels with national recognition. In addition, the Hotel Market Study bases its economic forecast on the assumption that Hilton, with its national brand name recognition, will competently manage the Hotel. If Hilton were to discontinue its services as the Hotel Manager or fail to renew the Hotel Operating Agreement in the future, this could adversely impact the occupancy rates and average room rates of the Hotel unless Hilton were replaced by a comparable operator with national brand name recognition. See "THE HOTEL – Hotel Operating Agreement" for a description of the conditions under which Hilton's services as the Hotel Manager may be terminated prior to the expiration of the current term of the Hotel Operating Agreement, which expires in 2021.

Limited Rights Under the Hotel Operating Agreement

Under the Hotel Operating Agreement, the Hotel Manager has the sole and exclusive right to manage and operate the Hotel until December 6, 2021. The Issuer has limited rights under the Hotel Operating Agreement to control the operation of the Hotel by the Hotel Manager or to direct the Hotel Manager to make changes in the manner in which it is operating the Hotel. In addition to any termination right that the Issuer has pursuant to the Hotel Operating Agreement, subject to the terms of the Hotel Operating Agreement, the Issuer will have the right to terminate the Hotel Operating Agreement (with any consent required pursuant to the terms of the Indenture) in the event (each such event a "Performance Termination Event"): (a) with respect to any Operating Year during the Performance Test Period, the

Series 2017A and B Performance Standard is not satisfied; or (b) with respect to any two (2) consecutive Operating Years during the Performance Test Period, the REVPAR Performance Standard is not satisfied; or (c) with respect to two (2) out of any three (3) consecutive Operating Years during the Performance Test Period, the Series 2017 Bonds Performance Standard and the REVPAR Performance Standard are not satisfied. However, the Hotel Manager has the right to eliminate a Performance Termination Event under (a) above, if, for the applicable Operating Year, the Hotel Manager loans the amount of the shortfall to the Trustee for deposit in the Lockbox Fund upon such terms as will be mutually agreed to by the Issuer and the Hotel Manager; provided however that prior to making such loan, there will be delivered to the Issuer and the Hotel Manager an Opinion of Bond Counsel to the effect that such loan will not cause the interest on the Bonds to be included in gross income of the holders thereof for federal income tax purposes; provided further however, this right may be exercised by the Hotel Manager not more often than once during any three consecutive Operating Years.

To the extent consistent with the Operating Standard, the Hotel Manager has agreed to operate and manage the Hotel in a manner reasonably calculated to: (i) protect and preserve the assets that comprise the Hotel and (ii) maximize over the Operating Term the financial return to the Issuer from the operation of the Hotel as a first class, convention center headquarters hotel, after taking into consideration the Room Block Commitment. In addition, the Issuer is entitled to withhold the approval of the annual Capital Budget and Operating Plan and Budget submitted by the Hotel Manager for the upcoming Operating Year under certain specified conditions as set forth in the Hotel Operating Agreement. The Indenture and the Hotel Operating Agreement permit the Issuer to employ a Hotel Consultant to make recommendations as to the operation of the Hotel Unit and the Hotel Unit Parking Spaces if the Debt Service Coverage Requirement is not met for the preceding Operating Year. Disagreements between the Hotel Manager and the Issuer regarding the proposed Capital Budget or Operating Plan and Budget, including, without limitation, recommendations of the Hotel Consultant with respect to such matters, will be resolved through a process of mediation and arbitration, if necessary. While any disagreement is being resolved, the prior Operating Year's Capital Budget and Operating Plan and Budget will control as to the disputed issues, subject to certain permitted increases and limitations.

Expiration or Early Termination of or Failure to Renew Certain Hotel Operating Agreements

The Hotel Operating Agreement is for a stated term expiring on December 6, 2021, which is earlier than the final maturity date of the Bonds. In addition, the Hotel Operating Agreement may be terminated earlier upon the occurrence of certain events, including the bankruptcy of the Hotel Manager or the Issuer. The projected operating results for the Hotel are dependent in part upon the existence of the Hotel Operating Agreement or an agreement entered into by the Issuer with substantially the same terms as the Hotel Operating Agreement. If the Hotel Operating Agreement expires, terminates, or is not renewed prior to the final maturity of the Bonds, no assurance can be given as to the nature of the terms contained in any new Hotel Operating Agreement, although the Indenture requires that any new management agreement be a "Qualified Management Agreement", and further provides that each Hotel Operating Agreement executed after the expiration or termination of the initial Hotel Operating Agreement contain terms and conditions substantially similar to the initial Hotel Operating Agreement.

Fourth Street Access to and from the Hotel

A Capital Metro light rail station is currently located at Fourth Street on the South side of the Hotel (the "Fourth Street Station"). Capital Metro has plans to expand the Fourth Street Station from one track to three tracks, which if approved, would eliminate one-way vehicular traffic from Fourth Street from the IH-35 South frontage road to Neches Street. The Issuer expects that traffic patterns would be re-engineered by the City, should it approve the Fourth Street Station expansion, so as to convert Fifth Street, which currently runs one way from Neches Street to the IH-35 South frontage road, to allow for two-way traffic, and also to convert Neches-Street to a cul-de-sac, allowing guests of the Hotel coming from the IH-35 South frontage road to access the Hotel from Fifth Street. The Issuer is also considering the addition of a second tunnel to the parking garage for valet access should the Fourth Street Station be expanded. The funding for the valet tunnel will be financed from excess net revenues of the Hotel, and not from the issuance of additional bonds. The Issuer does not expect the expansion of the Fourth Street Station to adversely impact the value or operations of the Hotel.

Change of Management

Upon the occurrence of certain events, the Hotel Operating Agreement may be terminated by either party. Under certain circumstances the Issuer may terminate the Hotel Operating Agreement upon the occurrence of a Performance Termination Event. See APPENDIX D – Summary of Certain Provisions of the Hotel Operating Agreement. In this event, it is the responsibility of the Issuer to find a replacement Hotel Manager who has the ability and the experience to manage the Hotel within the covenants and conditions of the Bond Documents and to arrange for new instruments and agreements governing the management of the Hotel. There can be no assurances given that such a Hotel Manager could be found, and if found, would be able to manage the Hotel as currently contemplated.

Single Purpose Asset

The Issuer has no appreciable assets other than its interest in the Hotel. Therefore, as a practical matter, owners of the Bonds must look to the Hotel to produce the revenues to pay the amounts due under the Indenture, and, in the event of insolvency of the Issuer, the only asset of the Issuer which can reasonably be anticipated to be available to produce revenues to pay the amounts due under the Indenture will be the Hotel. The Issuer believes that, based upon Hotel Market Consultant's projections, it will be able to earn sufficient revenues from the Hotel to meet its obligations under the Indenture.

Competition

The level of occupancy of the Hotel and the room rates charged by the Hotel are directly affected by competition from other hotels. Since the opening of the JW Marriott in 2015, and approximately 2,093 rooms have been added to downtown Austin, approximately 3,028 rooms are currently under construction or seeking enitilements. As new supply enters the market, or existing hotels are renovated or improved, the Hotel's market share and occupancy rates could be adversely impacted. The Hotel will not only be subject to competition from hotels in the City and the surrounding area, but will also be affected by competition from other cities across the United States competing for national convention center business. As a convention center headquarters hotel, the Hotel will be competing to attract national convention attendees to the Hotel. As discussed in the Hotel Market Study several cities in Texas are also providing large hotels adjacent to convention centers to attract national conventions. See APPENDIX A – Market Study Report.

Marketing; Failure to Attract Guests

The Hotel Manager will market the Hotel Unit pursuant to the Hotel Operating Agreement. There can be no assurances that the Hotel Manager's efforts will be successful in attracting guests in sufficient numbers who pay room rates sufficient to pay Debt Service on the Series 2017 Bonds.

Risk of Income-Producing Property

The timely payment of the Series 2017 Bonds is secured by income-producing properties and, therefore, is dependent upon occupancy rates and the successful operation of the Hotel, rather than upon the liquidation value of the Hotel. If the Net Operating Income from the Hotel is reduced (for example, if occupancy rates decline or operating expenses increase), the Issuer's ability to make Debt Service payments may be impaired. Furthermore, the liquidation value of the Hotel may be adversely affected by risks generally incident to interests in real property, including changes in economic conditions or tourism; declines in real estate values; declines in rental or occupancy rates; increases in interest rates; and other operating expenses including energy costs; changes in governmental rules, regulations, and fiscal policies, including environmental legislation; acts of God; "terrorist attacks" and other factors which are beyond the Issuer's and the Hotel Manager's control.

Pledge and Assignment of Future Revenues

Pursuant to and subject to the terms of the Indenture, the Issuer has assigned and pledged to the Trustee the Gross Revenues in order to make all payments due under the Indenture, all of which are pledged and assigned to the Trustee for the benefit of the Registered Owners of the Series 2017 Bonds under the Indenture and the Deed of Trust.

Nevertheless, certain interests and claims of others may be on a parity with or prior to (i) the deposit of Gross Revenues with the Depository Bank pursuant to the Cash Management Agreement and (ii) the pledge and assignment of the Gross Revenues made in the Indenture, and certain statutes and other provisions may limit the Issuer's right to make such pledges and assignments. Examples of such claims, interests and provisions are:

(a) statutory liens;

(b) applicable Texas laws may not recognize a security interest in future revenues derived from the Hotel;

(c) rights arising in favor of the United States of America or any agency thereof on failure of the Trustee or the Issuer to comply with federal or state statutes regarding the assignment of certain claims;

(d) constructive trusts, equitable liens, or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction;

(e) federal bankruptcy laws as they affect amounts earned with respect to the Hotel within 90 days preceding and at all times after any effectual institution of bankruptcy proceedings by or against the Issuer;

(f) as to those items in which a security interest, lien, or pledge can be perfected only by possession, including items converted to cash, the rights of third parties in such items not in the possession of the Trustee;

(g) prohibitions against assignment contained in federal or state statutes;

(h) the security interest of third party creditors in "proceeds" of property subject to a Permitted Encumbrance, which "proceeds" may be deemed to constitute revenues;

(i) items not in possession of the Trustee, the records to which are located or moved outside the State of Texas, which are thereby not subject to or are removed from the operation of Texas law; and

(j) the requirement that appropriate notices be filed in accordance with applicable Texas law as from time to time in effect.

Litigation Relating to the Issuer

In the normal course of business, the Issuer with respect to its ownership of the Hotel is a defendant or third party defendant in various immaterial suits. All cases pending are all vigorously contested by the Issuer and, in the opinion of Issuer's counsel, are not expected to have any material impact on the financial condition of the Issuer.

Enforceability of Remedies and Bankruptcy of the Issuer

The practical realization of value from the Hotel upon any default will depend upon the exercise of various remedies specified by the security documents securing the Series 2017 Bonds. These and other remedies may, in many respects, require judicial actions, which are often subject to discretion and delay. Under existing law (including particularly federal bankruptcy law), the remedies specified by such documents may not be readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in the security documents. In addition, federal bankruptcy law permits the adoption of a reorganization plan even though the plan has not been accepted by the Majority of Bondholders, if such owners are provided with the benefit of their original lien or the "indubitable equivalent" thereof. If a bankruptcy court concludes that the owners of the Series 2017 Bonds have "adequate protection", it may (1) substitute other security subject to the lien of the owners of the Series 2017 Bonds and (2) subordinate the lien of the owners of the Series 2017 Bonds (a) to claims by persons supplying goods and services to the Issuer after bankruptcy and (b) to the administrative expenses of the bankruptcy proceeding. In the event of bankruptcy of the Issuer, the amount realized by the owners of the Series 2017 Bonds might depend on a federal bankruptcy court's interpretation of "indubitable equivalent" and "adequate protection" under the then existing circumstances. A bankruptcy court may also have the power to invalidate certain provisions of the security documents which make bankruptcy and related proceedings by the Issuer an event of default thereunder. The various legal opinions to be delivered concurrently with the delivery of the Series 2017 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings, and decisions affecting remedies and by bankruptcy, reorganization, or other laws affecting the enforcement of creditors' rights generally.

Liquidation of Security May Not Be Sufficient in the Event of a Default

In the event of a default by the Issuer under the Indenture, the Trustee and/or the Issuer must look solely to the Hotel and Available Revenues to pay and satisfy the Series 2017 Bonds in accordance with their terms. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS." In the event the Available Revenues from the Hotel are insufficient to pay the amounts due on the Series 2017 Bonds, then once the other security for the Series 2017 Bonds has been exhausted, the owners of the Series 2017 Bonds will have no person or entity to pursue for any deficiency which may exist. The practical use of the Hotel is limited to its use as a hotel and garage. If it were necessary to foreclose the lien created under the Hotel Deed of Trust, net proceeds received may be less than the principal amount of the Series 2017 Bonds outstanding.

Insurance Proceeds May Not Be Sufficient in the Event of Damage or Destruction

The owners of the Series 2017 Bonds must look primarily to Available Revenues to pay and satisfy the Bonds in accordance with their terms. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS." The Indenture requires that in the event of damage to, destruction of, condemnation of, or a title defect relating to the Hotel, if the conditions set forth in the Indenture for such application have been met, the Issuer will apply the proceeds of insurance or condemnation award, together with other amounts available therefor, to repair or replace the property damaged, destroyed, or taken, as applicable, and apply any proceeds not used for repair or replacement to the payment of any reimbursement obligations then due and owing and then to the redemption of the Series 2017 Bonds. In addition, in the event the damage to, destruction of, condemnation of, or a title defect relating to the Hotel, in which there are not sufficient proceeds to repair or replace the Hotel, then the proceeds will be applied to redeem the Series 2017 Bonds in accordance with the provisions set forth under the caption "THE SERIES 2017 BONDS – Redemption Provisions – Extraordinary Mandatory Redemption" herein.

Insurance

The Issuer is obligated to obtain or cause to be obtained insurance providing coverage in the amount required by the Hotel Operating Agreement and the Indenture. An unanticipated volume of claims under these insurance policies, however, could cause the payment of unforeseen amounts as deductibles and increased premiums, thereby adversely affecting the Issuer's finances. Changes in the insurance market may cause the costs of obtaining insurance coverage in the amount required by the Hotel Operating Agreement to increase to levels not projected in the operating budget of the Hotel, thereby adversely affecting the Issuer's finances.

Reliance Upon Austin Convention Center

According to the Hotel Market Study, the ability of the Austin Convention Center to attract citywide and large conventions will have a direct impact on the success of the Hotel. See "HOTEL – Market Study Report." However, there has and can be no assurance the Convention Center will be successful in attracting larger or more frequent conventions and the City has made no representations, warranties, or covenants regarding attracting conventions or the impact that it may have on the occupancy of the Hotel. The Convention Center's operations may be affected by casualty losses at the Convention Center or trends in the convention industry, which are further affected by political and economic events beyond the control of the Issuer. Finally, although the Austin Convention Center Department has indicated its need for substantial rooms available to users of its facilities, it is not obligated in any way to provide any particular room usage for the benefit of the Hotel. In addition, with the opening of the JW Marriott, competition for Convention Center users has increased. See APPENDIX A – Market Study Report.

Normal Risks Attending Investment in Real Estate

There are many diverse risks attending any investment in real estate, not within the Hotel Manager's or the Issuer's control, which may have a substantial bearing on the profitability and financial feasibility of the Hotel. Such risks include, without limitation, possible adverse use of adjoining land, fire or other casualty, condemnation, increased taxes (although the City has received a letter from the Travis Central Appraisal District concluding that the Hotel Legal Unit is exempt from ad valorem taxes under applicable provisions of Texas law), changes in demand for such facilities, decline in the neighborhood and general economic conditions, and changing governmental regulations. Repayment of the Series 2017 Bonds will be dependent primarily on the cash flow derived from, and the market or liquidation value of, the Legal Hotel Unit. Commercial real estate lending can be affected significantly by supply and demand in the market for the type of property securing a loan and, therefore, may be subject to adverse economic conditions. Market values may vary as a result of economic events, seasonality, or governmental regulations outside the control of the Issuer, which factors may impact the future cash flow of the Hotel.

Actual Results May Differ From Forecasts

The financial forecast contained herein is based upon assumptions made by the Market Study. There will usually be differences between forecasted and actual results, since events and circumstances frequently do not occur as expected, and those differences may be material. In particular, any substantial decrease in occupancy or average daily rates will reduce revenues available for Debt Service on the Series 2017 Bonds. See "FORWARD-LOOKING STATEMENT DISCLAIMER."

Additional Debt

The Indenture provides that the Issuer may issue Additional Bonds, including Refunding Bonds, secured by Available Revenues and the Hotel on a parity with the Series 2017A Bonds or the Series 2017B Bonds as described herein under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS – Additional Bonds." The Issuer is not obligated to issue Additional Bonds, however, and has no present intent of issuing Additional Bonds.

Environmental Risks

The Issuer, as owner of the Hotel, has potential liability for hazardous substance under most state and federal environmental statutes, laws, and regulations. In addition to liability for release of hazardous substances at the Hotel due to its own actions, the Issuer, as owner, could be held liable for releases of hazardous substances by previous owners/lessees of the Hotel. No assurance can be given that environmental conditions do not now or will not in the future exist at the Hotel which could become the subject of enforcement actions by governmental agencies.

Loss of Tax Exemption

As discussed under the heading "TAX MATTERS" herein, the interest on the Series 2017 Bonds could become includable in gross income for purposes of federal income taxation, retroactive to the date of delivery of the Series 2017 Bonds, as a result of acts or omissions of the Issuer or the Hotel Manager in violation of certain covenants in the Indenture and the Hotel Operating Agreement or as a result in changes in federal tax law.

Pending Tax Legislation

The opinions expressed by Bond Counsel as to compliance with the provisions of the Tax Code described under "TAX MATTERS" are based upon existing law as of the delivery date of the Series 2017 Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to any pending or proposed legislation.

TAX MATTERS

Opinion

On the date of initial delivery of the Series 2017 Bonds, Winstead PC, Bond Counsel, will render its opinion that, under existing law, and assuming compliance with certain covenants and the accuracy of certain representations, discussed below, interest on the Bonds is excludable from gross income for federal income tax purposes and is not subject to the alternative minimum tax on individuals and corporations; however, interest on the Series 2017 Bonds will be included in the "adjusted current earnings" of a corporation (other than an S corporation, regulated investment company, Real Estate Investment Trust, Real Estate Mortgage Investment Conduit, or Financial Asset Securitization Investment Trust) for purposes of computing its alternative minimum tax liability. Corporate purchasers of the Series 2017 Bonds should consult their tax advisors regarding the computation of alternative minimum tax. See APPENDIX E—Form of Bond Counsel Opinion.

The Code establishes certain requirements that must be met at and subsequent to the issuance of the Series 2017 Bonds in order for interest on the Series 2017 Bonds to be and remain excludable from federal gross income. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, restrictions on the investment of proceeds and other amounts, and rebate to the United States of certain earnings from investments. Failure to comply with these continuing requirements may cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of their issuance. The Issuer has covenanted to comply with certain procedures, and has made certain representations and certifications, designed to assure compliance with these Code requirements. In rendering its opinion, Bond Counsel will rely on these covenants, and on representations and certifications of the Issuer relating to matters solely within its knowledge (which Bond Counsel has not independently verified), and will assume continuing compliance by the Issuer.

Prospective purchasers of the Series 2017 Bonds should be aware that ownership of, accrual or receipt of interest on, or disposition of the Series 2017 Bonds may have collateral federal income tax consequences for certain taxpayers, including financial institutions, certain subchapter S corporations, United States branches of foreign corporations, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, taxpayers eligible for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. The foregoing is not intended as an exhaustive list of potential tax consequences. Prospective purchasers of the Series 2017 Bonds should consult their tax advisors regarding any potential collateral tax consequences. Bond Counsel expresses no opinion regarding any such collateral tax consequences.

The statutes, regulations, published rulings, and court decisions on which Bond Counsel has based its opinion are subject to change by Congress, as well as to subsequent judicial and administrative interpretation by courts and the Internal Revenue Service (the "Service"). No assurance can be given that such law or its interpretation will not change in a manner that would adversely affect the tax treatment of receipt or accrual of interest on, or the acquisition, ownership, market value, or disposition of, the Bonds. No ruling concerning the tax treatment of the Series 2017 Bonds has been sought from the Service with respect to matters addressed in the opinion of Bond Counsel, and the opinion of Bond Counsel is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on governmental obligations. No assurance can be given regarding whether or not the Service will commence an audit of the Series 2017 Bonds. If an audit is commenced of the Bonds, under current procedures, the Service is likely to treat the Issuer as the "taxpayer", and owners of the Series 2017 Bonds 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 the Series 2017 Bonds, the Issuer may have different or conflicting interests from those of the Owners. Public awareness of any future audit of the Series 2017 Bonds could adversely affect the value and liquidity of the Series 2017 Bonds during the pendency of the audit, regardless of its ultimate outcome.

The opinions set forth above are based on existing law and Bond Counsel's knowledge of relevant facts on the date of issuance of the Series 2017 Bonds. Such opinions are an expression of professional judgment and are not a guarantee of result. Except as stated above, Bond Counsel expresses no opinion regarding any other federal, state, or local tax consequences under current law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition, ownership, or disposition of, the Series 2017 Bonds. Further, Bond Counsel assumes no obligation to update or supplement its opinions to reflect any facts or circumstances that may come to its attention, or any changes in law that may occur after the issuance date of the Series 2017 Bonds. In addition, Bond Counsel has not undertaken to advise in the future whether any events occurring after the issuance date of the Series 2017 Bonds may affect the tax-exempt status of interest on the Series 2017 Bonds.

Original Issue Discount

Certain of the Series 2017 Bonds (the "Discount Bonds") may be offered and sold to the public at an "original issue discount" ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of such Series 2017 Bonds. The issue price of Discount Bonds is the initial offering price to the public (other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers) at which a substantial amount of Discount Bonds of the same maturity are sold pursuant to that offering.

For federal income tax purposes, OID accrues to the owner of a Discount Bond over such Discount Bond's period to maturity based on the constant interest rate method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). Bond Counsel is of the opinion that the portion of OID that accrues during the ownership period of a Discount Bond (i) is interest excludable from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as is other interest on the Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, sale, or other disposition of that Discount Bond. OID may be treated as continuing to accrue even if payment of the Discount Bonds becomes doubtful in the event that the Issuer encounters financial difficulties, and it is treated as interest earned by cash-basis owners (with possible tax consequences under the corporate alternative minimum tax as discussed above), even though no cash corresponding to the accrual is received in the year of accrual. A purchaser of a Discount Bond at its issue price in the initial public offering who holds that Discount Bond to maturity will realize no gain or loss upon the retirement of such Discount Bond.

The federal income tax consequences of the acquisition, ownership, redemption, sale, or other disposition of Discount Bonds not purchased in the initial offering at the initial offering price may be determined according to rules different from those described above. Owners of such Discount Bonds should consult their tax advisors regarding the federal, state, and local income tax treatment and consequences of acquisition, ownership, redemption, sale, or other disposition of such Discount Bonds.

Original Issue Premium

Certain maturities of the Series 2017 Bonds (the "Premium Bonds") may be offered and sold to the public at prices greater than their stated redemption prices (the principal amount) payable at maturity ("Bond Premium"), which, for federal income tax purposes, is amortized over the period to maturity of the Premium Bond based on the yield to maturity of that Premium Bond (or, in the case of a Premium Bond callable prior to its stated maturity, an amortization period and yield determined on the basis of the earliest call date resulting in the lowest yield on that Premium Bond), compounded semiannually. No portion of that Bond Premium is deductible by the Premium Bond owner.

For purposes of determining a Premium Bond owner's gain or loss on sale, redemption (including redemption at maturity), or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of Bond Premium that accrues during the ownership period. As a result, an owner of a Premium Bond may realize taxable gain for federal income tax purposes upon the sale or other disposition of such Premium Bond for an amount equal to or less than the amount paid by the owner for that Premium Bond. A purchaser of a Premium Bond at its issue price in the initial offering who holds that Premium Bond to maturity (or, in the case of a callable Premium Bond, to the earliest call date resulting in the lowest yield on that Premium Bond) will realize no gain or loss upon retirement of that Premium Bond. Owners of Premium Bonds should consult their tax advisors with respect to the determination for federal income tax purposes of the amount of Bond Premium properly accruable in any tax year (or portion thereof), and with respect to other federal, state, and local tax consequences of owning and disposing of Premium Bonds.

RATINGS

S&P Global Ratings ("S&P") has assigned a preliminary long-term rating of "BBB+" to the Series 2017A Bonds. The Series 2017B Bonds have received a preliminary long-term rating of "BBB-" from S&P.

The ratings reflect only the views of S&P. Any explanation of the significance of the ratings assigned to such Bonds may be obtained only from S&P. The Issuer furnished to such rating agency certain information and materials, some of which may not have been included in this Official Statement, relating to such Bonds and the Issuer. Generally, rating agencies base their ratings upon such information and materials and investigation, studies and assumptions by the rating agencies. There can be no assurance that a rating when assigned will continue for any given period of time or that it will not be lowered or withdrawn entirely by a rating agency if in its judgment circumstances so warrant. Any such downward change in or withdrawal of a rating may have an adverse effect on the marketability or market price of such Bonds. The Issuer will undertake no responsibility to notify the owners of such Bonds of any such revisions or withdrawals of ratings.

The Issuer expects to furnish to such rating agency information and materials that it may request. However, the Issuer assumes no obligation to furnish requested information and materials, and may issue bonds for which a rating is not requested. Failure to furnish requested information and materials, or the issuance of bonds for which a rating is not requested, may result in the suspension or withdrawal of a rating agency's rating.

There is no assurance that such ratings will continue for any period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of any of the ratings may have an adverse effect on the market price of the Bonds. A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.

CONTINUING DISCLOSURE

The Issuer has covenanted for the benefit of the holders of the Series 2017 Bonds, pursuant to a Continuing Disclosure Agreement a form of which is attached as APPENDIX F (the "Disclosure Undertaking") to be executed and delivered by the Issuer, at the closing, to provide or cause to be provided, among other things (i) each year, certain financial information and operating data relating to the Hotel (the "Annual Report") by not later than six months after the fiscal year end of the Issuer, commencing with the Annual Report for the fiscal year ending after December 31, 2016; provided, however, that if the audited financial statements of the Hotel are not available by such date, they will be provided when and if available, and unaudited financial statements will be included in the Annual Report, (ii) operations reports when prepared by the Asset Manager; unaudited quarterly reports (which will include income and cash flow statements and balance sheets) to be provided within 45 days of the end of each quarter; and (iii) timely notices of the occurrence of certain enumerated events, if material.

Compliance with Prior Undertakings

For fiscal years ending 2016, 2015 and 2014, the Issuer failed to file a cover page to an exhibit to its annual report as required under Series 2006 Bonds continuing disclosure agreement. However, the operating and financial information required to be provided in the omitted cover page was available in the Issuer's certified annual financial reports and compliance letters, which were timely filed for each such year. The Issuer makes no representation or opinion as to the materiality of this omission.

FORWARD-LOOKING STATEMENT DISCLAIMER

The statements contained in this Official Statement, including, but not limited to information under the headings "OPERATION OF THE HOTEL" and "PLAN OF FINANCE" and in any other information provided by the parties to the transaction described herein that are not purely historical are forward-looking statements, including statements regarding the Issuer'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 Issuer as of the date hereof, and neither the Issuer nor the other parties to the transaction described herein assumes any obligation to update any such forward-looking statements. The Issuer's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherent 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, 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 of future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Issuer and the other parties to the transaction described herein. 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.

UNDERWRITING

The Underwriters have agreed, subject to certain conditions, to purchase all of the Series 2017A Bonds from the Issuer at an underwriters' discount of $________ from the initial offering prices set forth on page ii hereof and to purchase all of the Series 2017B Bonds from the Issuer at an underwriters' discount of $________ from the initial offering prices set forth on page iii hereof. The Underwriters are obligated to purchase all of the Series 2017A Bonds and the Series 2017B Bonds, if any are purchased, such obligations being subject to certain terms and conditions set forth in a Purchase Agreement between the Underwriters and the Issuer; the approval of certain legal matters by counsel; and certain other conditions. The initial offering prices for the Series 2017A Bonds and the Series 2017B Bonds may be changed from time to time by the Underwriters.

The Underwriters and their respective affiliates are full services financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed and may in the future perform, various investment banking services for the Issuer for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer.

The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should require, long and/or short positions in such assets, securities and instruments.

Citigroup Global Markets Inc. has entered into a retail distribution agreement with UBS Financial Services Inc. ("UBSFS"). Under this distribution agreement, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS. As part of this arrangement, Citigroup Global Markets Inc. may compensate UBSFS for their selling efforts with respect to the Series 2017 Bonds.

Piper Jaffray & Co. has entered into a distribution agreement ("Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the Distribution Agreement, CS&Co. will purchase Series 2017 Bonds from Piper Jaffray & Co. at the original issue price less a negotiated portion of the selling concession applicable to any Series 2017 Bonds that CS&Co. sells.

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, placement, and delivery of the Series 2017 Bonds by the Issuer are subject to the approving opinions of the Attorney General of the State of Texas and Winstead PC, Austin, Texas, Bond Counsel. The form of the opinion of Bond Counsel with respect to the Series 2017 Bonds is attached hereto as APPENDIX E and will be available at the time of delivery of the Series 2017 Bonds. Other than the descriptions of legal documents set forth herein under the captions "THE SERIES 2017 BONDS," "SECURITY FOR AND SOURCES OF PAYMENT FOR THE SERIES 2017 BONDS (except descriptions under the caption 'Debt Service Reserve Insurance Policy')," "TAX MATTERS," APPENDIX B – Master Glossary of Terms, and APPENDIX C – Summary of Certain Provisions of the Bond Documents, which have been reviewed by Bond Counsel and Bond Counsel's legal opinion in APPENDIX E – Form of Bond Counsel Opinion, Bond Counsel has not reviewed nor undertakes any responsibility for any of the information contained in this Official Statement. Certain legal matters will be passed upon for the Issuer by its special counsel, Winstead PC, Austin, Texas, and for the Underwriters by their special counsel, Orrick, Herrington & Sutcliffe LLP, Houston, Texas. As special counsel to the Underwriters, Orrick, Herrington & Sutcliffe LLP undertakes no responsibility for any of the information contained in this Official Statement or for any due diligence with respect to the Hotel or the Series 2017 Bonds. The fees of such counsel and a portion of the fee of Bond Counsel, are contingent upon the issuance and delivery of the Series 2017 Bonds.

Winstead PC represents the Underwriters from time to time on matters unrelated to the Series 2017 Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Series 2017 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that 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 out of the transaction.

LITIGATION

There is no known pending or, to the knowledge of the Hotel Manager, the City, and the Issuer, threatened litigation against the Hotel Manager, the City, or the Issuer, respectively, which in any way questions or materially affects the validity of the Series 2017 Bonds or any proceedings or transactions relating to the authorization, sale, or delivery of the Series 2017 Bonds or which may materially affect the operation and management of the Hotel.

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MISCELLANEOUS INFORMATION

The financial data and other information contained herein concerning the Convention Center 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. This Official Statement, and the execution and delivery of this Official Statement, were authorized by the Issuer.

Austin Convention Enterprises, Inc.

By:________________________________

Mark Tester, President

APPENDIX A – MARKET STUDY REPORT

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MARKET STUDY

Hilton Austin Convention Center

500 EAST 4TH STREET
AUSTIN, TEXAS

SUBMITTED TO:

Mr. Mark Tester
Austin Convention Enterprises, Inc.
500 East Cesar Chavez Street
Austin, Texas, 78701

+1 (512) 404-4040

PREPARED BY:

HVS Consulting & Valuation
Division of TS Worldwide, LLC
603 West 13th Street, Suite 2H
Austin, Texas, 78701

+1 (512) 626-9172

HVS

February 21, 2017

Mr. Mark Tester
Austin Convention Enterprises, Inc.
500 East Cesar Chavez Street
Austin, Texas, 78701

HVS AUSTIN
603 West 13th Street, Suite 2H
Austin, Texas, 78701
+1 (512) 626-9172
+1 (516) 742-3059 FAX
www.hvs.com

Re: Hilton Austin Convention Center
Austin, Texas
HVS Reference: 2016021939

Dear Mr. Tester:

Pursuant to your request, we herewith submit our market study report pertaining to the above-captioned hotel. We have inspected the real estate and analyzed the market conditions in the Austin, Texas area. Our report has been prepared in accordance with, and is subject to, the requirements the Uniform Standards of Professional Appraisal Practice (USPAP), as provided by the Appraisal Foundation.

We hereby certify that we have no undisclosed interest in the property, and our employment and compensation are not contingent upon our findings. This study is subject to the comments made throughout this report and to all assumptions and limiting conditions set forth herein.

Sincerely,
TS Worldwide, LLC

Shannon L. Sampson, Senior Vice President
ssampson@hvs.com, +1 (512) 626-9172

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1. Summary of Salient Data and Conclusions

Property:	Hilton Austin Convention Center
Location:	500 East 4th Street Austin, Texas 78701
Date of Inspection:	December 12, 2016
Date of Report:	February 21, 2017

LAND DESCRIPTION

Area:	1.31 acres, or 57,140 square feet
Zoning:	CBD Cure - Central Business District
Assessor's Parcel Number(s):	525246
FEMA Flood Zone:	X

IMPROVEMENTS DESCRIPTION

Year Opened and Renovated:	2003; Renovated: 2014 - 2016
Property Type:	Full-service, convention headquarters lodging facility
Building Area:	+/-1,000,000 square feet
Guestrooms:	801
Number of Stories:	31
Food and Beverage Facilities:	Two restaurants, two bars, and a coffee shop
Meeting Space:	98,761 square feet
Additional Facilities:	A rooftop pool, a rooftop whirlpool, a fitness center, a spa, a business center, a UPS store (leased), and vending areas
Parking Spaces:	658 (garage)

MARKET PERFORMANCE

Occupancy first peaked for this selected set of hotels in 2005 and 2006 at approximately 74%, while average rate growth continued until 2008, resulting in a RevPAR of just over $134 for 2008, before declining to a low point of roughly $120 by year-end 2009 because of the recession. A rapid recovery began in 2010, and the prior RevPAR peak was surpassed in 2011. Between 2011 and 2014, this submarket achieved all-time highs in RevPAR each year. Notably, the historical peak in RevPAR achieved in 2014 fell less than $0.50 in 2015, despite a supply increase of 33%, which illustrates this market's ability to absorb new supply quickly. The following tables summarize market-wide supply, demand, occupancy, average rate, and RevPAR trends for this market.

FIGURE 1-1 HISTORICAL SUPPLY AND DEMAND TRENDS (STR)

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2004	3,256	1,188,440	—	813,410	—	68.4 %	$130.00	—	$88.98	—
2005	3,256	1,188,440	0.0 %	878,007	7.9 %	73.9	143.44	10.3 %	105.97	19.1 %
2006	3,256	1,188,440	0.0	877,254	(0.1)	73.8	164.76	14.9	121.62	14.8
2007	3,256	1,188,440	0.0	870,668	(0.8)	73.3	177.77	7.9	130.24	7.1
2008	3,256	1,188,440	0.0	864,622	(0.7)	72.8	184.53	3.8	134.25	3.1
2009	3,256	1,188,440	0.0	848,699	(1.8)	71.4	168.11	(8.9)	120.05	(10.6)
2010	3,273	1,194,795	0.5	907,077	6.9	75.9	167.02	(0.6)	126.80	5.6
2011	3,501	1,277,901	7.0	1,003,121	10.6	78.5	180.97	8.4	142.06	12.0
2012	3,517	1,283,693	0.5	1,021,779	1.9	79.6	197.75	9.3	157.40	10.8
2013	3,525	1,286,625	0.2	1,017,871	(0.4)	79.1	216.83	9.6	171.54	9.0
2014	3,525	1,286,747	0.0	1,023,982	0.6	79.6	232.96	7.4	185.39	8.1
2015	4,690	1,711,801	33.0	1,324,011	29.3	77.3	239.13	2.7	184.96	(0.2)
Year-to-Date Through October										
2015	4,583	1,393,198	—	1,122,258	—	80.6 %	$244.15	—	$196.67	—
2016	5,223	1,587,792	14.0 %	1,304,259	16.2 %	82.1	243.23	(0.4) %	199.80	1.6 %
Average Annual Compounded Change:										
2004 - 2015			3.4 %		4.5 %			5.7 %		6.9 %
2004 - 2007			(0.0)		2.3			11.0		13.5
2007 - 2010			0.2		1.4			(2.1)		(0.9)
2010 - 2015			7.5		7.9			7.4		7.8

Hotels Included in Sample	Competitive Status	Number of Rooms	Year Affiliated	Year Opened
The Unbound Collection Driskill Hotel	*Secondary*	189	Mar 2013	Jan 1900
Radisson Hotel & Suites Austin Downtown	*Secondary*	413	Sep 1992	Jun 1965
Hyatt Regency Austin	*Primary*	448	Mar 1982	Mar 1982
Sheraton Hotel Austin @ The Capitol	*Primary*	363	Feb 2007	May 1986
Omni Austin Hotel Downtown	*Primary*	392	Jun 1992	Nov 1986
Four Seasons Hotel Austin	*Secondary*	291	Jan 1987	Jan 1987
Doubletree Austin	*Secondary*	188	Jun 1987	Jun 1987
InterContinental Stephen F Austin Hotel	*Secondary*	190	May 2000	May 2000
Hilton Austin Convention Center	***Subject Property***	**801**	**Dec 2003**	**Dec 2003**
W Hotel Austin	*Secondary*	251	Dec 2010	Dec 2010
JW Marriott Austin	*Primary*	1,012	Feb 2015	Feb 2015
Westin Austin Downtown	*Primary*	366	Jul 2015	Jul 2015
Kimpton Hotel Van Zandt	*Secondary*	319	Nov 2015	Nov 2015
	Total	**5,223**		

Source: STR

FIGURE 1-2 PRIMARY COMPETITORS – OPERATING PERFORMANCE

		Est. Segmentation			Estimated 2015				Estimated 2016					
Property	**Number of Rooms**	**Commercial**	**Meeting and Group**	**Leisure**	**Weighted Annual Room Count**	**Occ.**	**Average Rate**	**RevPAR**	**Weighted Annual Room Count**	**Occ.**	**Average Rate**	**RevPAR**	**Occupancy Penetration**	**Yield Penetration**
Hilton Austin Convention Center	801	25 %	60 %	15 %	801	80.9 %	$223.76	$181.07	801	80.7 %	$219.65	$177.26	101.7 %	94.7 %
Hyatt Regency Austin	448	35	45	20	448	75 - 80	200 - 210	150 - 160	448	80 - 85	200 - 210	170 - 180	100 - 110	90 - 95
Omni Austin Centre	392	50	35	15	392	80 - 85	220 - 230	180 - 190	392	75 - 80	220 - 230	180 - 190	95 - 100	95 - 100
Sheraton Austin Hotel	363	35	45	20	363	80 - 85	180 - 190	140 - 150	363	80 - 85	180 - 190	140 - 150	100 - 110	75 - 80
JW Marriott Austin Downtown	1,012	20	65	15	896	75 - 80	230 - 240	180 - 190	1,012	75 - 80	240 - 250	190 - 200	100 - 110	100 - 110
Westin Austin Downtown	366	40	40	20	168	60 - 65	260 - 270	160 - 170	366	75 - 80	260 - 270	200 - 210	95 - 100	110 - 120
Sub-Totals/Averages	**3,382**	**30 %**	**53 %**	**17 %**	**3,068**	**78.8 %**	**$220.64**	**$173.91**	**3,382**	**80.6 %**	**$225.06**	**$181.40**	**101.6 %**	**96.9 %**
Secondary Competitors	1,841	45 %	32 %	23 %	1,037	76.3 %	$281.53	$214.83	1,197	75.7 %	$269.23	$203.77	95.4 %	108.8 %
Totals/Averages	**5,223**	**34 %**	**48 %**	**18 %**	**4,105**	**78.2 %**	**$235.65**	**$184.25**	**4,579**	**79.3 %**	**$236.07**	**$187.25**	**100.0 %**	**100.0 %**

** Specific occupancy and average rate data was utilized in our analysis, but is presented in ranges in the above table for the purposes of confidentiality.*

FIGURE 1-3 SECONDARY COMPETITORS – OPERATING PERFORMANCE

		Est. Segmentation				Estimated 2015				Estimated 2016			
Property	Number of Rooms	Commercial	Meeting and Group	Leisure	Total Competitive Level	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR
Four Seasons Austin	291	45 %	35 %	20 %	70 %	204	75 - 80 %	$375 - $400	$300 - $325	204	75 - 80 %	$375 - $400	$300 - $325
Driskill Hotel	189	40	35	25	70	132	80 - 85	300 - 325	260 - 270	132	75 - 80	300 - 325	250 - 260
InterContinental Stephen F Austin Hotel	190	55	25	20	70	133	80 - 85	220 - 230	180 - 190	133	75 - 80	230 - 240	180 - 190
W Austin	251	45	30	25	70	176	75 - 80	325 - 350	270 - 280	176	75 - 80	325 - 350	260 - 270
Radisson Hotel & Suites Austin Downtown	413	35	40	25	60	248	65 - 70	170 - 180	120 - 125	248	70 - 75	180 - 190	125 - 130
DoubleTree by Hilton Guest Suites Austin	188	55	25	20	60	113	80 - 85	220 - 230	180 - 190	113	75 - 80	220 - 230	170 - 180
Hotel Van Zandt	319	45	30	25	60	32	15 - 20	190 - 200	35 - 40	191	70 - 75	190 - 200	140 - 150
Totals/Averages	**1,841**	**45 %**	**32 %**	**23 %**	**65 %**	**1,037**	**76.3 %**	**$281.53**	**$214.83**	**1,197**	**75.7 %**	**$269.23**	**$203.77**

** Specific occupancy and average rate data was utilized in our analysis, but is presented in ranges in the above table for the purposes of confidentiality.*

As illustrated in the previous table, the market comprises a variety of hotels with which the subject property is expected to compete. Our forecast of income and expense is based on these current performance levels, as well as market changes expected to occur. These changes are discussed in depth in the market area and hotel demand trends chapters of this report.

Forecast Results

Our forecast of income and expense is presented in the following table.

FIGURE 1-4 DETAILED FORECAST OF INCOME AND EXPENSE

	Historical Operating Results 2015/16 Fiscal Year Ending November				2017				2018				2019				2020				2021			
Number of Rooms:	**801**				**801**				**801**				**801**				**801**				**801**			
Occupancy (Paid Rooms):	**81%**				**81%**				**79%**				**78%**				**76%**				**76%**			
Average Rate:	**$218.97**				**$217.45**				**$219.63**				**$224.02**				**$232.98**				**$241.14**			
RevPAR:	**$176.44**				**$176.14**				**$173.51**				**$174.74**				**$177.07**				**$183.26**			
Days Open:	**366**				**365**				**365**				**365**				**365**				**365**			
Occupied Rooms (Paid):	**236,226**	**%Gross**	**PAR**	**POR**	**236,816**	**%Gross**	**PAR**	**POR**	**230,968**	**%Gross**	**PAR**	**POR**	**228,045**	**%Gross**	**PAR**	**POR**	**222,197**	**%Gross**	**PAR**	**POR**	**222,197**	**%Gross**	**PAR**	**POR**
OPERATING REVENUE																								
Rooms	$51,727	65.6 %	$64,578	$218.97	$51,496	63.0 %	$64,290	$217.45	$50,727	62.0 %	$63,330	$219.63	$51,087	61.2 %	$63,779	$224.02	$51,768	61.3 %	$64,629	$232.98	$53,580	61.4 %	$66,891	$241.14
Food & Beverage	23,271	29.5	29,053	98.51	26,374	32.3	32,926	111.37	27,179	33.2	33,931	117.67	28,268	33.9	35,291	123.96	28,561	33.8	35,657	128.54	29,418	33.7	36,726	132.40
Other Operated Departments	2,930	3.7	3,658	12.40	2,999	3.7	3,745	12.67	3,052	3.7	3,810	13.21	3,131	3.8	3,909	13.73	3,201	3.8	3,996	14.41	3,297	3.8	4,116	14.84
Miscellaneous Income	883	1.1	1,102	3.74	904	1.1	1,128	3.82	919	1.1	1,148	3.98	943	1.1	1,178	4.14	964	1.1	1,204	4.34	993	1.1	1,240	4.47
Total Operating Revenues	78,811	100.0	98,390	333.62	81,773	100.0	102,088	345.30	81,877	100.0	102,218	354.49	83,430	100.0	104,157	365.85	84,494	100.0	105,486	380.27	87,288	100.0	108,974	392.84
DEPARTMENTAL EXPENSES *																								
Rooms	9,401	18.2	11,737	39.80	9,629	18.7	12,021	40.66	9,772	19.3	12,200	42.31	10,015	19.6	12,503	43.92	10,211	19.7	12,748	45.96	10,518	19.6	13,131	47.33
Food & Beverage	11,946	51.3	14,914	50.57	13,178	50.0	16,452	55.65	13,721	50.5	17,130	59.41	14,346	50.8	17,911	62.91	14,652	51.3	18,292	65.94	15,091	51.3	18,840	67.92
Other Operated Departments	1,040	35.5	1,299	4.40	1,064	35.5	1,328	4.49	1,088	35.7	1,358	4.71	1,119	35.7	1,398	4.91	1,150	35.9	1,436	5.18	1,185	35.9	1,479	5.33
Other Expenses	69	7.8	86	0.29	70	7.8	88	0.30	72	7.8	90	0.31	74	7.8	92	0.32	76	7.9	95	0.34	78	7.9	98	0.35
Total	22,456	28.5	28,035	95.06	23,941	29.3	29,889	101.09	24,653	30.1	30,777	106.74	25,554	30.6	31,903	112.06	26,089	30.9	32,571	117.41	26,872	30.8	33,548	120.94
DEPARTMENTAL INCOME	56,354	71.5	70,355	238.56	57,832	70.7	72,200	244.21	57,224	69.9	71,441	247.76	57,876	69.4	72,254	253.79	58,405	69.1	72,915	262.85	60,416	69.2	75,426	271.90
UNDISTRIBUTED OPERATING EXPENSES																								
Administrative & General	4,958	6.3	6,190	20.99	5,048	6.2	6,302	21.32	5,135	6.3	6,411	22.23	5,268	6.3	6,577	23.10	5,404	6.4	6,747	24.32	5,570	6.4	6,954	25.07
Info. and Telecom. Systems	617	0.8	770	2.61	628	0.8	784	2.65	639	0.8	798	2.77	655	0.8	818	2.87	672	0.8	839	3.03	693	0.8	865	3.12
Marketing	6,113	7.8	7,632	25.88	6,225	7.6	7,771	26.28	6,332	7.7	7,905	27.41	6,495	7.8	8,109	28.48	6,663	7.9	8,319	29.99	6,868	7.9	8,575	30.91
Franchise Fee	0	0.0	0	0.00	0	0.0	0	0.00	0	0.0	0	0.00	0	0.0	0	0.00	0	0.0	0	0.00	0	0.0	0	0.00
Prop. Operations & Maint.	2,753	3.5	3,437	11.65	2,803	3.4	3,500	11.84	2,851	3.5	3,560	12.35	2,925	3.5	3,652	12.83	3,001	3.6	3,746	13.50	3,093	3.5	3,861	13.92
Utilities	2,908	3.7	3,631	12.31	2,961	3.6	3,697	12.51	3,012	3.7	3,761	13.04	3,090	3.7	3,858	13.55	3,170	3.8	3,958	14.27	3,268	3.7	4,079	14.71
Total	17,350	22.0	21,660	73.44	17,665	21.6	22,054	74.60	17,970	22.0	22,435	77.80	18,434	22.1	23,014	80.83	18,911	22.5	23,609	85.11	19,492	22.3	24,335	87.72
GROSS HOUSE PROFIT	39,005	49.5	48,695	165.12	40,166	49.1	50,145	169.61	39,254	47.9	49,006	169.95	39,442	47.3	49,241	172.96	39,494	46.6	49,306	177.74	40,924	46.9	51,091	184.18
Management Fee	3,545	4.5	4,426	15.01	3,680	4.5	4,594	15.54	3,684	4.5	4,600	15.95	3,754	4.5	4,687	16.46	3,802	4.5	4,747	17.11	3,928	4.5	4,904	17.68
INCOME BEFORE NON-OPER. INC. & EXP.	35,460	45.0	44,269	150.11	36,487	44.6	45,551	154.07	35,570	43.4	44,406	154.00	35,687	42.8	44,554	156.49	35,692	42.1	44,559	160.63	36,996	42.4	46,187	166.50
NON-OPERATING INCOME AND EXPENSE																								
Property Taxes	0	0.0	0	0.00	0	0.0	0	0.00	0	0.0	0	0.00	0	0.0	0	0.00	0	0.0	0	0.00	0	0.0	0	0.00
Insurance	449	0.6	560	1.90	459	0.6	573	1.94	470	0.6	587	2.04	484	0.6	605	2.12	499	0.6	623	2.25	514	0.6	642	2.31
Reserve for Replacement	9,217	11.7	11,507	39.02	4,906	6.0	6,125	20.72	4,913	6.0	6,133	21.27	5,006	6.0	6,249	21.95	5,070	6.0	6,329	22.82	5,237	6.0	6,538	23.57
Total	9,666	12.3	12,067	40.92	5,365	6.6	6,698	22.66	5,383	6.6	6,720	23.31	5,490	6.6	6,854	24.08	5,569	6.6	6,952	25.06	5,751	6.6	7,180	25.88
EBITDA LESS RESERVE	$25,794	32.7 %	$32,202	$109.19	$31,121	38.0 %	$38,853	$131.42	$30,187	36.8 %	$37,686	$130.70	$30,197	36.2 %	$37,699	$132.42	$30,123	35.5 %	$37,607	$135.57	$31,245	35.8 %	$39,007	$140.62

*Departmental expenses are expressed as a percentage of departmental revenues.

NOI adjusted to reflect a

4.5% mgmt fee and a 6.0% reserve $30,281 38.4 %

FIGURE 1-5 TWENTY-YEAR FORECAST OF INCOME AND EXPENSE – YEARS ONE THROUGH TEN

	2017		2018		2019		2020		2021		2022		2023		2024		2025		2026	
Number of Rooms:	**801**		**801**		**801**		**801**		**801**		**801**		**801**		**801**		**801**		**801**	
Occupied Rooms:	**236,816**		**230,968**		**228,045**		**222,197**		**222,197**		**222,197**		**222,197**		**222,197**		**222,197**		**222,197**	
Occupancy:	**81%**		**79%**		**78%**		**76%**		**76%**		**76%**		**76%**		**76%**		**76%**		**76%**	
Average Rate:	**$217.45**	**% of**	**$219.63**	**% of**	**$224.02**	**% of**	**$232.98**	**% of**	**$241.14**	**% of**	**$248.37**	**% of**	**$255.82**	**% of**	**$263.50**	**% of**	**$271.40**	**% of**	**$279.54**	**% of**
RevPAR:	**$176.14**	**Gross**	**$173.51**	**Gross**	**$174.74**	**Gross**	**$177.07**	**Gross**	**$183.26**	**Gross**	**$188.76**	**Gross**	**$194.42**	**Gross**	**$200.26**	**Gross**	**$206.26**	**Gross**	**$212.45**	**Gross**
OPERATING REVENUE																				
Rooms	$51,496	63.0 %	$50,727	62.0 %	$51,087	61.2 %	$51,768	61.3 %	$53,580	61.4 %	$55,187	61.4 %	$56,843	61.4 %	$58,548	61.4 %	$60,304	61.4 %	$62,114	61.4 %
Food & Beverage	26,374	32.3	27,179	33.2	28,268	33.9	28,561	33.8	29,418	33.7	30,300	33.7	31,209	33.7	32,146	33.7	33,110	33.7	34,103	33.7
Other Operated Departments	2,999	3.7	3,052	3.7	3,131	3.8	3,201	3.8	3,297	3.8	3,396	3.8	3,498	3.8	3,603	3.8	3,711	3.8	3,822	3.8
Miscellaneous Income	904	1.1	919	1.1	943	1.1	964	1.1	993	1.1	1,023	1.1	1,054	1.1	1,085	1.1	1,118	1.1	1,151	1.1
Total Operating Revenue	81,773	100.0	81,877	100.0	83,430	100.0	84,494	100.0	87,288	100.0	89,906	100.0	92,604	100.0	95,382	100.0	98,243	100.0	101,191	100.0
DEPARTMENTAL EXPENSES*																				
Rooms	9,629	18.7	9,772	19.3	10,015	19.6	10,211	19.7	10,518	19.6	10,833	19.6	11,158	19.6	11,493	19.6	11,838	19.6	12,193	19.6
Food & Beverage	13,178	50.0	13,721	50.5	14,346	50.8	14,652	51.3	15,091	51.3	15,544	51.3	16,010	51.3	16,491	51.3	16,985	51.3	17,495	51.3
Other Operated Departments	1,064	35.5	1,088	35.7	1,119	35.7	1,150	35.9	1,185	35.9	1,220	35.9	1,257	35.9	1,295	35.9	1,334	35.9	1,374	35.9
Other Expenses	70	7.8	72	7.8	74	7.8	76	7.9	78	7.9	80	7.9	83	7.9	85	7.9	88	7.9	91	7.9
Total	23,941	29.3	24,653	30.1	25,554	30.6	26,089	30.9	26,872	30.8	27,678	30.8	28,508	30.8	29,364	30.8	30,245	30.8	31,152	30.8
DEPARTMENTAL INCOME	57,832	70.7	57,224	69.9	57,876	69.4	58,405	69.1	60,416	69.2	62,228	69.2	64,095	69.2	66,018	69.2	67,998	69.2	70,039	69.2
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	5,048	6.2	5,135	6.3	5,268	6.3	5,404	6.4	5,570	6.4	5,737	6.4	5,909	6.4	6,087	6.4	6,269	6.4	6,457	6.4
Info. and Telecom. Systems	628	0.8	639	0.8	655	0.8	672	0.8	693	0.8	714	0.8	735	0.8	757	0.8	780	0.8	803	0.8
Marketing	6,225	7.6	6,332	7.7	6,495	7.8	6,663	7.9	6,868	7.9	7,074	7.9	7,286	7.9	7,505	7.9	7,730	7.9	7,962	7.9
Franchise Fee	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Prop. Operations & Maint.	2,803	3.4	2,851	3.5	2,925	3.5	3,001	3.6	3,093	3.5	3,186	3.5	3,281	3.5	3,380	3.5	3,481	3.5	3,586	3.5
Utilities	2,961	3.6	3,012	3.7	3,090	3.7	3,170	3.8	3,268	3.7	3,366	3.7	3,467	3.7	3,571	3.7	3,678	3.7	3,788	3.7
Total	17,665	21.6	17,970	22.0	18,434	22.1	18,911	22.5	19,492	22.3	20,077	22.3	20,679	22.3	21,300	22.3	21,939	22.3	22,597	22.3
GROSS HOUSE PROFIT	40,166	49.1	39,254	47.9	39,442	47.3	39,494	46.6	40,924	46.9	42,151	46.9	43,416	46.9	44,719	46.9	46,060	46.9	47,442	46.9
Management Fee	3,680	4.5	3,684	4.5	3,754	4.5	3,802	4.5	3,928	4.5	4,046	4.5	4,167	4.5	4,292	4.5	4,421	4.5	4,554	4.5
INCOME BEFORE NON-OPER. INC. & EXP.	36,487	44.6	35,570	43.4	35,687	42.8	35,692	42.1	36,996	42.4	38,106	42.4	39,249	42.4	40,426	42.4	41,639	42.4	42,889	42.4
NON-OPERATING INCOME AND EXPENSE																				
Property Taxes	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Insurance	459	0.6	470	0.6	484	0.6	499	0.6	514	0.6	529	0.6	545	0.6	562	0.6	578	0.6	596	0.6
Reserve for Replacement	4,906	6.0	4,913	6.0	5,006	6.0	5,070	6.0	5,237	6.0	5,394	6.0	5,556	6.0	5,723	6.0	5,895	6.0	6,071	6.0
Total	5,365	6.6	5,383	6.6	5,490	6.6	5,569	6.6	5,751	6.6	5,924	6.6	6,101	6.6	6,285	6.6	6,473	6.6	6,667	6.6
EBITDA LESS RESERVE	$31,121	38.0 %	$30,187	36.8 %	$30,197	36.2 %	$30,123	35.5 %	$31,245	35.8 %	$32,182	35.8 %	$33,148	35.8 %	$34,142	35.8 %	$35,166	35.8 %	$36,221	35.8 %

*Departmental expenses are expressed as a percentage of departmental revenues.

FIGURE 1-6 TWENTY-YEAR FORECAST OF INCOME AND EXPENSE – YEARS ELEVEN THROUGH TWENTY

	2027		2028		2029		2030		2031	
Number of Rooms:	**801**		**801**		**801**		**801**		**801**	
Occupied Rooms:	**222,197**		**222,197**		**222,197**		**222,197**		**222,197**	
Occupancy:	**76%**		**76%**		**76%**		**76%**		**76%**	
Average Rate:	**$287.93**	**% of**	**$296.57**	**% of**	**$305.46**	**% of**	**$314.63**	**% of**	**$324.07**	**% of**
RevPAR:	**$218.83**	**Gross**	**$225.39**	**Gross**	**$232.15**	**Gross**	**$239.12**	**Gross**	**$246.29**	**Gross**
OPERATING REVENUE										
Rooms	$63,977	61.4 %	$65,897	61.4 %	$67,874	61.4 %	$69,910	61.4 %	$72,007	61.4 %
Food & Beverage	35,126	33.7	36,180	33.7	37,266	33.7	38,384	33.7	39,535	33.7
Other Operated Departments	3,937	3.8	4,055	3.8	4,177	3.8	4,302	3.8	4,431	3.8
Miscellaneous Income	1,186	1.1	1,221	1.1	1,258	1.1	1,296	1.1	1,335	1.1
Total Operating Revenue	104,227	100.0	107,353	100.0	110,574	100.0	113,891	100.0	117,308	100.0
DEPARTMENTAL EXPENSES*										
Rooms	12,559	19.6	12,935	19.6	13,323	19.6	13,723	19.6	14,135	19.6
Food & Beverage	18,020	51.3	18,560	51.3	19,117	51.3	19,691	51.3	20,281	51.3
Other Operated Departments	1,415	35.9	1,457	35.9	1,501	35.9	1,546	35.9	1,592	35.9
Other Expenses	93	7.9	96	7.9	99	7.9	102	7.9	105	7.9
Total	32,086	30.8	33,049	30.8	34,041	30.8	35,062	30.8	36,114	30.8
DEPARTMENTAL INCOME	72,140	69.2	74,304	69.2	76,533	69.2	78,829	69.2	81,194	69.2
UNDISTRIBUTED OPERATING EXPENSES										
Administrative & General	6,651	6.4	6,851	6.4	7,056	6.4	7,268	6.4	7,486	6.4
Info. and Telecom. Systems	828	0.8	852	0.8	878	0.8	904	0.8	931	0.8
Marketing	8,201	7.9	8,447	7.9	8,700	7.9	8,961	7.9	9,230	7.9
Franchise Fee	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Prop. Operations & Maint.	3,693	3.5	3,804	3.5	3,918	3.5	4,036	3.5	4,157	3.5
Utilities	3,902	3.7	4,019	3.7	4,139	3.7	4,264	3.7	4,391	3.7
Total	23,275	22.3	23,973	22.3	24,692	22.3	25,433	22.3	26,196	22.3
GROSS HOUSE PROFIT	48,866	46.9	50,331	46.9	51,841	46.9	53,397	46.9	54,999	46.9
Management Fee	4,690	4.5	4,831	4.5	4,976	4.5	5,125	4.5	5,279	4.5
INCOME BEFORE NON-OPER. INC. & EXP.	44,175	42.4	45,501	42.4	46,866	42.4	48,272	42.4	49,720	42.4
NON-OPERATING INCOME AND EXPENSE										
Property Taxes	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Insurance	614	0.6	632	0.6	651	0.6	671	0.6	691	0.6
Reserve for Replacement	6,254	6.0	6,441	6.0	6,634	6.0	6,833	6.0	7,038	6.0
Total	6,867	6.6	7,073	6.6	7,285	6.6	7,504	6.6	7,729	6.6
EBITDA LESS RESERVE	$37,308	35.8 %	$38,427	35.8 %	$39,580	35.8 %	$40,768	35.8 %	$41,991	35.8 %

	2032		2033		2034		2035		2036	
Number of Rooms:	**801**		**801**		**801**		**801**		**801**	
Occupied Rooms:	**222,197**		**222,197**		**222,197**		**222,197**		**222,197**	
Occupancy:	**76%**		**76%**		**76%**		**76%**		**76%**	
Average Rate:	**$333.79**	**% of**	**$343.80**	**% of**	**$354.12**	**% of**	**$364.74**	**% of**	**$375.68**	**% of**
RevPAR:	**$253.68**	**Gross**	**$261.29**	**Gross**	**$269.13**	**Gross**	**$277.20**	**Gross**	**$285.52**	**Gross**
OPERATING REVENUE										
Rooms	$74,167	61.4 %	$76,392	61.4 %	$78,684	61.4 %	$81,045	61.4 %	$83,476	61.4 %
Food & Beverage	40,721	33.7	41,943	33.7	43,201	33.7	44,497	33.7	45,832	33.7
Other Operated Departments	4,564	3.8	4,701	3.8	4,842	3.8	4,987	3.8	5,137	3.8
Miscellaneous Income	1,375	1.1	1,416	1.1	1,459	1.1	1,502	1.1	1,547	1.1
Total Operating Revenue	120,827	100.0	124,452	100.0	128,186	100.0	132,031	100.0	135,992	100.0
DEPARTMENTAL EXPENSES*										
Rooms	14,559	19.6	14,996	19.6	15,446	19.6	15,909	19.6	16,386	19.6
Food & Beverage	20,890	51.3	21,516	51.3	22,162	51.3	22,827	51.3	23,512	51.3
Other Operated Departments	1,640	35.9	1,689	35.9	1,740	35.9	1,792	35.9	1,846	35.9
Other Expenses	108	7.9	111	7.9	115	7.9	118	7.9	122	7.9
Total	37,197	30.8	38,313	30.8	39,462	30.8	40,646	30.8	41,866	30.8
DEPARTMENTAL INCOME	83,630	69.2	86,139	69.2	88,723	69.2	91,385	69.2	94,127	69.2
UNDISTRIBUTED OPERATING EXPENSES										
Administrative & General	7,711	6.4	7,942	6.4	8,180	6.4	8,425	6.4	8,678	6.4
Info. and Telecom. Systems	959	0.8	988	0.8	1,018	0.8	1,048	0.8	1,080	0.8
Marketing	9,507	7.9	9,792	7.9	10,086	7.9	10,389	7.9	10,700	7.9
Franchise Fee	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Prop. Operations & Maint.	4,281	3.5	4,410	3.5	4,542	3.5	4,678	3.5	4,819	3.5
Utilities	4,523	3.7	4,659	3.7	4,799	3.7	4,943	3.7	5,091	3.7
Total	26,982	22.3	27,791	22.3	28,625	22.3	29,484	22.3	30,368	22.3
GROSS HOUSE PROFIT	56,649	46.9	58,348	46.9	60,098	46.9	61,901	46.9	63,758	46.9
Management Fee	5,437	4.5	5,600	4.5	5,768	4.5	5,941	4.5	6,120	4.5
INCOME BEFORE NON-OPER. INC. & EXP.	51,211	42.4	52,748	42.4	54,330	42.4	55,960	42.4	57,639	42.4
NON-OPERATING INCOME AND EXPENSE										
Property Taxes	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Insurance	711	0.6	733	0.6	755	0.6	777	0.6	801	0.6
Reserve for Replacement	7,250	6.0	7,467	6.0	7,691	6.0	7,922	6.0	8,160	6.0
Total	7,961	6.6	8,200	6.6	8,446	6.6	8,699	6.6	8,960	6.6
EBITDA LESS RESERVE	$43,250	35.8 %	$44,548	35.8 %	$45,884	35.8 %	$47,261	35.8 %	$48,679	35.8 %

*Departmental expenses are expressed as a percentage of departmental revenues.

As illustrated, the hotel is expected to stabilize at a profitable level. Our positioning of each revenue and expense level is supported by comparable operations or trends specific to this market.

2. Nature of the Assignment

Subject of the Market Study

The subject of the study is the 1.31-acre (57,140-square-foot) parcel improved with a full-service, convention headquarters lodging facility known as the Hilton Austin Convention Center. The property, which opened in 2003, features 801 rooms, two restaurants, two bars, and a coffee shop, 98,761 square feet of meeting space, a rooftop pool, a rooftop whirlpool, a fitness center, a spa, a business center, a UPS store (leased), and vending areas. The hotel also contains all necessary back-of-the-house space. The hotel's civic address is 500 East 4th Street, Austin, Texas, 78701.

Pertinent Dates

The effective date of the report is February 21, 2017. The subject property was inspected by Shannon L. Sampson on December 12, 2016.

Ownership, Franchise, and Management History and Assumptions

The subject property is currently owned by Austin Convention Enterprises, Inc. (ACE), an entity formed by the City of Austin. This entity developed the subject hotel and has owned the facility since its opening in December of 2003. No transfers of the property have reportedly occurred since its construction.

The hotel is currently managed by Hilton Worldwide. Terms of this agreement call for a base management fee, a subordinate management fee, and an additional management fee; these fees amounted to roughly 4.5% of gross revenues over the last several years, which is similar to what would be expected on a base- and incentive-fee basis for a hotel of this type. The agreement can be terminated upon a sale of the hotel. Our study assumes that the subject hotel will be managed by the brand throughout the assumed holding period, with fees deducted at rates consistent with current market standards. We have assumed a market-appropriate total management fee of 4.5% of total revenues in our study. Please refer to the forecast of income and expense chapter for additional discussion pertaining to our management fee assumptions.

The hotel is expected to remain managed by the brand throughout the forecast period; therefore, the property will not be subject to franchise fees. The costs of the affiliation are reflected in our forecast. Other charges related to the affiliation, such as the brand's loyalty program, are reflected in the appropriate departmental expenses, consistent with the Uniform System of Accounts for the Lodging Industry (USALI).

HVS

Hilton Hotels & Resorts, commonly known as simply Hilton, is the signature/flagship brand of Hilton Worldwide (formerly Hilton Hotels Corporation), recognized internationally as a preeminent hospitality company. With over 90 years of history, the Hilton brand is one of the largest hotel brands in the world, with locations in major city centers, near airports and convention centers, and in popular vacation destinations. Hilton hotels cater to business, group, and leisure travelers, with most properties featuring swimming pools and whirlpools, fitness centers, business centers, restaurant facilities, and meeting space, among other amenities. In addition, guests benefit from Hilton's worldwide reservations system and its highly acclaimed guest loyalty program, Hilton HHonors. As of year-end 2015, there were 238 hotels (99,807 rooms) operating under the Hilton brand in the U.S. In 2015, the brand operated at an average occupancy level of 75.9%, with an average daily rate of $165.44 and an average RevPAR of $125.57 (worldwide).

Scope of Work

The methodology used to develop this study is based on the market research and valuation techniques set forth in the textbooks authored by Hospitality Valuation Services for the American Institute of Real Estate Appraisers and the Appraisal Institute, entitled *The Valuation of Hotels and Motels,*[1] *Hotels, Motels and Restaurants: Valuations and Market Studies,*[2] *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations,*[3] *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations,*[4] and *Hotels and Motels – Valuations and Market Studies,*[5] as well as in accordance with the Uniform System of Accounts for the Lodging Industry (USALI).

1. All information was collected and analyzed by the staff of TS Worldwide, LLC. Information such as historical operating statements, franchise and/or management agreements, site plans, floor plans, and leases, as applicable, were supplied by the client or property management.
2. The subject site was evaluated from the viewpoint of its utility for the development and operation of a hotel. The potential existence of surplus or

[1] Stephen Rushmore, *The Valuation of Hotels and Motels*. (Chicago: American Institute of Real Estate Appraisers, 1978).

[2] Stephen Rushmore, *Hotels, Motels and Restaurants: Valuations and Market Studies*. (Chicago: American Institute of Real Estate Appraisers, 1983).

[3] Stephen Rushmore, *The Computerized Income Approach to Hotel/Motel Market Studies and Valuations*. (Chicago: American Institute of Real Estate Appraisers, 1990).

[4] Stephen Rushmore, *Hotels and Motels: A Guide to Market Analysis, Investment Analysis, and Valuations* (Chicago: Appraisal Institute, 1992).

[5] Stephen Rushmore and Erich Baum, *Hotels and Motels – Valuations and Market Studies.* (Chicago: Appraisal Institute, 2001).

excess land was investigated. We have reviewed adjacent uses, regional and local accessibility attributes, and visibility characteristics. A study of the local neighborhood was undertaken to determine its boundaries, land uses, recent developments, and life-cycle stage. Other aspects of the land, such as soil and subsoil conditions, nuisances, hazards, easements, encroachments, zoning, and the current flood zone of the property, have been evaluated.

3. The subject property's improvements were inspected to evaluate their current condition, quality of construction, and design and layout, including any items of physical deterioration or functional obsolescence. A list of facilities and amenities that the property offers has been compiled, and past upgrades of each area of the hotel have been investigated. Recent capital expenditures, as well as planned future upgrades, have been reviewed. The remaining economic life of the hotel has been estimated.

4. Economic and demographic statistics for the subject property's market have been reviewed to identify specific hostelry-related trends that may affect future demand for hotels. Workforce characteristics have been evaluated, including employment trends by sector and unemployment rates. Major businesses and industries operating in the local area were investigated, and local area office statistics and trends were reviewed, as available. Passenger levels and recent changes at the area's pertinent airport have been researched, and visitor demand generators have been identified and evaluated.

5. An STR Trend Report pertaining to historical trends in room-night supply, demand, occupancy, average rate, and RevPAR for the subject property and a group of selected competitors has been ordered and analyzed. Performance levels for each of the competitive hotels have been researched and/or estimated. Ownership, management, facilities, renovations, and other pertinent factors for the competitive properties have been investigated. Potential new hotel supply was researched and quantified. Occupancy levels of the subject property and its existing competition provide a basis for quantifying current accommodated demand in the market. The market for hotel accommodations is segmented based on the specific characteristics of the types of travelers utilizing the area's hotels. By segmenting the demand accommodated by each hotel, the total demand by market segment is quantified. The demand generated by each market segment is then projected by year up through a point of hypothetical market stabilization. Latent demand, if applicable, is estimated and added to the base demand forecast, resulting in a forecast of overall occupancy for the competitive market.

6. Occupancy of the subject property was projected based on a forecast of overall market penetration, or penetration by market segment. Average rate was projected based on competitive positioning, through the application of an overall ADR penetration rate, or penetration by each market segment's average rate.
7. Historical income and expense statements for the subject hotel have been reviewed, analyzed, and compared to the financial performance of comparable hotels. Inflation forecasts were researched, forming the basis for our own forecast of inflation. A projection of income and expense was prepared in accordance with the USALI, setting forth the anticipated economic benefits of the subject property. All projections are expressed in inflated dollars. Each line item has been reviewed individually. Amounts are forecast based on past performance, expected changes at the property in the future, and comparable hotel performance levels.

3. Real Estate Overview

LAND

The suitability of the land for the operation of a lodging facility is an important consideration affecting the economic viability of a property and its ultimate marketability. Factors such as size, topography, access, visibility, and the availability of utilities have a direct impact on the desirability of a particular site.

The subject property is located just to the north of the Austin Convention Center within the Central Business District, in the northwest quadrant of the intersection formed by East 4th Street and Red River Street. The street address of the Hilton Austin Convention Center is 500 East 4th Street, Austin, Texas, 78701.

Physical Characteristics

The subject site measures approximately 1.31 acres, or 57,140 square feet. The parcel's adjacent uses are set forth in the following table.

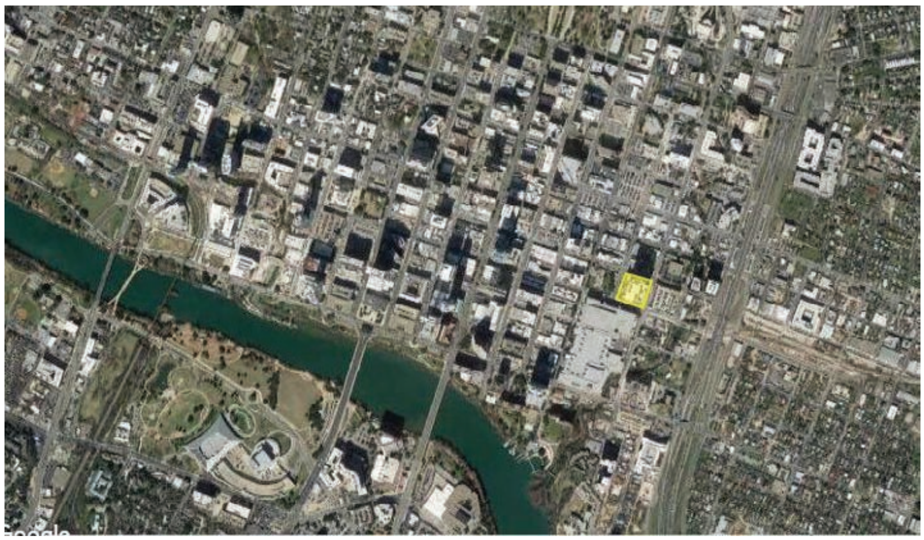
FIGURE 3-1 SUBJECT PARCEL'S ADJACENT USES

Direction	Adjacent Use
North	East 5th Street
South	East 4th Street
East	Red River Street
West	Neches Street

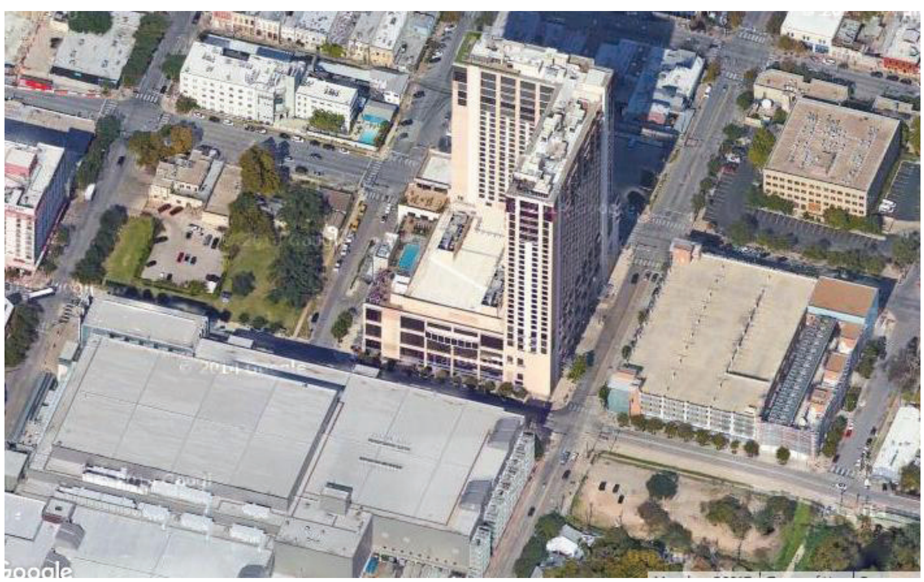
Site Utility

The topography of the site is generally flat, and the shape permits efficient use of the site for building and site improvements, including ingress and egress. The subject site does not contain any significant portion of undeveloped land that could be sold, entitled, and developed for alternate use. The site is fully developed with building and site improvements.

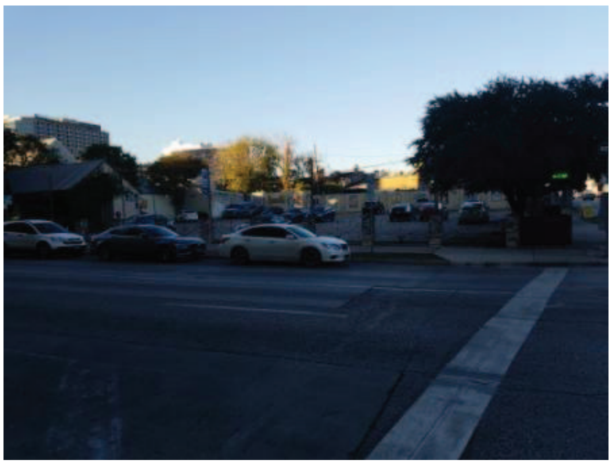
AERIAL PHOTOGRAPH – LOCATION WITHIN CBD



AERIAL PHOTOGRAPH WITH STRUCTURE

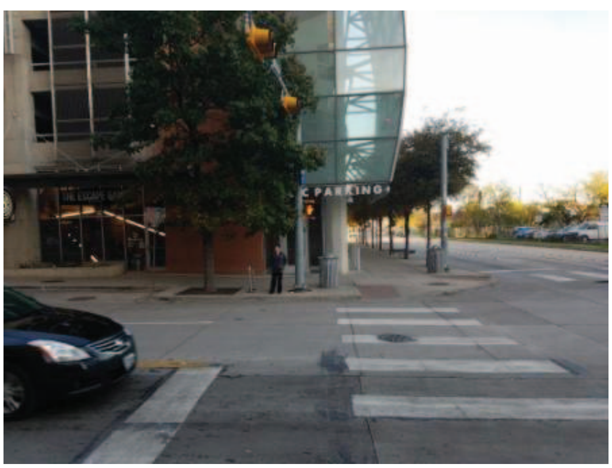


VIEW FROM SITE TO THE NORTH



VIEW FROM SITE TO THE SOUTH

VIEW FROM SITE TO THE EAST

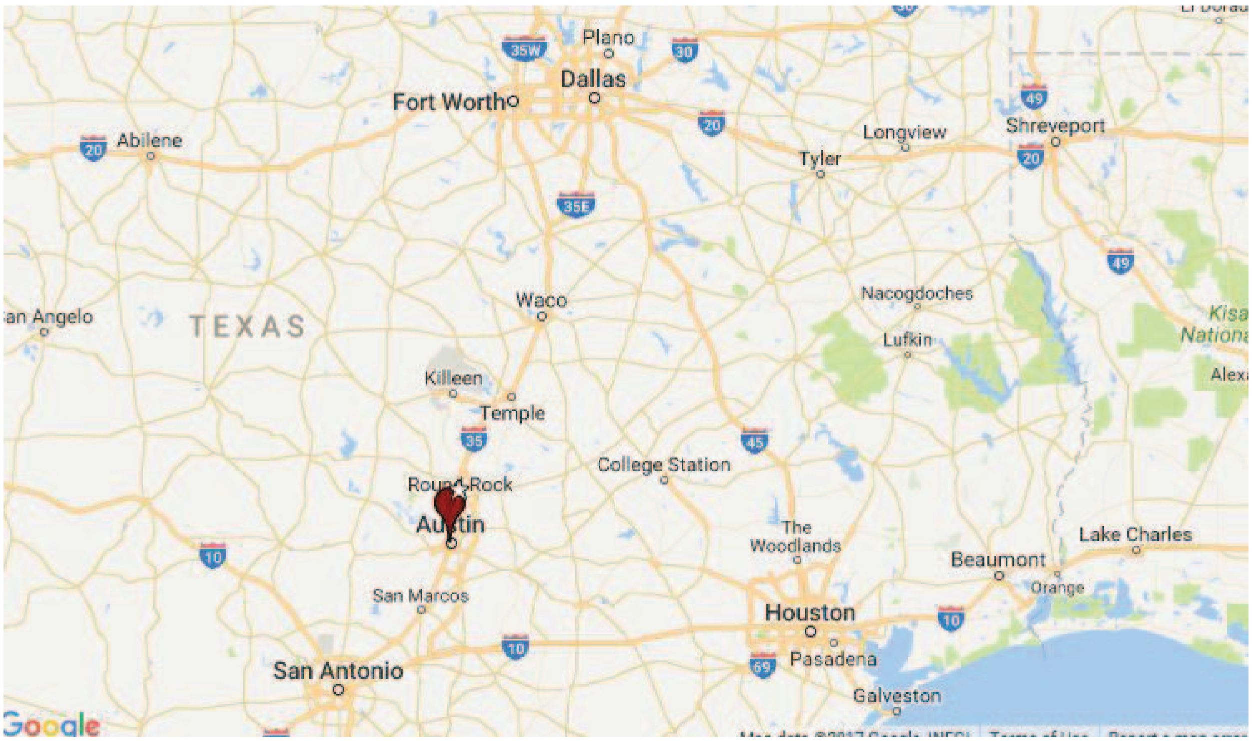


VIEW FROM SITE TO THE WEST

Access and Visibility

It is important to analyze the site with respect to regional and local transportation routes and demand generators, including ease of access. The subject site is readily accessible to a variety of local and county roads, as well as state and interstate highways.

MAP OF REGIONAL ACCESS ROUTES



Primary regional access through the area is provided by north/south Interstate 35, which extends to such cities as Dallas to the northeast and San Antonio to the southwest. East/west U.S. Highway 290 is another major highway, which provides access to such cities as Houston to the east and Fredericksburg to the west. Access between Austin and Round Rock has been substantially enhanced by the construction of State Toll Road 130, which serves as an alternative north/south route. The subject property's market is served by a variety of additional local routes, which are illustrated on the map.

Primary vehicular access to the subject hotel is provided by Neches Street. Access to the parking garage is available from Red River Street. The subject property is located at a busy intersection and is relatively simple to locate from Interstate 35, which is the nearest major highway. The subject property is highly visible from within its neighborhood and from Interstate 35, as the structure is among the tallest buildings in the CBD. Overall, the subject property benefits from very good accessibility and visibility attributes.

HVS

Airport Access

The subject property is served by the Austin-Bergstrom International Airport, which is located approximately five miles to the southeast of the subject site.

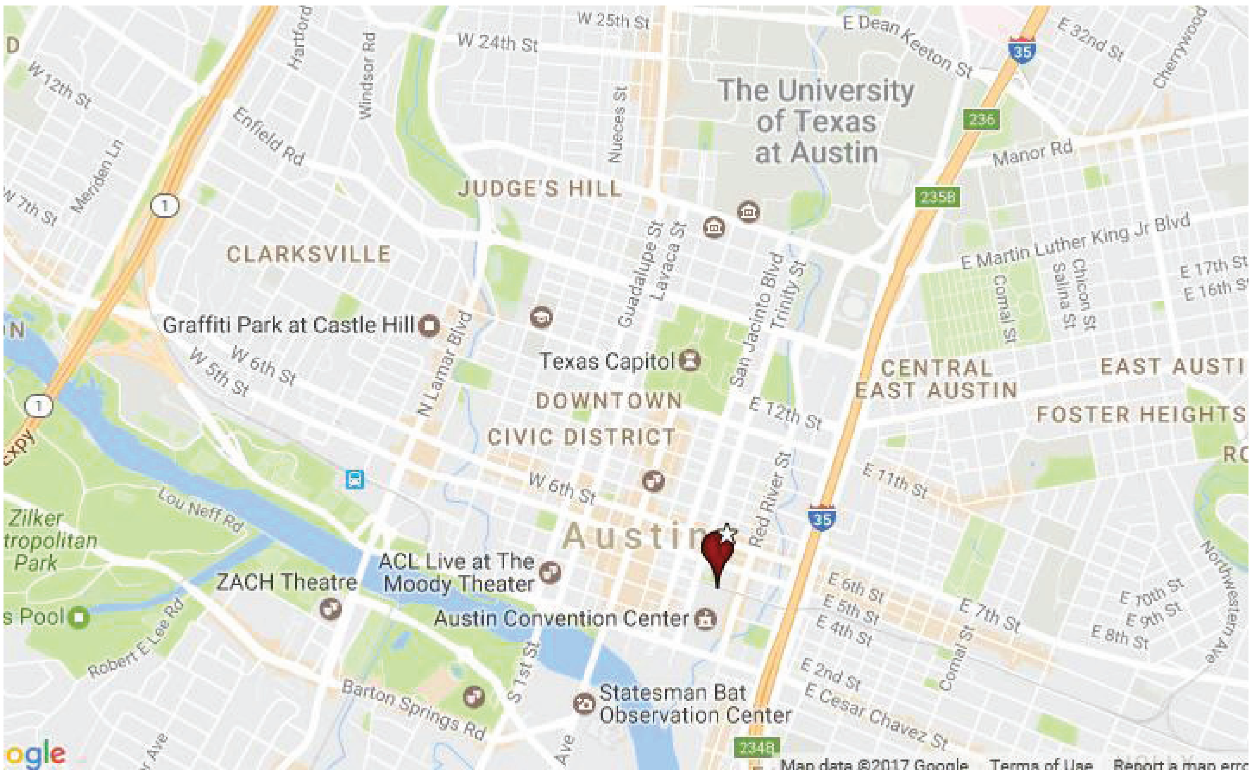
Neighborhood

The neighborhood surrounding a lodging facility often has an impact on a hotel's status, image, class, style of operation, and sometimes its ability to attract and properly serve a particular market segment.

The subject site's Central Business District (CBD) neighborhood is generally defined by Martin Luther King, Jr. Boulevard to the north, Interstate 35 to the east, Loop 1 (MoPac Expressway) to the west, and Barton Springs Road to the south. This neighborhood is in the growth stage of its life cycle and is characterized by high-rise office towers; restaurants; high-density apartments and condominium-style residential buildings; municipal, county, state, and federal structures; entertainment venues; high-end, boutique-style retail outlets; and hotels. Some economic drivers in the area include the Texas State Capitol Complex, federal courthouses and agencies, Frost Bank, the City of Austin, Travis County, numerous high-technology firms, and University Medical Center at Brackenridge (UMCB). In addition to the numerous government offices, the State Capitol and the Governor's Mansion are located within the CBD. While some facilities of The University of Texas at Austin are located within the CBD, the main campus is located adjacent to the northern boundary of the CBD.

The CBD is bustling with various development projects. The new Dell Medical School at The University of Texas opened in August 2016 for the fall semester. The new campus includes a Seton-flagged teaching hospital, academic and research buildings, parking garages, and a psychiatric hospital and cancer center. Once the teaching hospital opens in May 2017, UMCB will close its doors and the 14.3-acre complex will be redeveloped with office and residential buildings, as well as space for healthcare services and research. In addition, the Waller Creek Tunnel Project will transform the eastern boundary of the CBD; the project will redirect water flow to a tunnel and will allow 28 acres of land in the CBD to be removed from the 100-year flood plain. Furthermore, the Austin City Council approved a beautification and improvement plan for the CBD; initiatives such as adding light rail, transforming existing public parks into signature green spaces, and replacing aging infrastructure with modern facilities are included in the plan. Numerous other projects have either been recently completed or are under construction, including the JW Marriott, the Fairmont, the Westin, the Kimpton Van Zandt, the Colorado Tower, the Independent, the Seaholm redevelopment, IBC Bank Plaza, the West 2nd Street Tower, and the 5th and Colorado Tower, among others.

MAP OF NEIGHBORHOOD

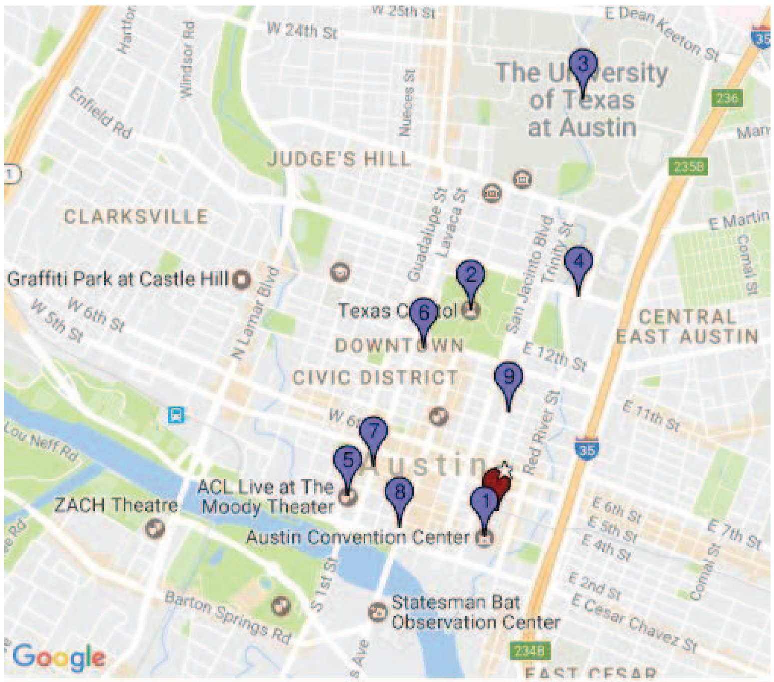


Overall, the supportive nature of the development in the immediate area is considered appropriate for and conducive to the operation of a hotel.

Proximity to Local Demand Generators and Attractions

The subject property is located near the area's primary generators of lodging demand. A sample of these demand generators is reflected on the following map, including respective distances from and drive times to the subject property. Overall, the subject property is well situated with respect to demand generators.

ACCESS TO DEMAND GENERATORS AND ATTRACTIONS



	Demand Generator	Approx. Driving Time/Distance from Subject Property	
	Subject Property		
1	Austin Convention Center	3 minutes	0 mile
2	Texas Capitol	9 minutes	1 mile
3	The University of Texas at Austin	9 minutes	2 miles
4	Dell Medical School	7 minutes	1 mile
5	ACL Live at The Moody Theater	5 minutes	1 mile
6	Texas Governor's Mansion	7 minutes	1 mile
7	Warehouse District	4 minutes	0 mile
8	2nd Street District	5 minutes	1 mile
9	Financial District	4 minutes	0 mile

Utilities

According to property ownership, the subject site is served by all necessary utilities.

Soil and Subsoil Conditions

Geological and soil reports were not provided to us or made available for our review during the preparation of this report. We are not qualified to evaluate soil conditions other than by a visual inspection of the surface; no extraordinary conditions were apparent.

Nuisances and Hazards

We were not informed of any site-specific nuisances or hazards, and there were no visible signs of toxic ground contaminants at the time of our inspection. Because we are not experts in this field, we do not warrant the absence of hazardous waste and urge the reader to obtain an independent analysis of these factors.

Flood Zone

According to the Federal Emergency Management Agency map illustrated below, the subject site is located in X.

COPY OF FLOOD MAP AND COVER

The flood zone definition for the X designation is as follows: areas outside the 500-year flood plain; areas of the 500-year flood; areas of the 100-year flood with average depths of less than one foot or with drainage areas less than one square mile and areas protected by levees from the 100-year flood.

Zoning

According to the local planning office, the subject property is zoned as follows: CBD Cure - Central Business District. Additional details pertaining to the subject property's zoning regulations are summarized in the following table.

ZONING

Municipality Governing Zoning	City of Austin
Current Zoning	CBD Cure
Current Use	Hotel
Is Current Use Permitted	Yes
Is Change in Zoning Likely	No
Permitted Uses	High-Rise Office, Service Establishments, Hotels
Hotel Allowed	Yes
Legally Non-Conforming	Not Applicable

Easements and Encroachments

We are not aware of any easements or encroachments encumbering the property that would significantly affect its utility or marketability.

Conclusion

We have analyzed the issues of size, topography, access, visibility, and the availability of utilities. The subject site is favorably located across from the Austin Convention Center and within the Central Business District. In general, the site is well suited for hotel use, with acceptable access, visibility, and topography for an effective operation.

IMPROVEMENTS

The quality of a lodging facility's physical improvements has a direct influence on its marketability and attainable occupancy and average rate. The design and functionality of the structure can also affect operating efficiency and overall profitability.
The descriptions and pictures presented in this section reflect the hotel as observed at the time of our inspection on December 12, 2016.

Property Overview

The Hilton Austin Convention Center is a full-service, convention headquarters lodging facility containing 801 rentable units. The hotel was designed and developed as a Hilton in 2003; the configuration and array of facilities and amenities are consistent with Hilton's standards for its flagship brand as of that date. The property has undergone extensive renovations over the last three years and is in overall very good condition. Based on our inspection of the property and understanding of current brand standards, we are of the opinion that a new owner would need to complete only minor upgrades and would anticipate funding these from the forecasted reserve for replacement.

SUBJECT PROPERTY – FRONT OF HOTEL

SUBJECT PROPERTY – BACK OF HOTEL

Summary of the Facilities

Based on our inspection and information provided by the subject property's management representatives, the following table summarizes the facilities available at the subject property.

HVS

FIGURE 3-2 FACILITIES SUMMARY

Guestroom Configuration	Number of Units
King	325
Queen/Queen	451
Suite	25
Total	801

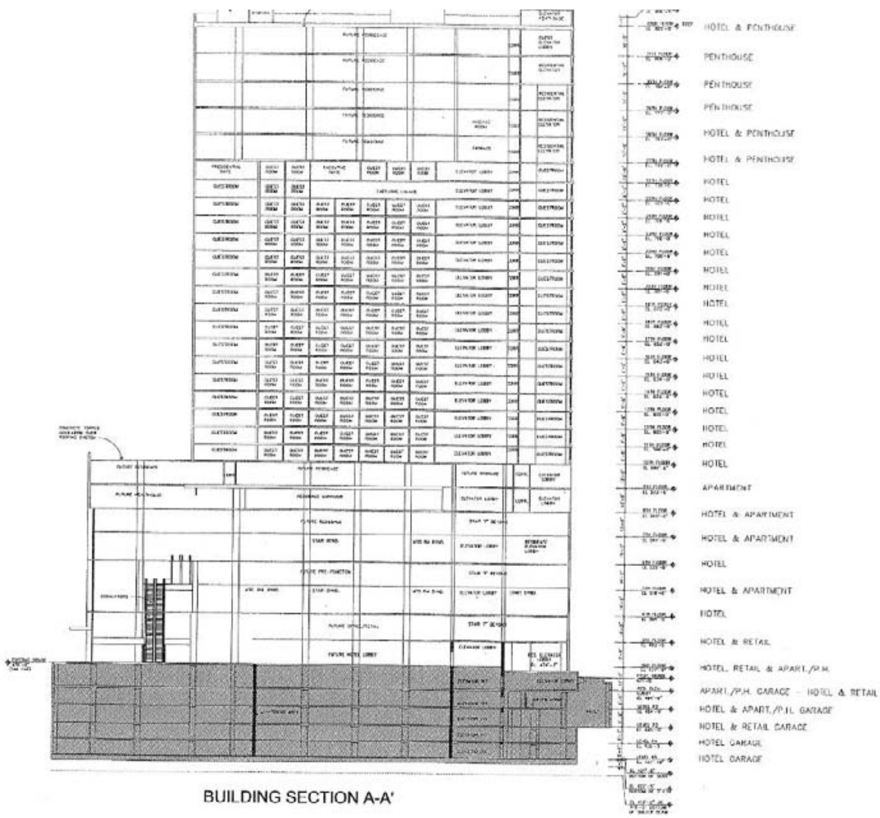
Food & Beverage Facilities	Location
Cannon + Belle Restaurant	2nd Level
Cannon + Belle Lounge	2nd Level
Austin Taco Project and Bar	1st Level
Starbucks	2nd Level

Meeting & Banquet Facilities	Square Footage
Austin Grand Ballroom	25,604
Governor's Ballroom	15,524
4th Floor Meeting Space	15,070
4th Floor Pre-Function & Breakout	15,306
6th Floor Meeting Space	6,211
6th Floor Pre-Function & Breakout	17,549
The Reverbery	3,497
Total, Including Pre-Function	98,761

Amenities & Services	
Rooftop Swimming Pool	Fitness Center
Rooftop Whirlpool	UPS Store (leased)
Spa	Vending Areas
Business Center	

Infrastructure	
Parking	Subterranean Garage
Elevators	9 Guest, 3 Service, 1 Cargo
Life-Safety Systems	Sprinklers, Smoke Detectors
Construction Details	Reinforced Structural Steel

PROPERTY LAYOUT BY LEVEL



BUILDING SECTION A-A'

Site Improvements and Hotel Structure

Once guests enter the site, ample parking is available in the subterranean parking garage below the hotel building. Valet parking is available and is operated by hotel management. The parking area was in very good condition. Signage is located at the entrance of the hotel property; additional signage is located high on the façade of the building. The site's landscaping and sidewalks were in very good condition upon our inspection.

The subject structure comprises one 31-story building, which houses the hotel operation, residential condominiums, and ground-floor retail. We note only the hotel components of the building and the hotel operation are the subject of this study. The building's exterior was in very good condition; there were no major problems observed or reported pertaining to the hotel's exterior finish. The hotel's elevators and stairways are functional, appearing to be well kept upon inspection.

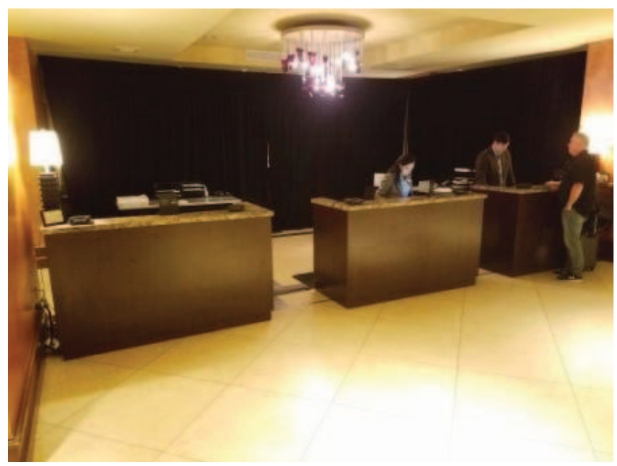
According to hotel management, the roof is in good condition with no deficiencies. There were no problems reported with the hotel's foundation, structure, or windows; furthermore, we did not observe any deficiencies with these areas. We note that a pedestrian skybridge that connects the subject hotel with the Austin Convention Center is planned for construction in 2017.

Lobby

Guests may enter the hotel through a variety of entrances. The hotel's main entrance is located on the west side of the building, and entrances also exist on the north, south, and east sides of the building. Overall, the entry points were in very good condition upon inspection. The lobby is spacious and appropriate for an upper-upscale, convention-headquarters hotel, featuring escalators, multiple seating areas, and water features.

LOBBY SEATING AREA

FRONT DESK (TEMPORARY)



Guestrooms

The hotel features standard and suite-style guestroom configurations, and guestrooms are found on levels 10 through 26 of the property within the one building. The rooms are adequately sized and offer typical amenities for this product type. The highest two levels of the hotel represent the upgraded Executive Level rooms, and guests in these rooms have access to the hotel's concierge lounge located on the 25th floor. Overall, the guestrooms were in very good condition.

FIGURE 3-3 SUMMARY OF ROOM TYPES

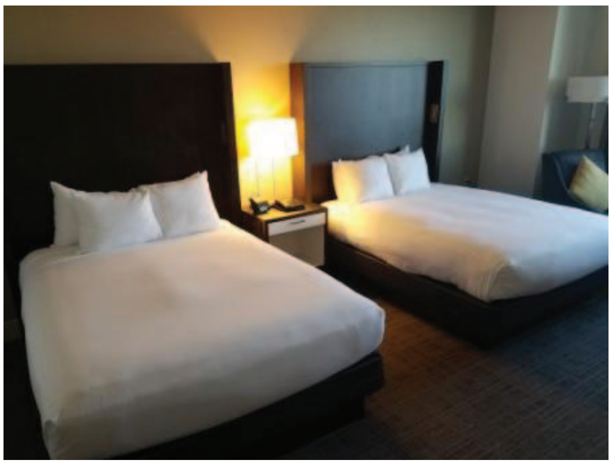
Guestroom Configuration	Number of Units
King	325
Queen/Queen	451
Suite	25
Total	801

FIGURE 3-4 GUESTROOM AMENITIES

- Iron and ironing board
- Luggage rack
- Safe
- Robe(s)
- Coffeemaker
- Docking Station
- Mini-refrigerator
- Make-up mirror
- Hairdryer

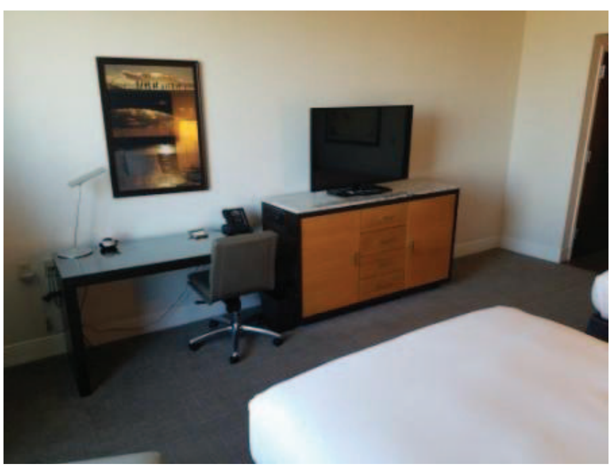
The guestroom bathrooms are of a standard size. The fixtures and finishes were in overall very good condition upon inspection.

TYPICAL GUESTROOM – SLEEPING AREA



TYPICAL GUESTROOM BATHROOM – SINK

TYPICAL GUESTROOM – LIVING AREA



TYPICAL GUESTROOM BATHROOM – BATH

The interior guestroom corridors are wide and functional, permitting the easy passage of housekeeping carts. Overall, the guestroom corridors were in very good condition.

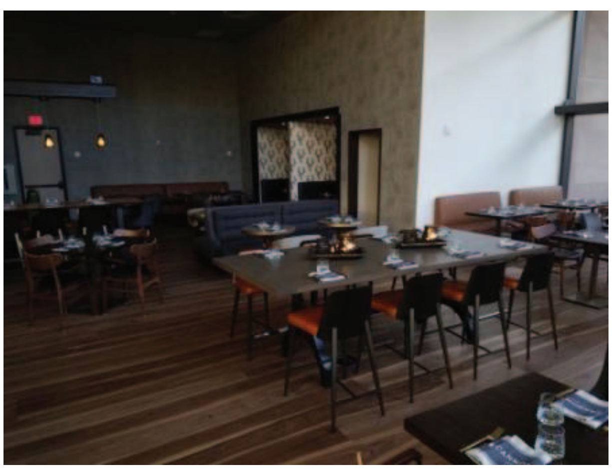
Food and Beverage Facilities

A transformation of the hotel's food and beverage outlets began in 2015. The Finn & Porter restaurant was converted from a typical steakhouse to Cannon + Belle, a modern eatery concept that features an open kitchen; the former lobby lounge was incorporated into the Cannon + Belle concept that now offers artisan-crafted cocktails; the old coffee shop was changed to a Starbucks outlet; and Liberty Tavern is set to reopen as the Austin Taco Project in March 2017. The size and layout of each facility are appropriate for an upper-upscale, full-service hotel. The furnishings in all open outlets were in excellent condition upon inspection.

FIGURE 3-5 SUMMARY OF FOOD AND BEVERAGE OUTLETS

Food & Beverage Facilities	Location
Cannon + Belle Restaurant	2nd Level
Cannon + Belle Lounge	2nd Level
Austin Taco Project and Bar	1st Level
Starbucks	2nd Level

CANNON + BELLE SEATING



CANNON + BELLE BAR

Meeting Space

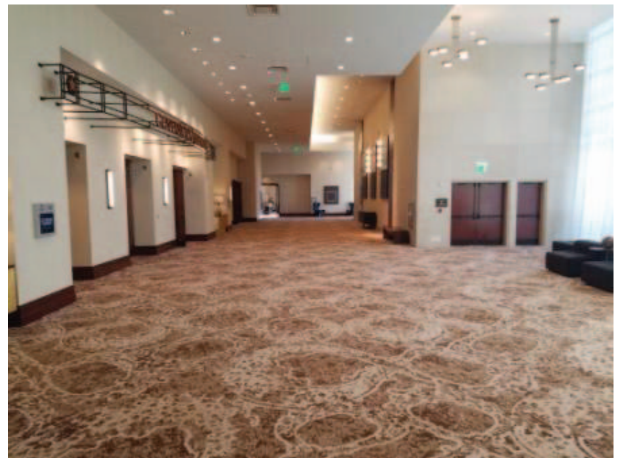
The hotel offers almost 40 meeting rooms, located primarily on levels four and six. Typical of a convention headquarters hotel, the hotel houses two large ballrooms, significant pre-function space, breakout rooms, and boardrooms. Additionally, as part of the renovations to the food and beverage outlets, roughly 3,500 square feet of specialty meeting space was created adjacent to Cannon + Belle; this room can also be configured with outdoor space. The ballrooms, additional meeting rooms, and pre-function space were in very good condition at the time of inspection.

FIGURE 3-6 SUMMARY OF MEETING SPACE

Meeting & Banquet Facilities	Square Footage
Austin Grand Ballroom	25,604
Governor's Ballroom	15,524
4th Floor Meeting Space	15,070
4th Floor Pre-Function & Breakout	15,306
6th Floor Meeting Space	6,211
6th Floor Pre-Function & Breakout	17,549
The Reverbery	3,497
Total, Including Pre-Function	98,761

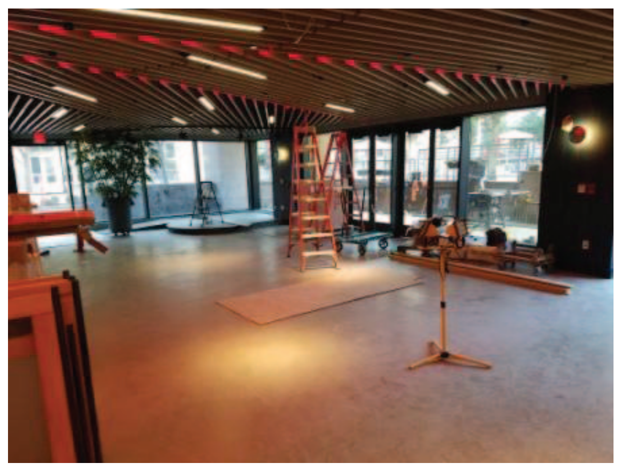
BALLROOM

PRE-FUNCTION SPACE



MEETING ROOM

ADDED MEETING SPACE - REVERBERY



Additional Facilities and Amenities

The hotel features an outdoor pool and whirlpool, as well as an outdoor sundeck with cabanas, located on a terrace on the hotel's eighth level. There were no major problems reported with the pool operation, and the area was clean and attractive. The hotel offers a full-service spa and fitness center on the eighth level next to the pool. These spaces were in good condition at the time of our inspection.

The hotel does not offer a gift shop or market; however, the new Starbucks is anticipated to offer sundries in addition to its typical brand-related fare. Vending machines and ice machines are located on select guestroom floors, and these areas were in good condition.

The hotel offers a dedicated business center on the second level. This space has computer workstations, a boarding pass station, and an all-in-one printer, scanner, copier, and fax machine, as well as very good quality furnishings. This business center offers a modern, upscale design. A UPS Store is located next to the front desk in order to facilitate guest packing and shipping needs at this convention-focused hotel.

FIGURE 3-7 SUMMARY OF AMENITIES AND SERVICES

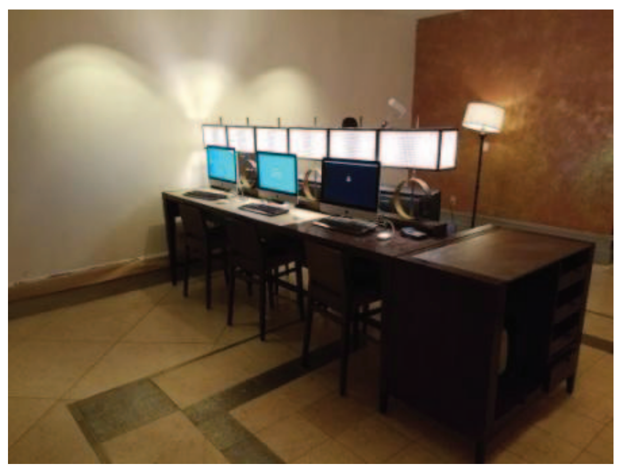
Amenities & Services	
Rooftop Swimming Pool	Fitness Center
Rooftop Whirlpool	UPS Store (leased)
Spa	Vending Areas
Business Center	

FITNESS ROOM

POOL

SPA

BUSINESS CENTER



ADA and Environmental

The subject property is served by the necessary back-of-the-house space, including an in-house laundry facility, administrative offices, and three kitchen facilities. A full-service kitchen is located adjacent to each of the restaurants, and a large banquet kitchen is present on the ballroom level. The kitchen facilities are appropriate for the scope of service provided, appearing to be in good condition. Hotel management did not report any significant or persistent problems. The in-house laundry facility contains five large-capacity washers, four dryers, two folders, and one ironer. All appliances were reported to be operational at the time of inspection and appeared to be in good condition.

LAUNDRY

KITCHEN

Back-of-the-House

According to information provided by management representatives, there are no environmental hazards present in the subject property's improvements, nor did we observe any. The property reportedly complies with the Americans with Disabilities Act; furthermore, the ADA-mandated pool lift was installed in 2013.

Capital Expenditures

The Hilton underwent property-wide renovations, upgrades, improvements, and expansions between 2014 and 2016; the total expenditures for these capital projects reportedly exceeded $30 million.

Our forecast of income and expense incorporates a reserve for replacement in recognition of the future renovation needs of the property. Our market study also assumes an ongoing preventive maintenance program and appropriate management and ownership oversight. The reserve for replacement is consistent with accepted industry norms for a property of this type.

Conclusion

Overall, the subject property offers a well-designed, functional layout of support areas and guestrooms. Virtually all aspects of the hotel have been upgraded over the last few years, and the hotel's improvements remain in very good condition. No significant weaknesses were noted.

4. Market Area Analysis

The economic vitality of the market area and neighborhood surrounding the subject property is an important consideration in forecasting lodging demand and income potential. Economic and demographic trends that reflect the amount of visitation provide a basis from which to project lodging demand. The purpose of the market area analysis is to review available economic and demographic data to determine whether the local market will undergo economic growth, stabilize, or decline. In addition to predicting the direction of the economy, the rate of change must be quantified. These trends are then correlated based on their propensity to reflect variations in lodging demand, with the objective of forecasting the amount of growth or decline in visitation by individual market segment (e.g., commercial, meeting and group, and leisure).

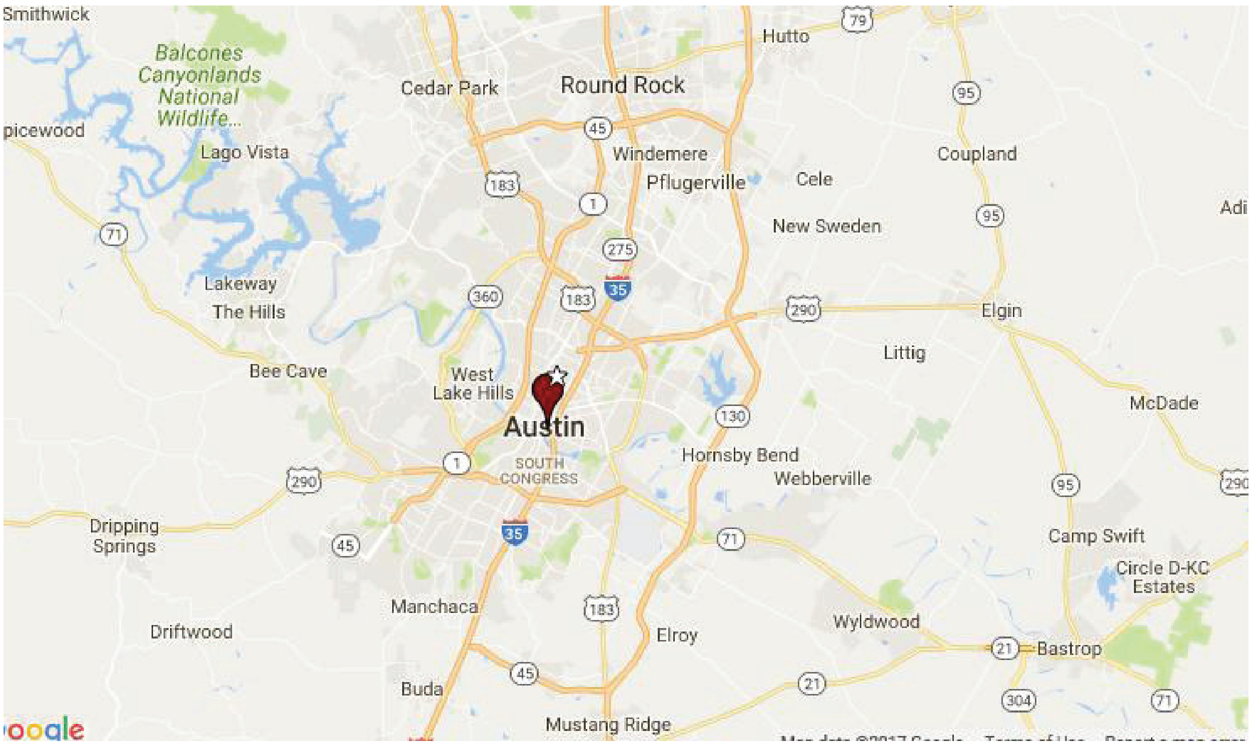
Market Area Definition

The market area for a lodging facility is the geographical region where the sources of demand and the competitive supply are located. The subject property is located in the city of Austin, the county of Travis, and the state of Texas. As the capital of Texas, Austin's diversity of businesses, government agencies, entertainment venues, historical attractions, and universities characterize the city as the cultural and political heart of Texas. Government jobs and investments related to state, city, county, and federal entities provide a solid economic base for the Austin area. Additionally, Austin is home to the state’s flagship university, The University of Texas, which has continually supplied the local labor pool with young, well-educated, and relatively inexpensive workers. Furthermore, technology and multimedia platforms have grown into primary industries in this market. Austin's desirable location, diverse population, and committed government agencies have increased the city's attractiveness as one of the premier corporate-relocation sites in the country.

AUSTIN

The subject property's market area can be defined by its Metropolitan Statistical Area (MSA): Austin-Round Rock, TX MSA. The MSA is the most standard definition used in comparative studies of metropolitan areas. The federal government defines an MSA as a large population nucleus, which, together with adjacent counties, has a higher degree of social integration. The following exhibit illustrates the market area.

MAP OF MARKET AREA



Economic and Demographic Review

A primary source of economic and demographic statistics used in this analysis is the *Complete Economic and Demographic Data Source* published by Woods & Poole Economics, Inc.—a well-regarded forecasting service based in Washington, D.C. Using a database containing more than 900 variables for each county in the nation, Woods & Poole employs a sophisticated regional model to forecast economic and demographic trends. Historical statistics are based on census data and information published by the Bureau of Economic Analysis. Projections are formulated by Woods & Poole, and all dollar amounts have been adjusted for inflation, thus reflecting real change.

These data are summarized in the following table.

FIGURE 4-1 ECONOMIC AND DEMOGRAPHIC DATA SUMMARY

	2000	2010	2016	2020	Average Annual Compounded Change 2000-10	2010-16	2016-20
Resident Population (Thousands)							
Travis County	819.7	1,030.4	1,192.5	1,281.1	2.3 %	2.5 %	1.8 %
Austin-Round Rock, TX MSA	1,265.0	1,727.7	2,024.3	2,199.8	3.2	2.7	2.1
State of Texas	20,944.5	25,245.7	27,811.3	29,649.5	1.9	1.6	1.6
United States	282,162.4	309,347.1	324,506.9	336,690.4	0.9	0.8	0.9
Per-Capita Personal Income*							
Travis County	$43,432	$43,679	$51,493	$54,981	0.1	2.8	1.7
Austin-Round Rock, TX MSA	39,777	39,358	44,696	47,464	(0.1)	2.1	1.5
State of Texas	34,121	37,659	43,342	46,183	1.0	2.4	1.6
United States	36,812	39,622	43,613	46,375	0.7	1.6	1.5
W&P Wealth Index							
Travis County	124.4	118.2	126.5	126.8	(0.5)	1.1	0.1
Austin-Round Rock, TX MSA	113.6	105.9	109.1	108.9	(0.7)	0.5	(0.1)
State of Texas	94.0	96.2	100.0	100.1	0.2	0.6	0.0
United States	100.0	100.0	100.0	100.0	0.0	0.0	0.0
Food and Beverage Sales (Millions)*							
Travis County	$1,890	$2,139	$2,842	$3,152	1.2	4.9	2.6
Austin-Round Rock, TX MSA	2,440	3,100	4,231	4,736	2.4	5.3	2.9
State of Texas	27,748	37,635	50,564	55,656	3.1	5.0	2.4
United States	368,829	447,728	562,999	602,635	2.0	3.9	1.7
Total Retail Sales (Millions)*							
Travis County	$19,118	$15,359	$19,435	$21,494	(2.2)	4.0	2.5
Austin-Round Rock, TX MSA	28,047	27,692	34,462	38,659	(0.1)	3.7	2.9
State of Texas	291,221	341,775	423,158	464,763	1.6	3.6	2.4
United States	3,902,830	4,130,414	4,846,834	5,181,433	0.6	2.7	1.7

* Inflation Adjusted

Source: Woods & Poole Economics, Inc.

The U.S. population grew at an average annual compounded rate of 0.8% from 2010 to 2016; the state's population changed by 1.6% during that period. The county's population increased at a quicker pace than the nation's population; the average annual growth rate of 2.5% between 2010 and 2016 reflects a rapidly expanding area. In 2016, the county's population was approximately 1,190,000; it is forecast to be roughly 1,280,000 by 2020.

Following this population trend, per-capita personal income increased modestly, at 2.8% on average annually for the county between 2010 and 2016. The county's annual per-capita personal income level was approximately $51,000 in 2016; it is expected to be $55,000 by 2020. This compares to respective state and U.S. levels of $43,000 and $44,000 in 2015, and $46,000 and $46,000 by 2020. The county's local wealth index in 2016 was a relatively high 126.5, higher than the state's 2016 wealth index of 100.0. The county's wealth index is anticipated to be 126.8 by 2020, while the state's wealth index is forecast to be 100.1.

Food and beverage sales totaled $2,842 million in the county in 2016, versus $2,139 million in 2010. This reflects a 4.9% average annual change, which is stronger than the 1.2% pace recorded in the prior decade, the latter years of which were adversely affected by the recession. The pace of growth is anticipated to moderate to a more sustainable level of 2.6% through 2020. The retail sales sector demonstrated an annual decline of -2.2% from 2000 to 2010, followed by an increase of 4.0% during the period from 2010 to 2016. An increase of 2.5% average annual change in county retail sales is forecast through 2020.

Workforce Characteristics

The characteristics of an area's workforce provide an indication of the type and amount of transient visitation likely to be generated by local businesses. Sectors such as finance, insurance, and real estate (FIRE); wholesale trade; and services produce a considerable number of visitors who are not particularly rate-sensitive. The government sector often generates transient room nights, but per-diem reimbursement allowances often limit the accommodations selection to budget and mid-priced lodging facilities. Contributions from manufacturing, construction, transportation, communications, and public utilities (TCPU) employers can also be important, depending on the company type.

The following table sets forth the county workforce distribution by business sector in 2000, 2010, and 2016, as well as a forecast for 2020.

FIGURE 4-2 HISTORICAL AND PROJECTED EMPLOYMENT (000S)

Industry	2000	Percent of Total	2010	Percent of Total	2016	Percent of Total	2020	Percent of Total	Average Annual Compounded Change 2000-2010	2010-2016	2016-2020
Farm	1.4	0.2 %	1.2	0.2 %	1.3	0.1 %	1.3	0.1 %	(1.3) %	0.6 %	0.8 %
Forestry, Fishing, Related Activities And Other	0.4	0.1	0.5	0.1	0.5	0.1	0.6	0.1	2.6	2.9	1.5
Mining	3.9	0.6	9.0	1.1	13.6	1.4	14.5	1.4	8.6	7.1	1.6
Utilities	0.7	0.1	1.1	0.1	1.0	0.1	1.1	0.1	4.2	(1.4)	1.3
Construction	39.9	6.0	40.6	5.2	52.4	5.4	59.1	5.6	0.2	4.4	3.0
Manufacturing	67.8	10.2	39.1	5.0	44.8	4.7	46.2	4.4	(5.4)	2.3	0.8
Total Trade	87.4	13.1	88.7	11.3	112.7	11.7	121.7	11.5	0.1	4.1	1.9
Wholesale Trade	26.2	3.9	26.0	3.3	35.1	3.6	38.1	3.6	(0.1)	5.2	2.0
Retail Trade	61.2	9.2	62.7	8.0	77.5	8.0	83.6	7.9	0.2	3.6	1.9
Transportation And Warehousing	11.2	1.7	12.0	1.5	15.3	1.6	16.4	1.6	0.7	4.1	1.8
Information	25.0	3.8	22.6	2.9	28.7	3.0	30.2	2.9	(1.0)	4.1	1.3
Finance And Insurance	32.8	4.9	47.2	6.0	59.7	6.2	67.7	6.4	3.7	4.0	3.2
Real Estate And Rental And Lease	27.1	4.1	46.2	5.9	57.0	5.9	64.5	6.1	5.5	3.6	3.1
Total Services	257.3	38.6	343.5	43.7	445.0	46.2	493.1	46.7	2.9	4.4	2.6
Professional And Technical Services	61.9	9.3	85.3	10.8	113.5	11.8	123.6	11.7	3.3	4.9	2.2
Management Of Companies And Enterprises	2.9	0.4	4.5	0.6	7.5	0.8	8.5	0.8	4.4	9.1	3.1
Administrative And Waste Services	44.9	6.7	51.4	6.5	66.5	6.9	72.8	6.9	1.4	4.4	2.3
Educational Services	8.7	1.3	15.2	1.9	18.9	2.0	21.1	2.0	5.8	3.7	2.8
Health Care And Social Assistance	46.6	7.0	65.5	8.3	81.6	8.5	93.0	8.8	3.5	3.7	3.3
Arts, Entertainment, And Recreation	14.2	2.1	21.0	2.7	24.7	2.6	27.0	2.6	4.0	2.8	2.3
Accommodation And Food Services	43.7	6.6	58.4	7.4	77.6	8.1	85.7	8.1	2.9	4.8	2.5
Other Services, Except Public Administration	34.5	5.2	42.2	5.4	54.8	5.7	61.3	5.8	2.0	4.4	2.9
Total Government	111.3	16.7	134.6	17.1	131.3	13.6	139.6	13.2	1.9	(0.4)	1.5
Federal Civilian Government	9.3	1.4	10.1	1.3	10.7	1.1	10.8	1.0	0.8	0.9	0.2
Federal Military	2.3	0.3	2.6	0.3	2.5	0.3	2.5	0.2	1.3	(0.6)	0.1
State And Local Government	99.7	15.0	121.9	15.5	118.1	12.3	126.3	12.0	2.0	(0.5)	1.7
TOTAL	666.4	100.0 %	786.3	100.0 %	963.4	100.0 %	1,055.9	100.0 %	1.7 %	3.4 %	2.3 %
MSA	849.8	—	1,076.9	—	1,317.7	—	1,448.4	—	2.4 %	3.4 %	2.4 %
U.S.	165,370.9	—	173,034.7	—	191,870.8	—	203,418.4	—	0.9	1.7	1.5

Source: Woods & Poole Economics, Inc.

Woods & Poole Economics, Inc. reports that during the period from 2000 to 2010, total employment in the county grew at an average annual rate of 1.7%. This trend was below the growth rate recorded by the MSA and also outpaced the national average, reflecting the expanding nature of the local economy throughout most of the decade until the recession in the latter years. More recently, the pace of total employment growth in the county accelerated to 3.4% on an annual average from 2010 to 2016, reflecting the initial years of the recovery.

Of the primary employment sectors, Total Services recorded the highest increase in number of employees during the period from 2010 to 2016, increasing by 101,504 people, or 29.6%, and transitioning from 43.7% to 46.2% of total employment. Of the various service sub-sectors, Professional And Technical Services and Health Care And Social Assistance were the largest employers. Forecasts developed by Woods & Poole Economics, Inc. anticipate that total employment in the county will change by 2.3% on average annually through 2020. The trend is above the forecast rate of change for the U.S. as a whole during the same period.

Radial Demographic Snapshot

The following table reflects radial demographic trends for our market area measured by three points of distance from the subject property.

FIGURE 4-3 DEMOGRAPHICS BY RADIUS

	0.00 - 1.00 miles	0.00 - 3.00 miles	0.00 - 5.00 miles
Population			
2021 Projection	17,938	181,774	349,558
2016 Estimate	16,231	169,447	325,866
2010 Census	13,606	152,585	295,210
2000 Census	9,996	143,903	280,640
Growth 2016 - 2021	10.5%	7.3%	7.3%
Growth 2010 - 2016	19.3%	11.1%	10.4%
Growth 2000 - 2010	36.1%	6.0%	5.2%
Households			
2021 Projection	9,791	81,803	153,046
2016 Estimate	8,715	75,094	140,961
2010 Census	7,018	65,489	124,608
2000 Census	4,087	61,007	116,356
Growth 2016 - 2021	12.3%	8.9%	8.6%
Growth 2010 - 2016	24.2%	14.7%	13.1%
Growth 2000 - 2010	71.7%	7.3%	7.1%
Income			
2016 Est. Average Household Income	$140,484	$77,268	$77,965
2016 Est. Median Household Income	84,405	45,255	47,333
2016 Est. Civ. Employed Pop 16+ by Occupation	9,859	91,378	174,126
Architect/Engineer	309	1,821	3,480
Arts/Entertainment/Sports	543	5,493	9,322
Building Grounds Maintenance	137	3,215	7,899
Business/Financial Operations	1,340	5,924	10,409
Community/Social Services	95	1,475	2,787
Computer/Mathematical	594	4,189	7,217
Construction/Extraction	204	4,366	10,484
Education/Training/Library	612	8,133	14,010
Farming/Fishing/Forestry	27	226	380
Food Prep/Serving	398	7,459	14,462
Health Practitioner/Technician	603	3,470	6,750
Healthcare Support	101	1,503	3,249
Maintenance Repair	90	1,233	2,877
Legal	566	2,841	4,682
Life/Physical/Social Science	94	1,603	2,474
Management	1,896	10,831	19,925
Office/Admin. Support	483	8,702	17,961
Production	204	2,272	4,656
Protective Services	23	1,033	1,815
Sales/Related	1,090	9,175	16,780
Personal Care/Service	278	3,773	6,712
Transportation/Moving	171	2,641	5,797

Source: The Nielsen Company

This source reports a population of 325,866 within a five-mile radius of the subject property, and 140,961 households within this same radius. Average household income within a five-mile radius of the subject property is currently reported at $77,965, while the median is $47,333.

The following table illustrates historical and projected employment, households, population and average household income data as provided by REIS for the overall Austin market.

FIGURE 4-4 HISTORICAL & PROJECTED EMPLOYMENT, HOUSEHOLDS, POPULATION, AND HOUSEHOLD INCOME STATISTICS

Year	Total Employment	% Chg	Office Employment	% Chg	Industrial Employment	% Chg	Households	% Chg	Population	% Chg	Household Avg. Income	% Chg
2003	660,330	—	216,423	—	100,857	—	529,840	—	1,392,440	—	$85,102	—
2004	683,670	3.5 %	224,628	3.8 %	103,928	3.0 %	545,740	3.0 %	1,429,740	2.7 %	88,475	4.0 %
2005	708,230	3.6	232,464	3.5	104,889	0.9	570,950	4.6	1,493,410	4.5	93,554	5.7
2006	747,700	5.6	244,858	5.3	110,590	5.4	593,430	3.9	1,547,210	3.6	99,137	6.0
2007	776,000	3.8	253,398	3.5	111,285	0.6	617,870	4.1	1,606,820	3.9	101,321	2.2
2008	785,630	1.2	260,483	2.8	109,515	(1.6)	636,380	3.0	1,659,010	3.2	105,797	4.4
2009	765,230	(2.6)	257,193	(1.3)	98,525	(10.0)	650,560	2.2	1,704,470	2.7	101,597	(4.0)
2010	789,900	3.2	264,144	2.7	103,207	4.8	663,420	2.0	1,753,650	2.9	106,430	4.8
2011	815,200	3.2	271,627	2.8	108,581	5.2	686,930	3.5	1,809,110	3.2	112,473	5.7
2012	854,670	4.8	284,613	4.8	111,802	3.0	709,720	3.3	1,859,460	2.8	121,821	8.3
2013	892,970	4.5	297,505	4.5	115,809	3.6	733,860	3.4	1,912,920	2.9	118,631	(2.6)
2014	931,770	4.3	310,759	4.5	117,568	1.5	759,520	3.5	1,973,600	3.2	123,309	3.9
2015	977,830	4.9	325,464	4.7	122,648	4.3	780,100	2.7	2,029,620	2.8	127,165	3.1
Forecasts												
2016	1,003,040	*2.6 %*	331,270	*1.8 %*	124,513	*1.5 %*	800,390	*2.6 %*	2,088,990	*2.9 %*	$128,131	*0.8 %*
2017	1,024,840	*2.2*	338,807	*2.3*	126,160	*1.3*	823,970	*2.9*	2,149,370	*2.9*	131,932	*3.0*
2018	1,048,840	*2.3*	347,523	*2.6*	127,576	*1.1*	849,310	*3.1*	2,210,820	*2.9*	137,537	*4.2*
2019	1,077,610	*2.7*	356,661	*2.6*	130,199	*2.1*	874,940	*3.0*	2,271,960	*2.8*	142,814	*3.8*
2020	1,098,410	*1.9*	363,136	*1.8*	131,678	*1.1*	900,610	*2.9*	2,334,130	*2.7*	146,541	*2.6*
Average Annual Compound Change												
2003 - 2015		3.3 %		3.5 %		1.6 %		3.3 %		3.2 %		3.4 %
2003 - 2007		4.1		4.0		2.5		3.9		3.6		4.5
2007 - 2010		0.6		1.4		(2.5)		2.4		3.0		1.7
2010 - 2015		4.4		4.3		3.5		3.3		3.0		3.6
Forecast 2016 - 2020		*2.3 %*		*2.3 %*		*1.4 %*		*3.0 %*		*2.8 %*		*3.4 %*

Source: REIS Report, 3rd Quarter, 2016

For the Austin market, of the roughly 1,000,000 persons employed, 33% are categorized as office employees, while 13% are categorized as industrial employees. Total employment increased by an average annual compound rate of 0.6% during the recession of 2008 to 2011, followed by an increase of 4.4% from 2011 to 2015. By comparison, office employment reflected compound change rates of 1.4% and 4.3%, during the same respective periods. Total employment is expected to expand by 2.6% in 2016, while office employment is forecast to expand by 1.8% in 2016. From 2015 through 2020, REIS anticipates that total employment will increase at an average annual compound rate of 2.3%, while office employment will increase by 2.3% on average annually during the same period.

The number of households is forecast to increase by 3.0% on average annually between 2015 and 2020. Population is forecast to expand during this same period, at an average annual compounded rate of 2.8%. Household average income is forecast to grow by 3.4% on average annually from 2015 through 2020.

Unemployment Statistics

The following table presents historical unemployment rates for the subject property's market area, the state, and the nation.

FIGURE 4-5 UNEMPLOYMENT STATISTICS

Year	City	MSA	State	U.S.
2006	3.9 %	4.1 %	4.9 %	4.6 %
2007	3.5	3.6	4.3	4.6
2008	4.0	4.3	4.8	5.8
2009	6.3	6.9	7.6	9.3
2010	6.2	7.0	8.1	9.6
2011	5.8	6.6	7.8	8.9
2012	5.0	5.7	6.7	8.1
2013	4.6	5.1	6.2	7.4
2014	3.7	4.2	5.1	6.2
2015	3.0	3.4	4.5	5.3
Recent Month - Nov				
2015	2.8 %	3.2 %	4.4 %	5.0 %
2016	2.7	3.0	4.2	4.6

* Letters shown next to data points (if any) reflect revised population controls and/or model re-estimation implemented by the BLS.

Source: U.S. Bureau of Labor Statistics

After the U.S. unemployment rate declined to an annual average of 4.6% in 2006 and 2007, the Great Recession, which spanned December 2007 through June 2009, resulted in heightened unemployment rates. The unemployment rate peaked at 10.0% in October 2009, after which job growth resumed; the national unemployment rate has steadily declined since 2010. Total nonfarm payroll employment increased by 164,000, 157,000, and 227,000 jobs in November, December, and January, respectively. The strongest gains in January were recorded in the retail trade, construction, and financial activities sectors. The national unemployment rate remains low, at 4.6% in November, 4.7% in December, and 4.8% in January; it has remained near the 5.0% mark since August 2015, reflecting a trend of relative stability and the overall strength of the U.S. economy.

Locally, the unemployment rate was 3.0% in 2015; for this same area in 2016, the most recent month's unemployment rate was registered at 2.7%, versus 2.8% for the same month in 2015. Unemployment began to rise in 2008, concurrent with the onset of the recession. Unemployment for the city increased further in 2009 and remained near that level in 2010; however, it is important to note that local unemployment was considerably lower than the state and national levels during that time. Unemployment began to fall in 2011, and this trend continued through 2015. The most recent comparative period indicates further improvement, indicated by the lower unemployment rate in the latest available data for 2016, with the local unemployment rate still below state and national levels. Local employment remains stable within the government and education sectors, and high-tech job growth has continued since 2011; moreover, Apple's new campus has brought 6,000 new jobs to the city. According to economic development officials, local employment is expected to continue to climb as area businesses increase spending in line with the strong economic growth in Austin.

Major Business and Industry

Providing additional context for understanding the nature of the regional economy, the following table presents a list of the major employers in the subject property's market.

FIGURE 4-6 MAJOR EMPLOYERS

Rank	Firm	Number of Employees
1	State of Texas	70,863
2	The University of Texas at Austin	25,924
3	City of Austin/Austin Independent School District	14,059
4	Dell	14,000
5	Seton Healthcare Family	12,770
6	St. David's HealthCare	8,100
7	IBM	6,000
8	Apple, Inc.	6,000
9	NXP Semiconductors (Formerly Freescale)	4,000
10	AT&T	2,800

Source: Austin Business Journal, 2016

The following bullet points highlight major demand generators for this market:

- Technology and multimedia platforms have grown into primary industries in this market. Dell Computer Corporation, Austin's largest private employer, maintains its world headquarters in Round Rock, approximately 18 miles north of Austin's Central Business District. Technology offices for communication and information management, such as NXP Semiconductors (formerly Freescale), IBM, Applied Materials, Samsung, and Google, also have a strong presence in Austin. Moreover, Facebook, LegalZoom, Electronic Arts, eBay, and Cirrus Logic have opened regional headquarter offices in Austin. Additionally, Apple is nearing completion of the construction of a 1.1-million-square-foot operations center on a 38-acre campus that houses 6,000 employees as of November 2016. In addition, Austin boasts a robust entertainment industry, inclusive of diverse media-related jobs and investments, particularly in the music, gaming, and filmmaking industries. Sony, Midway, Austin Studios, and Nintendo all maintain a presence in the market, with research, development, and production facilities located throughout the city.
- Austin is also home of the state's flagship university, The University of Texas (UT), which has continually supplied the local labor pool with young, well-educated, and relatively inexpensive workers. With over 51,000 students, 18 colleges and schools, 17 libraries, 7 museums, a Presidential Library, and a $2.8-billion operating budget, the university is one of the largest in the nation. *U.S. News & World Report* ranked 37 of the university's graduate programs,

including Law, Business, Engineering, and Education, within its top-ten lists for 2015. According to Angelou Economics, an Austin-based economic development-consulting firm, The University of Texas has also spearheaded technological innovation for the local economy because of the commercialization of its research and its many partnerships with major companies. One such endeavor is The University of Texas J.J. Pickle Research Campus in Northwest Austin; the campus is home to over 30 research centers, groups, services, and laboratories. Furthermore, Phase I for the Dell Medical School at UT was completed in the summer of 2016; this phase included the construction of a research building, a medical office, a parking garage, and an education and administration building. The new medical school opened to its first class for the Fall 2016 semester. In addition, construction of Seton Medical Center at UT, the primary training site for students at the new Dell Medical School, began in August 2014. The $295-million, 211-bed hospital is scheduled to open in 2017.

- Government jobs and investments related to state, city, county, and federal entities provide a solid economic base for the Austin area. The city's substantial federal presence includes the United States Internal Revenue Service (IRS), which operates tax return review and processing facilities in Austin with roughly 4,500 employees; the Social Security Administration; and a 252,400-square-foot federal courthouse that opened in December 2012 in the CBD, replacing two older facilities. In addition to city and county agencies, all but one state agency is headquartered in Austin. Furthermore, the Texas Legislature has a substantial impact on the Austin-area economy, particularly during its 140-day biennial sessions that typically attract approximately 180 legislators to Austin, as well as numerous staff members and legislative visitors. For each month that the legislature is in session, it has an estimated $30-million impact on the local economy.

The Austin market area remains one of the country's most robust economies, which is anchored by the education, government, and healthcare sectors. The market's economy is further bolstered by the technology industry, with numerous global technology firms holding a major presence in the area. Our market interviews and research revealed that expansion continues at many private-sector employers, particularly in the technology field. Many of the corporations or institutions that support this area, including Whole Foods, Dell, IBM, eBay, Apple, and Facebook, are world-renowned companies working with a multitude of clients. The city also benefits from a highly popular mix of tourism attractions, which continue to drive strong visitation throughout the year.

Office Space Statistics

Trends in occupied office space are typically among the most reliable indicators of lodging demand, as firms that occupy office space often exhibit a strong propensity to attract commercial visitors. Thus, trends that cause changes in vacancy rates or occupied office space may have a proportional impact on commercial lodging demand and a less direct effect on meeting demand. The following table details office space statistics for the pertinent market area.

FIGURE 4-7 OFFICE SPACE STATISTICS – MARKET OVERVIEW

	Submarket	Inventory Buildings	Inventory Square Feet	Occupied Office Space	Vacancy Rate	Average Asking Lease Rate
1	**Central Business District**	**81**	**9,991,000**	**9,021,900**	**9.7 %**	**$38.67**
2	North Central	97	7,526,000	6,336,900	15.8	24.61
3	Northeast	29	1,853,000	1,584,300	14.5	19.28
4	Southeast	34	1,972,000	1,824,100	7.5	17.08
5	Southwest	64	4,948,000	4,374,000	11.6	28.83
6	South	41	2,182,000	1,863,400	14.6	28.86
7	Northwest	168	12,524,000	10,657,900	14.9	29.52
8	Round Rock/Georgetown	60	4,045,000	3,316,900	18.0	23.63
	Totals and Averages	**574**	**45,041,000**	**38,979,400**	**13.5 %**	**$29.13**

Source: REIS Report, 3rd Quarter, 2016

The greater Austin market comprises a total of 45.0 million square feet of office space. For the 3rd Quarter of 2016, the market reported a vacancy rate of 13.5% and an average asking rent of $29.13. The subject property is located in the Central Business District submarket, which houses 9,991,000 square feet of office space. The submarket's vacancy rate of 9.7% is below the overall market average. The average asking lease rate of $38.67 is above the average for the broader market.

The following table illustrates a trend of office space statistics for the overall Austin market and the Central Business District submarket.

FIGURE 4-8 HISTORICAL AND PROJECTED OFFICE SPACE STATISTICS – GREATER MARKET VS. SUBMARKET

	Austin Market							Central Business District Submarket						
Year	**Available Office Space**	**% Chg**	**Occupied Office Space**	**% Chg**	**Vacancy Rate**	**Asking Lease Rate**	**% Chg**	**Available Office Space**	**% Chg**	**Occupied Office Space**	**% Chg**	**Vacancy Rate**	**Asking Lease Rate**	**% Chg**
2003	36,808,000	—	28,079,000	—	23.7 %	$19.72	—	9,120,000	—	7,013,000	—	23.1 %	$23.44	—
2004	36,857,000	0.1 %	29,260,000	4.2 %	20.6	19.32	(2.0) %	9,163,000	0.5 %	7,074,000	0.9 %	22.8	22.63	(3.5) %
2005	36,427,000	(1.2)	30,391,000	3.9	16.6	20.09	4.0	9,143,000	(0.2)	7,013,000	(0.9)	23.3	23.35	3.2
2006	36,594,000	0.5	31,236,000	2.8	14.6	22.15	10.3	9,102,000	(0.4)	7,300,000	4.1	19.8	25.87	10.8
2007	37,596,000	2.7	32,168,000	3.0	14.4	25.40	14.7	9,160,000	0.6	7,832,000	7.3	14.5	30.60	18.3
2008	40,463,000	7.6	32,845,000	2.1	18.8	26.35	3.7	9,250,000	1.0	7,881,000	0.6	14.8	33.20	8.5
2009	40,432,000	(0.1)	32,263,000	(1.8)	20.2	25.68	(2.5)	9,081,000	(1.8)	7,773,000	(1.4)	14.4	32.77	(1.3)
2010	40,247,000	(0.5)	31,859,000	(1.3)	20.8	25.20	(1.9)	8,891,000	(2.1)	7,620,000	(2.0)	14.3	33.42	2.0
2011	40,247,000	0.0	32,670,000	2.5	18.8	25.66	1.8	8,891,000	0.0	7,664,000	0.6	13.8	34.20	2.3
2012	40,247,000	0.0	33,350,000	2.1	17.1	26.09	1.7	8,891,000	0.0	7,584,000	(1.0)	14.7	35.40	3.5
2013	40,476,000	0.6	33,879,000	1.6	16.3	26.57	1.8	8,918,000	0.3	7,661,000	1.0	14.1	36.29	2.5
2014	41,391,000	2.3	34,878,000	2.9	15.7	27.41	3.2	9,518,000	6.7	8,205,000	7.1	13.8	37.55	3.5
2015	44,188,000	6.8	38,270,000	9.7	13.4	28.36	3.5	9,820,000	3.2	8,818,000	7.5	10.2	37.73	0.5
Forecasts														
2016	45,100,000	*2.1 %*	39,108,000	*2.2 %*	13.3 %	$29.38	*3.6 %*	10,026,000	*2.1 %*	9,053,000	*2.7 %*	9.7 %	$39.05	*3.5 %*
2017	46,628,000	*3.4*	40,758,000	*4.2*	12.6	30.43	*3.6*	10,767,000	*7.4*	9,669,000	*6.8*	10.2	39.83	*2.0*
2018	47,349,000	*1.5*	41,487,000	*1.8*	12.4	31.47	*3.4*	10,854,000	*0.8*	9,693,000	*0.2*	10.7	40.63	*2.0*
2019	48,035,000	*1.4*	42,368,000	*2.1*	11.8	32.63	*3.7*	10,958,000	*1.0*	9,709,000	*0.2*	11.4	41.44	*2.0*
2020	48,797,000	*1.6*	43,399,000	*2.4*	11.1	33.72	*3.3*	11,070,000	*1.0*	9,708,000	*(0.0)*	12.3	42.10	*1.6*
Average Annual Compound Change														
2003 - 2015		1.5 %		2.6 %			3.1 %		0.6 %		1.9 %			4.0 %
2003 - 2007		0.5		3.5			6.5		0.1		2.8			6.9
2007 - 2010		2.3		(0.3)			(0.3)		(1.0)		(0.9)			3.0
2010 - 2015		1.9		3.7			2.4		2.0		3.0			2.5
Forecast 2016 - 2020		*2.0 %*		*2.6 %*			*3.5 %*		*2.5 %*		*1.8 %*			*1.9 %*

Source: REIS Report, 3rd Quarter, 2016

The inventory of office space in the Austin market increased at an average annual compound rate of 1.5% from 2003 through 2015, while occupied office space expanded at an average annual rate of 2.6% over the same period. During the period of 2003 through 2008, occupied office space expanded at an average annual compound rate of 3.5%. From 2008 through 2011, occupied office space contracted at an average annual compound rate of -0.3%, reflecting the impact of the recession. The onset of the recovery is evident in the 3.7% average annual change in occupied office space from 2011 to 2015. From 2015 through 2020, the inventory of occupied office space is forecast to increase at an average annual compound rate of 2.6%, with available office space expected to increase 2.0%, thus resulting in an anticipated vacancy rate of 11.1% as of 2020. The CBD office market is one of the most desired locations in Austin due to the abundance of Class A office space, as well as revitalization efforts throughout the CBD. With the second-most rentable square feet among all of Austin's submarkets, a low vacancy rate, and the highest rental rates, the CBD office market has proven to be a major hub for much of the city's growth and demand. Within the CBD submarket, available Class A office space remains difficult to obtain because of strong demand for this type of space. As a result, this submarket is particularly driven by necessary redevelopments in response to tenant demand for Class A and Trophy space. This submarket has become a prime choice for financial conglomerates, high-tech firms, and large law firms. These tenants continue to add jobs and absorb new office space. This activity should, in turn, lead to greater demand for lodging within the CBD. Furthermore, these office statistics do not include owner-occupied buildings; the CBD is replete with city, county, state, and federal offices that are all fully occupied.

Convention Activity

A convention center serves as a gauge of visitation trends to a particular market. Convention centers also generate significant levels of demand for area hotels and serve as a focal point for community activity. Typically, hotels within the closest proximity to a convention center—up to three miles away—will benefit the most. Hotels serving as headquarters for an event benefit the most by way of premium rates and hosting related banquet events. During the largest of conventions, peripheral hotels may benefit from compression within the city as a whole.

The Austin Convention Center (ACC) underwent a $110-million expansion in 2002 that brought the size of the facility to roughly 881,400 gross square feet, encompassing six city blocks. The ACC currently features roughly 247,052 square feet of contiguous and column-free exhibition space within five exhibit halls. The expansion included the addition of the Grand Ballroom, measuring approximately 43,300 square feet. Located in tech-heavy Austin, the ACC's telecommunications 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. This LEED Gold-certified facility, in conjunction with the 800-room Austin Hilton Hotel and 1,012-room JW Marriott, provides a highly competitive and attractive convention package for this market.

CONVENTION CENTER

The following table illustrates recent use statistics for this facility.

HVS

FIGURE 4-9 CONVENTION CENTER STATISTICS

Year	Number of Major Events	Percent Change	Room Nights Produced	Percent Change
2009	61	—	198,810	—
2010	50	(18.0) %	233,201	17.3 %
2011	60	20.0	249,826	7.1
2012	58	(3.3)	265,500	6.3
2013	64	10.3	242,304	(8.7)
2014	58	(9.4)	261,178	7.8
2015	67	15.5	295,406	13.1

Source: Austin Convention Center

Based on the presented data, it is evident that Austin has emerged as a popular, important convention destination in the South Central United States. Over time, it is expected that destination convention facilities in Austin and additional convention-oriented hotels, such as the 1,012-room JW Marriott that opened on February 12, 2015, and the 1,048-room Fairmont Hotel that is under construction, will allow the market to penetrate tier-two and some tier-one markets more effectively, from the standpoint of capturing convention-type meeting and group demand. Furthermore, increasing demand among event planners has caused the city to investigate the possibility of expanding the convention center in order to accommodate both demand growth and the ability of the city to host larger and more numerous events with the addition of two new convention hotels totaling more than 2,000 hotel rooms.

Airport Traffic

Airport passenger counts are important indicators of lodging demand. Depending on the type of service provided by a particular airfield, a sizable percentage of arriving passengers may require hotel accommodations. Trends showing changes in passenger counts also reflect local business activity and the overall economic health of the area.

The Austin-Bergstrom International Airport (AUS) is a multi-use facility that serves general aviation, commercial aviation, the State Aircraft Pooling Board, and the Texas Army National Guard. Many major commercial airlines and regional partners serve the Austin-Bergstrom International Airport. In 2015, Airports Council International ranked AUS as the third-best airport in North America for airport service quality. The $62-million Terminal East Infill project, which began in 2014, was completed in October 2015. This expansion project added 55,000 square feet of space to the terminal, which allows the airport to serve an additional two million passengers per year, for a total capacity of 13 million. Furthermore, the new parking garage and car-rental facility opened in October 2015; this project consolidated the car-rental facility and added roughly 800 parking spaces. Due to significant passenger traffic growth, a $289-million expansion project began in June 2016; this project will add nine gates, 70,000 square feet of terminal concourse space, and 12,000 square feet of concession space. The expansion will enable the airport to accommodate an additional four million passengers.

The following table illustrates recent operating statistics for the Austin-Bergstrom International Airport, which is the primary airport facility serving the subject property's submarket.

FIGURE 4-10 AIRPORT STATISTICS - AUSTIN-BERGSTROM INTERNATIONAL AIRPORT

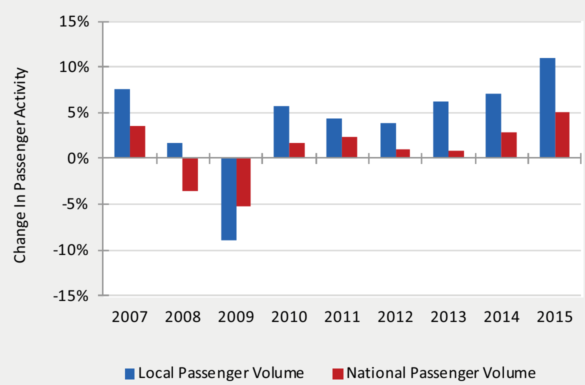
Year	Passenger Traffic	Percent Change*	Percent Change**
2006	8,261,310	—	—
2007	8,885,391	7.6 %	7.6 %
2008	9,039,075	1.7	4.6
2009	8,220,898	(9.1)	(0.2)
2010	8,693,708	5.8	1.3
2011	9,080,875	4.5	1.9
2012	9,430,314	3.8	2.2
2013	10,017,958	6.2	2.8
2014	10,718,854	7.0	3.3
2015	11,897,959	11.0	4.1
Year-to-date, Nov			
2015	10,868,156	—	—
2016	11,402,782	4.9 %	—

*Annual average compounded percentage change from the previous year

**Annual average compounded percentage change from first year of data

Source: Austin-Bergstrom International Airport

FIGURE 4-11 LOCAL PASSENGER TRAFFIC VS. NATIONAL TREND



Source: HVS, Local Airport Authority

This facility recorded 11,897,959 passengers in 2015. The change in passenger traffic between 2014 and 2015 was 11.0%. The average annual change during the period shown was 4.1%. The notable increase in passenger traffic can be attributed in large part to increased service by major air carriers in response to stronger economic conditions and a rise in demand. In 2013, Southwest added more flights, and Virgin America began service to/from San Francisco. Other service additions include direct flights to/from LAX, operated by Delta Air Lines, and flight service to/from London, operated by British Airways, both of which were added in March 2014. Texas Sky/Public Charters began providing service to/from Victoria Regional Airport and Dallas/Fort Worth International Airport in November 2014. Finally, Virgin America began operation of five new daily flights to/from Dallas Love Field in February2015.

Tourist Attractions

The market benefits from a variety of tourist and leisure attractions in the area. The peak season for tourism in this area is during the spring and fall months, as well as throughout the academic year because of the numerous events associated with The University of Texas. During other times of the year, weekend demand comprises travelers passing through en route to other destinations, people visiting friends or relatives, and other similar weekend demand generators. Primary attractions in the area include the following:

- The Texas Capitol is an extraordinary example of late 19th-century public architecture and is widely recognized as one of the nation's most distinguished state capitols. The capitol was placed on the National Register of Historic

Places in 1970 and was designated a National Historic Landmark in 1986 for its "significant contribution to American history."

- The University of Texas at Austin is the largest institution of The University of Texas System. The University draws thousands of tourists annually to its multitude of athletic events, performing arts events, graduation ceremonies, and other similar special functions. Located on campus, the Lyndon Baines Johnson (LBJ) Presidential Library and Museum is the nation's most visited presidential library. The library and museum chronicle the life and times of Lyndon and Lady Bird Johnson.
- South by Southwest (SXSW) is a music, film, and interactive festival that is one of the largest events of this type in the country, with over 85,000 registrants and artists attending in 2015. Moreover, the Austin Film Festival and Austin City Limits (ACL) Music Festival both have a substantial impact on the Austin area's economy, notably during the fall. ACL Music Festival consistently attracts over 65,000 visitors to the area each year.
- The Circuit of The Americas (COTA) is the first multipurpose Grand Prix racing facility in North America. With a seating capacity of over 120,000, COTA opened by hosting the American leg of the Formula 1 World Championships in the fall of 2012. Other major racing events scheduled at COTA include the Grand-Am of the Americas, the MotoGP World Championship, the ESPN X Games, and the V8 Supercars race. In addition to racing facilities, the complex contains a 40,000-square-foot conference center, retail space, and numerous restaurants.

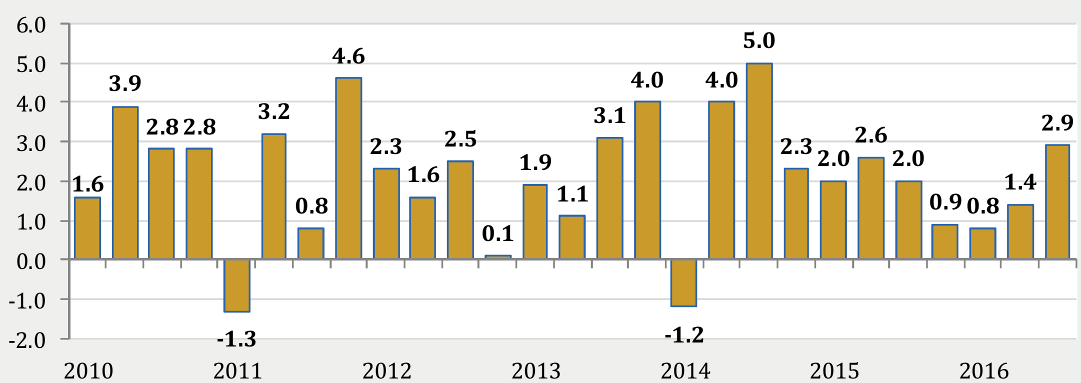
CIRCUIT OF THE AMERICAS

Conclusion

This section discussed a wide variety of economic indicators for the pertinent market area. Austin is experiencing a period of economic strength and expansion, led by the education, government, and information-technology sectors. Our market interviews and research revealed that expansion continues at many private-sector employers, particularly in the technology field. Furthermore, the addition of the Dell Medical School is expected to spur a rapid expansion of growth in the healthcare field, especially in the Central Business District. Austin took the top spot in the 2017 edition of the *U.S. News and World Report's* "Best Places to Live in the U.S. List" after placing second the year before; this list considers indicators such as unemployment levels, household income, cost of living, education, and healthcare, as well as population changes, when ranking the major metropolitan areas in the country. These factors, coupled with the diversity of this market's economic and employment base, bode well for the Austin area economy in the coming years.

Our analysis of the outlook for this specific market also considers the broader context of the national economy. The U.S. economy expanded during the last ten quarters, with a relative low point in growth occurring during the fourth quarter of 2015 and the first quarter of 2016. During the following three quarters, the pace of growth slowed, falling to 1.8% during the first quarter of 2016. The economy then expanded by 1.4% and 2.9% in the third quarter of 2016. In recent months, increases in personal consumption expenditures, exports, private inventory investment, federal government spending, and nonresidential fixed investment were the primary factors in the net gain.

FIGURE 4-12 UNITED STATES GDP GROWTH RATE



Source: tradingeconomics.com, Bureau of Economic Analysis

U.S. economic growth continues to support expansion of lodging demand; however, demand growth was not as robust in 2016 as in the last several years. As will be reflected in the following chapter, nationwide demand growth just slightly surpassed supply growth in 2016. Nevertheless, the stability in the U.S. economy is maintaining strong interest in hotel investments by a diverse array of market participants.

5. Supply and Demand Analysis

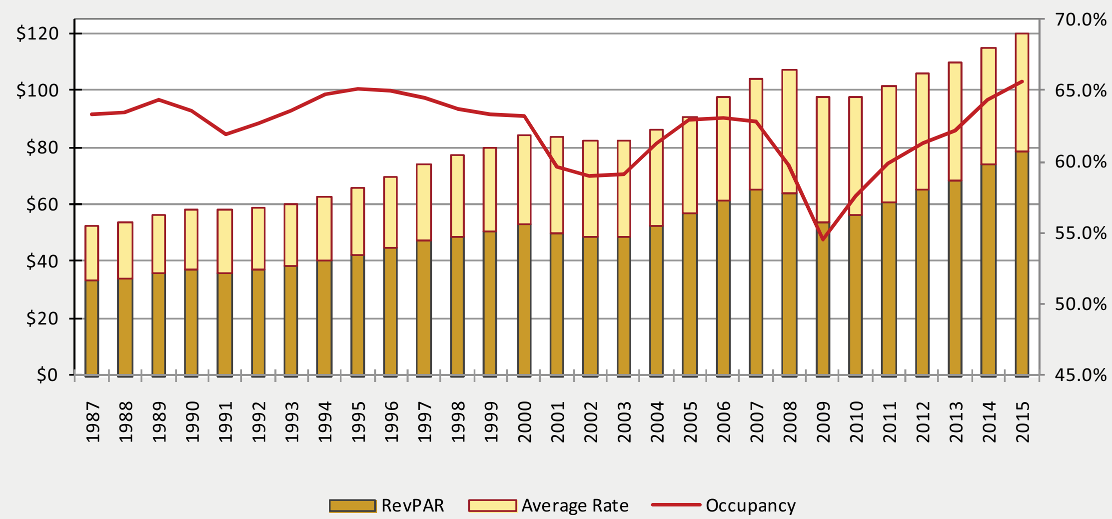
In the lodging industry, supply is measured by the number of guestrooms available, and demand is measured by the number of rooms occupied; the net effect of supply and demand toward equilibrium results in a prevailing price, or average rate. The purpose of this section is to investigate current supply and demand trends as indicated by the current competitive market, resulting in a forecast of market-wide occupancy.

National Trends Overview

The subject property and local lodging market are most directly affected by the supply and demand trends within the immediate area. However, individual markets are also influenced by conditions in the national lodging market. We have reviewed national lodging trends to provide a context for the forecast of the supply and demand for the subject property's competitive set.

STR is an independent research firm that compiles data on the lodging industry, and this information is routinely used by typical hotel buyers. The following STR diagram presents annual hotel occupancy and average rate data since 1987. The next two tables contain information that is more recent; the data are categorized by geographical region, price point, type of location, and chain scale, and the statistics include occupancy, average rate, and rooms revenue per available room (RevPAR). RevPAR is calculated by multiplying occupancy by average rate and provides an indication of how well rooms revenue is being maximized.

FIGURE 5-1 NATIONAL OCCUPANCY, AVERAGE RATE, AND REVPAR TRENDS



Source: STR

FIGURE 5-2 NATIONAL OCCUPANCY AND AVERAGE RATE TRENDS – CALENDAR YEAR 2016 DATA

	Occupancy - Thru December			Average Rate - Thru December			RevPAR - Thru December		
	2015	2016	% Change	2015	2016	% Change	2015	2016	% Change
United States	65.4 %	65.5 %	0.1 %	$120.30	$123.97	3.1 %	$78.68	$81.19	3.2 %
Region									
New England	64.5 %	64.3 %	(0.4) %	$146.41	$150.70	2.9 %	$94.49	$96.89	2.5 %
Middle Atlantic	67.3	67.3	0.0	162.29	163.41	0.7	109.22	109.99	0.7
South Atlantic	66.5	67.2	1.1	116.65	119.77	2.7	77.53	80.44	3.8
East North Central	61.3	61.2	(0.2)	105.20	108.09	2.7	64.45	66.10	2.6
East South Central	61.0	61.4	0.7	90.91	94.87	4.4	55.43	58.26	5.1
West North Central	59.6	59.1	(0.8)	93.28	95.91	2.8	55.58	56.68	2.0
West South Central	62.9	61.5	(2.3)	98.43	98.66	0.2	61.93	60.63	(2.1)
Mountain	65.0	65.5	0.7	108.77	114.24	5.0	70.68	74.79	5.8
Pacific	73.2	73.9	0.9	151.10	158.44	4.9	110.57	117.04	5.8
Class									
Luxury	70.8 %	71.0 %	0.3 %	$278.39	$283.05	1.7 %	$196.98	$200.95	2.0 %
Upper Upscale	72.7	72.6	(0.1)	173.53	177.77	2.4	126.08	129.07	2.4
Upscale	72.0	72.0	0.1	135.70	139.47	2.8	97.72	100.49	2.8
Upper Midscale	67.1	67.1	0.0	110.95	113.84	2.6	74.48	76.38	2.6
Midscale	59.9	59.9	0.1	90.13	92.61	2.7	53.96	55.50	2.9
Economy	58.6	58.6	0.0	67.60	70.17	3.8	39.63	41.13	3.8
Location									
Urban	73.0 %	73.1 %	0.1 %	$173.99	$177.37	1.9 %	$127.04	$129.69	2.1 %
Suburban	66.7	66.8	0.2	101.91	105.70	3.7	67.97	70.63	3.9
Airport	73.6	73.4	(0.2)	109.78	113.56	3.4	80.78	83.40	3.3
Interstate	57.2	56.6	(1.1)	81.35	83.04	2.1	46.53	46.97	0.9
Resort	67.9	68.6	0.9	164.10	168.76	2.8	111.51	115.76	3.8
Small Metro/Town	56.9	56.9	0.1	96.63	99.45	2.9	54.95	56.64	3.1
Chain Scale									
Luxury	75.2 %	74.9 %	(0.3) %	$317.58	$322.84	1.7 %	$238.70	$241.82	1.3 %
Upper Upscale	74.3	74.2	(0.2)	174.98	178.82	2.2	130.08	132.63	2.0
Upscale	74.3	73.8	(0.6)	134.82	138.50	2.7	100.13	102.27	2.1
Upper Midscale	67.5	67.4	(0.2)	108.75	111.43	2.5	73.46	75.14	2.3
Midscale	59.4	59.4	(0.1)	83.32	85.43	2.5	49.52	50.74	2.5
Economy	58.1	57.9	(0.4)	58.82	60.84	3.4	34.16	35.20	3.1
Independents	61.8	62.3	0.8	118.73	123.22	3.8	73.36	76.75	4.6

Source: STR - December 2016 Lodging Review

FIGURE 5-3 NATIONAL OCCUPANCY AND AVERAGE RATE TRENDS – CALENDAR YEAR 2015 DATA

	Occupancy			Average Rate			RevPAR		
	2014	2015	% Change	2014	2015	% Change	2014	2015	% Change
United States	64.4 %	65.6 %	1.7 %	$114.92	$120.01	4.4 %	$74.04	$78.67	6.3 %
Region									
New England	63.5	64.8 %	2.0 %	$139.15	$145.84	4.8 %	$88.37	$94.48	6.9 %
Middle Atlantic	66.9	67.6	1.1	160.87	162.13	0.8	107.58	109.61	1.9
South Atlantic	64.9	66.6	2.6	110.77	116.36	5.0	71.91	77.49	7.8
East North Central	60.5	61.5	1.6	99.68	104.72	5.1	60.34	64.37	6.7
East South Central	59.2	61.1	3.1	85.96	90.62	5.4	50.92	55.34	8.7
West North Central	59.6	59.7	0.2	89.96	93.06	3.4	53.63	55.56	3.6
West South Central	63.9	63.1	(1.3)	96.05	98.21	2.2	61.36	61.94	0.9
Mountain	63.1	65.0	3.0	103.07	108.69	5.5	65.05	70.66	8.6
Pacific	71.4	73.3	2.7	141.90	150.79	6.3	101.32	110.54	9.1
Price									
Luxury	69.7 %	70.9 %	1.8 %	$270.22	$279.21	3.3 %	$188.27	$198.01	5.2 %
Upper upscale	72.0	72.6	1.0	166.79	173.45	4.0	120.01	125.99	5.0
Upscale	71.5	72.4	1.3	128.61	134.69	4.7	91.92	97.51	6.1
Upper midscale	65.8	67.0	1.9	105.86	110.41	4.3	69.61	73.99	6.3
Midscale	59.0	60.2	2.1	86.44	90.21	4.4	50.97	54.29	6.5
Economy	57.5	58.6	1.9	62.57	65.69	5.0	36.00	38.50	7.0
Location									
Urban	72.3 %	73.1 %	1.0 %	$168.19	$173.95	3.4 %	$121.67	$127.13	4.5 %
Suburban	65.5	66.8	2.0	96.70	101.77	5.2	63.29	67.96	7.4
Airport	72.4	73.7	1.7	102.69	109.36	6.5	74.40	80.61	8.3
Interstate	56.8	57.4	1.0	78.67	81.11	3.1	44.66	46.52	4.2
Resort	66.1	68.2	3.2	156.21	163.49	4.7	103.32	111.57	8.0
Small Metro/Town	56.4	57.1	1.2	92.65	95.91	3.5	52.27	54.77	4.8
Chain Scale									
Luxury	75.0 %	75.3 %	0.5 %	$304.72	$317.43	4.2 %	$228.44	$239.11	4.7 %
Upper Upscale	73.6	74.2	0.7	168.45	175.24	4.0	124.04	129.99	4.8
Upscale	73.8	74.3	0.7	127.55	133.79	4.9	94.15	99.46	5.6
Mid-scale w/ F&B	66.4	67.6	1.9	104.45	108.93	4.3	69.32	73.66	6.3
Mid-scale w/o F&B	58.3	59.5	2.1	79.84	83.18	4.2	46.55	49.50	6.3
Economy	57.5	58.3	1.4	56.14	58.97	5.0	32.26	34.37	6.5
Independents	60.7	62.2	2.5	113.21	118.25	4.4	68.70	73.55	7.1

Source: STR - December 2015 Lodging Review

Following the significant RevPAR decline experienced during the last recession, demand growth resumed in 2010, led by select markets that had recorded growth trends in the fourth quarter of 2009. A return of business travel and some group activity contributed to these positive trends. The resurgence in demand was partly fueled by the significant price discounts that were widely available in the first half of 2010. These discounting policies were largely phased out in the latter half of the year, balancing much of the early rate loss. Demand growth remained strong, but decelerated from 2011 through 2013, increasing at rates of 4.7%, 2.8%, and 2.0%, respectively. Demand growth then surged to 4.0% in 2014, driven by a strong economy, a robust oil and gas sector, and limited new supply, among other factors. By 2014, occupancy had surpassed the 64% mark. Average rate rebounded similarly during this time, bracketing 4.0% annual gains from 2011 through 2014.

In 2015, demand growth continued to outpace supply growth, a relationship that has been in place since 2010. With a 2.9% increase in room-nights, the nation's occupancy level reached a record high 65.4% in 2015. Supply growth intensified, but remained at 1.1%, following annual supply growth levels of 0.7% and 0.9% of 2013 and 2014, respectively. Average rate posted another strong year of growth, at 4.4% in 2015, in pace with the annual growth of the last four years. Robust job growth, intensified group and leisure travel, and waning price-sensitivity all contributed to the gains. In 2016, occupancy moved slightly higher (by 0.1 percentage point) to 65.5%, as demand growth slightly exceeded supply growth. Average rate increased 3.1% for the year, and the net change in RevPAR was 3.2%, reflecting a healthy lodging market overall.

Definition of Subject Hotel Market

The subject property is located in the greater Austin lodging market. Within this greater market, the subject hotel competes with a smaller set of hotels based on various factors. These factors may include location, price point, product quality, length of stay (such as an extended-stay focus vs. non-extended-stay focus), room type (all-suite vs. standard), hotel age, or brand, among other factors. We have reviewed these pertinent attributes and established a competitive set based upon this review.

Historical Supply and Demand Data

STR is an independent research firm that compiles and publishes data on the lodging industry, routinely used by typical hotel buyers. HVS has ordered and analyzed an STR Trend Report of historical supply and demand data for the subject property and its competitors. This information is presented in the following table, along with the market-wide occupancy, average rate, and rooms revenue per available room (RevPAR). RevPAR is calculated by multiplying occupancy by average rate and provides an indication of how well rooms revenue is being maximized.

FIGURE 5-4 HISTORICAL SUPPLY AND DEMAND TRENDS (STR)

Year	Average Daily Room Count	Available Room Nights	Change	Occupied Room Nights	Change	Occupancy	Average Rate	Change	RevPAR	Change
2004	3,256	1,188,440	—	813,410	—	68.4 %	$130.00	—	$88.98	—
2005	3,256	1,188,440	0.0 %	878,007	7.9 %	73.9	143.44	10.3 %	105.97	19.1 %
2006	3,256	1,188,440	0.0	877,254	(0.1)	73.8	164.76	14.9	121.62	14.8
2007	3,256	1,188,440	0.0	870,668	(0.8)	73.3	177.77	7.9	130.24	7.1
2008	3,256	1,188,440	0.0	864,622	(0.7)	72.8	184.53	3.8	134.25	3.1
2009	3,256	1,188,440	0.0	848,699	(1.8)	71.4	168.11	(8.9)	120.05	(10.6)
2010	3,273	1,194,795	0.5	907,077	6.9	75.9	167.02	(0.6)	126.80	5.6
2011	3,501	1,277,901	7.0	1,003,121	10.6	78.5	180.97	8.4	142.06	12.0
2012	3,517	1,283,693	0.5	1,021,779	1.9	79.6	197.75	9.3	157.40	10.8
2013	3,525	1,286,625	0.2	1,017,871	(0.4)	79.1	216.83	9.6	171.54	9.0
2014	3,525	1,286,747	0.0	1,023,982	0.6	79.6	232.96	7.4	185.39	8.1
2015	4,690	1,711,801	33.0	1,324,011	29.3	77.3	239.13	2.7	184.96	(0.2)
Year-to-Date Through October										
2015	4,583	1,393,198	—	1,122,258	—	80.6 %	$244.15	—	$196.67	—
2016	5,223	1,587,792	14.0 %	1,304,259	16.2 %	82.1	243.23	(0.4) %	199.80	1.6 %
Average Annual Compounded Change:										
2004 - 2015			3.4 %		4.5 %			5.7 %		6.9 %
2004 - 2007			(0.0)		2.3			11.0		13.5
2007 - 2010			0.2		1.4			(2.1)		(0.9)
2010 - 2015			7.5		7.9			7.4		7.8

Hotels Included in Sample	Competitive Status	Number of Rooms	Year Affiliated	Year Opened
The Unbound Collection Driskill Hotel	*Secondary*	189	Mar 2013	Jan 1900
Radisson Hotel & Suites Austin Downtown	*Secondary*	413	Sep 1992	Jun 1965
Hyatt Regency Austin	*Primary*	448	Mar 1982	Mar 1982
Sheraton Hotel Austin @ The Capitol	*Primary*	363	Feb 2007	May 1986
Omni Austin Hotel Downtown	*Primary*	392	Jun 1992	Nov 1986
Four Seasons Hotel Austin	*Secondary*	291	Jan 1987	Jan 1987
Doubletree Austin	*Secondary*	188	Jun 1987	Jun 1987
InterContinental Stephen F Austin Hotel	*Secondary*	190	May 2000	May 2000
Hilton Austin Convention Center	***Subject Property***	**801**	**Dec 2003**	**Dec 2003**
W Hotel Austin	*Secondary*	251	Dec 2010	Dec 2010
JW Marriott Austin	*Primary*	1,012	Feb 2015	Feb 2015
Westin Austin Downtown	*Primary*	366	Jul 2015	Jul 2015
Kimpton Hotel Van Zandt	*Secondary*	319	Nov 2015	Nov 2015
	Total	**5,223**		

Source: STR

It is important to note some limitations of the STR data. Hotels are occasionally added to or removed from the sample; furthermore, not every property reports data in a consistent and timely manner. These factors can influence the overall quality of the information by skewing the results, and these inconsistencies may also cause the STR data to differ from the results of our competitive survey. Nonetheless, STR data provide the best indication of aggregate growth or decline in existing supply and demand; thus, these trends have been considered in our analysis. Opening dates, as available, are presented for each reporting hotel in the previous table.

The STR data for the competitive set reflect a market-wide occupancy level of 77.3% in 2015, which compares to 79.6% for 2014. The overall average occupancy level for the calendar years presented equates to 78.3%. The STR data for the competitive set reflect a market-wide average rate level of $239.13 in 2015, which compares to $232.96 for 2014. These occupancy and average rate trends resulted in a RevPAR level of $184.96 in 2015.

Occupancy first peaked for this selected set of hotels in 2005 and 2006 at approximately 74%, while average rate growth continued until 2008, resulting in a RevPAR of just over $134 for 2008, before declining to a low point of roughly $120 by year-end 2009 because of the recession. A rapid recovery began in 2010, and the prior RevPAR peak was surpassed in 2011. Between 2011 and 2014, this submarket achieved all-time highs in RevPAR each year. Notably, the historical peak in RevPAR achieved in 2014 fell less than $0.50 in 2015, despite a supply increase of 33%, which illustrates this market's ability to absorb new supply quickly.

Year-to-date data illustrate continued strengthening in occupancy and a roughly $1.00 loss in average rate. The entrance of new, high-rated supply and the overall strong economy in Austin have contributed to this latest trend for 2016. The outlook for the remaining months of 2016 is positive as the new supply continues to be absorbed. In Downtown Austin, demand growth has been influenced by government and higher education, the two primary anchors in the market; a massive transformation in the landscape of the CBD, including new office and residential towers; the reemergence of the technology industry; and the popularity of Austin's festivals, sports events, and leisure attractions.

Seasonality

Monthly occupancy and average rate trends are presented in the following tables.

FIGURE 5-5 MONTHLY OCCUPANCY TRENDS

Month	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
January	58.3 %	64.2 %	71.3 %	62.4 %	66.1 %	63.1 %	63.9 %	74.8 %	75.0 %	73.2 %	72.3 %	75.3 %	71.0 %
February	68.2	84.0	81.3	80.7	79.3	76.3	78.6	83.7	80.1	85.1	81.5	76.4	85.3
March	68.8	80.1	84.3	87.4	78.8	79.5	86.6	89.0	90.1	85.4	87.7	85.8	85.0
April	67.2	86.2	78.2	79.8	81.4	77.0	80.4	84.8	82.7	88.7	85.0	86.1	92.3
May	70.2	74.9	77.3	78.3	78.9	68.6	78.8	81.7	85.6	85.4	81.1	83.1	84.7
June	78.0	76.1	73.6	70.6	76.6	77.3	76.0	78.1	82.7	84.1	78.5	83.0	84.0
July	69.4	69.2	69.9	66.6	67.1	70.6	78.2	75.4	81.8	74.1	78.0	74.8	76.6
August	66.4	69.4	69.2	75.4	70.5	74.7	72.7	73.5	72.1	72.4	78.8	74.3	74.4
September	74.9	74.8	79.2	78.3	76.0	70.4	75.2	80.9	75.4	76.3	80.3	76.0	82.1
October	82.0	80.9	81.0	80.6	79.9	87.5	85.0	83.9	87.4	86.6	90.8	89.8	86.7
November	73.8	75.2	70.7	69.3	67.3	63.3	78.7	76.3	78.7	77.2	77.5	70.9	—
December	44.7	52.9	50.7	50.6	52.0	49.2	58.4	60.6	63.8	61.7	63.6	56.0	—
Annual Occupancy	**68.4 %**	**73.9 %**	**73.8 %**	**73.3 %**	**72.8 %**	**71.4 %**	**75.9 %**	**78.5 %**	**79.6 %**	**79.1 %**	**79.6 %**	**77.3 %**	**—**
Year-to-Date	**70.3 %**	**75.9 %**	**76.5 %**	**76.0 %**	**75.4 %**	**74.5 %**	**77.5 %**	**80.5 %**	**81.3 %**	**81.1 %**	**81.4 %**	**80.6 %**	**82.1 %**

Source: STR

FIGURE 5-6 MONTHLY AVERAGE RATE TRENDS

Month	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
January	$120.72	$129.53	$146.11	$171.01	$169.60	$172.27	$151.75	$158.69	$167.54	$184.86	$193.74	$215.25	$211.04
February	133.95	148.80	162.95	182.03	195.62	183.72	166.51	182.49	190.26	207.74	217.34	239.96	237.59
March	139.26	155.62	174.93	196.06	204.63	205.93	204.46	229.10	254.40	279.08	315.34	330.87	324.76
April	130.46	151.19	170.09	184.66	192.76	175.58	168.31	184.84	192.93	220.55	227.45	244.87	257.18
May	128.36	140.21	169.14	178.49	185.77	162.99	168.10	180.16	194.54	209.55	226.72	232.55	237.60
June	129.80	138.03	162.11	164.16	180.30	155.29	152.35	166.62	172.91	191.58	209.54	220.55	210.15
July	116.86	129.30	149.90	156.50	155.15	138.50	144.23	158.30	156.56	170.61	188.15	193.16	189.72
August	117.80	129.01	146.98	156.07	164.87	144.13	147.47	157.00	166.69	174.54	190.37	201.75	192.01
September	138.05	156.43	186.43	198.83	212.86	166.90	170.70	199.01	193.89	225.65	233.67	230.85	250.79
October	140.82	154.67	172.94	192.68	195.49	187.36	192.30	197.14	224.08	242.75	301.16	305.19	301.13
November	134.92	145.71	171.30	178.94	186.56	162.48	171.01	183.42	269.25	292.11	273.02	234.88	—
December	122.46	133.38	155.93	158.66	154.59	148.45	153.20	157.88	174.34	185.08	187.23	182.29	—
Annual Average Rate	**$130.00**	**$143.44**	**$164.76**	**$177.77**	**$184.53**	**$168.11**	**$167.02**	**$180.97**	**$197.75**	**$216.83**	**$232.96**	**$239.13**	**—**
Year-to-Date	**$129.98**	**$143.93**	**$164.76**	**$178.96**	**$186.46**	**$169.90**	**$167.75**	**$182.51**	**$192.78**	**$212.22**	**$232.84**	**$244.15**	**$243.23**

Source: STR

FIGURE 5-7 SEASONALITY

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
High Season - February, March, April, May, June, October													
Occupancy	72.5 %	80.3 %	79.3 %	79.6 %	79.2 %	77.7 %	81.0 %	83.5 %	84.9 %	85.9 %	84.2 %	84.2 %	86.3 %
Average Rate	$133.94	$148.34	$168.95	$183.73	$192.51	$179.16	$176.46	$191.07	$206.25	$225.82	$252.36	$264.75	$262.27
RevPAR	97.08	119.14	133.94	146.22	152.40	139.23	142.90	159.62	175.03	193.96	212.43	223.03	226.41
Shoulder Season - July, August, September, November													
Occupancy	71.1 %	72.1 %	72.2 %	72.4 %	70.2 %	69.8 %	76.2 %	76.5 %	77.0 %	75.0 %	78.7 %	74.0 %	77.7 %
Average Rate	$127.19	$140.36	$164.19	$172.93	$180.40	$152.42	$158.24	$174.73	$196.27	$216.12	$220.72	$214.99	$211.52
RevPAR	90.37	101.23	118.56	125.20	126.68	106.42	120.58	133.69	151.10	162.05	173.61	158.99	164.25
Low Season - January, December													
Occupancy	51.5 %	58.5 %	61.0 %	56.5 %	59.0 %	56.2 %	61.1 %	67.6 %	69.4 %	67.4 %	68.0 %	63.8 %	71.0 %
Average Rate	$121.47	$131.27	$150.19	$165.48	$162.99	$161.84	$152.47	$158.32	$170.67	$184.96	$190.70	$197.97	$211.04
RevPAR	62.58	76.86	91.66	93.48	96.18	90.89	93.08	107.08	118.41	124.75	129.62	126.28	149.90

Source: Smith Travel Research

The illustrated monthly occupancy and average rates patterns reflect important seasonal characteristics. We have reviewed these trends in developing our forthcoming forecast of market-wide demand and average rate. The competitive market is characterized by a moderate degree of seasonality, which is evident in the monthly occupancy statistics. The strongest occupancy levels are recorded in the spring, summer, and fall months, when demand from leisure travelers supplements the commercial and group segments that are the principal sources of demand in this submarket. Average rate levels reflect a similar pattern.

Patterns of Demand

A review of the trends in occupancy and average rate by day of the week provides some insight into the impact that the current economic conditions have had on the competitive lodging market. The data, as provided by STR, are illustrated in the following table(s).

FIGURE 5-8 OCCUPANCY BY DAY OF WEEK (TRAILING 12 MONTHS)

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Nov - 15	53.1 %	68.1 %	73.1 %	78.7 %	80.9 %	72.6 %	74.8 %	70.9 %
Dec - 15	37.9	48.4	57.0	58.8	61.2	59.3	67.3	56.0
Jan - 16	49.7	68.3	77.2	81.4	77.2	71.6	75.8	71.0
Feb - 16	63.1	84.2	95.4	92.0	88.0	84.3	90.5	85.3
Mar - 16	61.9	82.0	88.7	87.8	88.5	93.1	90.6	85.0
Apr - 16	76.6	90.7	96.3	97.0	94.3	93.8	95.9	92.3
May - 16	68.7	79.7	88.0	93.3	86.4	86.8	94.7	84.7
Jun - 16	65.2	86.1	91.9	85.0	79.3	88.2	93.0	84.0
Jul - 16	62.2	73.4	78.7	78.4	71.2	80.8	90.3	76.6
Aug - 16	45.6	67.9	79.0	80.5	80.1	80.0	86.8	74.4
Sep - 16	70.8	70.1	84.9	91.9	83.5	82.8	90.4	82.1
Oct - 16	72.2	80.4	93.1	90.6	90.2	90.3	93.4	86.7
Average	**60.6 %**	**75.0 %**	**83.2 %**	**84.1 %**	**81.4 %**	**82.0 %**	**87.1 %**	**79.0 %**

Source: STR

FIGURE 5-9 AVERAGE RATE BY DAY OF WEEK (TRAILING 12 MONTHS)

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Nov - 15	$218.32	$230.41	$239.63	$246.29	$241.03	$229.92	$236.16	$234.88
Dec - 15	165.81	168.63	187.18	186.89	199.70	177.54	175.55	182.29
Jan - 16	210.85	219.32	223.47	223.24	212.28	197.16	196.68	211.04
Feb - 16	227.72	240.87	249.01	243.79	235.38	226.44	234.87	237.59
Mar - 16	371.02	322.49	290.75	291.94	319.58	360.77	345.90	324.76
Apr - 16	239.57	243.71	249.34	256.15	258.92	271.08	270.77	257.18
May - 16	221.97	231.69	236.76	244.73	245.18	239.51	243.31	237.60
Jun - 16	201.45	211.46	215.45	211.58	208.36	208.25	211.89	210.15
Jul - 16	184.30	189.26	188.43	198.95	180.61	188.24	195.30	189.72
Aug - 16	176.83	187.63	197.98	203.74	202.62	182.58	182.74	192.01
Sep - 16	262.23	229.21	241.01	244.44	240.72	262.85	272.03	250.79
Oct - 16	309.30	244.58	268.66	273.57	304.73	352.07	348.58	301.13
Average	**$237.29**	**$229.66**	**$234.64**	**$237.09**	**$241.00**	**$245.01**	**$246.52**	**$238.94**

Source: STR

FIGURE 5-10 OCCUPANCY, AVERAGE RATE, AND REVPAR BY DAY OF WEEK (MULTIPLE YEARS)

Occupancy (%)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Nov 13 - Oct 14	60.8 %	73.7 %	82.6 %	81.8 %	81.3 %	85.8 %	89.6 %	79.4 %
Nov 14 - Oct 15	61.5	74.4	83.6	84.6	81.5	82.3	86.3	79.2
Nov 15 - Oct 16	60.6	75.0	83.2	84.1	81.4	82.0	87.1	79.0
Change (Occupancy Points)								
FY 14 - FY 15	0.7	0.7	1.0	2.8	0.3	(3.5)	(3.2)	(0.2)
FY 15 - FY 16	(0.9)	0.6	(0.5)	(0.6)	(0.1)	(0.3)	0.8	(0.2)

ADR ($)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Nov 13 - Oct 14	$230.67	$215.59	$219.84	$222.15	$242.00	$256.66	$248.57	$234.43
Nov 14 - Oct 15	244.83	230.07	234.19	237.61	244.06	248.84	259.17	242.90
Nov 15 - Oct 16	237.29	229.66	234.64	237.09	241.00	245.01	246.52	238.94
Change (Dollars)								
FY 14 - FY 15	$14.16	$14.48	$14.35	$15.46	$2.07	($7.83)	$10.60	$8.47
FY 15 - FY 16	(7.55)	(0.41)	0.45	(0.52)	(3.06)	(3.82)	(12.65)	(3.96)
Change (Percent)								
FY 14 - FY 15	6.1 %	6.7 %	6.5 %	7.0 %	0.9 %	(3.0) %	4.3 %	3.6 %
FY 15 - FY 16	(3.1)	(0.2)	0.2	(0.2)	(1.3)	(1.5)	(4.9)	(1.6)

RevPAR ($)	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Year
Nov 13 - Oct 14	$140.36	$158.88	$181.66	$181.78	$196.63	$220.20	$222.61	$186.11
Nov 14 - Oct 15	150.58	171.16	195.86	201.13	198.97	204.69	223.68	192.38
Nov 15 - Oct 16	143.85	172.28	195.13	199.37	196.27	200.89	214.72	188.76
Change (Dollars)								
FY 14 - FY 15	$10.22	$12.27	$14.20	$19.35	$2.34	($15.50)	$1.07	$6.27
FY 15 - FY 16	(6.73)	1.12	(0.73)	(1.76)	(2.70)	(3.80)	(8.96)	(3.62)
Change (Percent)								
FY 14 - FY 15	7.3 %	7.7 %	7.8 %	10.6 %	1.2 %	(7.0) %	0.5 %	3.4 %
FY 15 - FY 16	(4.5)	0.7	(0.4)	(0.9)	(1.4)	(1.9)	(4.0)	(1.9)

Source: STR

In most markets, business travel, including individual commercial travelers and corporate groups, is the predominant source of demand on Monday through Thursday nights. Leisure travelers and non-business-related groups generate a majority of demand on Friday and Saturday nights. A review of the local STR data indicates that demand is strong Tuesdays through Thursdays, typical of a CBD market. However, occupancy levels in the Austin CBD on Friday and Saturday remain similar to those on weekdays, which illustrates the popularity of the music venues, festivals, and sporting events, as well as other special events held in the city's central core. Furthermore, average daily rates on weekends surpass the weekday average rates.

SUPPLY

Based on an evaluation of the occupancy, rate structure, market orientation, chain affiliation, location, facilities, amenities, reputation, and quality of each area hotel, as well as the comments of management representatives, we have identified several properties that are considered primarily competitive with the subject property. If applicable, additional lodging facilities may be judged only secondarily competitive; although the facilities, rate structures, or market orientations of these hotels prevent their inclusion among the primary competitive supply, they do compete with the subject property to some extent.

The following table summarizes the important operating characteristics of the primary competitors and the aggregate secondary competitors (if applicable). This information was compiled from personal interviews, inspections, online resources, and our in-house database of operating and hotel facility data.

FIGURE 5-11 PRIMARY COMPETITORS – OPERATING PERFORMANCE

		Est. Segmentation			Estimated 2015				Estimated 2016					
Property	Number of Rooms	Commercial	Meeting and Group	Leisure	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Weighted Annual Room Count	Occ.	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Hilton Austin Convention Center	801	25 %	60 %	15 %	801	80.9 %	$223.76	$181.07	801	80.7 %	$219.65	$177.26	101.7 %	94.7 %
Hyatt Regency Austin	448	35	45	20	448	75 - 80	200 - 210	150 - 160	448	80 - 85	200 - 210	170 - 180	100 - 110	90 - 95
Omni Austin Centre	392	50	35	15	392	80 - 85	220 - 230	180 - 190	392	75 - 80	220 - 230	180 - 190	95 - 100	95 - 100
Sheraton Austin Hotel	363	35	45	20	363	80 - 85	180 - 190	140 - 150	363	80 - 85	180 - 190	140 - 150	100 - 110	75 - 80
JW Marriott Austin Downtown	1,012	20	65	15	896	75 - 80	230 - 240	180 - 190	1,012	75 - 80	240 - 250	190 - 200	100 - 110	100 - 110
Westin Austin Downtown	366	40	40	20	168	60 - 65	260 - 270	160 - 170	366	75 - 80	260 - 270	200 - 210	95 - 100	110 - 120
Sub-Totals/Averages	**3,382**	**30 %**	**53 %**	**17 %**	**3,068**	**78.8 %**	**$220.64**	**$173.91**	**3,382**	**80.6 %**	**$225.06**	**$181.40**	**101.6 %**	**96.9 %**
Secondary Competitors	1,841	45 %	32 %	23 %	1,037	76.3 %	$281.53	$214.83	1,197	75.7 %	$269.23	$203.77	95.4 %	108.8 %
Totals/Averages	**5,223**	**34 %**	**48 %**	**18 %**	**4,105**	**78.2 %**	**$235.65**	**$184.25**	**4,579**	**79.3 %**	**$236.07**	**$187.25**	**100.0 %**	**100.0 %**

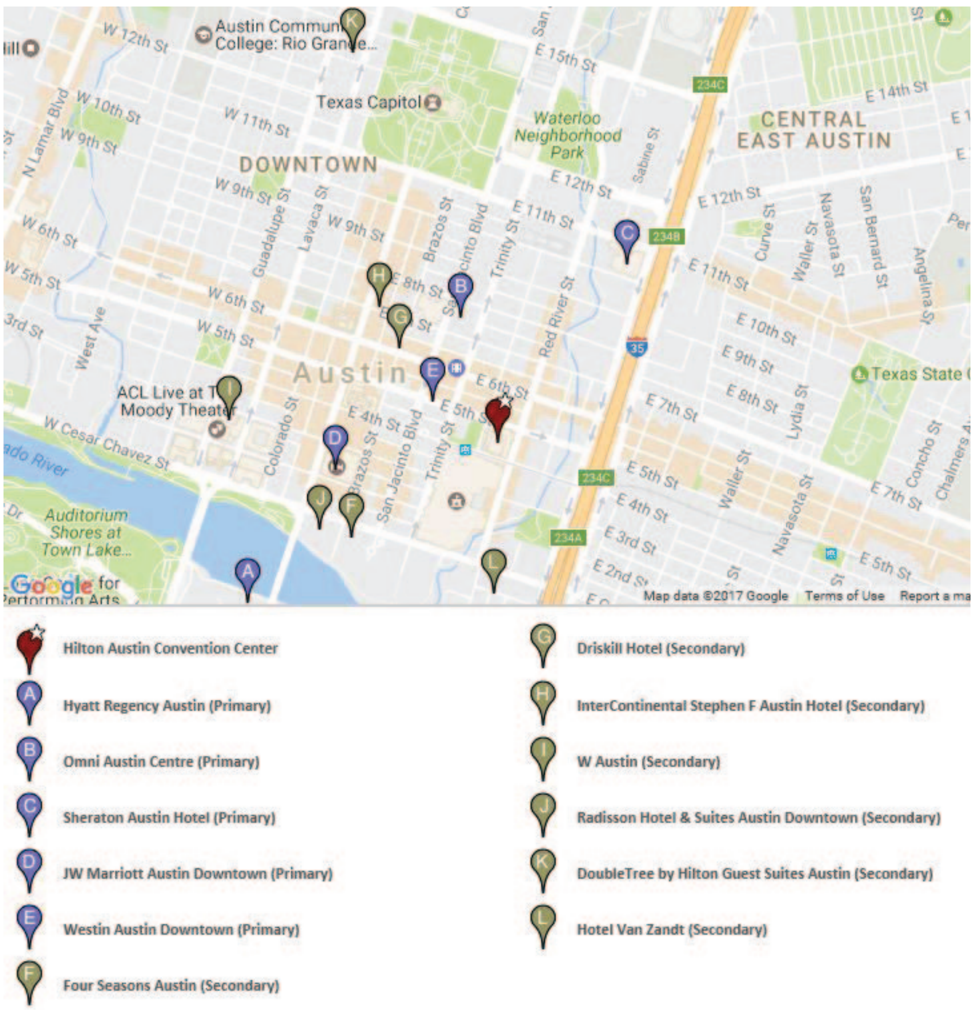
** Specific occupancy and average rate data was utilized in our analysis, but is presented in ranges in the above table for the purposes of confidentiality.*

FIGURE 5-12 PRIMARY COMPETITORS – FACILITY SUMMARY

Property	Number of Rooms	Year Opened	Last Major Renovation(s)	Approx. Miles To Subject Property	Food and Beverage Outlets	Facilities & Amenities
Hilton Austin Convention Center 500 East 4th Street	801	2003	2014 - 2016	—	Cannon + Belle, Austin Taco Project, Starbucks	Rooftop Swimming Pool; Rooftop Whirlpool; Spa; Fitness Center; Concierge; Room Service; Business Center; Retail Outlet
Hyatt Regency Austin 208 Barton Springs Road	448	1982	2013-2016	0.7	SWB - Southwest Bistro; Marker 10; Starbucks; Sushi Bar	Business Center; Concierge; Room Service; Gift Shop; Outdoor Swimming Pool; Fitness Center; Market Pantry; Outdoor Whirlpool
Omni Austin Centre 700 San Jacinto Boulevard	392	1986	2012/13	0.3	Ancho's; Morsel's; Atrium Lounge	Rooftop Swimming Pool; Fitness Center; Business Center; Concierge; Room Service; Retail Outlet
Sheraton Austin Hotel 701 East 11th Street	363	1986	2015/16	0.5	The Yard at Waller Creek; The Swing In	Outdoor Swimming Pool; Fitness Center; Business Center; Market Pantry; Concierge; Room Service
JW Marriott Austin Downtown 110 East Second Street	1,012	2015	—	0.3	Burger Bar; Corner Restaurant; Osteria Pronto; OP Wine Bar; Starbucks	Rooftop Swimming Pool; Spa; Fitness Center; Business Center; Retial Outlet; Concierge; Room Service
Westin Austin Downtown 310 East 5th Street	366	2015	—	0.1	Stella San Jac	Rooftop Swimming Pool; Fitness Center; Business Center; Concierge; Room Service; Retail Outlet
Totals/Averages	3,382					

The following map illustrates the locations of the subject property and its competitors.

MAP OF COMPETITION



Our survey of the primarily competitive hotels in the local market shows a range of lodging types and facilities. Each primary competitor was inspected and evaluated. Descriptions of our findings are presented below.

PRIMARY COMPETITOR #1 - HYATT REGENCY AUSTIN

Hyatt Regency Austin
208 Barton Springs Road
Austin, TX

FIGURE 5-13 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2012	448	80 - 85 %	$160 - $170	$130 - $140	100 - 110 %	85 - 90 %
Est. 2013	448	75 - 80	180 - 190	140 - 150	95 - 100	80 - 85
Est. 2014	448	80 - 85	190 - 200	160 - 170	100 - 110	85 - 90
Est. 2015	448	75 - 80	200 - 210	150 - 160	95 - 100	80 - 85
Est. 2016	448	80 - 85	200 - 210	170 - 180	100 - 110	90 - 95

This hotel benefits from its new ballroom and parking garage, which enables it to capture larger group business. Overall, the property appeared to be in very good condition, similar to the subject property's condition. Its accessibility is similar to that of the subject hotel, and its visibility is similar to the Hilton Austin Convention Center.

PRIMARY COMPETITOR #2 - OMNI AUSTIN CENTRE

Omni Austin Centre
700 San Jacinto Boulevard
Austin, TX

FIGURE 5-14 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2012	392	75 - 80 %	\$180 - \$190	\$140 - \$150	95 - 100 %	90 - 95 %
Est. 2013	392	80 - 85	190 - 200	160 - 170	100 - 110	95 - 100
Est. 2014	392	80 - 85	220 - 230	180 - 190	100 - 110	100 - 110
Est. 2015	392	80 - 85	220 - 230	180 - 190	100 - 110	95 - 100
Est. 2016	392	75 - 80	220 - 230	180 - 190	95 - 100	95 - 100

This hotel benefits from its location near financial and professional services firms, which contributes to its high RevPAR penetration during peak weekdays. Overall, the property appeared to be in very good condition, similar to the subject property's condition. Its accessibility is similar to that of the subject hotel, and its visibility is inferior to the Hilton Austin Convention Center.

PRIMARY COMPETITOR #3 - SHERATON AUSTIN HOTEL

Sheraton Austin Hotel
701 East 11th Street
Austin, TX

FIGURE 5-15 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2012	365	80 - 85 %	$140 - $150	$120 - $125	100 - 110 %	75 - 80 %
Est. 2013	365	75 - 80	160 - 170	125 - 130	95 - 100	75 - 80
Est. 2014	363	80 - 85	170 - 180	140 - 150	100 - 110	75 - 80
Est. 2015	363	80 - 85	180 - 190	140 - 150	100 - 110	80 - 85
Est. 2016	363	80 - 85	180 - 190	140 - 150	100 - 110	75 - 80

While this hotel benefits from its relatively recent renovations, which were carried out in 2015, it is somewhat disadvantaged by its location adjacent to Interstate 35, somewhat distant from the commercial demand generators in the market. Overall, the property appeared to be in very good condition, similar to the subject property's condition. Its accessibility is similar to that of the subject hotel, and its visibility is similar to the Hilton Austin Convention Center.

PRIMARY COMPETITOR #4 - JW MARRIOTT AUSTIN DOWNTOWN

JW Marriott Austin Downtown
110 East Second Street
Austin, TX

FIGURE 5-16 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2015	896	75 - 80	230 - 240	180 - 190	95 - 100	95 - 100
Est. 2016	1,012	75 - 80	240 - 250	190 - 200	95 - 100	100 - 110

This hotel benefits from its well-known brand name, popular food and beverage outlets, and significant amount of meeting space. Overall, the property appeared to be in excellent condition, superior to the subject property's condition. Its accessibility is similar to that of the subject hotel, and its visibility is similar to the Hilton Austin Convention Center.

PRIMARY COMPETITOR #5 - WESTIN AUSTIN DOWNTOWN

Westin Austin Downtown
310 East **5th Street**
Austin, TX

FIGURE 5-17 ESTIMATED HISTORICAL OPERATING STATISTICS

Year	Wtd. Annual Room Count	Occupancy	Average Rate	RevPAR	Occupancy Penetration	Yield Penetration
Est. 2015	168	60 - 65	260 - 270	160 - 170	80 - 85	90 - 95
Est. 2016	366	75 - 80	260 - 270	200 - 210	95 - 100	100 - 110

This hotel benefits from its popular brand affiliation among high-rated corporate and leisure travelers. Overall, the property appeared to be in excellent condition, superior to the subject hotel's condition. Its accessibility is similar to the accessibility attributes of the subject hotel, while its visibility is similar to that of the Hilton Austin Convention Center.

Secondary Competitors

We have also reviewed other area lodging facilities to determine whether any may compete with the subject property on a secondary basis. The room count of each secondary competitor has been weighted based on its assumed degree of competitiveness with the subject property. By assigning degrees of competitiveness, we can assess how the subject property and its competitors may react to various changes in the market, including new supply, changes to demand generators, and renovations or franchise changes of existing supply. The following table sets forth the pertinent operating characteristics of the secondary competitors.

FIGURE 5-18 SECONDARY COMPETITOR(S) – OPERATING PERFORMANCE

		Est. Segmentation				Estimated 2015				Estimated 2016			
Property	**Number of Rooms**	***Commercial***	***Meeting and Group***	***Leisure***	**Total Competitive Level**	**Weighted Annual Room Count**	**Occ.**	**Average Rate**	**RevPAR**	**Weighted Annual Room Count**	**Occ.**	**Average Rate**	**RevPAR**
Four Seasons Austin	291	45 %	35 %	20 %	70 %	204	75 - 80 %	$375 - $400	$300 - $325	204	75 - 80 %	$375 - $400	$300 - $325
Driskill Hotel	189	40	35	25	70	132	80 - 85	300 - 325	260 - 270	132	75 - 80	300 - 325	250 - 260
InterContinental Stephen F Austin Hotel	190	55	25	20	70	133	80 - 85	220 - 230	180 - 190	133	75 - 80	230 - 240	180 - 190
W Austin	251	45	30	25	70	176	75 - 80	325 - 350	270 - 280	176	75 - 80	325 - 350	260 - 270
Radisson Hotel & Suites Austin Downtown	413	35	40	25	60	248	65 - 70	170 - 180	120 - 125	248	70 - 75	180 - 190	125 - 130
DoubleTree by Hilton Guest Suites Austin	188	55	25	20	60	113	80 - 85	220 - 230	180 - 190	113	75 - 80	220 - 230	170 - 180
Hotel Van Zandt	319	45	30	25	60	32	15 - 20	190 - 200	35 - 40	191	70 - 75	190 - 200	140 - 150
Totals/Averages	**1,841**	**45 %**	**32 %**	**23 %**	**65 %**	**1,037**	**76.3 %**	**$281.53**	**$214.83**	**1,197**	**75.7 %**	**$269.23**	**$203.77**

** Specific occupancy and average rate data was utilized in our analysis, but is presented in ranges in the above table for the purposes of confidentiality.*

We have identified seven hotels that compete with the subject property on a secondary level. These seven hotels represent the remaining complement of full-service hotels in the CBD. However, the Four Seasons, Driskill, Stephen F. Austin, and W are luxury hotels that primarily target high-rated transient guests, and the Radisson Hotel & Suites, the DoubleTree Guest Suites by Hilton, and the Kimpton Van Zandt offer relatively limited amounts of meeting space.

Supply Changes

It is important to consider any new hotels that may have an impact on the subject property's operating performance. The following chart sets forth the hotels that have recently opened, are under construction, or are in the stages of early development in the Austin CBD submarket.

FIGURE 5-19 AREA DEVELOPMENT ACTIVITY

Proposed Hotel Name	Estimated Number of Rooms	Hotel Product Tier	Development Stage	Expected Qtr. & Year of Opening	Address
JW Marriott	1012	Luxury	Recently Opened	Q1 '15	110 East 2nd Street
Westin	366	Upper-Upscale	Recently Opened	Q3 '15	310 East 5th Street
South Congress Hotel	88	Upper-Upscale	Recently Opened	Q3 '15	1603 South Congress Street
Kimpton Van Zandt	322	Upper-Upscale	Recently Opened	Q4 '15	605 Davis Street
Hotel Indigo	134	Upscale	Recently Opened	Q1 '16	810 Red River Street
Holiday Inn Express & Suites	171	Upper-Midscale	Recently Opened	Q1 '16	810 Red River Street
Hyatt House	190	Upscale	Under Construction	Q1 '17	901 Red River Street
Aloft	278	Upscale	Under Construction	Q3 '17	Congress and 7th Street
Element	144	Upscale	Under Construction	Q3 '17	Congress and 7th Street
Fairmont	1048	Luxury	Under Construction	Q3 '17	101 Red River Street
Hotel Proper	243	Luxury	Under Construction	Q3 '18	208 Colorado
Hotel ZaZa	160	Luxury	Under Construction	Q1 '19	401 Guadalupe
Marriott	615	Upper-Upscale	Seeking Entitlements	Q3 '19	Cesar Chavez and Trinity Streets
Autograph/AC Dual Brand	350	Upper-Upscale	Seeking Entitlements	Q3 '19	Guadalupe and MLK Streets

Of the hotels listed in the preceding chart, we have identified the following new supply that is expected to have some degree of competitive interaction with the subject hotel, based on their location, anticipated market orientation and price point, and/or operating profile.

HVS

FIGURE 5-20 NEW SUPPLY

Proposed Property	Number of Rooms	Total Competitive Level	Weighted Room Count	Estimated Opening Date	Developer	Development Stage
Fairmont	1,048	100 %	1,048	September 1, 2017	Manchester	Under Construction
Hotel Proper	243	70	170	September 1, 2018	Kor Group	Under Construction
Hotel ZaZa	160	60	96	September 1, 2018	Z-Resorts	Under Construction
Marriott	615	100	615	September 1, 2019	White Lodging	Seeking Entitlements
Totals/Averages	**2,066**		**1,929**			

As shown in the STR Trend, three hotels opened in 2015. The JW Marriott, which opened in February 2015, is Austin's second convention headquarters hotel. At 1,012 guestrooms, this hotel is the largest JW Marriott in the world. Because it is a convention headquarters hotel, the JW Marriott has been weighted as fully competitive in our analysis. The Westin opened within the CBD in July 2015; this hotel is owned and operated by White Lodging, the same owner/operator of the JW Marriott. As the Westin brand competes directly in the upper-upscale asset class, this hotel has been weighted fully competitive. The Hotel Van Zandt is Kimpton's first hotel in Austin. Located in the Rainey Street District of the CBD, the Van Zandt opened in November 2015. However, given this hotel's focus on commercial and leisure transient travelers, this competitor does not directly compete with the subject hotel.

The Fairmont will be Austin's third convention headquarters hotel. The Fairmont is under construction across the street to the east of the Austin Convention Center. Given its proximity to the convention center, the hotel will feature a pedestrian skywalk connection to the facility. Similar to the existing Hilton and JW Marriott convention hotels, the Fairmont has been weighted fully competitive. The proposed Hotel Proper is being developed by the Kor group in the Seaholm development; given its expected luxury service level, this hotel has been weighted secondarily competitive, similar to the existing complement of luxury hotels in the CBD. The proposed Hotel ZaZa is under construction next to Republic Square and the new federal courthouse; however, given its expected boutique product, the proposed Hotel ZaZa has been weighted secondarily competitive, similar to the existing Van Zandt. In August 2016, White Lodging Services announced its intent to construct a 615-room Marriott in the CBD near the convention center, with a planned opening in the summer of 2019. Given its location, asset class, and room count, this proposed hotel has been weighted fully competitive in our analysis.

While we have taken reasonable steps to investigate proposed hotel projects and their status, due to the nature of real estate development, it is impossible to determine with certainty every hotel that will be opened in the future, or what their marketing strategies and effect in the market will be. Depending on the outcome of current and future projects, the future operating potential of the subject property may be affected. Future improvement in market conditions will raise the risk of increased competition. Our forthcoming forecast of stabilized occupancy and average rate is intended to reflect such risk.

Supply Conclusion

We have identified various properties that are competitive to some degree with the subject property. We have also investigated potential increases in competitive supply in this Austin submarket. The Hilton Austin Convention Center will continue to operate in a dynamic market of varying product types and price points. Next, we will present our forecast for demand change, using the historical supply data presented as a starting point.

DEMAND

The following table presents the most recent trends for the subject hotel market as tracked by HVS. These data pertain to the subject and competitors discussed previously in this section; performance results are estimated, rounded for the competition, and in some cases weighted if there are secondary competitors present. In this respect, the information in the table differs from the previously presented STR data and is consistent with the supply and demand analysis developed for this report.

FIGURE 5-21 HISTORICAL MARKET TRENDS

Year	Accommodated Room Nights	% Change	Room Nights Available	% Change	Market Occupancy	Market ADR	% Change	Market RevPAR	% Change
Est. 2012	873,072	—	1,098,760	—	79.5 %	$194.45	—	$154.51	—
Est. 2013	870,222	(0.3) %	1,098,760	0.0 %	79.2	212.42	9.2 %	168.24	8.9 %
Est. 2014	870,094	(0.0)	1,098,030	(0.1)	79.2	228.81	7.7	181.31	7.8
Est. 2015	1,171,591	34.7	1,498,434	36.5	78.2	235.65	3.0	184.25	1.6
Est. 2016	1,325,572	13.1	1,671,226	11.5	79.3	235.96	0.1	187.16	1.6
Avg. Annual Compounded Chg., Est. 2012-Est. 2016:		11.0 %		11.1 %			5.0 %		4.9 %

Demand Analysis Using Market Segmentation

For the purpose of demand analysis, the overall market is divided into individual segments based on the nature of travel. Based on our fieldwork, area analysis, and knowledge of the local lodging market, we estimate the 2016 distribution of accommodated-room-night demand as follows.

FIGURE 5-22 ACCOMMODATED ROOM-NIGHT DEMAND

Market Segment	Marketwide Accommodated Demand	Marketwide Percentage of Total	Subject Property Accommodated Demand	Subject Property Percentage of Total
Commercial	449,915	34 %	58,985	25 %
Meeting and Group	632,602	48	141,563	60
Leisure	243,055	18	35,391	15
Total	**1,325,572**	**100 %**	**235,939**	**100 %**

The market's demand mix comprises commercial demand, with this segment representing roughly 34% of the accommodated room nights in this Austin submarket. The remaining portion comprises meeting and group at 48%, with the final portion leisure in nature, reflecting 18%.

Using the distribution of accommodated hotel demand as a starting point, we will analyze the characteristics of each market segment in an effort to determine future trends in room-night demand.

Commercial Segment

Commercial demand consists mainly of individual businesspeople passing through the subject market or visiting area businesses, in addition to high-volume corporate accounts generated by local firms. Brand loyalty (particularly frequent-traveler programs), as well as location and convenience with respect to businesses and amenities, influence lodging choices in this segment. Companies typically designate hotels as "preferred" accommodations in return for more favorable rates, which are discounted in proportion to the number of room nights produced by a commercial client. Commercial demand is strongest Monday through Thursday nights, declines significantly on Friday and Saturday, and increases somewhat on Sunday night. It is relatively constant throughout the year, with marginal declines in late December and during other holiday periods.

A major factor considered in the development of our growth rates is the presence of high-tech system and manufacturing firms, such as Dell, Apple, Samsung, Google, IBM, and National Instruments. Apple's construction of a new campus in Austin is expected to have both direct and indirect benefits for the local technology sector, as this addition should spur ancillary growth within this industry. Other important demand generators in the CBD include The University of Texas and federal and state government agencies; these entities, which generally weather the economic downturns well, provide area hotels with a significant level of base demand. The opening of The University of Texas' Dell Medical School also bodes well for future high-rated commercial demand. Additionally, the state legislative session is hosted in Austin every odd year, from approximately January through May. The presence of the legislative session and its related meetings and events create compression within the corporate segment because of the influx of government-related demand. Current demand trends, coupled with the diversity and depth of commercial entities in the area, indicate continued growth in this market segment going forward.

Meeting and Group Segment

The meeting and group market includes meetings, seminars, conventions, trade association shows, and similar gatherings of ten or more people. Peak convention demand typically occurs in the spring and fall. Although there are numerous classifications within the meeting and group segment, the primary categories considered in this analysis are corporate groups, associations, and SMERFE (social, military, ethnic, religious, fraternal, and educational) groups. Corporate groups typically meet during the business week, most commonly in the spring and fall months. These groups tend to be the most profitable for hotels, as they typically pay higher rates and usually generate ancillary revenues including food and beverage and/or banquet revenue. SMERFE groups are typically price-sensitive and tend to meet on weekends and during the summer months or holiday season, when greater discounts are usually available; these groups generate limited ancillary revenues. Association demand is generally divided on a geographical basis, with national, regional, and state associations representing the most common sources. Professional associations and/or those supported by members' employers often meet on weekdays, while other associations prefer to hold events on weekends. The profile and revenue potential of associations varies depending on the group and the purpose of the meeting or event.

Meeting and group demand in this market is driven not only by activity at the convention center, but also by corporate sources and state and local association demand tied to the active government segments. Austin is home to a myriad of state associations that contribute to an active meeting and group climate. This level is further enhanced by the presence of a major university, which is associated with several schools and major corporations on a regional and national level. Corporate meeting and group demand is considered a stable force in room-night production for local hotels. In addition, the city's location, historic significance, charm, and tourist appeal make it a desirable meeting site for both regional and national groups. High-end groups, such as association and social groups affiliated with The University of Texas, are attracted to area hotels offering luxury and architecturally ornate meeting facilities, particularly those with city views. We anticipate growth in the group segment to be led by activity from the city's convention center, which provides sizeable group room nights to area hotels. We expect steady growth within this segment, especially after the two additional convention hotels are exposed to the local and national markets.

Leisure Segment

Leisure demand consists of individuals and families spending time in an area or passing through en route to other destinations. Travel purposes include sightseeing, recreation, or visiting friends and relatives. Leisure demand also includes room nights booked through Internet sites such as Expedia, Hotels.com, and Priceline; however, leisure may not be the purpose of the stay. This demand may also include business travelers and group and convention attendees who use these channels to take advantage of any discounts that may be available on these sites. Leisure demand is strongest Friday and Saturday nights, and all week during holiday periods and the summer months. These peak periods represent the inverse of commercial visitation trends, underscoring the stabilizing effect of capturing weekend and summer tourist travel. Future leisure demand is related to the overall economic health of the region and the nation. Trends showing changes in state and regional unemployment and disposable personal income correlate strongly with leisure travel levels.

Leisure demand in the area is primarily generated by a host of special events tied to Austin's unique, well-known film and live music scene, as well as the established entertainment districts throughout the city. Events such as South by Southwest and the Austin City Limits Music Festival bring an international focus to Austin. Additionally, Austin hosts competitive youth sporting events throughout the year and a larger number of events associated with The University of Texas. The area is also convenient to national and local parks, with such destinations as McKinney Roughs, Lake Travis, and the Texas Hill Country within a short drive of the subject market. The Circuit of The Americas (COTA) racetrack, which opened in 2012, bolstered an already strong leisure market by attracting visitors from around the world to events such as the Formula One Grand Prix and the MotoGP race, and the complement of hotels in and around the CBD have become the primary lodging choices for this venue. Leisure tends to be the most price-sensitive segment of most lodging markets, although the local lodging market attracts the city’s most discerning and least price-conscious leisure visitors. Consequently, we expect growth in this market segment over the projection period.

Base Demand Growth Rates

The purpose of segmenting the lodging market is to define each major type of demand, identify customer characteristics, and estimate future growth trends. Starting with an analysis of the local area, three segments were defined as representing the subject property’s lodging market. Various types of economic and demographic data were then evaluated to determine their propensity to reflect changes in hotel demand. Based on this procedure, we forecast the following annual growth rates for each demand segment.

FIGURE 5-23 AVERAGE ANNUAL COMPOUNDED MARKET SEGMENT GROWTH RATES

	Annual Growth Rate					
Market Segment	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Commercial	5.0 %	5.0 %	3.0 %	2.5 %	1.5 %	1.0 %
Meeting and Group	7.5	6.5	3.5	2.5	1.5	1.0
Leisure	3.5	3.0	3.0	2.0	1.5	1.0
Base Demand Growth	**5.9 %**	**5.4 %**	**3.2 %**	**2.4 %**	**1.5 %**	**1.0 %**

Latent Demand

A table presented earlier in this section illustrated the accommodated-room-night demand in the subject property's competitive market. Because this estimate is based on historical occupancy levels, it includes only those hotel rooms that were used by guests. Latent demand reflects potential room-night demand that has not been realized by the existing competitive supply, further classified as either unaccommodated demand or induced demand.

Unaccommodated Demand

Unaccommodated demand refers to individuals who are unable to secure accommodations in the market because all the local hotels are filled. These travelers must defer their trips, settle for less desirable accommodations, or stay in properties located outside the market area. Because this demand did not yield occupied room nights, it is not included in the estimate of historical accommodated-room-night demand. If additional lodging facilities are expected to enter the market, it is reasonable to assume that these guests will be able to secure hotel rooms in the future, and it is therefore necessary to quantify this demand.

Unaccommodated demand is further indicated if the market is at all seasonal, with distinct high and low seasons; such seasonality indicates that although year-end occupancy may not average in excess of 70%, the market may sell out certain nights during the year. To evaluate the incidence of unaccommodated demand in the market, we have reviewed the average occupancy by the night of the week for the past twelve months for the competitive set, as reflected in the STR data. This is set forth in the following table.

FIGURE 5-24 OCCUPANCY BY NIGHT OF THE WEEK

Month	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Month
Nov - 15	53.1 %	68.1 %	73.1 %	78.7 %	80.9 %	72.6 %	74.8 %	70.9 %
Dec - 15	37.9	48.4	57.0	58.8	61.2	59.3	67.3	56.0
Jan - 16	49.7	68.3	77.2	81.4	77.2	71.6	75.8	71.0
Feb - 16	63.1	84.2	95.4	92.0	88.0	84.3	90.5	85.3
Mar - 16	61.9	82.0	88.7	87.8	88.5	93.1	90.6	85.0
Apr - 16	76.6	90.7	96.3	97.0	94.3	93.8	95.9	92.3
May - 16	68.7	79.7	88.0	93.3	86.4	86.8	94.7	84.7
Jun - 16	65.2	86.1	91.9	85.0	79.3	88.2	93.0	84.0
Jul - 16	62.2	73.4	78.7	78.4	71.2	80.8	90.3	76.6
Aug - 16	45.6	67.9	79.0	80.5	80.1	80.0	86.8	74.4
Sep - 16	70.8	70.1	84.9	91.9	83.5	82.8	90.4	82.1
Oct - 16	72.2	80.4	93.1	90.6	90.2	90.3	93.4	86.7
Average	**60.6 %**	**75.0 %**	**83.2 %**	**84.1 %**	**81.4 %**	**82.0 %**	**87.1 %**	**79.0 %**

Source: STR

Our interviews with market participants found that the market generally sells out on all major convention days, as well as most Tuesday through Saturday nights during the spring, summer, and fall months. Other special events, such as the South by Southwest Music Festival, the Austin City Limits Music Festival, the Grand Prix at COTA, and sporting events at The University of Texas, sell out area hotels. A portion of this demand, which is currently turned away, should return to the market concurrent with the supply increase. The following table presents our estimate of unaccommodated demand in the subject market.

FIGURE 5-25 UNACCOMMODATED DEMAND ESTIMATE

Market Segment	Accommodated Room Night Demand	Unaccommodated Demand Percentage	Unaccommodated Room Night Demand
Commercial	449,915	10.0 %	44,975
Meeting and Group	632,602	7.0	44,219
Leisure	243,055	14.9	36,115
Total	**1,325,572**	**9.5 %**	**125,308**

Accordingly, we have forecast unaccommodated demand equivalent to 9.5% of the base-year demand, resulting from our analysis of monthly and weekly peak demand and sell-out trends.

Accommodated Demand and Market-wide Occupancy

Based upon a review of the market dynamics in the subject property's competitive environment, we have forecast growth rates for each market segment. Using the calculated potential demand for the market, we have determined market-wide accommodated demand based on the inherent limitations of demand fluctuations and other factors in the market area. The following table details our projection of lodging demand growth for the subject market, including the total number of occupied room nights and any residual unaccommodated demand in the market.

FIGURE 5-26 ACCOMMODATED DEMAND

	2016	2017	2018	2019	2020	2021	2022
Commercial							
Base Demand	449,915	472,411	496,032	510,913	523,686	531,541	536,856
Unaccommodated Demand		47,224	49,585	51,073	52,349	53,135	53,666
Total Demand		519,635	545,617	561,985	576,035	584,675	590,522
Growth Rate		15.5 %	5.0 %	3.0 %	2.5 %	1.5 %	1.0 %
Meeting and Group							
Base Demand	632,602	680,047	724,250	749,599	768,339	779,864	787,663
Unaccommodated Demand		47,535	50,625	52,397	53,707	54,512	55,058
Total Demand		727,582	774,875	801,996	822,046	834,376	842,720
Growth Rate		15.0 %	6.5 %	3.5 %	2.5 %	1.5 %	1.0 %
Leisure							
Base Demand	243,055	251,562	259,109	266,882	272,220	276,303	279,066
Unaccommodated Demand		37,379	38,500	39,655	40,448	41,055	41,465
Total Demand		288,940	297,609	306,537	312,668	317,358	320,531
Growth Rate		18.9 %	3.0 %	3.0 %	2.0 %	1.5 %	1.0 %
Totals							
Base Demand	1,325,572	1,404,020	1,479,391	1,527,394	1,564,244	1,587,708	1,603,585
Unaccommodated Demand		132,138	138,710	143,124	146,504	148,702	150,189
Total Demand		1,536,158	1,618,101	1,670,518	1,710,748	1,736,409	1,753,774
less: Residual Demand		96,654	48,115	26,502	0	0	0
Total Accommodated Demand		1,439,504	1,569,985	1,644,016	1,710,748	1,736,409	1,753,774
Overall Demand Growth		8.6 %	9.1 %	4.7 %	4.1 %	1.5 %	1.0 %
Market Mix							
Commercial	33.9 %	33.8 %	33.7 %	33.6 %	33.7 %	33.7 %	33.7 %
Meeting and Group	47.7	47.4	47.9	48.0	48.1	48.1	48.1
Leisure	18.3	18.8	18.4	18.3	18.3	18.3	18.3
Existing Hotel Supply	4,579	4,665	4,601	4,629	4,579	4,579	4,579
Proposed Hotels							
Fairmont [1]		353	1,048	1,048	1,048	1,048	1,048
Hotel Proper [2]			57	170	170	170	170
Hotel ZaZa [3]			32	96	96	96	96
Marriott [4]				207	615	615	615
Available Room Nights per Year	1,671,226	1,831,570	2,094,459	2,244,967	2,375,347	2,375,347	2,375,347
Nights per Year	365	365	365	365	365	365	365
Total Supply	4,579	5,018	5,738	6,151	6,508	6,508	6,508
Rooms Supply Growth	—	9.6 %	14.4 %	7.2 %	5.8 %	0.0 %	0.0 %
Marketwide Occupancy	**79.3 %**	**78.6 %**	**75.0 %**	**73.2 %**	**72.0 %**	**73.1 %**	**73.8 %**

[1] Opening in September 2017 of the 100% competitive, 1048-room Fairmont
[2] Opening in September 2018 of the 70% competitive, 243-room Hotel Proper
[3] Opening in September 2018 of the 60% competitive, 160-room Hotel ZaZa
[4] Opening in September 2019 of the 100% competitive, 615-room Marriott

The defined competitive market of hotels should experience continued demand growth over the next few years, although the entrance of the proposed Fairmont and Marriott, coupled with additional new supply in other asset classes within the CBD, are anticipated to normalize market occupancy, from around 80% during the last several years. Based on historical occupancy levels in this market, and taking into consideration typical supply and demand cyclicality, market occupancy is forecast to stabilize in the mid-70s.

6. Projection of Occupancy and Average Rate

Along with average rate results, the occupancy levels achieved by a hotel are the foundation of the property's financial performance. Most of a lodging facility's other revenue sources (such as food, beverages, other operated departments, and miscellaneous income) are driven by the number of guests, and many expense levels vary with occupancy. To a certain degree, occupancy attainment can be manipulated by management. For example, hotel operators may choose to lower rates in an effort to maximize occupancy. Our forecasts reflect an operating strategy that we believe would be implemented by a typical, professional hotel management team to achieve an optimal mix of occupancy and average rate.

Historical Operating Performance

The following table sets forth the subject property's historical occupancy, average rate, and RevPAR results. For the purpose of comparison, we have presented corresponding data (as provided by STR) for the competitive hotels described in the previous section. In addition to the annual percent change calculations, we have determined the subject property's occupancy, average rate, and RevPAR penetration rates.

FIGURE 6-1 HISTORICAL TRENDS

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	November 2015	November 2016
Hilton Austin Convention Center														
Occupancy	67.1 %	73.2 %	76.0 %	76.0 %	74.0 %	75.0 %	75.0 %	77.5 %	77.7 %	79.2 %	75.0 %	80.9 %	82.7 %	82.3 %
Change	—	9.1 %	3.8 %	0.0 %	(2.6) %	1.4 %	0.0 %	3.3 %	0.3 %	1.9 %	(5.2) %	7.8 %	—	(0.5) %
Occupancy Penetration	98.0 %	99.1 %	103.0 %	103.7 %	101.7 %	105.0 %	98.8 %	98.7 %	97.6 %	100.1 %	94.3 %	104.6 %	102.7 %	100.2 %
Average Rate	$123.74	$141.96	$156.00	$171.00	$179.00	$175.00	$169.00	$177.74	$195.97	$208.70	$222.90	$223.76	$228.36	$223.24
Change	—	14.7 %	9.9 %	9.6 %	4.7 %	(2.2) %	(3.4) %	5.2 %	10.3 %	6.5 %	6.8 %	0.4 %	—	(2.2) %
Average Rate Penetration	95.2 %	99.0 %	94.7 %	96.2 %	97.0 %	104.1 %	101.2 %	98.2 %	99.1 %	96.3 %	95.7 %	93.6 %	93.5 %	91.8 %
RevPAR	$83.03	$103.91	$118.56	$129.96	$132.46	$131.25	$126.75	$137.66	$152.27	$165.26	$167.25	$181.07	$188.85	$183.77
Change	—	25.2 %	14.1 %	9.6 %	1.9 %	(0.9) %	(3.4) %	8.6 %	10.6 %	8.5 %	1.2 %	8.3 %	—	(2.7) %
RevPAR Penetration	93.3 %	98.1 %	97.5 %	99.8 %	98.7 %	109.3 %	100.0 %	96.9 %	96.7 %	96.3 %	90.2 %	97.9 %	96.0 %	92.0 %

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Year-to-Date Through November 2015	Year-to-Date Through November 2016
Competitive Set														
Occupancy	68.4 %	73.9 %	73.8 %	73.3 %	72.8 %	71.4 %	75.9 %	78.5 %	79.6 %	79.1 %	79.6 %	77.3 %	80.6 %	82.1 %
Change	—	7.9 %	(0.1) %	(0.8) %	(0.7) %	(1.8) %	6.3 %	3.4 %	1.4 %	(0.6) %	0.6 %	(2.8) %	—	2.0 %
Average Rate	$130.00	$143.44	$164.76	$177.77	$184.53	$168.11	$167.02	$180.97	$197.75	$216.83	$232.96	$239.13	$244.15	$243.23
Change	—	10.3 %	14.9 %	7.9 %	3.8 %	(8.9) %	(0.6) %	8.4 %	9.3 %	9.6 %	7.4 %	2.7 %	—	(0.4) %
RevPAR	$88.98	$105.97	$121.62	$130.24	$134.25	$120.05	$126.80	$142.06	$157.40	$171.54	$185.39	$184.96	$196.67	$199.80
Change	—	19.1 %	14.8 %	7.1 %	3.1 %	(10.6) %	5.6 %	12.0 %	10.8 %	9.0 %	8.1 %	(0.2) %	—	1.6 %

Source: STR

The Hilton Austin Convention Center experienced a 5.9-point occupancy change in 2015, increasing from 75.0% in 2014 to 80.9% in 2015. As a result of this change, occupancy penetration relative to the STR set of reporting hotels equaled 104.6% in 2015. Average rate penetration for the Hilton Austin Convention Center equated to 93.6% in 2015, contributing to the overall RevPAR penetration level of 97.9% in the same year.

Since the Hilton's opening, the hotel's occupancy generally trended upward until the recessionary period between 2008 and 2010. Since that time, occupancy rose until 2014, when the subject property's guestrooms underwent a major renovation program. In 2015, the subject hotel surpassed 80% in occupancy for the first time, despite the opening of the JW Marriott in February of that year. Recent data illustrate a continuation of this trend, with occupancy remaining above 80% in the year-to-date 2016 period. It is important to note that the subject hotel has averaged just above fair share in occupancy penetration since 2004, its first full year of operation; the ability of this hotel to average fair share over an extended period of time is indicative of the hotel's brand and operational strength within all three market segments, as the subject hotel housed almost double the number of guestrooms offered by the next-largest competitor until the opening of the JW Marriott in 2015.

Average rate at the subject property has increased all but two years since its opening due not only to its quality facilities, but also to the internal compression created by significant convention and in-house group blocks, which allowed management to charge a premium to transient guests. However, the resulting penetration levels for the Hilton have fallen below fair share since 2011, indicating opportunity for rate growth now that the renovations are complete.

Penetration Rate Analysis

The subject property's forecasted market share and occupancy levels are based upon its anticipated competitive position within the market, as quantified by its penetration rate. The penetration rate is the ratio of a property's market share to its fair share.

Historical Penetration Rates by Market Segment

In the following table, the penetration rates attained by the primary competitors and the aggregate secondary competitors are set forth for each segment for the base year, 2016.

FIGURE 6-2 HISTORICAL PENETRATION RATES

Property	Commercial	Meeting and Group	Leisure	Overall
Hilton Austin Convention Center	75 %	128 %	83 %	102 %
Hyatt Regency Austin	111	101	117	107
Omni Austin Centre	147	73	81	100
Sheraton Austin Hotel	107	97	113	103
JW Marriott Austin Downtown	59	137	83	101
Westin Austin Downtown	114	81	106	97
Secondary Competition	125	65	120	95

Because of its varying levels of penetration among the three market demand segments, the Hilton Austin Convention Center achieved an overall penetration rate of 102% in 2016. Overall, the subject property's occupancy penetration level was ranked third among the illustrated averages. The subject property achieved its highest segment penetration rate in the meeting and group segment, at 128%, due to the hotel's popularity with weekend leisure travelers in the area.

Among all properties listed, the Omni Austin Centre achieved the highest penetration rate within the commercial segment. The highest penetration rate in the meeting and group segment was achieved by the JW Marriott Austin Downtown, while the secondary competition led the market with the highest leisure penetration rate.

Forecast of Subject Property's Occupancy

Because the supply and demand balance for the competitive market is dynamic, there is a circular relationship between the penetration factors of each hotel in the market. The performance of individual new hotels has a direct effect upon the aggregate performance of the market, and consequently upon the calculated penetration factor for each hotel in each market segment. The same is true when the performance of existing hotels changes, either positively (following a refurbishment, for example) or negatively (when a poorly maintained or marketed hotel loses market share).

A hotel's penetration factor is calculated as its achieved market share of demand divided by its fair share of demand. Thus, if one hotel's penetration performance increases, thereby increasing its achieved market share, this leaves less demand available in the market for the other hotels to capture and the penetration performance of one or more of those other hotels consequently declines (other things remaining equal). This type of market share adjustment takes place every time there is a change in supply, or a change in the relative penetration performance of one or more hotels in the competitive market.

Our projections of penetration, demand capture, and occupancy performance for the subject property account for these types of adjustments to market share within the defined competitive market. Consequently, the actual penetration factors applicable to the subject property and its competitors for each market segment in each projection year may vary somewhat from the penetration factors delineated in the previous table.

The subject hotel is expected to maintain its current market mix, focusing on major conventions, corporate accounts, and in-house groups seeking upscale facilities and a high level of service. Recent renovations to the guestrooms and public spaces, as well as the addition of the flex-use meeting space on the first level, should secure the competitive level of the property and should assist the hotel in achieving the occupancy forecast presented in this chapter. While new competitive supply is anticipated in this submarket, the market has historically absorbed new supply quickly, and this trend is expected to continue. Additionally, the subject property should be relatively sheltered because of its location, reputation, and position as a preferred hotel for high-rated groups and citywide conventions.

The subject property's occupancy forecast is set forth as follows, with the adjusted projected penetration rates used as a basis for calculating the amount of captured market demand.

FIGURE 6-3 FORECAST OF SUBJECT PROPERTY'S OCCUPANCY

Market Segment	2016	2017	2018	2019	2020	2021	2022
Commercial							
Demand	449,915	485,107	528,417	552,528	576,035	584,675	590,522
Market Share	13.1 %	13.6 %	12.7 %	11.2 %	10.6 %	10.5 %	10.5 %
Capture	58,985	66,136	67,080	61,689	61,266	61,356	61,970
Penetration	75 %	85 %	91 %	86 %	86 %	85 %	85 %
Meeting and Group							
Demand	632,602	692,728	757,315	792,294	822,046	834,376	842,720
Market Share	22.4 %	18.8 %	16.6 %	16.1 %	15.0 %	14.7 %	14.6 %
Capture	141,563	130,243	125,938	127,581	122,900	122,298	122,800
Penetration	128 %	118 %	119 %	124 %	121 %	119 %	118 %
Leisure							
Demand	243,055	261,669	284,254	299,194	312,668	317,358	320,531
Market Share	14.6 %	15.4 %	13.6 %	12.7 %	12.1 %	12.1 %	12.1 %
Capture	35,391	40,183	38,655	38,059	37,911	38,294	38,677
Penetration	83 %	96 %	97 %	98 %	99 %	98 %	98 %
Total Room Nights Captured	**235,939**	**236,561**	**231,673**	**227,328**	**222,077**	**221,948**	**223,447**
Available Room Nights	292,365	292,365	292,365	292,365	292,365	292,365	292,365
Subject Occupancy	**81 %**	**81 %**	**79 %**	**78 %**	**76 %**	**76 %**	**76 %**
Marketwide Available Room Nights	1,671,226	1,831,570	2,094,459	2,244,967	2,375,347	2,375,347	2,375,347
Fair Share	**17 %**	**16 %**	**14 %**	**13 %**	**12 %**	**12 %**	**12 %**
Marketwide Occupied Room Nights	1,325,572	1,439,504	1,569,985	1,644,016	1,710,748	1,736,409	1,753,774
Market Share	**18 %**	**16 %**	**15 %**	**14 %**	**13 %**	**13 %**	**13 %**
Marketwide Occupancy	**79 %**	**79 %**	**75 %**	**73 %**	**72 %**	**73 %**	**74 %**
Total Penetration	**102 %**	**103 %**	**106 %**	**106 %**	**105 %**	**104 %**	**104 %**

The subject hotel's occupancy penetration in the first projection year is forecast to increase now that the renovations are complete. Thereafter, its occupancy and occupancy penetration level are expected to fluctuate marginally through the projection period. The hotel's occupancy penetration is forecast to stabilize around 103.5%, reflecting a slight increase over the base year because of the subject property's ability to book large in-house corporate and social groups.

These positioned segment penetration rates result in the following market segmentation forecast.

FIGURE 6-4 MARKET SEGMENTATION FORECAST – SUBJECT PROPERTY

	2016	2017	2018	2019	2020	2021	2022
Commercial	25 %	28 %	29 %	27 %	28 %	28 %	28 %
Meeting and Group	60	55	54	56	55	55	55
Leisure	15	17	17	17	17	17	17
Total	100 %	100 %	100 %	100 %	100 %	100 %	100 %

Based on our analysis of the subject property and market area, we have selected a stabilized occupancy level of 76% in 2022. The stabilized occupancy is intended to reflect the anticipated results of the property over its remaining economic life, given all changes in the life cycle of the hotel. Thus, the stabilized occupancy excludes from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusually high or low occupancies. Although the subject property may operate at occupancies above this stabilized level, we believe it equally possible for new competition and temporary economic downturns to force the occupancy below this selected point of stability.

Average Rate Analysis

One of the most important considerations in estimating the operating potential of a lodging facility is a supportable forecast of its attainable average rate, which is more formally defined as the average rate per occupied room. Average rate can be calculated by dividing the total rooms revenue achieved during a specified period by the number of rooms sold during the same period. The projected average rate and the anticipated occupancy percentage are used to forecast rooms revenue, which in turn provides the basis for estimating most other income and expense categories.

Competitive Position

Although the average rate analysis presented here follows the occupancy projection, these two statistics are highly correlated; in reality, one cannot project occupancy without making specific assumptions regarding average rate. This relationship is best illustrated by revenue per available room (RevPAR), which reflects a property's ability to maximize rooms revenue. The following table summarizes the historical average rate and the RevPAR of the subject property and its competitors.

FIGURE 6-5 BASE-YEAR AVERAGE RATE AND REVPAR OF THE SUBJECT AND ITS COMPETITORS

Property	Estimated 2016 Average Room Rate	Average Rate Penetration	Rooms Revenue Per Available Room (RevPAR)	RevPAR Penetration
Hilton Austin Convention Center	$219.65	93.0 %	$177.26	94.7 %
Hyatt Regency Austin	200 - 210	80 - 85	170 - 180	90 - 95
Omni Austin Centre	220 - 230	95 - 100	180 - 190	95 - 100
Sheraton Austin Hotel	180 - 190	75 - 80	140 - 150	75 - 80
JW Marriott Austin Downtown	240 - 250	100 - 110	190 - 200	100 - 110
Westin Austin Downtown	260 - 270	110 - 120	200 - 210	110 - 120
Average - Subject & Primary Competitors	$225.06	95.3 %	$181.40	96.9 %
Average - Secondary Competitors	269.23	114.0	203.77	108.8
Overall Average	**$236.07**		**$187.25**	

The defined primarily competitive market realized an overall average rate of $224.90 in the 2016 base year, improving from the 2015 level of $220.64. The rate of change for this Austin area primary set was 1.9% between 2015 and 2016. The subject property's base-year rate position was $219.65. The W, Four Seasons, and Driskill achieved the highest estimated average rates in the local competitive market, all surpassing the $300 level, because of their luxury products and popularity among high-rated corporate and leisure travelers. As noted earlier in this report, average rates actually increase in the CBD on weekends because of the myriad of leisure activities, events, and festivals held in the city's central core; this aspect of the market allows hotel operators to maintain rate integrity even upon the entrance of new supply. The subject property's historical rate reflects the hotel's positioning as one of the highest quality upper-upscale hotels in the CBD and a preferred choice among less price-sensitive travelers.

Market-wide rates began to trend upward in 2011. We expect average rates to continue to improve because of robust demand levels in this submarket, which have created an abundance of peak nights throughout the year. These demand levels have enabled Austin's CBD lodging market to command rate premiums both during the week and on the weekends, as occupancy levels are consistently high during both periods because of a diverse commercial base and an abundance of leisure activities and festivals. However, despite 7.4% rate growth on an average annual compounded basis since 2010, we have moderated rate growth in our market projections in recognition of the deceleration in rate growth since the first wave of new supply entered the CBD market in 2015.

Based on these considerations, the following table illustrates the projected average rate and the growth rates assumed. As a context for the average rate growth factors, note that we have applied an underlying inflation rate of 2.0% in 2017, 2.5% in 2018, and 3.0% in 2019 and thereafter.

FIGURE 6-6 MARKET AND SUBJECT PROPERTY AVERAGE RATE FORECAST

	Areawide (Calendar Year)			Subject Property (Calendar Year)			
Year	Occupancy	Average Rate Growth	Average Rate	Occupancy	Average Rate Growth	Average Rate	Average Rate Penetration
Base Year	79.3 %	—	$236.07	81.0 %	—	$219.65	93.0 %
2017	78.6	1.5 %	239.62	81.0	-1.0 %	217.45	90.8
2018	75.0	2.0	244.41	79.0	1.0	219.63	89.9
2019	73.2	2.5	250.52	78.0	2.0	224.02	89.4
2020	72.0	4.0	260.54	76.0	4.0	232.98	89.4
2021	73.1	3.5	269.66	76.0	3.5	241.14	89.4
2022	73.8	3.0	277.75	76.0	3.0	248.37	89.4

As illustrated above, a -1.0% rate of change is expected for the subject property's room rate in 2017. As illustrated at the beginning of this chapter, the subject property’s rate changed by -2.2% in the most recent historical period. This is followed by rates of 1.0% and 2.0% in 2018 and 2019, respectively. The subject hotel’s room rate is anticipated to decline modestly from its initial base-year position and then increase at a slightly slower pace than the market in order to maintain high demand levels at the property and a strong occupancy base. As such, the average-rate penetration level is expected to decline modestly. The subject hotel is likely to maintain a slightly discounted rate versus the market average through the stabilized year given the significant amount of high-rated room inventory entering the market, coupled with the subject hotel's focus on booking large groups in order to create internal compression within the 800-room hotel.

The following table provides a comparison of the historical performance and forecasts for the subject property and competitive set.

FIGURE 6-7 COMPARISON OF HISTORICAL AND PROJECTED OCCUPANCY, AVERAGE RATE, AND REVPAR – SUBJECT PROPERTY AND MARKET

	Historical					Projected					
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Hilton Austin Convention Center											
Occupancy	77.7 %	79.2 %	75.0 %	80.9 %	80.7 %	80.9 %	79.2 %	77.8 %	76.0 %	75.9 %	76.4 %
Change in Points	—	1.5	(4.2)	5.9	(0.2)	0.2	(1.7)	(1.5)	(1.8)	(0.0)	0.5
Occupancy Penetration	97.8	100.0	94.7 %	103.5 %	101.7 %	103.0 %	105.7 %	106.2 %	105.5 %	103.8 %	103.5 %
Average Rate	$195.97	$208.70	$222.90	$223.76	$219.65	$217.45	$219.63	$224.02	$232.98	$241.14	$248.37
Change	—	6.5 %	6.8 %	0.4 %	(1.8) %	(1.0) %	1.0 %	2.0 %	4.0 %	3.5 %	3.0 %
Average Rate Penetration	100.8	98.2	97.4 %	95.0 %	93.0 %	90.8 %	89.9 %	89.4 %	89.4 %	89.4 %	89.4 %
RevPAR	$152.27	$165.26	$167.25	$181.07	$177.26	$175.95	$174.04	$174.19	$176.97	$183.06	$189.82
Change	—	8.5 %	1.2 %	8.3 %	(2.1) %	(0.7) %	(1.1) %	0.1 %	1.6 %	3.4 %	3.7 %
RevPAR Penetration	98.6	98.2	92.2 %	98.3 %	94.7 %	93.4 %	95.0 %	94.9 %	94.3 %	92.9 %	92.6 %

	Historical (Estimated)					Projected					
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Austin Submarket											
Occupancy	79.5 %	79.2 %	79.2 %	78.2 %	79.3 %	78.6 %	75.0 %	73.2 %	72.0 %	73.1 %	73.8 %
Change in Points	—	(0.3)	0.0	(1.1)	1.1	(0.7)	(3.6)	(1.7)	(1.2)	1.1	0.7
Average Rate	$194.45	$212.42	$228.81	$235.65	$236.07	$239.62	$244.41	$250.52	$260.54	$269.66	$277.75
Change	—	9.2 %	7.7 %	3.0 %	0.2 %	1.5 %	2.0 %	2.5 %	4.0 %	3.5 %	3.0 %
RevPAR	$154.51	$168.24	$181.31	$184.25	$187.25	$188.32	$183.21	$183.46	$187.64	$197.12	$205.07
Change	—	8.9 %	7.8 %	1.6 %	1.6 %	0.6 %	(2.7) %	0.1 %	2.3 %	5.1 %	4.0 %

The following occupancies and average rates will be used to project the subject property's rooms revenue; this forecast begins on January 1, 2017, and corresponds with our financial projections.

FIGURE 6-8 FORECASTS OF OCCUPANCY, AVERAGE RATE, AND REVPAR

Year	Occupancy	Average Rate	RevPAR
2017	81 %	$217.45	$176.14
2018	79	219.63	173.51
2019	78	224.02	174.74
2020	76	232.98	177.07
2021	76	241.14	183.26
2022	76	248.37	188.76

7. Forecast of Income and Expense

In this chapter of our report, we have compiled a forecast of income and expense for the subject property. This forecast is based on all assumptions set forth previously, as well as the occupancy and average rate forecast presented.

The forecast of income and expense is expressed in current dollars for each year. The stabilized year is intended to reflect the anticipated operating results of the property over its remaining economic life, given any or all applicable stages of build-up, plateau, and decline in the life cycle of the hotel. Thus, income and expense estimates from the stabilized year forward exclude from consideration any abnormal relationship between supply and demand, as well as any nonrecurring conditions that may result in unusual revenues or expenses. The ten-year period reflects the typical holding period of large real estate assets such as hotels. In addition, the ten-year period provides for the stabilization of income streams and comparison of yields with alternate types of real estate. The forecasted income streams reflect the future benefits of owning specific rights in income-producing real estate.

Review of Operating History

Because the subject property is an existing hotel with an established operating performance, its historical income and expense experience can serve as a basis for projections. The following income and expense statements were provided by current ownership. Where applicable, we have reorganized the statements in accordance with the Uniform System of Accounts for the Lodging Industry (USALI). The 11th edition of the USALI, which was issued in 2014, became effective on January 1, 2015; however, the hospitality industry is still in the process of converting to the new reporting standards. Given that the subject hotel's historical financial statements for the year-to-date 2015 and 2016 periods are consistent with the 11th edition of the USALI, we have placed the greatest emphasis on these data (per the 11th edition of the USALI) in our forecasts of revenues and expenses for the subject hotel.

FIGURE 7-1 HISTORICAL OPERATING PERFORMANCE

	2015/16	Fiscal Year Ending November			2015	Calendar Year			2014	Calendar Year			2013	Calendar Year		
Number of Rooms:	801				801				801				800			
Paid Occupied Rooms:	236,226				236,583				219,378				231,226			
Days Open:	366				365				365				365			
Paid Occupancy:	80.6%			Amount	80.9%			Amount	75.0%			Amount	79.2%			Amount
Average Rate:	$218.97	Percentage	Available	Occupied	$223.76	Percentage	Available	Occupied	$222.90	Percentage	Available	Occupied	$208.70	Percentage	Available	Occupied
RevPAR:	$176.44	of Revenue	Room	Room	$181.07	of Revenue	Room	Room	$167.25	of Revenue	Room	Room	$165.26	of Revenue	Room	Room
OPERATING REVENUE																
Rooms	$51,727	65.6 %	$64,578	$218.97	$52,938	65.3 %	$66,090	$223.76	$48,899	65.2 %	$61,047	$222.90	$48,257	66.2 %	$60,321	$208.70
Food & Beverage	23,271	29.5	29,053	98.51	23,873	29.5	29,805	100.91	22,219	29.6	27,739	101.28	20,515	28.1	25,644	88.72
Other Operated Departments	2,930	3.7	3,658	12.40	3,506	4.3	4,377	14.82	3,353	4.5	4,186	15.29	3,613	5.0	4,517	15.63
Miscellaneous Income	883	1.1	1,102	3.74	741	0.9	925	3.13	579	0.8	722	2.64	528	0.7	660	2.28
Total Operating Revenue	78,811	100.0	98,390	333.62	81,058	100.0	101,196	342.62	75,050	100.0	93,695	342.10	72,914	100.0	91,142	315.34
DEPARTMENTAL EXPENSES*																
Rooms	9,401	18.2	11,737	39.80	9,372	17.7	11,701	39.61	8,487	17.4	10,595	38.69	8,158	16.9	10,197	35.28
Food & Beverage	11,946	51.3	14,914	50.57	11,564	48.4	14,437	48.88	11,117	50.0	13,880	50.68	10,603	51.7	13,254	45.86
Other Operated Departments	1,040	35.5	1,299	4.40	1,307	37.3	1,631	5.52	1,312	39.1	1,637	5.98	1,195	33.1	1,493	5.17
Other Expenses	69	7.8	86	0.29	95	12.8	118	0.40	106	18.3	132	0.48	124	23.5	155	0.54
Total	22,456	28.5	28,035	95.06	22,337	27.6	27,887	94.42	21,021	28.0	26,244	95.82	20,080	27.5	25,099	86.84
DEPARTMENTAL INCOME	56,354	71.5	70,355	238.56	58,721	72.4	73,309	248.20	54,028	72.0	67,451	246.28	52,834	72.5	66,043	228.50
UNDISTRIBUTED OPERATING EXPENSES																
Administrative & General	4,958	6.3	6,190	20.99	5,034	6.2	6,284	21.28	4,479	6.0	5,591	20.42	4,306	5.9	5,382	18.62
Info. and Telecom. Systems	617	0.8	770	2.61	0	0.0	0	0.00	0	0.0	0	0.00	0	0.0	0	0.00
Marketing	6,113	7.8	7,632	25.88	5,851	7.2	7,305	24.73	4,986	6.6	6,225	22.73	4,343	6.0	5,429	18.78
Prop. Operations & Maint.	2,753	3.5	3,437	11.65	2,640	3.3	3,296	11.16	2,458	3.3	3,068	11.20	2,417	3.3	3,021	10.45
Utilities	2,908	3.7	3,631	12.31	2,812	3.5	3,510	11.88	2,706	3.6	3,379	12.34	2,678	3.7	3,347	11.58
Total	17,350	22.0	21,660	73.45	16,337	20.2	20,396	69.06	14,629	19.5	18,263	66.68	13,744	18.9	17,180	59.44
GROSS HOUSE PROFIT	39,005	49.5	48,695	165.12	42,384	52.2	52,913	179.15	39,399	52.5	49,188	179.60	39,090	53.7	48,863	169.06
Management Fee	3,545	4.5	4,426	15.01	3,370	4.2	4,208	14.25	3,440	4.6	4,295	15.68	3,373	4.6	4,216	14.59
INCOME BEFORE NON-OPER. INC. & EXP.	35,460	45.0	44,269	150.11	39,013	48.1	48,706	164.90	35,959	47.9	44,893	163.91	35,717	49.0	44,647	154.47
NON-OPERATING INCOME AND EXPENSE																
Insurance	449	0.6	560	1.90	433	0.5	541	1.83	484	0.6	604	2.20	621	0.9	776	2.69
Reserve for Replacement	9,217	11.7	11,507	39.02	4,862	6.0	6,070	20.55	4,503	6.0	5,622	20.53	0	0.0	0	0.00
Total	9,666	12.3	12,067	40.92	5,295	6.5	6,611	22.38	4,987	6.6	6,225	22.73	621	0.9	776	2.69
EBITDA LESS RESERVE	$25,794	32.7 %	$32,202	$109.19	$33,718	41.6 %	$42,095	$142.52	$30,973	41.3 %	$38,668	$141.18	$35,097	48.1 %	$43,871	$151.78
NOI adjusted to reflect a																
4.5% mgmt fee and a 6.0% reserve	$30,281	38.4 %			$33,439	41.3 %			$31,035	41.4 %			$30,813	42.3 %		

*Departmental expenses are expressed as a percentage of departmental revenues.

FIGURE 7-2 HISTORICAL OPERATING PERFORMANCE (CONTINUED)

	2012	Calendar Year			2011	Calendar Year		
Number of Rooms:	**800**				**800**			
Paid Occupied Rooms:	**226,885**				**226,154**			
Days Open:	**365**				**365**			
Paid Occupancy:	**77.7%**			**Amount**	**77.5%**			**Amount**
Average Rate:	**$195.97**	**Percentage**	**Available**	**Occupied**	**$177.74**	**Percentage**	**Available**	**Occupied**
RevPAR:	**$152.27**	**of Revenue**	**Room**	**Room**	**$137.66**	**of Revenue**	**Room**	**Room**
OPERATING REVENUE								
Rooms	$44,463	65.7 %	$55,578	$195.97	$40,197	62.9 %	$50,246	$177.74
Food & Beverage	19,373	28.6	24,216	85.39	19,291	30.2	24,114	85.30
Other Operated Departments	3,420	5.0	4,275	15.07	3,544	5.5	4,430	15.67
Miscellaneous Income	469	0.7	586	2.07	856	1.3	1,070	3.78
Total Operating Revenue	67,724	100.0	84,655	298.50	63,888	100.0	79,859	282.50
DEPARTMENTAL EXPENSES*								
Rooms	7,574	17.0	9,468	33.38	7,550	18.8	9,437	33.38
Food & Beverage	10,123	52.3	12,653	44.62	10,060	52.1	12,575	44.48
Other Operated Departments	1,136	33.2	1,420	5.01	1,074	30.3	1,343	4.75
Other Expenses	121	25.9	152	0.53	139	16.3	174	0.62
Total	18,954	28.0	23,693	83.54	18,823	29.5	23,529	83.23
DEPARTMENTAL INCOME	48,770	72.0	60,962	214.95	45,064	70.5	56,330	199.26
UNDISTRIBUTED OPERATING EXPENSES								
Administrative & General	3,915	5.8	4,893	17.25	3,814	6.0	4,767	16.86
Info. and Telecom. Systems	0	0.0	0	0.00	0	0.0	0	0.00
Marketing	4,064	6.0	5,080	17.91	3,572	5.6	4,465	15.79
Prop. Operations & Maint.	2,134	3.2	2,667	9.40	2,264	3.5	2,830	10.01
Utilities	2,690	4.0	3,362	11.86	2,564	4.0	3,205	11.34
Total	12,802	18.9	16,002	56.42	12,214	19.1	15,267	54.01
GROSS HOUSE PROFIT	35,968	53.1	44,960	158.53	32,850	51.4	41,063	145.26
Management Fee	3,335	4.9	4,169	14.70	3,209	5.0	4,011	14.19
INCOME BEFORE NON-OPER. INC. & EXP.	32,633	48.2	40,791	143.83	29,641	46.4	37,052	131.07
NON-OPERATING INCOME AND EXPENSE								
Insurance	566	0.8	708	2.49	558	0.9	697	2.47
Reserve for Replacement	0	0.0	0	0.00	0	0.0	0	0.00
Total	566	0.8	708	2.49	558	0.9	697	2.47
EBITDA LESS RESERVE	$32,067	47.4 %	$40,083	$141.34	$29,084	45.5 %	$36,355	$128.60
NOI adjusted to reflect a 4.5% mgmt fee and a 6.0% reserve	$28,291	41.8 %			$25,584	40.0 %		

*Departmental expenses are expressed as a percentage of departmental revenues.

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FIGURE 7-3 HISTORICAL OPERATING PERFORMANCE (CONTINUED)

	2016	Year-to-Date Ending November			2015	Year-to-Date Ending November		
Number of Rooms:	801				801			
Paid Occupied Rooms:	220,889				221,246			
Days Open:	335				334			
Paid Occupancy:	82.3%			Amount	82.7%			Amount
Average Rate:	$223.24	Percentage	Available	Occupied	$228.36	Percentage	Available	Occupied
RevPAR:	$183.77	of Revenue	Room	Room	$188.85	of Revenue	Room	Room
OPERATING REVENUE								
Rooms	$49,312	65.9 %	$61,563	$223.24	$50,523	65.6 %	$63,075	$228.36
Food & Beverage	22,023	29.4	27,495	99.70	22,626	29.4	28,247	102.26
Other Operated Departments	2,750	3.7	3,434	12.45	3,327	4.3	4,153	15.04
Miscellaneous Income	717	1.0	896	3.25	576	0.7	719	2.60
Total Operating Revenue	74,803	100.0	93,387	338.65	77,051	100.0	96,193	348.26
DEPARTMENTAL EXPENSES*								
Rooms	8,749	17.7	10,923	39.61	8,721	17.3	10,887	39.42
Food & Beverage	11,128	50.5	13,893	50.38	10,746	47.5	13,415	48.57
Other Operated Departments	947	34.4	1,182	4.29	1,213	36.5	1,514	5.48
Other Expenses	63	8.8	79	0.29	89	15.5	112	0.40
Total	20,888	27.9	26,077	94.56	20,769	27.0	25,929	93.87
DEPARTMENTAL INCOME	53,916	72.1	67,311	244.09	56,282	73.0	70,265	254.39
UNDISTRIBUTED OPERATING EXPENSES								
Administrative & General	4,479	6.0	5,591	20.27	4,554	5.9	5,686	20.58
Info. and Telecom. Systems	723	1.0	902	3.27	106	0.1	132	0.48
Marketing	5,652	7.6	7,057	25.59	5,391	7.0	6,730	24.36
Prop. Operations & Maint.	2,505	3.3	3,127	11.34	2,392	3.1	2,986	10.81
Utilities	2,695	3.6	3,364	12.20	2,598	3.4	3,244	11.74
Total	16,053	21.5	20,042	72.68	15,041	19.5	18,778	67.98
GROSS HOUSE PROFIT	37,862	50.6	47,269	171.41	41,241	53.5	51,487	186.40
Management Fee	3,252	4.3	4,060	14.72	3,077	4.0	3,841	13.91
INCOME BEFORE NON-OPER. INC. & EXP.	34,611	46.3	43,209	156.69	38,164	49.5	47,646	172.50
NON-OPERATING INCOME AND EXPENSE								
Insurance	412	0.6	514	1.86	396	0.5	494	1.79
Reserve for Replacement	8,976	12.0	11,206	40.64	4,622	6.0	5,770	20.89
Total	9,388	12.6	11,720	42.50	5,018	6.5	6,264	22.68
EBITDA LESS RESERVE	$25,223	33.7 %	$31,489	$114.19	$33,147	43.0 %	$41,382	$149.82
NOI adjusted to reflect a 4.5% mgmt fee and a 6.0% reserve	$29,597	39.6 %			$32,755	42.5 %		

*Departmental expenses are expressed as a percentage of departmental revenues.

This property has experienced considerable change since 2014, with the phased renovation of the hotel impacting all revenue-generating departments. Typical of a convention headquarters hotel, the food and beverage operation is a major profit center, and the parking and spa operations continue to be strong contributors to overall revenue. Cost levels have been historically well managed. As the hotel's operation ramps up toward stabilization now that the renovations are complete, we would expect this profitability to increase.

Comparable Operating Statements

In order to gauge the subject property's profitability, we have reviewed the following individual income and expense statements from comparable hotels, derived from our database of hotel income and expense statements. All financial data are presented according to the three most common measures of industry performance: ratio to sales (RTS), amounts per available room (PAR), and amounts per occupied room night (POR). These historical income and expense statements will be used as benchmarks in our forthcoming forecast of income and expense. The subject property's 2015/16 operating history has been included to facilitate a comparison. The stabilized statement of income and expense, in 2015/16 dollars, is presented as well.

FIGURE 7-4 COMPARABLE OPERATING STATEMENTS: RATIO TO SALES

	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Subject Stabilized $
Year:	**2015/16**	**2015**	**2014**	**2014**	**2015/16**	**2015/16**
Number of Rooms:	**801**	**400 to 500**	**900 to 1100**	**720 to 890**	**350 to 440**	**801**
Days Open:	**366**	**365**	**365**	**365**	**365**	**365**
Occupancy:	**80.6%**	**77%**	**89%**	**75%**	**85%**	**76%**
Average Rate:	**$218.97**	**$203**	**$220**	**$223**	**$191**	**$211**
RevPAR:	**$176.44**	**$156**	**$197**	**$167**	**$162**	**$160**
REVENUE						
Rooms	65.6 %	60.2 %	69.2 %	65.2 %	58.5 %	61.4 %
Food & Beverage	29.5	36.1	25.7	29.6	32.6	33.7
Other Operated Departments	3.7	0.4	3.4	4.5	6.8	3.8
Rentals & Other Income	1.1	3.4	1.7	0.6	2.2	1.1
Total	100.0	100.0	100.0	100.0	100.0	100.0
DEPARTMENTAL EXPENSES*						
Rooms	18.2	23.8	18.4	17.4	19.8	19.6
Food & Beverage	51.3	64.7	68.5	50.0	57.1	51.3
Other Operated Departments	35.5	86.4	87.3	39.1	40.3	35.9
Rentals & Other Income	7.8	0.0	0.0	0.0	0.0	7.9
Total	28.5	38.0	33.4	27.9	32.9	30.8
DEPARTMENTAL INCOME	71.5	62.0	66.6	72.1	67.1	69.2
OPERATING EXPENSES						
Administrative & General	6.3	7.4	6.9	6.0	6.5	6.4
Info. and Telecom. Systems	0.8	2.2	0.0	0.0	0.8	0.8
Marketing	7.8	6.8	5.2	6.7	8.6	7.9
Franchise Fee	0.0	0.0	0.0	0.0	0.0	0.0
Property Operations & Maintenance	3.5	3.7	3.7	3.3	2.7	3.5
Utilities	3.7	3.1	3.1	3.6	2.7	3.7
Total	22.0	23.2	19.0	19.5	21.2	22.3
HOUSE PROFIT	49.5	38.8	47.6	52.6	45.9	46.9
Management Fee	4.5	3.0	1.9	4.6	3.0	4.5
INCOME BEFORE FIXED CHARGES	45.0	35.8	45.7	48.0	42.8	42.4

* Departmental expense ratios are expressed as a percentage of departmental revenues

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FIGURE 7-5 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER AVAILABLE ROOM

	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Subject Stabilized $
Year:	**2015/16**	**2015**	**2014**	**2014**	**2015/16**	**2015/16**
Number of Rooms:	**801**	**400 to 500**	**900 to 1100**	**720 to 890**	**350 to 440**	**801**
Days Open:	**366**	**365**	**365**	**365**	**365**	**365**
Occupancy:	**80.6%**	**77%**	**89%**	**75%**	**85%**	**76%**
Average Rate:	**$218.97**	**$203**	**$220**	**$223**	**$191**	**$211**
RevPAR:	**$176.44**	**$156**	**$197**	**$167**	**$162**	**$160**
REVENUE						
Rooms	$64,578	$56,860	$71,793	$61,047	$59,020	$58,551
Food & Beverage	29,053	34,063	26,708	27,739	32,871	32,147
Other Operated Departments	3,658	356	3,552	4,186	6,836	3,603
Rentals & Other Income	1,102	3,200	1,752	590	2,223	1,085
Total	98,390	94,479	103,804	93,563	100,950	95,386
DEPARTMENTAL EXPENSES						
Rooms	11,737	13,553	13,238	10,595	11,698	11,493
Food & Beverage	14,914	22,041	18,298	13,880	18,784	16,491
Other Operated Departments	1,299	308	3,102	1,637	2,756	1,295
Rentals & Other Income	86	0	0	0	0	85
Total	28,035	35,901	34,638	26,112	33,238	29,365
DEPARTMENTAL INCOME	70,355	58,578	69,166	67,451	67,712	66,021
OPERATING EXPENSES						
Administrative & General	6,190	6,979	7,203	5,591	6,526	6,087
Info. and Telecom. Systems	770	2,072	0	0	839	757
Marketing	7,632	6,458	5,378	6,225	8,663	7,505
Franchise Fee	0	0	0	0	0	0
Property Operations & Maintenance	3,437	3,525	3,864	3,068	2,728	3,380
Utilities	3,631	2,924	3,245	3,379	2,684	3,571
Total	21,660	21,957	19,689	18,263	21,439	21,301
HOUSE PROFIT	48,695	36,621	49,477	49,188	46,273	44,721
Management Fee	4,426	2,834	2,017	4,295	3,035	4,292
INCOME BEFORE FIXED CHARGES	44,269	33,787	47,460	44,893	43,239	40,428

FIGURE 7-6 COMPARABLE OPERATING STATEMENTS: AMOUNTS PER OCCUPIED ROOM

	Subject	Comp 1	Comp 2	Comp 3	Comp 4	Subject Stabilized $
Year:	**2015/16**	**2015**	**2014**	**2014**	**2015/16**	**2015/16**
Number of Rooms:	**801**	**400 to 500**	**900 to 1100**	**720 to 890**	**350 to 440**	**801**
Days Open:	**366**	**365**	**365**	**365**	**365**	**365**
Occupancy:	**80.6%**	**77%**	**89%**	**75%**	**85%**	**76%**
Average Rate:	**$218.97**	**$203**	**$220**	**$223**	**$191**	**$211**
RevPAR:	**$176.44**	**$156**	**$197**	**$167**	**$162**	**$160**
REVENUE						
Rooms	$218.97	$202.86	$219.77	$222.90	$190.65	$211.07
Food & Beverage	98.51	121.53	81.76	101.28	106.18	115.89
Other Operated Departments	12.40	1.27	10.87	15.29	22.08	12.99
Rentals & Other Income	3.74	11.42	5.36	2.16	7.18	3.91
Total	333.62	337.08	317.77	341.62	326.09	343.86
DEPARTMENTAL EXPENSES						
Rooms	39.80	48.35	40.53	38.69	37.79	41.43
Food & Beverage	50.57	78.64	56.02	50.68	60.68	59.45
Other Operated Departments	4.40	1.10	9.49	5.98	8.90	4.67
Rentals & Other Income	0.29	0.00	0.00	0.00	0.00	0.31
Total	95.06	128.09	106.04	95.34	107.36	105.86
DEPARTMENTAL INCOME	238.56	208.99	211.73	246.28	218.72	238.00
OPERATING EXPENSES						
Administrative & General	20.99	24.90	22.05	20.42	21.08	21.94
Info. and Telecom. Systems	2.61	7.39	0.00	0.00	2.71	2.73
Marketing	25.88	23.04	16.46	22.73	27.98	27.06
Franchise Fee	0.00	0.00	0.00	0.00	0.00	0.00
Property Operations & Maintenance	11.65	12.58	11.83	11.20	8.81	12.18
Utilities	12.31	10.43	9.93	12.34	8.67	12.87
Total	73.45	78.34	60.27	66.68	69.25	76.79
HOUSE PROFIT	165.12	130.66	151.46	179.60	149.47	161.21
Management Fee	15.01	10.11	6.18	15.68	9.80	15.47
INCOME BEFORE FIXED CHARGES	150.11	120.54	145.28	163.91	139.67	145.74

The comparables' departmental income ranged from 62.0% to 72.1% of total revenue. The subject property's 2015/16 departmental income ratio of 71.5% is within this range. The comparable properties achieved a house profit ranging from 38.8% to 52.6% of total revenue. The subject property's 2015/16 house profit percentage of 49.5% of total revenue is within this range. The subject hotel is projected to stabilize at a house-profit ratio below what has been achieved historically due to a normalization of operating expenses that have been at unsustainable levels; moreover, the historical profitability has been higher than what a typical buyer would be expected to achieve. We will refer to the comparable operating data in our discussion of each line item, which follows later in this section of the report.

Fixed and Variable Component Analysis

HVS uses a fixed and variable component model to project a lodging facility's revenue and expense levels. This model is based on the premise that hotel revenues and expenses have one component that is fixed and another that varies directly with occupancy and facility usage. A projection can be made by taking a known level of revenue or expense and calculating its fixed and variable components. The fixed component is then increased in tandem with the underlying rate of inflation, while the variable component is adjusted for a specific measure of volume such as total revenue.

The actual forecast is derived by adjusting each year's revenue and expense by the amount fixed (the fixed expense multiplied by the inflated base-year amount) plus the variable amount (the variable expense multiplied by the inflated base-year amount) multiplied by the ratio of the projection year's occupancy to the base-year occupancy (in the case of departmental revenue and expense) or the ratio of the projection year's revenue to the base year's revenue (in the case of undistributed operating expenses). Fixed expenses remain fixed, increasing only with inflation. Our discussion of the revenue and expense forecast in this report is based upon the output derived from the fixed and variable model. This forecast of revenue and expense is accomplished through a systematic approach, following the format of the USALI. Each category of revenue and expense is estimated separately and combined at the end in the final statement of income and expense.

Inflation Assumption

A general rate of inflation must be established that will be applied to most revenue and expense categories. The following table shows inflation estimates made by economists at some noted institutions and corporations.

FIGURE 7-7 INFLATION ESTIMATES

Name (Sample from Survey)	Firm	Projected Increase in Consumer Price Index (Annualized Rate Versus 12 Months Earlier) June 2017	Dec 2017	June 2018	Dec 2018	Dec 2016
Lewis Alexander	Nomura Securities International	2.6 %	2.4 %	2.1 %	2.2 %	2.2 %
Paul Ashworth	Capital Economics	2.8	3.0	3.2	3.3	3.3
Daniel Bachman	Deloitte LP	2.1	1.8	2.2	2.4	2.4
Bernard Baumohl	Economic Outlook Group	2.1	2.3	2.3	2.5	2.5
Nariman Behravesh	IHS Global Insight	2.5	2.2	2.4	2.4	2.4
David Berson	Nationwide Insurance	2.6	2.5	2.7	2.8	2.8
Brian Bethune	Tufts University	1.9	2.1	2.3	2.3	2.3
Steven Blitz	Pangea Market Advisory	2.2	1.9	2.5	3.0	3.0
Beth Ann Bovino	Standard and Poor's	2.5	2.1	2.2	2.3	2.3
Michael Carey	Credit Agricole CIB	2.3	2.2	2.4	2.6	2.6
Joseph Carson	AllianceBernstein	2.4	3.0	3.0	3.0	3.0
Mike Cosgrove	Econoclast	2.5	2.5	2.2	2.0	2.0
Lou Crandall	Wrightson ICAP	2.5	2.7	2.7	2.6	2.6
Amy Crews Cutts	Equifax	1.7	2.0	2.3	2.5	2.5
J. Dewey Daane	Vanderbilt University	1.8	2.0	2.3	2.5	2.5
Greg Daco	Oxford Economics	2.3	2.2	2.3	2.2	2.2
Rajeev Dhawan	Georgia State University	2.3	2.0	2.1	2.0	2.0
Robert Dietz	National Association of Home Builders	2.0	2.1	2.1	2.1	2.1
Douglas Duncan	Fannie Mae	2.5	2.3	2.2	2.1	2.1
Robert Dye	Comerica Bank	2.5	2.4	2.3	2.2	2.2
Maria Fiorini Ramirez/Joshua Shapiro	MFR, Inc.	2.4	2.2	0.0	—	—
Mike Fratantoni	Mortgage Bankers Association	2.6	2.3	2.4	2.6	2.6
Michael Gregory	BMO Capital	2.2	2.3	2.3	2.3	2.3
Jan Hatzius	Goldman, Sachs & Co.	2.4	2.6	2.1	2.2	2.2
Stuart Hoffman	PNC Financial Services Group	2.3	2.3	2.4	2.4	2.4
Derek Holt	Scotiabank	2.0	2.3	2.3	2.3	2.3
Constance Hunter	KPMG	2.2	2.4	2.1	2.1	2.1
Nathaniel Karp	BBVA Compass	2.2	2.4	2.6	2.8	2.8
Jack Kleinhenz	National Retail Federation	2.4	2.5	2.6	2.5	2.5
Joseph LaVorgna	Deutsche Bank Securities, Inc.	1.8	2.1	2.2	2.3	2.3
Edward Leamer/David Shulman	UCLA Anderson Forecast	2.3	2.5	2.8	2.7	2.7
John Lonski	Moody's Investors Service	1.9	1.6	1.5	1.6	1.6
Aneta Markowska	Societe Generale	2.5	2.8	2.3	2.2	2.2
Jim Meil	ACT Research	1.8	2.7	3.0	2.5	2.5
Michael Moran	Daiwa Capital	2.4	2.3	2.4	2.5	2.5
Chad Moutray	National Association of Manufacturers	2.3	2.8	2.7	2.6	2.6
Joel Naroff	Naroff Economic Advisors	2.6	2.8	3.0	2.8	2.8
Mark Nielson	MacroEcon Global Advisors	1.9	2.2	2.5	2.7	2.7
Frank Nothaft	Corelogic	2.3	2.4	2.5	2.5	2.5
Jim O'Sullivan	High Frequency Economics	2.2	2.7	2.8	2.9	2.9
Lindsey Piegza	Stifel, Nicoulas and Company, Incorporated (forme	1.8	1.3	1.2	—	—
Dr. Joel Prakken/ Chris Varvares	Macroeconomic Advisers	2.5	2.3	2.0	2.1	2.1
Russell Price	Ameriprise Financial	2.3	2.2	2.2	2.2	2.2
Lynn Reaser	Point Loma Nazarene University	1.8	2.0	2.1	2.2	2.2
Martin Regalia	Chamber of Commerce	1.8	1.8	—	—	—
Ian Shepherdson	Pantheon Macroeconomics	2.7	3.0	2.7	2.5	2.5
John Silvia	Wells Fargo & Co.	2.4	2.5	2.7	2.5	2.5
Allen Sinai	Decision Economics, Inc.	2.4	2.5	2.4	2.3	2.3
James F. Smith	Parsec Financial Management	1.6	1.6	1.7	1.8	1.8
Sean M. Snaith	University of Central Florida	3.1	3.3	3.4	3.3	3.3
Sung Won Sohn	California State University	2.3	2.3	2.3	2.4	2.4
Stephen Stanley	Pierpont Securities	2.9	3.3	3.4	3.3	3.3
Susan M. Sterne	Economic Analysis Associates Inc.	2.5	2.2	2.3	2.5	2.5
James Sweeney	CSFB	2.0	2.1	0.0	—	—
Kevin Swift	American Chemisty Council	2.3	2.5	2.5	2.3	2.3
Diane Swonk	Diane Swonk & Associates LLC	2.7	2.4	2.4	2.5	2.5
Carl Tannenbaum	The Northern Trust	2.0	2.0	2.0	2.0	2.0
US Economics Team	BNP Paribas	2.2	2.3	2.5	2.6	2.6
Bart van Ark	The Conference Board	2.2	2.4	0.0	—	—
Brian S. Wesbury/ Robert Stein	First Trust Advisors, L.P.	2.7	2.8	2.9	3.0	3.0
Lawrence Yun	National Association of Realtors	3.0	3.1	3.0	2.8	2.8
	Averages:	2.3 %	2.4 %	1.8 %	2.5 %	2.5 %

Source: Wall Street Journal Economic Forecasting Survey, December 2016

As the preceding table indicates, the financial analysts who were surveyed in December 2016 anticipated inflation rates ranging from 1.6% to 3.1% (on an annualized basis) for June 2017; the average of these data points was 2.3%. The same group expects annualized inflation rates of 2.4% for both December 2017 and June 2018, slightly lower than the 2.5% average inflation rate forecast for December 2018.

As a further check on these inflation projections, we have reviewed historical increases in the Consumer Price Index (CPI-U). Because the value of real estate is predicated on cash flows over a relatively long period, inflation should be considered from a long-term perspective.

FIGURE 7-8 NATIONAL CONSUMER PRICE INDEX (ALL URBAN CONSUMERS)

Year	National Consumer Price Index	Percent Change from Previous Year
2006	201.6	—
2007	207.3	2.8 %
2008	215.3	3.8
2009	214.5	-0.4
2010	218.1	1.6
2011	224.9	3.1
2012	229.6	2.1
2013	233.0	1.5
2014	234.8	0.8
2015	236.5	0.7
2016	241.5	2.1
Average Annual Compounded Change		
	2006 - 2016:	1.8 %
	2011 - 2016:	1.4

Source: Bureau of Labor Statistics

Between 2006 and 2016, the national CPI increased at an average annual compounded rate of 1.8%; from 2011 to 2016, the CPI rose by a slightly lower average annual compounded rate of 1.4%. In 2016, the CPI rose by 2.1%, an increase from the level of 0.7% recorded in 2015.

In consideration of the most recent trends, the projections set forth previously, and our assessment of probable property appreciation levels, we have applied an underlying inflation rate of 2.0% in 2017, 2.5% in 2018, and 3.0% in 2019 and thereafter. This stabilized inflation rate takes into account normal, recurring inflation cycles. Inflation is likely to fluctuate above and below this level during the projection period. Any exceptions to the application of the assumed underlying inflation rate are discussed in our write-up of individual income and expense items.

Summary of Projections

Based on an analysis that will be detailed throughout this section, we have formulated a forecast of revenue and expense. The following table presents a forecast through the first several projection years, including amounts per available room and per occupied room. The second table illustrates our ten-year forecast of income and expense, presented with a lesser degree of detail. The forecasts pertain to years that begin on January 1, 2017, expressed in inflated dollars for each year.

FIGURE 7-9 FORECAST OF REVENUE AND EXPENSE AND TRAILING-12-MONTH OPERATING HISTORY

	Historical Operating Results											
	2015/16	**Fiscal Year Ending November**			**2017**				**2018**			
Number of Rooms:	**801**				**801**				**801**			
Occupancy (Paid Rooms):	**81%**				**81%**				**79%**			
Average Rate:	**$218.97**				**$217.45**				**$219.63**			
RevPAR:	**$176.44**				**$176.14**				**$173.51**			
Days Open:	**366**				**365**				**365**			
Occupied Rooms (Paid):	**236,226**	**%Gross**	**PAR**	**POR**	**236,816**	**%Gross**	**PAR**	**POR**	**230,968**	**%Gross**	**PAR**	**POR**
OPERATING REVENUE												
Rooms	$51,727	65.6 %	$64,578	$218.97	$51,496	63.0 %	$64,290	$217.45	$50,727	62.0 %	$63,330	$219.63
Food & Beverage	23,271	29.5	29,053	98.51	26,374	32.3	32,926	111.37	27,179	33.2	33,931	117.67
Other Operated Departments	2,930	3.7	3,658	12.40	2,999	3.7	3,745	12.67	3,052	3.7	3,810	13.21
Miscellaneous Income	883	1.1	1,102	3.74	904	1.1	1,128	3.82	919	1.1	1,148	3.98
Total Operating Revenues	78,811	100.0	98,390	333.62	81,773	100.0	102,088	345.30	81,877	100.0	102,218	354.49
DEPARTMENTAL EXPENSES *												
Rooms	9,401	18.2	11,737	39.80	9,629	18.7	12,021	40.66	9,772	19.3	12,200	42.31
Food & Beverage	11,946	51.3	14,914	50.57	13,178	50.0	16,452	55.65	13,721	50.5	17,130	59.41
Other Operated Departments	1,040	35.5	1,299	4.40	1,064	35.5	1,328	4.49	1,088	35.7	1,358	4.71
Other Expenses	69	7.8	86	0.29	70	7.8	88	0.30	72	7.8	90	0.31
Total	22,456	28.5	28,035	95.06	23,941	29.3	29,889	101.09	24,653	30.1	30,777	106.74
DEPARTMENTAL INCOME	56,354	71.5	70,355	238.56	57,832	70.7	72,200	244.21	57,224	69.9	71,441	247.76
UNDISTRIBUTED OPERATING EXPENSES												
Administrative & General	4,958	6.3	6,190	20.99	5,048	6.2	6,302	21.32	5,135	6.3	6,411	22.23
Info. and Telecom. Systems	617	0.8	770	2.61	628	0.8	784	2.65	639	0.8	798	2.77
Marketing	6,113	7.8	7,632	25.88	6,225	7.6	7,771	26.28	6,332	7.7	7,905	27.41
Franchise Fee	0	0.0	0	0.00	0	0.0	0	0.00	0	0.0	0	0.00
Prop. Operations & Maint.	2,753	3.5	3,437	11.65	2,803	3.4	3,500	11.84	2,851	3.5	3,560	12.35
Utilities	2,908	3.7	3,631	12.31	2,961	3.6	3,697	12.51	3,012	3.7	3,761	13.04
Total	17,350	22.0	21,660	73.44	17,665	21.6	22,054	74.60	17,970	22.0	22,435	77.80
GROSS HOUSE PROFIT	39,005	49.5	48,695	165.12	40,166	49.1	50,145	169.61	39,254	47.9	49,006	169.95
Management Fee	3,545	4.5	4,426	15.01	3,680	4.5	4,594	15.54	3,684	4.5	4,600	15.95
INCOME BEFORE NON-OPER. INC. & EXP.	35,460	45.0	44,269	150.11	36,487	44.6	45,551	154.07	35,570	43.4	44,406	154.00
NON-OPERATING INCOME AND EXPENSE												
Property Taxes	0	0.0	0	0.00	0	0.0	0	0.00	0	0.0	0	0.00
Insurance	449	0.6	560	1.90	459	0.6	573	1.94	470	0.6	587	2.04
Reserve for Replacement	9,217	11.7	11,507	39.02	4,906	6.0	6,125	20.72	4,913	6.0	6,133	21.27
Total	9,666	12.3	12,067	40.92	5,365	6.6	6,698	22.66	5,383	6.6	6,720	23.31
EBITDA LESS RESERVE	$25,794	32.7 %	$32,202	$109.19	$31,121	38.0 %	$38,853	$131.42	$30,187	36.8 %	$37,686	$130.70

	2019				**2020**				**2021**			
Number of Rooms:	**801**				**801**				**801**			
Occupancy (Paid Rooms):	**78%**				**76%**				**76%**			
Average Rate:	**$224.02**				**$232.98**				**$241.14**			
RevPAR:	**$174.74**				**$177.07**				**$183.26**			
Days Open:	**365**				**365**				**365**			
Occupied Rooms (Paid):	**228,045**	**%Gross**	**PAR**	**POR**	**222,197**	**%Gross**	**PAR**	**POR**	**222,197**	**%Gross**	**PAR**	**POR**
OPERATING REVENUE												
Rooms	$51,087	61.2 %	$63,779	$224.02	$51,768	61.3 %	$64,629	$232.98	$53,580	61.4 %	$66,891	$241.14
Food & Beverage	28,268	33.9	35,291	123.96	28,561	33.8	35,657	128.54	29,418	33.7	36,726	132.40
Other Operated Departments	3,131	3.8	3,909	13.73	3,201	3.8	3,996	14.41	3,297	3.8	4,116	14.84
Miscellaneous Income	943	1.1	1,178	4.14	964	1.1	1,204	4.34	993	1.1	1,240	4.47
Total Operating Revenues	83,430	100.0	104,157	365.85	84,494	100.0	105,486	380.27	87,288	100.0	108,974	392.84
DEPARTMENTAL EXPENSES *												
Rooms	10,015	19.6	12,503	43.92	10,211	19.7	12,748	45.96	10,518	19.6	13,131	47.33
Food & Beverage	14,346	50.8	17,911	62.91	14,652	51.3	18,292	65.94	15,091	51.3	18,840	67.92
Other Operated Departments	1,119	35.7	1,398	4.91	1,150	35.9	1,436	5.18	1,185	35.9	1,479	5.33
Other Expenses	74	7.8	92	0.32	76	7.9	95	0.34	78	7.9	98	0.35
Total	25,554	30.6	31,903	112.06	26,089	30.9	32,571	117.41	26,872	30.8	33,548	120.94
DEPARTMENTAL INCOME	57,876	69.4	72,254	253.79	58,405	69.1	72,915	262.85	60,416	69.2	75,426	271.90
UNDISTRIBUTED OPERATING EXPENSES												
Administrative & General	5,268	6.3	6,577	23.10	5,404	6.4	6,747	24.32	5,570	6.4	6,954	25.07
Info. and Telecom. Systems	655	0.8	818	2.87	672	0.8	839	3.03	693	0.8	865	3.12
Marketing	6,495	7.8	8,109	28.48	6,663	7.9	8,319	29.99	6,868	7.9	8,575	30.91
Franchise Fee	0	0.0	0	0.00	0	0.0	0	0.00	0	0.0	0	0.00
Prop. Operations & Maint.	2,925	3.5	3,652	12.83	3,001	3.6	3,746	13.50	3,093	3.5	3,861	13.92
Utilities	3,090	3.7	3,858	13.55	3,170	3.8	3,958	14.27	3,268	3.7	4,079	14.71
Total	18,434	22.1	23,014	80.83	18,911	22.5	23,609	85.11	19,492	22.3	24,335	87.72
GROSS HOUSE PROFIT	39,442	47.3	49,241	172.96	39,494	46.6	49,306	177.74	40,924	46.9	51,091	184.18
Management Fee	3,754	4.5	4,687	16.46	3,802	4.5	4,747	17.11	3,928	4.5	4,904	17.68
INCOME BEFORE NON-OPER. INC. & EXP.	35,687	42.8	44,554	156.49	35,692	42.1	44,559	160.63	36,996	42.4	46,187	166.50
NON-OPERATING INCOME AND EXPENSE												
Property Taxes	0	0.0	0	0.00	0	0.0	0	0.00	0	0.0	0	0.00
Insurance	484	0.6	605	2.12	499	0.6	623	2.25	514	0.6	642	2.31
Reserve for Replacement	5,006	6.0	6,249	21.95	5,070	6.0	6,329	22.82	5,237	6.0	6,538	23.57
Total	5,490	6.6	6,854	24.08	5,569	6.6	6,952	25.06	5,751	6.6	7,180	25.88
EBITDA LESS RESERVE	$30,197	36.2 %	$37,699	$132.42	$30,123	35.5 %	$37,607	$135.57	$31,245	35.8 %	$39,007	$140.62

*Departmental expenses are expressed as a percentage of departmental revenues.

NOI adjusted to reflect a		
4.5% mgmt fee and a 6.0% reserve	$30,281	38.4 %

FIGURE 7-10 TWENTY-YEAR FORECAST OF REVENUE AND EXPENSE – YEARS ONE THROUGH TEN

	2017		2018		2019		2020		2021	
Number of Rooms:	**801**		**801**		**801**		**801**		**801**	
Occupied Rooms:	**236,816**		**230,968**		**228,045**		**222,197**		**222,197**	
Occupancy:	**81%**		**79%**		**78%**		**76%**		**76%**	
Average Rate:	**$217.45**	**% of**	**$219.63**	**% of**	**$224.02**	**% of**	**$232.98**	**% of**	**$241.14**	**% of**
RevPAR:	**$176.14**	**Gross**	**$173.51**	**Gross**	**$174.74**	**Gross**	**$177.07**	**Gross**	**$183.26**	**Gross**
OPERATING REVENUE										
Rooms	$51,496	63.0 %	$50,727	62.0 %	$51,087	61.2 %	$51,768	61.3 %	$53,580	61.4 %
Food & Beverage	26,374	32.3	27,179	33.2	28,268	33.9	28,561	33.8	29,418	33.7
Other Operated Departments	2,999	3.7	3,052	3.7	3,131	3.8	3,201	3.8	3,297	3.8
Miscellaneous Income	904	1.1	919	1.1	943	1.1	964	1.1	993	1.1
Total Operating Revenue	81,773	100.0	81,877	100.0	83,430	100.0	84,494	100.0	87,288	100.0
DEPARTMENTAL EXPENSES*										
Rooms	9,629	18.7	9,772	19.3	10,015	19.6	10,211	19.7	10,518	19.6
Food & Beverage	13,178	50.0	13,721	50.5	14,346	50.8	14,652	51.3	15,091	51.3
Other Operated Departments	1,064	35.5	1,088	35.7	1,119	35.7	1,150	35.9	1,185	35.9
Other Expenses	70	7.8	72	7.8	74	7.8	76	7.9	78	7.9
Total	23,941	29.3	24,653	30.1	25,554	30.6	26,089	30.9	26,872	30.8
DEPARTMENTAL INCOME	57,832	70.7	57,224	69.9	57,876	69.4	58,405	69.1	60,416	69.2
UNDISTRIBUTED OPERATING EXPENSES										
Administrative & General	5,048	6.2	5,135	6.3	5,268	6.3	5,404	6.4	5,570	6.4
Info. and Telecom. Systems	628	0.8	639	0.8	655	0.8	672	0.8	693	0.8
Marketing	6,225	7.6	6,332	7.7	6,495	7.8	6,663	7.9	6,868	7.9
Franchise Fee	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Prop. Operations & Maint.	2,803	3.4	2,851	3.5	2,925	3.5	3,001	3.6	3,093	3.5
Utilities	2,961	3.6	3,012	3.7	3,090	3.7	3,170	3.8	3,268	3.7
Total	17,665	21.6	17,970	22.0	18,434	22.1	18,911	22.5	19,492	22.3
GROSS HOUSE PROFIT	40,166	49.1	39,254	47.9	39,442	47.3	39,494	46.6	40,924	46.9
Management Fee	3,680	4.5	3,684	4.5	3,754	4.5	3,802	4.5	3,928	4.5
INCOME BEFORE NON-OPER. INC. & EXP.	36,487	44.6	35,570	43.4	35,687	42.8	35,692	42.1	36,996	42.4
NON-OPERATING INCOME AND EXPENSE										
Property Taxes	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Insurance	459	0.6	470	0.6	484	0.6	499	0.6	514	0.6
Reserve for Replacement	4,906	6.0	4,913	6.0	5,006	6.0	5,070	6.0	5,237	6.0
Total	5,365	6.6	5,383	6.6	5,490	6.6	5,569	6.6	5,751	6.6
EBITDA LESS RESERVE	$31,121	38.0 %	$30,187	36.8 %	$30,197	36.2 %	$30,123	35.5 %	$31,245	35.8 %

	2022		2023		2024		2025		2026	
Number of Rooms:	**801**		**801**		**801**		**801**		**801**	
Occupied Rooms:	**222,197**		**222,197**		**222,197**		**222,197**		**222,197**	
Occupancy:	**76%**		**76%**		**76%**		**76%**		**76%**	
Average Rate:	**$248.37**	**% of**	**$255.82**	**% of**	**$263.50**	**% of**	**$271.40**	**% of**	**$279.54**	**% of**
RevPAR:	**$188.76**	**Gross**	**$194.42**	**Gross**	**$200.26**	**Gross**	**$206.26**	**Gross**	**$212.45**	**Gross**
OPERATING REVENUE										
Rooms	$55,187	61.4 %	$56,843	61.4 %	$58,548	61.4 %	$60,304	61.4 %	$62,114	61.4 %
Food & Beverage	30,300	33.7	31,209	33.7	32,146	33.7	33,110	33.7	34,103	33.7
Other Operated Departments	3,396	3.8	3,498	3.8	3,603	3.8	3,711	3.8	3,822	3.8
Miscellaneous Income	1,023	1.1	1,054	1.1	1,085	1.1	1,118	1.1	1,151	1.1
Total Operating Revenue	89,906	100.0	92,604	100.0	95,382	100.0	98,243	100.0	101,191	100.0
DEPARTMENTAL EXPENSES*										
Rooms	10,833	19.6	11,158	19.6	11,493	19.6	11,838	19.6	12,193	19.6
Food & Beverage	15,544	51.3	16,010	51.3	16,491	51.3	16,985	51.3	17,495	51.3
Other Operated Departments	1,220	35.9	1,257	35.9	1,295	35.9	1,334	35.9	1,374	35.9
Other Expenses	80	7.9	83	7.9	85	7.9	88	7.9	91	7.9
Total	27,678	30.8	28,508	30.8	29,364	30.8	30,245	30.8	31,152	30.8
DEPARTMENTAL INCOME	62,228	69.2	64,095	69.2	66,018	69.2	67,998	69.2	70,039	69.2
UNDISTRIBUTED OPERATING EXPENSES										
Administrative & General	5,737	6.4	5,909	6.4	6,087	6.4	6,269	6.4	6,457	6.4
Info. and Telecom. Systems	714	0.8	735	0.8	757	0.8	780	0.8	803	0.8
Marketing	7,074	7.9	7,286	7.9	7,505	7.9	7,730	7.9	7,962	7.9
Franchise Fee	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Prop. Operations & Maint.	3,186	3.5	3,281	3.5	3,380	3.5	3,481	3.5	3,586	3.5
Utilities	3,366	3.7	3,467	3.7	3,571	3.7	3,678	3.7	3,788	3.7
Total	20,077	22.3	20,679	22.3	21,300	22.3	21,939	22.3	22,597	22.3
GROSS HOUSE PROFIT	42,151	46.9	43,416	46.9	44,719	46.9	46,060	46.9	47,442	46.9
Management Fee	4,046	4.5	4,167	4.5	4,292	4.5	4,421	4.5	4,554	4.5
INCOME BEFORE NON-OPER. INC. & EXP.	38,106	42.4	39,249	42.4	40,426	42.4	41,639	42.4	42,889	42.4
NON-OPERATING INCOME AND EXPENSE										
Property Taxes	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Insurance	529	0.6	545	0.6	562	0.6	578	0.6	596	0.6
Reserve for Replacement	5,394	6.0	5,556	6.0	5,723	6.0	5,895	6.0	6,071	6.0
Total	5,924	6.6	6,101	6.6	6,285	6.6	6,473	6.6	6,667	6.6
EBITDA LESS RESERVE	$32,182	35.8 %	$33,148	35.8 %	$34,142	35.8 %	$35,166	35.8 %	$36,221	35.8 %

*Departmental expenses are expressed as a percentage of departmental revenues.

FIGURE 7-11 TWENTY-YEAR FORECAST OF REVENUE AND EXPENSE – YEARS ELEVEN THROUGH TWENTY

	2027		2028		2029		2030		2031		2032		2033		2034		2035		2036	
Number of Rooms:	**801**		**801**		**801**		**801**		**801**		**801**		**801**		**801**		**801**		**801**	
Occupied Rooms:	**222,197**		**222,197**		**222,197**		**222,197**		**222,197**		**222,197**		**222,197**		**222,197**		**222,197**		**222,197**	
Occupancy:	**76%**		**76%**		**76%**		**76%**		**76%**		**76%**		**76%**		**76%**		**76%**		**76%**	
Average Rate:	**$287.93**	**% of**	**$296.57**	**% of**	**$305.46**	**% of**	**$314.63**	**% of**	**$324.07**	**% of**	**$333.79**	**% of**	**$343.80**	**% of**	**$354.12**	**% of**	**$364.74**	**% of**	**$375.68**	**% of**
RevPAR:	**$218.83**	**Gross**	**$225.39**	**Gross**	**$232.15**	**Gross**	**$239.12**	**Gross**	**$246.29**	**Gross**	**$253.68**	**Gross**	**$261.29**	**Gross**	**$269.13**	**Gross**	**$277.20**	**Gross**	**$285.52**	**Gross**
OPERATING REVENUE																				
Rooms	$63,977	61.4 %	$65,897	61.4 %	$67,874	61.4 %	$69,910	61.4 %	$72,007	61.4 %	$74,167	61.4 %	$76,392	61.4 %	$78,684	61.4 %	$81,045	61.4 %	$83,476	61.4 %
Food & Beverage	35,126	33.7	36,180	33.7	37,266	33.7	38,384	33.7	39,535	33.7	40,721	33.7	41,943	33.7	43,201	33.7	44,497	33.7	45,832	33.7
Other Operated Departments	3,937	3.8	4,055	3.8	4,177	3.8	4,302	3.8	4,431	3.8	4,564	3.8	4,701	3.8	4,842	3.8	4,987	3.8	5,137	3.8
Miscellaneous Income	1,186	1.1	1,221	1.1	1,258	1.1	1,296	1.1	1,335	1.1	1,375	1.1	1,416	1.1	1,459	1.1	1,502	1.1	1,547	1.1
Total Operating Revenue	104,227	100.0	107,353	100.0	110,574	100.0	113,891	100.0	117,308	100.0	120,827	100.0	124,452	100.0	128,186	100.0	132,031	100.0	135,992	100.0
DEPARTMENTAL EXPENSES*																				
Rooms	12,559	19.6	12,935	19.6	13,323	19.6	13,723	19.6	14,135	19.6	14,559	19.6	14,996	19.6	15,446	19.6	15,909	19.6	16,386	19.6
Food & Beverage	18,020	51.3	18,560	51.3	19,117	51.3	19,691	51.3	20,281	51.3	20,890	51.3	21,516	51.3	22,162	51.3	22,827	51.3	23,512	51.3
Other Operated Departments	1,415	35.9	1,457	35.9	1,501	35.9	1,546	35.9	1,592	35.9	1,640	35.9	1,689	35.9	1,740	35.9	1,792	35.9	1,846	35.9
Other Expenses	93	7.9	96	7.9	99	7.9	102	7.9	105	7.9	108	7.9	111	7.9	115	7.9	118	7.9	122	7.9
Total	32,086	30.8	33,049	30.8	34,041	30.8	35,062	30.8	36,114	30.8	37,197	30.8	38,313	30.8	39,462	30.8	40,646	30.8	41,866	30.8
DEPARTMENTAL INCOME	72,140	69.2	74,304	69.2	76,533	69.2	78,829	69.2	81,194	69.2	83,630	69.2	86,139	69.2	88,723	69.2	91,385	69.2	94,127	69.2
UNDISTRIBUTED OPERATING EXPENSES																				
Administrative & General	6,651	6.4	6,851	6.4	7,056	6.4	7,268	6.4	7,486	6.4	7,711	6.4	7,942	6.4	8,180	6.4	8,425	6.4	8,678	6.4
Info. and Telecom. Systems	828	0.8	852	0.8	878	0.8	904	0.8	931	0.8	959	0.8	988	0.8	1,018	0.8	1,048	0.8	1,080	0.8
Marketing	8,201	7.9	8,447	7.9	8,700	7.9	8,961	7.9	9,230	7.9	9,507	7.9	9,792	7.9	10,086	7.9	10,389	7.9	10,700	7.9
Franchise Fee	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Prop. Operations & Maint.	3,693	3.5	3,804	3.5	3,918	3.5	4,036	3.5	4,157	3.5	4,281	3.5	4,410	3.5	4,542	3.5	4,678	3.5	4,819	3.5
Utilities	3,902	3.7	4,019	3.7	4,139	3.7	4,264	3.7	4,391	3.7	4,523	3.7	4,659	3.7	4,799	3.7	4,943	3.7	5,091	3.7
Total	23,275	22.3	23,973	22.3	24,692	22.3	25,433	22.3	26,196	22.3	26,982	22.3	27,791	22.3	28,625	22.3	29,484	22.3	30,368	22.3
GROSS HOUSE PROFIT	48,866	46.9	50,331	46.9	51,841	46.9	53,397	46.9	54,999	46.9	56,649	46.9	58,348	46.9	60,098	46.9	61,901	46.9	63,758	46.9
Management Fee	4,690	4.5	4,831	4.5	4,976	4.5	5,125	4.5	5,279	4.5	5,437	4.5	5,600	4.5	5,768	4.5	5,941	4.5	6,120	4.5
INCOME BEFORE NON-OPER. INC. & EXP.	44,175	42.4	45,501	42.4	46,866	42.4	48,272	42.4	49,720	42.4	51,211	42.4	52,748	42.4	54,330	42.4	55,960	42.4	57,639	42.4
NON-OPERATING INCOME AND EXPENSE																				
Property Taxes	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
Insurance	614	0.6	632	0.6	651	0.6	671	0.6	691	0.6	711	0.6	733	0.6	755	0.6	777	0.6	801	0.6
Reserve for Replacement	6,254	6.0	6,441	6.0	6,634	6.0	6,833	6.0	7,038	6.0	7,250	6.0	7,467	6.0	7,691	6.0	7,922	6.0	8,160	6.0
Total	6,867	6.6	7,073	6.6	7,285	6.6	7,504	6.6	7,729	6.6	7,961	6.6	8,200	6.6	8,446	6.6	8,699	6.6	8,960	6.6
EBITDA LESS RESERVE	$37,308	35.8 %	$38,427	35.8 %	$39,580	35.8 %	$40,768	35.8 %	$41,991	35.8 %	$43,250	35.8 %	$44,548	35.8 %	$45,884	35.8 %	$47,261	35.8 %	$48,679	35.8 %

*Departmental expenses are expressed as a percentage of departmental revenues.

HVS

Forecast of Revenue and Expense

The following description sets forth the basis for the forecast of revenue and expense. We anticipate that it will take six years for the subject property to reach a stabilized level of operation. Each revenue and expense item has been forecast based upon our review of the subject property's operating history, operating budget, and comparable revenue and expense statements. The forecast begins on January 1, 2017, expressed in inflated dollars for each year.

Rooms Revenue

Rooms revenue is determined by two variables: occupancy and average rate. We projected occupancy and average rate in a previous section of this report. The subject property is expected to stabilize at 76.0% with an average rate of $248.37 in 2022. Following the stabilized year, the subject property's average rate is projected to increase along with the underlying rate of inflation.

Food and Beverage Revenue

In the case of the Hilton Austin Convention Center, the outlet offerings (two restaurants, two bars, and a coffee shop) serve as a source of revenue as well as an amenity that assists in the sale of guestrooms. In addition to this offering, banquet space at the subject property spans 98,761 square feet. The subject property's food and beverage operation is newly transformed, with the completion of a total overhaul and repositioning of all of the hotel's food and beverage outlets, as well as the addition of a flex-space meeting room. As these facilities continue to gain visibility in the local market, we would expect an overall strengthening trend within this department.

FIGURE 7-12 FOOD AND BEVERAGE REVENUE

	Subject Property	Comparable Operating Statements					Subject Property Forecast	
	2015/16	#1	#2	#3	#4	#5	2017	Deflated Stabilized
Percentage of Revenue	29.5 %	36.1 %	25.7 %	29.6 %	32.6 %	32.6 %	32.3 %	33.7 %
Per Available Room	$29,053	$34,063	$26,708	$27,739	$32,871	$32,871	$32,926	$32,147
Per Occupied Room	$0	$122	$82	$101	$106	$106	$111	$116

Other Operated Departments Revenue

According to the USALI, other operated departments include any major or minor operated department other than rooms and food and beverage. Revenues that are collected from the parking and spa operations, telephone charges, guest laundry fees, and in-room movie charges are reflected in this line item.

FIGURE 7-13 OTHER OPERATED DEPARTMENTS REVENUE

	Subject Property	Comparable Operating Statements					Subject Property Forecast	
	2015/16	#1	#2	#3	#4	#5	2017	Deflated Stabilized
Percentage of Revenue	3.7 %	0.4 %	3.4 %	4.5 %	6.8 %	6.8 %	3.7 %	3.8 %
Per Available Room	$3,658	$356	$3,552	$4,186	$6,836	$6,836	$3,745	$3,603
Per Occupied Room	$12	$1	$11	$15	$22	$22	$13	$13

Miscellaneous Income

According to the USALI, miscellaneous income includes attrition fees, cancellation fees, outside agreement commissions, and interest income, among other items. Revenues that are collected from cancellation fees, attrition penalties, and other minor collections are reflected in this line item.

FIGURE 7-14 MISCELLANEOUS INCOME

	Subject Property	Comparable Operating Statements					Subject Property Forecast	
	2015/16	#1	#2	#3	#4	#5	2017	Deflated Stabilized
Percentage of Revenue	1.1 %	3.4 %	1.7 %	0.6 %	2.2 %	2.2 %	1.1 %	1.1 %
Per Available Room	$1,102	$3,200	$1,752	$590	$2,223	$2,223	$1,128	$1,085
Per Occupied Room	$4	$11	$5	$2	$7	$7	$4	$4

Rooms Expense

Rooms expense consists of items related to the sale and upkeep of guestrooms and public space. Salaries, wages, and employee benefits account for a substantial portion of this category. Although payroll varies somewhat with occupancy and managers can generally scale the level of service staff on hand to meet an expected occupancy level, a base level of front desk personnel, housekeepers, and supervisors must be maintained at all times. As a result, salaries, wages, and employee benefits are moderately sensitive to changes in occupancy.

Commissions and reservations are usually based on room sales and, thus, are highly sensitive to changes in occupancy and average rate. While guest supplies vary 100% with occupancy, linens and other operating expenses are only slightly affected by volume.

FIGURE 7-15 ROOMS EXPENSE

	Subject Property	Comparable Operating Statements					Subject Property Forecast	
	2015/16	#1	#2	#3	#4	#5	2017	Deflated Stabilized
Percentage of Revenue	18.2 %	23.8 %	18.4 %	17.4 %	19.8 %	19.8 %	18.7 %	19.6 %
Per Available Room	$11,737	$13,553	$13,238	$10,595	$11,698	$11,698	$12,021	$11,493
Per Occupied Room	$40	$48	$41	$39	$38	$38	$41	$41

Food and Beverage Expense

Food and beverage expense is associated with the generation of food and beverage revenue within the restaurant and lounge outlets, as well as the banquet and meeting facilities. The cost of food and beverage is directly correlated to food and beverage revenue, while food and beverage payroll expense is moderately fixed. The cost of items such as china, linens, and uniforms are less dependent on volume. We have adjusted food and beverage expense upward during the initial forecast period, above the underlying inflationary rate, in order to maintain an appropriate level of expense as a percentage of departmental revenue in light of the hotel's established operating history. In consideration of improving revenues driven by the new restaurant concepts and additional meeting space, higher product expenses are accordingly expected to produce these experiences for the hotel's customers. Staffing levels would also be anticipated to be adjusted higher to support the expected level of service. However, we note that the overall profitability of the food and beverage department should improve by the stabilized year.

FIGURE 7-16 FOOD AND BEVERAGE EXPENSE

	Subject Property	Comparable Operating Statements					Subject Property Forecast	
	2015/16	#1	#2	#3	#4	#5	2017	Deflated Stabilized
Percentage of Revenue	51.3 %	64.7 %	68.5 %	50.0 %	57.1 %	57.1 %	50.0 %	51.3 %
Per Available Room	$14,914	$22,041	$18,298	$13,880	$18,784	$18,784	$16,452	$16,491
Per Occupied Room	$51	$79	$56	$51	$61	$61	$56	$59

Other Operated Departments Expense

Other operated departments expense comprises expenses associated with the hotel’s various other and minor operated departments.

FIGURE 7-17 OTHER OPERATED DEPARTMENTS EXPENSE

	Subject Property	Comparable Operating Statements					Subject Property Forecast	
	2015/16	#1	#2	#3	#4	#5	2017	Deflated Stabilized
Percentage of Revenue	35.5 %	86.4 %	87.3 %	39.1 %	40.3 %	40.3 %	35.5 %	35.9 %
Per Available Room	$1,299	$308	$3,102	$1,637	$2,756	$2,756	$1,328	$1,295
Per Occupied Room	$4	$1	$9	$6	$9	$9	$4	$5

Administrative and General Expense

Administrative and general expense includes the salaries and wages of all administrative personnel who are not directly associated with a particular department. Expense items related to the management and operation of the property are also allocated to this category.

Most administrative and general expenses are relatively fixed. The exceptions are cash overages and shortages; commissions on credit card charges; provision for doubtful accounts, which are moderately affected by the number of transactions or total revenue; and salaries, wages, and benefits, which are very slightly influenced by volume.

FIGURE 7-18 ADMINISTRATIVE AND GENERAL EXPENSE

	Subject Property	Comparable Operating Statements					Subject Property Forecast	
	2015/16	#1	#2	#3	#4	#5	2017	Deflated Stabilized
Percentage of Revenue	6.3 %	7.4 %	6.9 %	6.0 %	6.5 %	6.5 %	6.2 %	6.4 %
Per Available Room	$6,190	$6,979	$7,203	$5,591	$6,526	$6,526	$6,302	$6,087
Per Occupied Room	$21	$25	$22	$20	$21	$21	$21	$22

Information and Telecommunications Systems Expense

Information and telecommunications systems expense consists of all costs associated with a hotel’s technology infrastructure. This includes the costs of cell phones, administrative call and Internet services, and complimentary call and Internet services. Expenses in this category are typically organized by type of technology, or the area benefitting from the technology solution. We expect the subject hotel's information and telecommunications systems to be well managed. Expense levels should stabilize at a typical level for a property of this type. Per the 11th edition of the USALI, information and telecommunications systems expenses are required to be reported within the undistributed operating expenses. The comparable operating statements reviewed, however, are consistent with the 10th edition of the USALI, with these expenses allocated to the other operated departments, room expense, and undistributed operating expense line items.

Marketing Expense

Marketing expense consists of all costs associated with advertising, sales, and promotion; these activities are intended to attract and retain customers. Marketing can be used to create an image, develop customer awareness, and stimulate patronage of a property's various facilities.

The marketing category is unique in that all expense items, with the exception of fees and commissions, are totally controlled by management. Most hotel operators establish an annual marketing budget that sets forth all planned expenditures. If the budget is followed, total marketing expenses can be projected accurately.

Marketing expenditures are unusual because although there is a lag period before results are realized, the benefits are often extended over a long period. Depending on the type and scope of the advertising and promotion program implemented, the lag time can be as short as a few weeks or as long as several years. However, the favorable results of an effective marketing campaign tend to linger, and a property often enjoys the benefits of concentrated sales efforts for many months.

FIGURE 7-19 MARKETING EXPENSE

	Subject Property	Comparable Operating Statements					Subject Property Forecast	
	2015/16	#1	#2	#3	#4	#5	2017	Deflated Stabilized
Percentage of Revenue	7.8 %	6.8 %	5.2 %	6.7 %	8.6 %	8.6 %	7.6 %	7.9 %
Per Available Room	$7,632	$6,458	$5,378	$6,225	$8,663	$8,663	$7,771	$7,505
Per Occupied Room	$26	$23	$16	$23	$28	$28	$26	$27

Franchise Fee

The costs of the affiliation are reflected in our forecast. Other charges related to the affiliation, such as the brand's loyalty program, are reflected in the appropriate departmental expenses, consistent with the Uniform System of Accounts for the Lodging Industry (USALI).

Marketing expense and franchise fees are often analyzed in total because hotels may account for some components of franchise expense in the marketing expense category. The subject property's total marketing and franchise expense has been forecast at 7.9% of total revenue on a stabilized basis, which compares with a total for the comparables ranging from 5.2% to 8.6% of total revenue.

Property Operations and Maintenance

Property operations and maintenance expense is another expense category that is largely controlled by management. Except for repairs that are necessary to keep the facility open and prevent damage (e.g., plumbing, heating, and electrical items), most maintenance can be deferred for varying lengths of time.

The age of a lodging facility has a strong influence on the required level of maintenance. A new or thoroughly renovated property is protected for several years by modern equipment and manufacturers' warranties. However, as a hostelry grows older, maintenance expenses escalate. A well-organized preventive maintenance system often helps delay deterioration, but most facilities face higher property operations and maintenance costs each year, regardless of the occupancy trend. The quality of initial construction can also have a direct impact on future maintenance requirements. The use of high-quality building materials and construction methods generally reduces the need for maintenance expenditures over the long term.

Maintenance is an accumulating expense. If management elects to postpone performing a required repair, they have not eliminated or saved the expenditure; they have only deferred payment until a later date. A lodging facility that operates with a lower-than-normal maintenance budget is likely to accumulate a considerable amount of deferred maintenance.

FIGURE 7-20 PROPERTY OPERATIONS AND MAINTENANCE EXPENSE

	Subject Property	Comparable Operating Statements					Subject Property Forecast	
	2015/16	#1	#2	#3	#4	#5	2017	Deflated Stabilized
Percentage of Revenue	3.5 %	3.7 %	3.7 %	3.3 %	2.7 %	2.7 %	3.4 %	3.5 %
Per Available Room	$3,437	$3,525	$3,864	$3,068	$2,728	$2,728	$3,500	$3,380
Per Occupied Room	$12	$13	$12	$11	$9	$9	$12	$12

Utilities Expense

The utilities consumption of a lodging facility takes several forms, including water and space heating, air conditioning, lighting, cooking fuel, and other miscellaneous power requirements. The most common sources of hotel utilities are electricity, natural gas, fuel oil, and steam. This category also includes the cost of water service.

Total energy cost depends on the source and quantity of fuel used. Electricity tends to be the most expensive source, followed by oil and gas. Although all hotels consume a sizable amount of electricity, many properties supplement their utility requirements with less expensive sources, such as gas and oil, for heating and cooking. Utility expenses are highly tied to local utility rates in the Austin market; therefore, we have given primary consideration to the hotel’s operating history.

FIGURE 7-21 UTILITIES EXPENSE

	Subject Property 2015/16	Comparable Operating Statements #1	#2	#3	#4	#5	Subject Property Forecast 2017	Deflated Stabilized
Percentage of Revenue	3.7 %	3.1 %	3.1 %	3.6 %	2.7 %	2.7 %	3.6 %	3.7 %
Per Available Room	$3,631	$2,924	$3,245	$3,379	$2,684	$2,684	$3,697	$3,571
Per Occupied Room	$12	$10	$10	$12	$9	$9	$13	$13

Management Fee

Management expense consists of the fees paid to the managing agent contracted to operate the property. Some companies provide management services and a brand-name affiliation (first-tier management company), while others provide management services alone (second-tier management company). Some management contracts specify only a base fee (usually a percentage of total revenue), while others call for both a base fee and an incentive fee (usually a percentage of defined profit). Basic hotel management fees are often based on a percentage of total revenue, which means they have no fixed component. While base fees typically range from 2% to 4% of total revenue, incentive fees are deal-specific and often are calculated as a percentage of income available after debt service and, in some cases, after a preferred return on equity. Total management fees for the subject property have been forecast at a market rate fee of 4.5% of total revenue.

Property Taxes

The subject property is owned by the City of Austin and is therefore not subject to property taxes.

Insurance Expense

The insurance expense category consists of the cost of insuring the hotel and its contents against damage or destruction by fire, weather, sprinkler leakage, boiler explosion, plate glass breakage, and so forth. General insurance costs also include premiums relating to liability, fidelity, and theft coverage.

Insurance rates are based on many factors, including building design and construction, fire detection and extinguishing equipment, fire district, distance from the firehouse, and the area's fire experience. Insurance expenses do not vary with occupancy.

FIGURE 7-22 INSURANCE EXPENSE

	Subject Property	Comparable Operating Statements					Subject Property Forecast	
	2015/16	#1	#2	#3	#4	#5	2017	Deflated Stabilized
Percentage of Revenue	0.6 %	0.6 %	1.4 %	0.6 %	0.1 %	0.1 %	0.6 %	0.6 %
Per Available Room	$560	$525	$1,481	$604	$58	$58	$573	$562
Per Occupied Room	$2	$2	$5	$2	$0	$0	$2	$2

Other Fixed Items

The subject hotel does not report any additional significant fixed expenses.

Reserve for Replacement

Furniture, fixtures, and equipment are essential to the operation of a lodging facility, and their quality often influences a property's class. This category includes all non-real estate items that are capitalized, rather than expensed. The furniture, fixtures, and equipment of a hotel are exposed to heavy use and must be replaced at regular intervals. The useful life of these items is determined by their quality, durability, and the amount of guest traffic and use.

Periodic replacement of furniture, fixtures, and equipment is essential to maintain the quality, image, and income-producing potential of a lodging facility. Because capitalized expenditures are not included in the operating statement but affect an owner's cash flow, a forecast of income and expense should reflect these expenses in the form of an appropriate reserve for replacement.

The International Society of Hospitality Consultants (ISHC) oversees a major industry-sponsored study of the capital expenditure requirements for full-service/luxury, select-service, and extended-stay hotels. The most recent study was published in 2014.[6] Historical capital expenditures of well-maintained hotels were investigated through the compilation of data provided by most of the major hotel companies in the United States. A prospective analysis of future capital expenditure requirements was also performed based upon the cost to replace short- and long-lived building components over a hotel's economic life. The study showed that the capital expenditure requirements for hotels vary significantly from year to year and depend upon both the actual and effective ages of a property. The results of this study showed that hotel lenders and investors are requiring reserves for replacement ranging from 4% to 5% of total revenue.

Based on the results of our analysis and on our review of the subject asset and comparable lodging facilities, as well as on our industry expertise, we estimate

[6] The International Society of Hotel Consultants, *CapEx 2014, A Study of Capital Expenditure in the U.S. Hotel Industry.*

that a reserve for replacement of 6% of total revenues is sufficient to provide for the timely and periodic replacement of the subject property's furniture, fixtures, and equipment.

Forecast of Revenue and Expense Conclusion

Revenues and expenses have been forecast for the subject hotel over the projection period shown. Over the long term, occupancy is expected to decline slightly from historical levels as direct and ancillary new supply enters the market; however, average rate is anticipated to increase by the stabilized year due to the overall strength of the Austin economy. Therefore, the overall RevPAR should increase over the long term. Historical and projected total revenue and net operating income are set forth in the following chart.

FIGURE 7-23 FORECAST OF REVENUE AND EXPENSE CONCLUSION

		Total Revenue		House Profit		House	EBITDA Less Replacement Reserve		
						Profit			As a % of
	Year	Total	% Change	Total	% Change	Ratio	Total	% Change	Ttl Rev
Historical	2011	$63,888,000	—	$32,850,000	—	51.4 %	$25,584,000	—	40.0 %
	2012	67,724,000	6.0 %	35,968,000	9.5 %	53.1	28,291,000	10.6 %	41.8
	2013	72,914,000	7.7	39,090,000	8.7	53.7	30,813,000	8.9	42.3
	2014	75,050,000	2.9	39,399,000	0.8	52.5	31,035,000	0.7	41.4
Fiscal Year Ending	2015	81,058,000	8.0	42,384,000	7.6	52.2	33,439,000	7.7	41.3
November	2015/16	78,811,000	(2.8)	39,005,000	(8.0)	49.5	30,281,000	(9.4)	38.4
Projected	2017	$81,773,000	3.8 %	$40,166,000	3.0 %	49.1 %	$31,121,000	2.8 %	38.0 %
	2018	81,877,000	0.1	39,254,000	(2.3)	47.9	30,187,000	(3.0)	36.8
	2019	83,430,000	1.9	39,442,000	0.5	47.3	30,197,000	0.0	36.2
	2020	84,494,000	1.3	39,494,000	0.1	46.6	30,123,000	(0.2)	35.5
	2021	87,288,000	3.3	40,924,000	3.6	46.9	31,245,000	3.7	35.8
	2022	89,906,000	3.0	42,151,000	3.0	46.9	32,182,000	3.0	35.8

The forecast of revenue and expense anticipates the net operating income ratio to decline from 38.4% of gross revenues in the base year to 35.8% of gross revenues by the fifth projection year.

8. Statement of Assumptions and Limiting Conditions

1. This report is set forth as a market study of the subject property; this is not an appraisal report.
2. This report is to be used in whole and not in part.
3. No responsibility is assumed for matters of a legal nature, nor do we render any opinion as to title, which is assumed marketable and free of any deed restrictions and easements. The property is evaluated as though free and clear unless otherwise stated.
4. We assume that there are no hidden or unapparent conditions of the sub-soil or structures, such as underground storage tanks, that would render the property more or less valuable. No responsibility is assumed for these conditions or for any engineering that may be required to discover them.
5. We have not considered the presence of potentially hazardous materials such as asbestos, urea-formaldehyde foam insulation, polychlorinated biphenyls (PCBs), any form of toxic waste, pesticides, mold, or lead-based paints. We are not qualified to detect hazardous substances and urge the client to retain an expert in this field if desired.
6. The Americans with Disabilities Act (ADA) became effective on January 26, 1992. We have conducted no specific compliance survey to determine whether the subject property has been designed in accordance with the various detailed requirements of the ADA. It is possible that the design does not conform to the requirements of the act, and this could have an unfavorable effect on operations. Because we have no direct evidence regarding this issue, our estimates do not consider possible non-compliance with the ADA.
7. We have made no survey of the property, and we assume no responsibility in connection with such matters. Sketches, photographs, maps, and other exhibits are included to assist the reader in visualizing the property. It is assumed that the use of the described real estate is within the boundaries of the property described, and that there is no encroachment or trespass unless noted.
8. All information, financial operating statements, estimates, and opinions obtained from parties not employed by TS Worldwide, LLC are assumed true and correct. We can assume no liability resulting from misinformation.

9. Unless noted, we assume that there are no encroachments, zoning violations, or building violations encumbering the subject property.
10. The property is assumed to be in full compliance with all applicable federal, state, local, and private codes, laws, consents, licenses, and regulations (including the appropriate liquor license if applicable), and that all licenses, permits, certificates, franchises, and so forth can be freely renewed or transferred to a purchaser.
11. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless specified otherwise.
12. None of this material may be reproduced in any form without our written permission, and the report cannot be disseminated to the public through advertising, public relations, news, sales, or other media.
13. We are not required to give testimony or attendance in court because of this analysis without previous arrangements, and shall do so only when our standard per-diem fees and travel costs have been paid prior to the appearance.
14. If the reader is making a fiduciary or individual investment decision and has any questions concerning the material presented in this report, it is recommended that the reader contact us.
15. We take no responsibility for any events or circumstances that take place subsequent to the date of our field inspection.
16. The quality of a lodging facility's onsite management has a direct effect on a property's economic viability. The financial forecasts presented in this analysis assume responsible ownership and competent management. Any departure from this assumption may have a significant impact on the projected operating results.
17. The financial analysis presented in this report is based upon assumptions, estimates, and evaluations of the market conditions in the local and national economy, which may be subject to sharp rises and declines. Over the projection period considered in our analysis, wages and other operating expenses may increase or decrease because of market volatility and economic forces outside the control of the hotel's management. We assume that the price of hotel rooms, food, beverages, and other sources of revenue to the hotel will be adjusted to offset any increases or decreases in related costs. We do not warrant that our estimates will be attained, but they have been developed based upon information obtained during the course of our market research and are intended to reflect the expectations of a typical hotel investor as of the stated date of the report.

18. This analysis assumes continuation of all provisions of the Internal Revenue Code of 1986, as amended to date.

19. Many of the figures presented in this report were generated using sophisticated computer models that make calculations based on numbers carried out to three or more decimal places. In the interest of simplicity, most numbers have been rounded to the nearest tenth of a percent. Thus, these figures may be subject to small rounding errors.

20. It is agreed that our liability to the client is limited to the amount of the fee paid as liquidated damages. Our responsibility is limited to the client, and use of this report by third parties shall be solely at the risk of the client and/or third parties. The use of this report is also subject to the terms and conditions set forth in our engagement letter with the client.

21. Evaluating hotels is both a science and an art. Although this analysis employs various mathematical calculations to provide operating result indications, the final estimates is subjective and may be influenced by our experience and other factors not specifically set forth in this report.

22. This study was prepared by TS Worldwide, LLC. All opinions, recommendations, and conclusions expressed during the course of this assignment are rendered by the staff of TS Worldwide, LLC as employees, rather than as individuals.

9. Certification

The undersigned hereby certify that, to the best of our knowledge and belief:

1. the statements of fact presented in this report are true and correct;
2. the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions;
3. we have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved;
4. we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
5. our engagement in this assignment was not contingent upon developing or reporting predetermined results;
6. our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined result or direction in performance that favors the cause of the client, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this study;
7. our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice;
8. Shannon L. Sampson personally inspected the property described in this report;
9. no one other than the undersigned prepared the analyses, conclusions, and opinions concerning the real estate that are set forth in this report;
10. Shannon L. Sampson has performed one market study on the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment;
11. the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute; and

12. the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

Shannon L. Sampson
Senior Vice President
TS Worldwide, LLC

Shannon Sampson

EMPLOYMENT

2006 to present	HVS CONSULTING AND VALUATION SERVICES Austin, Texas
2005 – 2006	SOUTH SHORE HARBOUR RESORT & CONFERENCE CENTER League City, Texas
2003 – 2004	THE UNIVERSITY OF TEXAS SOUTHWESTERN MEDICAL CENTER Dallas, Texas

EDUCATION AND OTHER TRAINING

BA – The University of Texas at Austin

Other Specialized Training Classes Completed:
Uniform Standards of Professional Appraisal Practice – 15 hours
Basic Appraisal Procedures – 30 hours
Basic Appraisal Principles – 30 hours
General Appraiser Income Approach (Parts I and II) – 60 hours
General Appraiser Market Analysis and HBU – 30 hours
General Appraiser Site Valuation and Cost Approach – 30 hours
General Appraiser Sales Comparison Approach – 30 hours
Real Estate Finance Statistics and Valuation Modeling – 15 hours
General Appraiser Report Writing and Case Studies – 30 hours
Business Practices and Ethics – 8 hours
Advanced Income Capitalization – 40 hours
Advanced Concepts and Case Studies – 40 hours
Advanced General Market Analysis & HBU – 30 hours
Mortgage Fraud – 7 hours
Quantitative Analysis – 35 hours
TX Supervisor/Trainee Course – 4 hours
USPAP Update – 2010, 2012, 2014, 2016

STATE CERTIFICATIONS

Nevada, Texas

PUBLISHED ARTICLES

HVS Journal	"Market Intelligence Report 2013: Austin," June 2013
HVS Journal	"Bullish on Austin: A Look at Hotel Trends in the Capital City," co-authored with Amanda Repert, October 2010
HVS Journal	"Yield Management in 2009: How to Keep Your Hotel Up and Running in a Downturn," February 2009
HVS Journal	"HVS Market Intelligence Report: Austin, Texas," November 2008
HVS Journal	"HVS Market Intelligence Report: San Antonio, Texas," June 2008
HVS Journal	"HVS Market Intelligence Report: Houston, Texas," December 2007

EXAMPLES OF PROPERTIES APPRAISED OR EVALUATED

PORTFOLIO ANALYSIS

Portfolio of 10 Briad Group-owned Properties, Various Locations
Portfolio of 12 Hotels for Moody National, Various Locations
Portfolio of 11 Proposed Hotels for KWB, Various Locations

ALABAMA

Hampton Inn, Bessemer
Comfort Suites, Daphne

ARIZONA

Days Inn, Kingman
Super 8, Kingman

ARKANSAS

Courtyard by Marriott, Bentonville
Radisson, Fayetteville
Embassy Suites, Hot Springs

CALIFORNIA

Beverly Wilshire, Beverly Hills
Hilton, Burbank
TownePlace Suites by Marriott, Newark
Proposed Hotel, San Francisco

COLORADO

Proposed Residence Inn by Marriott, Breckenridge
Proposed Homewood Suites/Hilton Garden Inn, Broomfield
Clarion/Quality Inn, Colorado Springs
DoubleTree by Marriott, Colorado Springs
Proposed Holiday Inn Express Hotel & Suites, Colorado Springs
Radisson Hotel, Colorado Springs
Proposed Convention Hotel, Denver
TownePlace Suites Southeast, Denver
TownePlace Suites Tech Center, Denver
Proposed Best Western Plus, Hayden
Proposed Staybridge Suites, Littleton
TownePlace Suites Southwest, Littleton
Proposed TownePlace Suites by Marriott, Lone Tree
Proposed Homewood Suites, Westminster

DISTRICT OF COLUMBIA

Avenue Suites (former Georgetown Suites)

FLORIDA

Candlewood Suites, Fort Myers
Fairfield Inn by Marriott, Fort Myers
Staybridge Suites, Jacksonville
Crowne Plaza La Concha, Key West
Proposed Hotel, Key West
Sheraton Suites, Key West
Proposed Coconut Cay Resort, Marathon
Hilton Downtown, Miami
Coco Key Hotel & Waterpark, Orlando
Travelodge Inn & Suites Airport, Orlando
Holiday Inn, Port St. Lucie
Proposed Holiday Inn Express, Punta Gorda
DoubleTree, Tallahassee
Sheraton Tampa Riverwalk, Tampa
Crowne Plaza, West Palm Beach

GEORGIA

Proposed Boutique Hotel, Douglas County
Proposed Westin, Douglas County

ILLINOIS

Fairfield Inn by Marriott, Danville
Sheraton Suites, Elk Grove
Hampton Inn, Lombard
Proposed Holiday Inn Express, Naperville
Proposed Staybridge Suites, Naperville
Residence Inn O'Hare Rosemont, Rosemont
Hampton Inn, Schaumburg
Hampton Inn, Westchester

INDIANA

Days Inn, Decatur
Residence Inn, Fort Wayne
Proposed Hotel, Peru

IOWA

Midtown Motel, Burlington
Proposed Holiday Inn Express, Des Moines

KANSAS

Proposed Clinton Lake Hotel and Conference Center, Lawrence
Proposed Holiday Inn Express/Candlewood Suites, Lenexa
Proposed Hampton Inn & Suites, Overland Park
DoubleTree by Hilton, Wichita

LOUISIANA

Navy Lodge Repositioning, Algiers
Proposed Candlewood Suites, Baton Rouge
Proposed Hotel, Baton Rouge
Comfort Inn, Moss Point
Hampton Inn, Moss Point
Chateau Bourbon, New Orleans
Clarion Inn & Suites (Conversion to Boutique), New Orleans
Hotel New Orleans, New Orleans
The Whitney, New Orleans

MARYLAND

Proposed Extended Stay Hotel, Baltimore
Proposed Hotel Indigo, Baltimore

MICHIGAN

Proposed Full-Service Hotel (Former Pontchartrain Hotel), Detroit
Residence Inn, Madison Heights
Hampton Inn, Port Huron
Gatehouse Suites, Troy

MINNESOTA

Westin, Edina
Proposed Hotel St. Louis Park, St. Louis Park

MISSISSIPPI

Candlewood Suites, Flowood
Holiday Inn Express, Flowood
Proposed Homewood Suites, Flowood
Proposed Hotel Indigo, Oxford
Proposed Oxford Hotel, Oxford
Proposed Holiday Inn, Starkville

MISSOURI

Proposed Homewood Suites by Hilton, Independence

NEBRASKA

DoubleTree Downtown, Omaha

NEVADA

Hampton Inn & Holiday Inn Express, Henderson
Hilton Garden Inn, Henderson
Aruba Hotel & Spa, Las Vegas
DoubleTree Club Airport, Las Vegas
Embassy Suites Las Vegas Convention Center, Las Vegas
Hampton Inn Tropicana, Las Vegas
Hampton Inn & Suites, Las Vegas
Proposed Holiday Inn, Las Vegas
Proposed Select-Service Hotel Town Square Mall, Las Vegas
Proposed Sheraton Airport, Las Vegas
Proposed Wingate by Wyndham, Las Vegas
Thunder Inn, Las Vegas
Proposed Hotel, Reno

NEW JERSEY

Courtyard by Marriott, Lyndhurst

NEW MEXICO

Comfort Inn & Suites, Los Alamos
El Monte Sagrado, Taos

NEW YORK

Paris Suites, Corona
Best Western, Liverpool
Proposed Aloft, Rochester
Proposed Element, Rochester

NORTH CAROLINA

Proposed Homewood Suites, Asheville
Proposed Hilton Garden Inn, Durham

OKLAHOMA

Proposed Destination Resort, Ardmore
Proposed Aloft, Tulsa

PENNSYLVANIA

Hampton Inn, Great Valley

SOUTH CAROLINA

Howard Johnson Express, Aiken
Knights Inn, Aiken
Proposed Select-Service Hotel, Hardeeville
Hyatt Place, North Charleston
Proposed Courtyard by Marriott, Summerville

TENNESSEE

Hyatt Place, Germantown
DoubleTree, Jackson
Embassy Suites by Hilton, Nashville
Proposed Hotel Belle Island, Pigeon Forge

TEXAS

Western Inn, Abilene
Courtyard by Marriott Midway, Addison
Proposed Hotel, Amarillo
La Quinta Inn & Suites, Angleton
Proposed Wyndham, Arlington/Grand Prairie
Barton Creek Resort, Austin
Comfort Suites, Austin
Crestwood Suites, Austin
Days Inn, Austin
DoubleTree Club, Austin
DoubleTree Guest Suites, Austin
DoubleTree North, Austin
Embassy Suites Town Lake, Austin
Embassy Suites North, Austin
Fairfield Inn & Suites North, Austin
Four Seasons, Austin
Hampton Inn, Austin
Hampton Inn & Suites Downtown, Austin
Hawthorn Suites, Austin
Hilton Austin Airport, Austin
Hilton Austin Convention Center, Austin
Hilton Garden Inn, Austin
Holiday Inn Express Airport, Austin
Holiday Inn Express Austin NW, Austin
Holiday Inn Express Hotel & Suites, Austin
Holiday Inn Town Lake, Austin

Homewood Suites by Hilton, Austin
Hotel San Jose, Austin
Hyatt Summerfield Suites, Austin
Hyatt Regency, Austin
Marriott at the Capitol, Austin
Omni Downtown, Austin
Proposed Aloft Hotel, Austin
Proposed Aloft/Element, Austin
Proposed Austin CC Hotel Consulting, Austin
Proposed Boutique Hotel, Austin
Proposed Boutique Hotel Eastside, Austin
Proposed CBD Full-Service Hotel, Austin
Proposed Convention Center Hotel, Austin
Proposed Dual-Branded Hotel, Austin
Proposed Fairmont Austin, Austin
Proposed Four Points by Sheraton, Austin
Proposed Hotel Granduca, Austin
Proposed Hotel ZaZa, Austin
Proposed Hyatt House, Austin
Proposed Limited-Service Hotel, Austin
Proposed Loews, Austin
Proposed Luxury Boutique Hotel, Austin
Proposed Palomar, Austin
Proposed Residence Inn by Marriott, Austin
Proposed Residence Inn by Marriott Westcreek, Austin
Proposed SH 130 Hotel, Austin
Proposed Sleep Inn, Austin
Proposed Upscale Themed Hotel, Austin
Proposed Waller Boutique Hotel, Austin
Proposed Westin Downtown, Austin
Proposed Zilker Hotel, Austin
Radisson Hotel & Suites, Austin
Radisson (converting to Line Hotel), Austin
Sheraton, Austin
Super 8, Austin
Value Place, Austin
Westin at the Domain, Austin
Holiday Inn Express, Bastrop
Hampton Inn, Beaumont
Holiday Inn, Beaumont
Proposed Downtown Hotel, Beaumont
Proposed Independent Hotel, Bee Cave
Proposed Sonesta Hotel, Bee Cave
Holiday Inn Express & Suites, Boerne
Proposed Hotel & Conference Center, Boerne
Relax Inn, Bryan
Proposed Hotel & Conference Center, Burleson
Spa Castle, Carrollton
Proposed Independent Hotel, Clute
AmeriSuites (Hyatt Place Conversion), College Station
Baymont Inn & Suites, Conroe
Courtyard by Marriott LBJ at Josey, Dallas
Grand Hyatt DFW Airport, Dallas
Holiday Inn Market Center, Dallas
Magnolia Hotel, Dallas
Marriott Suites Market Center, Dallas
Proposed 1401 Elm Street Hotel, Dallas
Proposed 1600 Pacific Hotel, Dallas
Proposed Aloft, Dallas
Proposed Extended-Stay Hotel Praetorian, Dallas
Proposed Headquarters Hotel, Dallas
Proposed Holiday Inn Express, Dallas
Proposed WoodSpring Suites, Dallas
Rosewood Crescent Hotel, Dallas
Rosewood Mansion on Turtle Creek, Dallas
Proposed UNT/JQH Hotel, Denton
Courtyard, El Paso
Proposed Aloft Downtown El Paso, El Paso
Proposed Hotel, El Paso
Doubletree Club, Farmers Branch
Proposed Residence Inn by Marriott, Fort Worth
TownePlace Suites by Marriott, Fort Worth
Hampton Inn & Suites, Frisco
Proposed Staybridge Suites, Frisco
Sheraton Stonebriar, Frisco
Westin Stonebriar, Frisco
Proposed Hilton Garden Inn, Granbury
Residence Inn by Marriott, Grapevine
Proposed Hotel & Conference Center, Harlingen
Proposed Hotel, Harlingen
Proposed Champ D'Or Boutique Resort and Event Center, Hickory Creek
Candlewood Suites Medical Center, Houston
Courtyard by Marriott Medical Center, Houston
Courtyard by Marriott Westchase, Houston
Courtyard by Marriott West University, Houston
DoubleTree by Hilton, Houston
Hampton Inn Hobby Airport, Houston
Holiday Inn Houston Hobby, Houston
Hotel Derek, Houston
Hyatt Regency, Houston
Magnolia Hotel, Houston
Marriott, Houston
Palace Inn, Houston
Proposed Mandarin Oriental, Houston
Renaissance Greenway Plaza, Houston
Residence Inn Westchase, Houston
Residence Inn West University, Houston
SpringHill Suites Reliant Park, Houston
Westin Oaks & Galleria, Houston
Vista Express Inn, Houston
Holiday Inn Express, Huntsville
Proposed Hampton Inn, Hutto
Holiday Inn Express, Irving
Hyatt Place Las Colinas, Irving
Marriott DFW Airport, Irving
Southgate Plaza – Two Hotels, Irving
La Quinta Inn & Suites, Katy
Proposed La Quinta, Lakeway
Hampton Inn, Laredo
Proposed Best Western, Marlin
DoubleTree by Hilton, McAllen
Proposed Full-Service Hotel, McKinney

Proposed Courtyard by Marriott, New Braunfels
Proposed Hyatt House, New Braunfels
Hilton Garden Inn, Odessa
Quality Inn & Suites, Odessa
Ramada Inn, Odessa
Motel 6, Orange
Courtyard by Marriott Legacy Park, Plano
Proposed Cambria Suites, Plano
Residence Inn by Marriott, Plano
Proposed Aloft, Round Rock
Proposed Element, Round Rock
Proposed Hyatt Place, Round Rock
Proposed Microtel, Round Rock
Proposed TownePlace Suites, Round Rock
Red Roof Inn, Round Rock
Staybridge Suites, Round Rock
Value Place, Round Rock
Comfort Inn, San Antonio
Courtyard by Marriott, San Antonio
Courtyard by Marriott Riverwalk, San Antonio
Days Inn Lackland, San Antonio
DoubleTree by Hilton, San Antonio
Embassy Suites Airport, San Antonio
Embassy Suites Northwest I-10, San Antonio
Hampton Inn, San Antonio
Hampton Inn & Suites, San Antonio
Hilton San Antonio Airport, San Antonio
Holiday Inn, San Antonio
Holiday Inn Northwest SeaWorld, San Antonio
Howard Johnson, San Antonio
Microtel Inn & Suites, San Antonio
Proposed Boutique Hotel, San Antonio
Proposed Cambria Suites, San Antonio
Proposed El Matador Hotel, San Antonio
Proposed Embassy Suites, San Antonio
Proposed Riverwalk Hotel, San Antonio
Proposed Sheraton, San Antonio
Proposed Starwood Luxury Collection, San Antonio
Proposed Staybridge Suites, San Antonio
Riverwalk Plaza Hotel, San Antonio
St. Anthony, San Antonio
Sheraton Gunter, San Antonio
Super 8, San Antonio
Travelodge, San Antonio
Quality Inn, San Marcos
Proposed Full-Service Hotel, Seabrook
Proposed Westin, Seabrook
Casa Bella Resort, South Padre Island
Proposed Full-Service Hotel, South Padre Island
Staybridge Suites, Stafford
Proposed Hilton Falconhead, Village of Bee Cave
Comfort Suites, Waco
Comfort Suites, Webster
Holiday Inn Houston Webster, Webster
Proposed Fairfield Inn & Suites, Westover Hill
Homewood Suites, The Woodlands

VIRGINIA

Proposed Hotel, Richmond

WASHINGTON

Airport Inn, Pasco
SpringHill Suites by Marriott, Seattle

APPENDIX B – MASTER GLOSSARY OF TERMS

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MASTER GLOSSARY OF TERMS FOR

AUSTIN CONVENTION ENTERPRISES, INC.
CONVENTION CENTER HOTEL REVENUE REFUNDING BONDS, SERIES 2017

CONSTRUCTION

Defined terms in this Glossary shall include in the singular number the plural and in the plural number the singular.

Unless otherwise stated, any reference in this Glossary to any Person shall include its permitted successors and assigns and, in the case of any Governmental Authority, any Person succeeding to its functions and capacities.

Unless otherwise expressly specified, any agreement, contract or document defined or referred to herein shall mean such agreement, contract or document in the form (including all amendments, schedules, exhibits, appendices, attachments, clarification letters and the like relating thereto) delivered on the Closing Date, and (except as provided in the last paragraph of this section "Construction") as the same may thereafter be amended, supplemented, replaced or otherwise modified from time to time in accordance with the terms of the Transaction documents.

Terms defined in this Glossary and also within any Transaction Documents shall for purposes of such agreement have the meaning assigned to such term in that agreement and terms capitalized, but not otherwise defined, in any Transaction Document shall have the meaning assigned to such term in this Glossary.

Unless otherwise defined herein, terms relating to insurance shall have the meanings customarily associated with such terms in the insurance industry.

Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms.

The words "include", "includes" and "including" shall not be limiting, and shall be deemed in all instances to be followed by the phrase "without limitation".

The phrase "and/or" shall mean either or both of the items referenced thereby.

References to "days" shall mean calendar days, unless otherwise indicated.

Unless the context clearly requires otherwise, the word "or" is not exclusive.

Any defined term herein that is incorporated by reference to any other document, shall be deemed to also incorporate herein any defined term or rule of construction in such document applicable to or contained within such incorporated term. Any amendment or deletion of any such incorporated defined term in its original document shall not amend or delete such defined term as used herein. Any termination of the original document from which a defined term was incorporated herein shall not affect such defined term's use herein.

DEFINITIONS

"*1933 Act*" shall mean the Securities Act of 1933.

"*2001 Indenture*" shall mean that certain Indenture of Trust between the Corporation and the Trustee, dated as of June 1, 2001, as amended.

"*2006 Indenture*" shall mean that certain Amended and Restated Indenture of Trust between the Corporation and the Trustee, dated as of December 1, 2006, as amended.

"*AAA*" shall mean the American Arbitration Association.

"*Account or Accounts*" shall mean any one or more of the accounts from time to time created in any of the Funds established by the Indenture or by any Supplemental Indenture.

"*Accountant*" shall mean any certified public accountant or firm of certified public accountants or accounting corporation of recognized experience and qualifications, selected by the Corporation, and may be the Independent Accountant.

"*Accountant's Certificate*" shall mean a certificate or opinion signed by an Accountant.

"*Additional Bonds*" shall mean any additional Bonds issued by the Corporation pursuant to Section 3.02 of the Indenture to refund any Bonds previously issued thereunder or to make additional improvements and/or renovations to the Hotel; provided that the Additional Bonds shall never constitute Series 2017 Bonds.

"*Additional Bonds Debt Service Coverage Ratio*" shall mean, with respect to the Outstanding First Tier Bonds, a fraction calculated by dividing Total Net Revenues for a particular period of time by the Net Debt Service for the Outstanding First Tier Bonds for the same particular period of time; and with respect to the Outstanding Second Tier Bonds, means a fraction calculated by dividing Total Net Revenues for a particular period of time by the Net Debt Service for the Outstanding Second Tier Bonds for the same particular period of time.

"*Additional Information*" shall mean (i) monthly operations reports provided by the Hotel Manager, including executive summary; (ii) unaudited quarterly reports (which shall include income and cash flow statements and balance sheets) to be provided within 45 days of the end of each quarter; and (iii) quarterly reports of the Trustee indicating fund balances for all Funds and Accounts.

"*Additional Management Fee*" shall have the meaning assigned to such term in Section 3.1.4.1 of the Management Agreement.

"*Administrative Expenses*" shall mean the reasonable fees and expenses of the Corporation, the Asset Manager and the Trustee (inclusive of the salaries and wages of the Corporation's executive and administrative personnel and fees and expenses of any consultants retained by the Corporation, but specifically excluding any legal judgments, settlements or similar resolutions of disputes reduced to a monetary amount against the Corporation, unless such judgment, settlement or similar resolution of dispute arises out of the acts or omissions of the Manager), paid in accordance with the Indenture and directly relating to the Hotel and limited as provided in the applicable Operating Plan and Budget. Corporation shall have the right to engage legal counsel as it determines appropriate and the fees and expenses of such legal counsel, as approved by the Corporation, shall be deemed reasonable.

"*Administrative Fee Fund*" shall mean the Convention Center Hotel Revenue Bond Administrative Fee Fund established pursuant to Section 5.02 of the Indenture.

"*ADR Provider*" shall mean the alternative dispute resolution provider identified in accordance with Subsection 10.1.1 of the Management Agreement, or if the Management Agreement is not then in effect, JAMS or AAA or any other similar arbitration/mediation service mutually acceptable to Corporation.

"*Affected Bonds*" shall mean the Outstanding First Tier Bonds while any First Tier Bonds are Outstanding, and the Outstanding Second Tier Bonds while any Second Tier Bonds are Outstanding and no First Tier Bonds are Outstanding.

"*Affiliate*" shall mean (i) with respect to Manager and Corporation as of the relevant date in question, any other Person directly or indirectly controlling, controlled by, or under common control with Manager or Corporation, as the case may be, and any Person directly or indirectly controlling, controlled by or under common control with such entities and, without limiting the generality of the foregoing, shall include (a) any Person which beneficially owns or holds fifty percent (50%) or more of any class of voting securities of such designated Person or fifty percent (50%) or more of the equity interest in such designated Person and (b) any Person of which such designated Person beneficially owns or holds fifty percent (50%) or more of any class of voting securities or in which such designated Person beneficially owns or holds fifty percent (50%) or more of the equity interest. For greater clarity, the Parties acknowledge that (i) as of the Effective Date, Hilton Reservations Worldwide LLC and Hilton HHonors Worldwide LLC are each

Affiliates of Manager; and (ii) the term control (including controls," "controlled by," and "under common control with") shall mean the ability through ownership, direct or indirect, of voting stock or other equity interests, to direct or cause the direction of the management and policies of a person, partnership, corporation, limited liability company or other entity; provided, however, solely for purposes of any provision of the Management Agreement pertaining to contracts between Manager and any Manager Affiliate, an Affiliate of Manager shall be deemed to include any entity in which Manager owns (directly or indirectly) more than a fifty percent (50%) equity interest or otherwise participates in more than fifty percent (50%) of the profits or revenues of such entity (excluding such participation that represents management fees to Manager); and further provided, however, that for purposes of Section 2.25 of the Management Agreement the applicable percentage with respect to Manager shall be twenty-five percent (25%). Under no circumstances shall the Trustee or any Registered Owner be deemed to be Affiliate of the Corporation.

"*Aggregate Debt Service*" shall mean, for any Fiscal Year or other 12-month period, as of the date of calculation, the sum of the amounts of Debt Service for such Fiscal Year or other 12-month period.

"*Allowable Expenses*" shall mean all items (i) payable pursuant to the Cash Management Agreement including without limitation from the Lockbox Fund; and (ii) that are entitled to payment from monies intended to be transferred from the Available Revenue Fund pursuant to Section 5.04(a) *First* to and including *Thirteenth* of the Indenture.

"*Annual Independent Accounting*" shall have the meaning assigned to such term in Subsection 2.22.3 of the Management Agreement.

"*Applicable Laws*" and "*Legal Requirements*" shall mean (a) all laws, statutes, acts (including, without limitation, the Texas Public Information Act), ordinances, rules, regulations, permits, licenses, authorizations, directives, orders and requirements of all governments, quasi-governmental or regulatory authorities, that now or hereafter may be applicable to, as applicable, (i) the Project and the construction, maintenance and operation thereof, including those relating to employees, zoning, building, health, safety and environmental matters, and accessibility of public facilities, (ii) Manager, (iii) Manager's business operations, and/or (iv) Corporation and (b) the requirements of all documents properly filed in the real property records against the Hotel.

"*Approvals*" shall mean licenses, approvals, permits, authorizations, registrations, and the like required by any governmental or regulatory organization or unit having jurisdiction over Corporation or the Hotel.

"*Arbitrable Dispute*" shall mean any dispute, claim or issue arising under the Management Agreement with respect to (a) the proper inclusion or exclusion of items in Gross Operating Revenue, Operating Expenses or Total Net Revenues, (b) the proper calculation of Group Services Fees and Charges and Reimbursable Expenses, (c) any dispute regarding the Operating Standard, (d) any disputes arising under Sections 2.18 or 2.19 of the Management Agreement, and (e) any other matter as to which the Management Agreement expressly provides for dispute resolution by arbitration. Notwithstanding the foregoing or any other provision of the Management Agreement, there shall be excluded from Arbitrable Disputes claims and disputes which (i) relate to preserving or protecting Manager's proprietary rights in the proprietary information described in Section 11 in the Management Agreement, (ii) are for extraordinary relief such as injunction or eviction, (iii) either Manager or Corporation asserts against the other in any action brought by a third party and in which Manager and/or Corporation are named or joined defendants, (including counter-defendants and third-party defendants).

"*Arbitration Request*" shall mean a written notice of requirement for arbitration initiated by either the Manager, Corporation or the Trustee delivered to the others.

"*Architect*" shall mean Ellerbe Becket, Inc. who shall at all times be the Design/Builder's Consultant under the Design/Builder's supervision, and who must be fully licensed under Applicable Law.

"*Articles*" shall mean the articles of incorporation of the Association filed with the Secretary of State of Texas, as amended from time to time.

"*Asbestos*" shall mean any asbestos or material containing asbestos.

"*Asset Manager*" shall mean a Person with hospitality management experience of at least five years (including at least three years management experience in a hotel similar in size and quality to the Hotel) selected by the Corporation with notices to the Bond Insurer, Trustee and Manager of such selection.

"*Assignment Agreements*" shall mean, collectively, the Assignment Agreement dated as of June 1, 2001, by and among the Trustee, the Developer, the Architect, the Corporation, the Manager and the Design/Builder, and the Hotel Assignment Agreement.

"*Association*" shall mean the Austin Convention Condominium Association, Inc., a Texas non-profit corporation organized under the Texas Non-Profit Corporation Act pursuant to the formation requirements set out in the Uniform Condominium Act, and created for the purposes and possessing the rights, powers and authority set forth in the Declaration and in the Articles.

"*Austin*" and "*City*" shall mean the City of Austin, Travis County, Texas, a municipal corporation.

"*Austin Central Business District*" shall mean the area of Austin reflected in Exhibit R attached to the Management Agreement and 1000 feet directly east of such area along Interstate 35 from the north boundary to the south boundary of the area shown on such exhibit.

"*Authenticating Agent*" shall mean initially the Trustee and any successor thereto.

"*Authorized Corporation Representative*" shall mean (a) the President of the Corporation; (b) any Vice President of the Corporation; or (c) any other officer, consultant or employee of the Corporation authorized by resolution of the Corporation Board to act as an Authorized Corporation Representative under the Indenture or any Supplemental Indenture or otherwise with respect to the Bonds or the Project, which Person shall be acting solely in its representative capacity on behalf of the Corporation and not individually.

"*Authorized Denominations*" shall mean, unless otherwise provided in a Supplemental Indenture, with respect to the First Tier Bonds, \$5,000 principal amount and integral multiples thereof; with respect to the Second Tier Bonds \$100,000 principal amount and integral multiples of \$5,000 in excess of \$100,000; provided, however, that if the Second Tier Bonds are rated in a rating category not lower than "Baa3" by Moody's, "BBB-" by S&P or "BBB-" by Fitch, the Series 2017B Bonds will be issuable in denominations of \$5,000 and integral multiples thereof, .

"*Authorized Manager Representative*" shall mean such individuals as may from time to time be designated in writing as such by the Manager.

"*Authorized Officer*" shall mean with respect to a Person, if the Person is not an individual, any vice president, director or more senior officer (if a corporation or financial institution), any trustee (if a trust), any manager (if a limited liability company), or any general partner or joint venturer of the Person (if a partnership or joint venture) who shall be duly authorized to execute documents.

"*Available Casualty/Condemnation Amounts*" shall have the meaning assigned to such term in Subsection 7.1.1 of the Management Agreement.

"*Available Revenue Fund*" or "*Hotel Available Revenue Fund*" shall mean the Convention Center Hotel Revenue Bond Available Revenue Fund established by Section 5.02 of the Indenture.

"*Available Revenues*" shall mean, for a period of time, Gross Operating Revenues determined on a cash basis for such period of time, less (i) Operating Expenses determined on a cash basis for such period of time and (ii) repayments of any Short Term Indebtedness.

"*Average Competitive REVPAR*" shall mean, with respect to any Operating Year, as calculated by Smith Travel Research, Inc., or such other reputable independent third party market research firm as may be mutually approved by Manager and Corporation.

"*Bankruptcy Code*" shall mean the Bankruptcy Reform Act of 1978, as amended, (11 U.S.C. Section 101, et seq.).

"*Base Management Fee*" shall have the meaning assigned to such term in Subsection 3.1.2 of the Management Agreement.

"*Beneficial Owner*" shall mean (i) for purposes of the Continuing Disclosure Agreement any person which (a) has or shares the power, directly or indirectly, to vote or consent with respect to, to make investment decisions concerning the ownership of, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes, and (ii) for all other purposes any Person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including Persons holding Bonds through nominees, depositories or other intermediaries).

"*Bond Counsel*" shall mean Winstead PC, or another firm of attorneys, selected by the Corporation, whose experience in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized.

"*Bond Documents*" shall mean the Indenture, the Assignment Agreements, the Cash Management Agreement, the Hotel Deed of Trust, the Security Agreement and any other agreement relating to the Bonds.

"*Bond Obligations*" shall mean the indebtedness, obligations and liabilities payable by the Corporation under the Bonds and the Indenture, including Short Term Indebtedness.

"*Bond*" or "*Bonds*" shall mean the Series 2017 Bonds and any Additional Bonds and Refunding Bonds of the Corporation, authenticated and delivered under and pursuant to the Indenture or under any Supplemental Indenture.

"*Bond Purchase Agreement*" shall mean the Bond Purchase Agreement dated [_____ __] 2017, pursuant to which the Underwriter has agreed to purchase the Series 2017 Bonds from the Corporation.

"*Bond Resolution*" shall mean the resolution adopted by the Corporation Board authorizing the issuance of the Series 2017 Bonds.

"*Bondholder*" or "*Registered Owner*" shall mean the person in whose name any of the Bonds are registered on the books kept and maintained by the Indenture Trustee as bond registrar.

"*Booking Period*" shall have the meaning set forth in Section 1.2 of the Room Block Commitment.

"*Budget*" shall mean the Operating Plan and Budget and the Capital Budget for the applicable Operating Year.

"*Building*" shall mean the 31-story building with five underground parking levels and a parking mezzanine constructed on the Land.

"*Business Day*" shall mean a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the State of Texas are authorized or required by law or executive order to remain closed.

"*Business Interruption Insurance*" shall mean insurance coverage against "*Business Interruption and Extra Expense*" (as that phrase is used within the United States insurance industry for application to transient lodging facilities).

"*Business Interruption Proceeds*" shall have the meaning assigned to such term in Subsection 8.2.2 of the Management Agreement.

"*Bylaws*" shall mean the bylaws of the Association adopted by the Association Board, as amended from time to time.

"*Capital Budget*" shall mean the approved annual plan and budget setting forth all approved Capital Improvements and Capital Expenses for the Hotel for the relevant Operating Year, prepared in accordance with the terms of Section 2.18 of the Management Agreement.

"*Capital Expense*" shall mean any item of expense that, according to Generally Accepted Accounting Principles, is not properly deducted as a current expense on the books of the Hotel, but rather should be capitalized.

"*Capital Improvement*" shall mean an item of any nature incorporated into the Hotel, the cost of which is a Capital Expense.

"*Cash Flow Deficit*" shall mean, at any point in time, an insufficiency of amounts on deposit in the Lockbox Fund to pay Operating Expenses when due.

"*Cash Management Agreement*" shall mean the Amended and Restated Cash Management and Lockbox Agreement, dated as of May 1, 2017, among the Corporation, the Trustee, the Depository Bank and the Manager.

"*Cash Trap Fund*" shall mean the Convention Center Hotel Revenue Bond Cash Trap Fund established pursuant to Section 5.02 of the Indenture.

"*Casualty*" shall mean, for the purposes of the Management Agreement, the damage or destruction of the Hotel at any time or times during the Operating Term by fire or other casualty.

"*Casualty Proceeds*" shall mean, for the purposes of the Management Agreement, the proceeds (excluding Business Interruption Proceeds) paid under any casualty and property insurance policy maintained by Manager or Corporation with respect to the Hotel, in accordance with the terms of the Management Agreement, as a result of damage to or destruction of the Hotel arising as a result of a fire or other casualty.

"*Casualty Restoration*" shall have the meaning assigned to such term in Section 7.2 of the Management Agreement.

"*Cede & Co*." shall mean the nominee of the DTC.

"*Certificate of Reduction in Debt Service*" shall mean a certificate signed by an Authorized Corporation Representative to the effect that the Debt Service in each Fiscal Year on the Bonds to be Outstanding immediately after the issuance of the Series of Refunding Bonds to which such certificate relates is not greater than the Debt Service on the Bonds Outstanding immediately prior to the issuance of such Series of Refunding Bonds.

"*Certificate*," "*Statement*," "*Request*," "*Requisition*" and "*Order of the Corporation*" means a written certificate, statement, request, requisition or order signed in the name of the Corporation by an Authorized Corporation Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"*Certified Financial Statements*" shall mean audited financial statements consisting of a statement of net position, a statement of revenues and expenditures and a statement of cash flows and a certificate of the Independent Accountant to the effect that, subject to any qualifications contained therein, the financial statements fairly present, in conformity with Generally Accepted Accounting Principles, the financial position, results of operations, and cash flows of the Hotel for the Operating Year then ended.

"*City*" and "*Austin*" shall mean the City of Austin, Travis County, Texas, a municipal corporation.

"*City Isolated Change in Applicable Law*" shall mean a change in Applicable Laws after the Closing Date, which affects only the Hotel, as opposed to those such changes that affect multiple hotels in Austin, Texas, notwithstanding the effect on the Condominium or any Units other than the Hotel Unit.

"*Claims*" shall, with respect to the Management Agreement, have the meaning given to such term in Subsection 12.15.1 of the Management Agreement, and for all other purposes mean costs, expenses (including reasonable attorneys' fees, expenses and court costs), liabilities, damages, claims, actions and causes of actions.

"*Clearing Bank Accounts*" shall mean the accounts, bearing the name of the Trustee so long as the Indenture is in effect and otherwise bearing the name of the Corporation, at a bank or banks selected by the Corporation, for the purpose of depositing all Gross Operating Revenues, whether from the Manager, from credit card companies, or anyone, each of which shall be given instructions to make deposits in the Clearing Bank Accounts pursuant to the Cash Management Agreement.

"*Closing Date*" shall mean the date of issuance of the 2017 Bonds.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations proposed or in effect with respect thereto.

"*Collateral*" shall have the meaning assigned to such term in the Security Agreement.

"*Committee*" shall mean the policy committee established in accordance with Section 12.10 of the Management Agreement.

"*Common Elements*" shall have the meaning set forth in the Declaration.

"*Competitive Set*" shall mean, from time to time during the Operating Term, at least four (4) hotels in the Hotel's immediate market area that are most comparable to the Hotel in quality, price and market (with due consideration given to age, quality, size, amenities, amount of meeting space, and business mix). All determinations as to which hotels are to be included in the Competitive Set shall be made by the mutual agreement of Corporation and Manager and if possible shall all be first class convention oriented Upscale Hotels, or, if the parties are unable to reach agreement, as determined by an independent nationally recognized hospitality industry consultant that is mutually acceptable to Corporation and Manager and otherwise qualified to be a Hotel Consultant. As of the Closing Date, the Competitive Set shall be made up of the Hyatt Regency Austin, the Omni Austin Hotel Downtown, the Hilton Garden Inn Austin Downtown Convention Center, and the Sheraton Hotel Austin @ the Capitol, in downtown Austin, Texas.

"*Competitive Set ADR*" shall have the meaning set forth in Section 1.3 of the Room Block Commitment.

"*Comptroller*" shall have the meaning assigned to such term in Section 3.04(f) of the Indenture.

"*Comptroller Registration Certificate*" shall mean the certificate designated as such on each of the Initial Bonds.

"*Condemnation Proceeds*" shall mean, for the purposes of the Management Agreement, the proceeds payable in respect of any Taking of all or a portion of the Project or the Hotel, as the case may be.

"*Condominium*" shall mean the form of real property established by the Declaration with respect to the Property, in which portions of the Property are designated for individual ownership or occupancy and the remainder of the Property is designated for common ownership or occupancy solely by the owners of such remainder. The Condominium contains three (3) Legal Units.

"*Condominium Declaration*" or "*Declaration*" shall mean the Condominium Declaration for Neches Hotel Condominiums and all recorded amendments thereto, which Declaration and all amendments thereto, shall be recorded in the County.

"*Condominium Documents*" shall mean, collectively, the Condominium Declaration, the Bylaws, the Articles, and the Map.

"*Consultant*" shall mean any Person at the time employed by or on behalf of the Corporation (or, to the extent specifically provided in the Indenture or in any Supplemental Indenture, by or on behalf of the Trustee) for the benefit of the Registered Owners to carry out the duties imposed by or pursuant to the Indenture or a Supplemental Indenture, which Person shall be experienced, have a national and favorable reputation in the matters for which such Person is so employed, and be independent of the Corporation, the Manager and the City.

"*Contingent Obligation*" shall mean as applied to any Person, means any direct or indirect liability, contingent or otherwise, of that Person: (A) with respect to any indebtedness, lease, dividend or other obligation of another if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto; (B) with respect to any letter of credit issued for the account of that Person or as to which that Person is otherwise liable for reimbursement of drawings; (C) under any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or other similar agreement or arrangement designed to protect against fluctuations in interest rates; or (D) under any foreign exchange contract, currency swap agreement or other similar agreement or arrangement designed to protect that Person against fluctuations in currency values. Contingent Obligations shall include (i) the direct or indirect guaranty, endorsement (other than for collection or deposit in the ordinary course of business), co-making, discounting with recourse or sale with recourse by such Person of the obligation of another, (ii) the obligation to make take-or-pay or similar payments if required regardless of nonperformance by any other party or parties to an agreement, and (iii) any liability of such Person for the obligations of another through any agreement to purchase, repurchase or otherwise acquire such obligation or any property constituting security therefor, to provide funds for the payment or discharge of such obligation or to maintain the solvency, financial condition or any balance sheet item or level of income of another. The amount of any Contingent Obligation shall be equal to the amount of the obligation so guaranteed or otherwise supported or, if not a fixed and determined amount, the maximum amount so guaranteed.

"*Continuing Disclosure Agreement*" or "*Disclosure Agreement*" shall mean that certain Continuing Disclosure Agreement by and between the Corporation and the Trustee, as Dissemination Agent, dated as of the Series 2017 Bond Effective Date while the Series 2017 Bonds are Outstanding, and each subsequent Continuing Disclosure Agreement executed by the Corporation in connection with each issuance of Additional Bonds while such Additional Bonds are Outstanding.

"*Contract Documents*" shall have the meaning assigned to such term in Section 1.1.1 of the Design/Build Agreement.

"*Contracts*" shall mean, with respect to the Management Agreement as applicable, all contracts, agreements and licenses entered into by the Manager for or on behalf of the Corporation.

"*Contractual Obligation*" as applied to any Person, shall mean any indenture, mortgage, deed of trust, contract, undertaking, agreement or other instrument to which that Person is a party or by which it or any of its properties is bound or to which it or any of its properties is subject including, without limitation, the Transaction Documents.

"*Convention Center*" shall mean the Austin Convention Center located across the street from the Land, together with additions and modifications thereto.

"*Convention Center Representative*" shall have the meaning set forth in Section 1.6 of the Room Block Commitment.

"*Corporate Personnel*" shall mean any personnel from the corporate or regional offices of Manager and its Affiliates or who are otherwise area supervisors for Manager who perform activities in connection with the services provided by Manager under the Management Agreement.

"*Corporation*" and "*Owner*" shall mean Austin Convention Enterprises, Inc., a Texas nonprofit public facility corporation.

"*Corporation Board*" shall mean the board of directors of the Corporation, or any successor in function.

"*Corporation Documents*" shall mean any and all contracts, instruments and agreements, now existing or hereafter arising, in connection with the acquisition, operation, construction, use or occupancy of the Project.

"*Corporation's Negligent or Willful Act*" shall mean any (a) acts or omissions constituting fraud, negligence, or willful misconduct on the part of Corporation or its Affiliates, their officers, directors, employees, agents, or assigns, or (b) criminal violation of law by Corporation, Corporation's Affiliates or permitted assignees under the Management Agreement or any of their respective officers, directors or employees.

"*Costs of Issuance*" shall mean the items of expense relating to the authorization, sale and issuance of Bonds, which items of expense may include, without limitation: travel expenses; printing costs; costs of reproducing documents;

computer fees and expenses; filing and recording fees; initial fees and charges of the Trustee and its legal counsel, Consultants, Registrar, any paying agent, and other Fiduciaries; initial fees and charges of banks, insurers or other parties pursuant to guarantees or bond insurance policies; bond discounts; legal fees and charges; consulting fees and charges; auditing fees and expense; financial advisor's fees and charges; costs of credit ratings; insurance premiums; fees and charges for the execution, transportation and safekeeping of Bonds; and any other administrative or other costs of issuing, carrying and repaying such Bonds and investing the Bond proceeds.

"*Costs of Issuance Fund*" shall mean the Fund by that name designated as such by Section 5.02 of the Indenture.

"*County*" shall mean Travis County, Texas.

"*Debt Service*" shall mean, as of any date of calculation, with respect to any particular period and with respect to all Bonds, all Bonds of any Series or any portion thereof as the context requires, an amount equal to the sum of (a) interest accruing during such period on such Outstanding Bonds and not accounted for with amounts on deposit in a capitalized interest account held by the Trustee for such Bonds and (b) that portion of each principal payment and Sinking Fund Installment for such Outstanding Bonds which would accrue during such period if each such principal payment and Sinking Fund Installment for such Bonds were deemed to accrue daily in equal amounts from the next preceding date on which the principal of or a Sinking Fund Installment for such Bonds is payable (or, if there shall be no such preceding date, from a date one year preceding the due date of such principal payment or Sinking Fund Installment or from the date of issuance of the such Bonds, whichever date is later). Such interest, principal and Sinking Fund Installment payments for the Outstanding Bonds shall be calculated on the assumption that no Bonds Outstanding at the date of calculation shall cease to be Outstanding except by reason of the payment of principal and Sinking Fund Installments on the due dates thereof and on the basis of the actual number of days within the relevant period.

"*Debt Service Coverage Ratio*" shall mean, for any particular period:

(a) with respect to the Outstanding First Tier Bonds, a fraction calculated by dividing the Total Net Revenues for a particular period of time by the Net Debt Service for the Outstanding First Tier Bonds for the same period of time; and

(b) with respect to the Outstanding Second Tier Bonds, a fraction calculated by dividing the Total Net Revenues for a particular period of time by Net Debt Service for the Outstanding First Tier Bonds and Second Tier Bonds for the same particular period of time.

"*Debt Service Coverage Requirement*" shall mean, for each Operating Year, a Debt Service Coverage Ratio which is not less than 1.20:1.00 with respect to the Outstanding First Tier Bonds and Second Tier Bonds.

"*Debt Service Fund*" shall mean the Convention Center Hotel Revenue Bond Debt Service Fund established by Section 5.02 of the Indenture, together with the Accounts established therein.

"*Declaration*" or "*Condominium Declaration*" shall mean the Condominium Declaration for Neches Hotel Condominiums and all recorded amendments thereto, which Declaration and all amendments thereto, shall be recorded in the County.

"*Deed of Trust Estate*" shall mean, as to any Deed of Trust, the Real Property and all of the property subject to the operation of Sections 2.05 and Article V of such Deed of Trust whether now owned or hereafter acquired.

"*Deed of Trust Trustee*" shall mean, as to each Deed of Trust, the name of the trustee so designated therein, together with any successors or substitute in such capacity.

"*Default Rate*" shall mean the rate of [_____] ([___]%)] percent per annum.

"*Defeasance Investment Securities*" shall mean, direct noncallable obligations of the United States, including (i) obligations that are unconditionally guaranteed by, the United States; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing board of the Corporation adopts or approves the proceedings authorizing the issuance of Refunding Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" by S&P and "Aaa" by Moody's; or (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 that, on the date the governing board of the Corporation adopts or approves the proceedings authorizing the issuance of Refunding Bonds, are rated as to investment quality by a nationally recognized investment rating firm of not less than "AAA" by S&P and "Aaa" by Moody's; provided, however that if the obligations are only rated by S&P, then such obligations must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations or "AAA" rated pre-refunded obligations to satisfy this condition.

"*Deferred Subordinate Management Fee*" shall mean the difference between the aggregate amount of the Subordinate Management Fee that has accrued to Manager through a particular date together with interest thereon calculated in accordance with Section 3.1.3.1 of the Management Agreement and the actual amount of Subordinate Management Fee and any interest thereon paid to Manager pursuant to the Management Agreement through such date.

"*Depository*" shall mean initially DTC, or any other securities depository selected as set forth in Section 3.13(b) of the Indenture with respect to the Series 2017 Bonds.

"*Depository Bank*" shall mean such banking institution or institutions as the Corporation shall from time to time designate, in writing to the Trustee, at which the account or accounts shall be established and maintained with respect to the Lockbox Fund pursuant to the Cash Management Agreement.

"*Design/Build Agreement*" shall mean that certain Design/Build Agreement dated as of June 5, 2001, executed by Landmark Organization, L.P., and the Corporation, as amended by that certain First Amendment to Design/Build Agreement and Consent of Surety dated as of June 5, 2001 pertaining to the design and construction of the Project.

"*Design/Builder*" and/or "*Landmark*" shall mean Landmark Organization, L.P., a Texas limited partnership.

"*Developer*" shall mean H.L. Hotels, L.P., a Texas limited partnership.

"*Direct or Indirect Profit*" shall mean any monetary compensation, other than for the reasonable and actual costs of providing goods, services, supplies, products or equipment (including carrying costs of facilities), whether in the form of a payment, credit, rebate, refund, kick-back, revenue sharing, royalty, profit participation, equity participation, barter consideration in the form of goods or services, or any other device, however denominated, and whether similar or dissimilar to any of the foregoing, received by the Manager and/or any of its Affiliates, directly or indirectly, in any calendar year from or on account of the Gross Operating Revenues from the Hotel. For purposes of this definition, none of the following shall be considered a Direct or Indirect Profit to Manager and/or its Affiliates:

(a) any payment received from a vendor or other third party for services provided by Manager and/or its Affiliates directly to such vendor or other third party in its ordinary course of business, such as market research, collection of purchasing data or participation in co-marketing or advertising programs with such vendor; provided that such payment for such services is reasonable;

(b) any rebate or other amount received by Manager or its Affiliates which is applied to reduce the cost of Manager's national purchasing operations which reduction in cost benefits the Hotel and Other Hilton Hotels which are included in such national purchasing operations;

(c) any rebate or other payment received by Manager or its Affiliates which is otherwise available to each hotel in the Hilton System, including the Hotel, without being included in such national purchasing operations, so long as the reduction in cost is allocated in the same manner among such hotels as allocated to the Hotel or any Direct or Indirect Profit derived from such payment is redistributed among such hotels in the same manner as redistributed to the Hotel;

(d) any other reduction in cost or payment in the form of cash, goods or services to the extent the Hotel is allocated its proportionate share of such reduction in cost or payment (with the allocation to the Hotel and to Other Hilton Hotels determined using the same formula, including fair, reasonable and equitable variables consistently applied or using different formulas for each type of Hotel provided that the use of multiple formulas does not result in the Hotel being allocated a materially disproportionate share of the costs);

(e) any amount which could otherwise be considered Direct or Indirect Profit to Manager or its Affiliates if the Hotel is allocated its proportionate share of such amount in the form of cash, goods, services or a credit (with the allocation to the Hotel and to Other Hilton Hotels determined using the same formula, including fair, reasonable and equitable variables consistently applied or using different formulas for each type of Hotel provided that the use of multiple formulas does not result in the Hotel being allocated a materially disproportionate share of such costs);

(f) any payment received by the Manager and any of its Affiliates in such calendar year which does not exceed 5% of the Management Fee paid to Manager during such calendar year;

(g) any payment for hotel rooms, food or other services received by any hotel owned in whole or in part or managed by Hilton or any of its Affiliates in connection with any meetings or other travel involving representatives of Hilton, its Affiliates or the Hotel (i.e. national sales meetings) which payment is paid out of Group Services Fees and Charges or directly by the Hotel, provided such payment represents a reasonable charge for such services and is allocated to the Hotel in the same manner as to comparable Other Hilton Hotels; and

(h) any increase in the value of any equity investment by Manager or any of its Affiliates in any entity providing goods and/or services to the Hotel.

"*Dissemination Agent*" shall mean U.S. Bank Trust National Association acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer written acceptance of such designation.

"*Dollars*" and "*$*" shall mean the lawful money of the United States of America.

"*DTC*" shall mean The Depository Trust Company, or any successor securities depository thereto.

"*Effective Date*" shall mean the Closing Date.

"*Eligible Employees*" shall mean the Key Employees, plus the directors of revenue management, executive chef and director of events and catering (if any).

"*Emergency*" shall mean a situation imminently threatening life, health, or safety.

"*Emergency Expenses*" shall mean the expenses incurred to remove the existence of an Emergency.

"*Emergency Situation*" shall mean a situation which, if not remedied within forty-eight (48) hours from its discovery, (a) will impair or will be imminently likely to impair structural support or improvements on the Property, or (b) will cause or will be imminently likely to cause bodily injury to persons or substantial physical damage to all or any portion of the Property, or (c) will cause or will be imminently likely to cause substantial economic loss to the owner of any of the Units or owner of any of the Sub-Units or (d) will materially interfere with the beneficial use by any owner of its respective Unit or any owner of its respective Sub-Unit. The duration of any Emergency Situation shall be deemed to include the time reasonably necessary to remedy the Emergency Situation.

"*Environmental Claims*" shall mean claims, liabilities, investigations, litigation, administrative proceedings, whether pending or to the knowledge of Corporation, threatened, or judgments, orders or anticipated damages in law relating to any Hazardous Materials.

"*Environmental Law*" shall mean any federal, state, or local law, ordinance or regulation or any court judgment or order of any federal, state or local agency or regulatory body relating to industrial hygiene or to environmental or unsafe conditions including, but not limited to, those relating to the generation, manufacture, storage, handling, transportation, disposal, release, emission or discharge of Hazardous Materials and Asbestos, those in connection with the construction, fuel supply, power generation and transmission, waste disposal or any other operations or processes, and those relating to the atmosphere, soil, surface and ground water, wetlands, stream sediments and vegetation. "Environmental Laws" also shall include, but not be limited to, the Comprehensive Environmental Response, Compensation and Liability Act, the Emergency Planning and Community Right-to-Know Act of 1986, the Hazardous Materials Transportation Act, the Resource Conservation and Recovery Act, the Solid Waste Disposal Act, the Clean Water Act, the Clean Air Act, the Toxic Substance Control Act, the Safe Drinking Water Act and the Occupational Safety and Health Act, and all regulations adopted in respect to the foregoing laws.

"*Environmental Site Assessments*" shall mean any assessments, audits, investigations, testing, sampling, analysis and similar procedures conducted on the Property for the purpose of identifying Hazardous Materials.

"*Equity Interest*" shall mean any ownership interest in the Hotel, the Hotel Unit or Corporation.

"*Equity Rights*" shall mean any option, warrant, debt conversion feature or other right to obtain an Equity Interest.

"*ERISA*" shall mean the Employee Retirement Income Security Act of 1974, as amended.

"*Event*" shall mean an event held or to be held at the Convention Center.

"*Event Block Rate*" shall mean a Permitted Rate quoted by Corporation to a PCC for a standard room in accordance with the requirements of Sections 3.1 and 4.1 of the Room Block Commitment.

"*Event of Bankruptcy*" shall mean with respect to any Person (i) the filing of a petition by or against such Person under the Bankruptcy Code or the commencement of any other bankruptcy, insolvency, reorganization, readjustment of debt or similar proceeding by or against such Person under the laws of the United States or any state, (ii) the filing of any petition, or the commencement of any case or proceeding, by or against such Person for the purpose of winding up its affairs or the liquidation of all or any part of its assets or seeking the appointment of a receiver, liquidator, trustee, conservator, custodian or other similar official for it or all or any part of its assets, (iii) the making by such Person of a general assignment for the benefit of its creditors, or (iv) such Person's general failure or inability to, or its written admission that it cannot, pay its debts as they become due.

"*Event of Default*" shall, as to any Transaction Document, have the meaning assigned to such term in such Transaction Documents.

"*Event Room Block*" shall mean a block of guest rooms in the Hotel for a series of nights that Corporation, on behalf of a PCC, may reserve in the Hotel pursuant to the Room Block Commitment.

"*Event Room Block Contract*" shall have the meaning assigned to such term in the Room Block Commitment.

"*Excess Revenues Fund*" shall mean the Convention Center Hotel Revenue Bond Excess Revenues Fund established by Section 5.02 of the Indenture.

"*Excluded Taxes and Other Charges*" shall mean any (a) Gross Receipts Taxes; (b) withholding tax or other employment related taxes; (c) wage, child support or spousal support garnishments; or (d) unclaimed property or wages.

"*Exclusive Common Elements*" shall have the meaning set forth in the Declaration.

"*Executive Staff*" shall mean the persons employed by the Manager or Pre-Opening Manager as the heads of the various departments of the Hotel, as applicable.

"*FF&E*" shall mean all items of furniture, furnishing, fixtures, and equipment and other personal property used or held for use in storage in the ordinary course of operating the Hotel, the cost of which is ordinarily a Capital Expense, but a portion of which may be currently expensed such as smaller items thereof, or expenditures which are ancillary thereto but which are properly chargeable as an Operating Expense to Property Operations and Maintenance under the Uniform System of Accounts.

"*Fiduciary*" or "*Fiduciaries*" shall mean the Trustee, the Registrar, any paying agent, and any escrow, authentication or other agent of the Corporation or of any other Fiduciary, or any or all of them, as the context may require.

"*First Tier Bonds*" shall mean the Series 2017A Bonds and all Additional Bonds issued on a parity with the Series 2017A Bonds.

"*First Tier Debt Service Reserve Fund*" shall mean the Convention Center Hotel Revenue Bond First Tier Debt Service Reserve Fund established by Section 5.02 of the Indenture.

"*First Tier Debt Service Reserve Fund Requirement*" shall mean an amount equal to the lesser of (a) 1.25 times the average principal and interest requirements of the Series 2017A Bonds and any Additional Bonds issued as First Tier Bonds, or (b) 1.00 times the annual principal and interest requirements of the Series 2017A Bonds and any Additional Bonds issued as First Tier Bonds to be Outstanding in the Fiscal Year during which such annual principal and interest requirements are scheduled to be the greatest; provided, however, that the First Tier Debt Service Reserve Fund Requirement shall not exceed 10% of the aggregate proceeds (within the meaning of Section 148(d)(2) of the Code) of the Series 2017A Bonds and any Additional Bonds issued as First Tier Bonds.

"*Fiscal Year*" shall mean the fiscal year of the Corporation, currently the 12-month period ending December 31.

"*Force Majeure Event*" (i) for purposes of the Management Agreement, shall mean a fire, storm, earthquake, flood, natural disaster, and other casualty events; terrorist attacks; performance of approved Capital Improvements adversely affecting a material portion of the income generating areas of the Hotel which is the direct cause of the delay of performance; strikes that are not directly related to acts or labor relations of Manager or its respective Affiliates; riots or other civil unrest; acts of government agencies; or a combination of any of the foregoing or any other similar event beyond a party's reasonable control that materially adversely affects the ability of a party to perform, but not in any event market or economic conditions; and (ii) for all other purposes shall mean fire, storm, tornado, earthquake, flood or other natural disaster; strikes; riots or other civil unrest; acts or failures to act of government agencies; or a combination of any of the foregoing or any other similar event beyond a party's reasonable control that adversely effects the ability of a party to perform.

"*Foreclosure Event*" shall have the meaning assigned to such term in Section 6.3.1 of the Management Agreement.

"*Foreclosure Purchaser*" shall mean a purchaser of the Project pursuant to a sale conducted pursuant to the Mortgagee or any other mortgage or deed of trust affecting the Project.

"*Fund*" or "*Funds*" shall mean any one or more, as the case may be, of the separate special funds established by the Indenture or by any Supplemental Indenture.

"*GAAP*" or "*Generally Accepted Accounting Principles*" shall mean those conventions, rules, procedures, and practices, consistently applied, affecting all aspects of recording and reporting financial transactions which are generally accepted by major independent accounting firms in the United States. If Corporation and Manager cannot agree on what constitutes Generally Accepted Accounting Principles, then the accounting firm then or most recently engaged to prepare the Certified Financial Statements for the Hotel in accordance with Subsection 2.20.3 of the Management Agreement shall make the determination on the request of either Party, unless such accounting firm is also the auditing firm for Manager, in which case a different nationally recognized accounting firm shall make such determination.

"*Garage*" shall mean the area shown on the Map designated for parking of approved motor vehicles and entries, exits, drive ramps, and control devices related thereto.

"*Glossary*" or "*Master Glossary*" shall mean this Master Glossary of Terms.

"*Governing Documents*" shall mean, (a) with respect to any corporation, (i) the articles/certificate of incorporation (or the equivalent organizational documents) of such corporation, (ii) the by-laws (or the equivalent governing documents) of the corporation and (iii) any document setting forth the designation, amount and/or relative rights, limitations and preferences of any class or series of such corporation's capital stock; and (b) with respect to any general partnership, (i) the partnership agreement (or the equivalent organizational documents) of such partnership and (ii) any document setting forth the designation, amount and/or relative rights, limitations and preferences of any of the partnership interests; and (c) with respect to any limited partnership, (i) the partnership agreement (or the equivalent organizational documents) of such partnership, (ii) a certificate of limited partnership (or the equivalent organizational documents) and (iii) any document setting forth the designation, amount and/or relative rights, limitations and preferences of any of the partnership interests; and (d) with respect to any limited liability company, (i) the certificate of limited liability (or equivalent filings) of such limited liability company, (ii) the operating agreement (or the equivalent organizational documents) of such limited liability company, and (iii) any document setting forth the designation, amount and/or relative rights, limitations and preferences of any of such company's membership interests.

"*Governmental Authority*" shall mean any nation or government, any federal, state, local or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"*Gross Operating Profit*" or "*GOP*" shall mean for any period of time, the amount by which Gross Operating Revenue properly attributable to such period exceeds Operating Expenses for the same period.

"*Gross Operating Revenue*" or "*GOR*" shall mean all revenue and income of any kind derived directly or indirectly from operations at the Hotel, whether or not arranged by, for or on behalf of another Person or at another location, properly attributable to the period under consideration (including rentals or other payments from licensees, lessees, or concessionaires of retail space in the Hotel, but not gross receipts of such licensees, lessees, or concessionaires), determined in accordance with Generally Accepted Accounting Principles and the Uniform System of Accounts (except that in determining the amount deposited into the Lockbox Fund, such determination shall be made on a cash basis), except that the following shall not be included in determining Gross Operating Revenue: (a) receipts from awards or sales in connection with any Taking, from other transfers in lieu of and under the threat of any Taking, and other receipts in connection with any Taking, but only to the extent that such amounts are specifically identified as compensation for alterations or physical damage to the Hotel; and (b) interest earned on funds held in any Account.

"*Gross Receipts Taxes*" shall mean applicable excise, sales, occupancy and use taxes, or similar government taxes, duties, levies or charges collected directly from patrons or guests, or as a part of the sales price of any goods, services, or displays, such as gross receipts, admission, cabaret or similar or equivalent taxes, including, but not limited to, any transaction tax, resale of electricity tax, soft drink tax, head tax, occupancy tax, amusement tax, beverage tax, USC tax, SUTA, MEPA sales tax, public utility tax, and/or new service tax.

"*Gross Revenues*" shall mean Gross Operating Revenues, including all receivables related thereto, except that the following shall also be included in determining Gross Revenue:

(a) receipts from the financing, sale or other disposition of capital assets and other items not in the ordinary course of the Project's operations and income derived from securities and other property acquired and held for investment;

(b) receipts from awards or sales in connection with any Taking, from other transfers in lieu of and under the threat of any Taking, and other receipts in connection with any Taking, but only to the extent that such amounts are specifically identified as compensation for alterations or physical damage to the Project;

(c) proceeds of any insurance, including the proceeds of any Business Interruption Insurance;

(d) proceeds of any financing;

(e) the initial operating funds and working capital loans and any other funds provided by Corporation to Manager whether for Operating Expenses or otherwise;

(f) other income or proceeds derived from operations outside of the Project and resulting other than from the use or occupancy of the Project, or any part thereof, or other than from the sale of goods, services or other items sold on or provided from the Project in the ordinary course of business;

(g) interest earned on funds held in any Account; and

(h) deposits for room reservations received by the Manager prior to the Opening Date of the Hotel.

"*Group Services*" shall mean the collective reference to the following services, programs and group benefits (for so long as such services are offered generally within the Hilton System): (a) group advertising, (b) sales and business promotion services for both individual guests and conventions, (c) national marketing programs, (d) the Hilton Reservation System, (e) credit card services, (f) the Hilton Software; (g) accounting services and (h) such additional services, programs or group benefits as are, from time to time, provided generally to all Other Hilton Hotels.

"*Group Services Fees and Charges*" shall mean the aggregate fees and charges assessed against Hotel and all Other Hilton Hotels for the provision of Group Services, provided that (a) all such fees and charges shall be solely for reimbursement of payments made by Manager to unrelated third parties (including payments of salaries, wages, compensations and benefits payable to Manager's employees) for the reasonable and actual costs of providing Group Services to the Hotel and all Other Hilton Hotels, which system wide costs may be determined using a reasonable accounting procedure, applied on a consistent basis (which accounting procedure in the case of the Manager shall at all times comply with the requirements of Section 2.20 of the Management Agreement), and (b) the fees and charges shall not include any indirect or direct profit.

"*Group Services Marketing Program*" shall mean the marketing and sales program described in Subsection 2.22.1.2 of the Management Agreement.

"*Hazardous Materials*" shall include, without limitation, petroleum and petroleum products (excluding a small quantity of gasoline used in maintenance equipment on the Site in compliance with all applicable Environmental Laws), flammable explosives, radioactive materials (excluding radioactive materials in smoke detectors), polychlorinated biphenyls, asbestos in any form that is or could become friable, paint with more than 0.5 percent lead by dry weight, hazardous waste, toxic or hazardous substances or other related materials whether in the form of a chemical, element, compound, solution, mixture or otherwise including, but not limited to, those materials defined as "hazardous substances", "extremely hazardous substances", "hazardous chemicals", "hazardous materials", "toxic substances", "toxic chemicals", "air pollutants", "toxic pollutants", "hazardous wastes", "extremely hazardous waste", or "restricted hazardous waste" by Environmental Laws.

"*Hilton*" shall mean Hilton Management LLC, a Delaware limited liability company, and its permitted successors and assigns.

"*Hilton Classification of Accounts*" shall mean the classification of accounts generally used by Manager at any particular time in connection with the operation of the Other Hilton Hotels.

"*Hilton Parties*" and "*Hilton Party*" shall mean Hilton, its Affiliates, subsidiaries, parent(s), partners, joint venturers, successors and assigns and their respective subcontractors, contractors, agents, employees, directors, officers, attorneys, invitees, and guests.

"*Hilton Reservation System*" shall have the meaning assigned to it in the Management Agreement.

"*Hilton Software*" shall have the meaning assigned to such term in Section 11.6 of the Management Agreement.

"*Hilton System*" shall mean, collectively, the elements uniformly designated from time to time to identify structures, facilities, appurtenances, furniture, fixtures, equipment that provide to the consuming public a similar, distinctive, high quality hotel service identified with the "Hilton" brand name, in whole or in part; including licensed brands associated with the Hilton name, trademarks, logos, servicemarks and the like, access to a "Hilton" reservation system, publicity and marketing, training, standards, specifications, policies, inspection programs and manuals containing standards and requirements for the operation of "Hilton" branded hotels.

"*Hotel*" shall mean the Legal Hotel Unit.

"*Hotel Agreements*" shall mean the Management Agreement and the Room Block Commitment.

"*Hotel Assignment Agreement*" shall mean the Assignment and Subordination of Hotel Agreements, dated as of June 1, 2001, as amended by the First Amendment to Assignment and Subordination of Hotel Operating Agreements, dated as of December 1, 2006, and as further amended by the Second Amendment to Assignment and Subordination of Hotel Operating Agreements, dated as of May 1, 2017 and effective as of the Closing Date for the Bonds, by the Corporation in favor of the Trustee and as acknowledged and consented to by the Manager and the Trustee.

"*Hotel Available Revenue Fund*" or "*Available Revenue Fund*" shall have the meaning assigned to such term in the Indenture.

"*Hotel Base Systems*" shall mean Systems which exclusively serve the Hotel.

"*Hotel Chain*" shall mean any hotel or hotels which are members of a chain or group of hotels under common ownership (provided that such chain or group has or contains a minimum of four (4) or more hotels in operation), all or substantially all (but in no event less than four (4) hotels) of which are (in a single transaction with a single seller or transferor) hereafter owned, operated, acquired, leased, managed, franchised or licensed by, or merged with, any entity acquired by, or merged with, or joined through a marketing agreement with, Manager or its Affiliates (or the operation of which is transferred to Manager or any of its Affiliates).

"*Hotel Consultant*" shall mean an independent nationally recognized consulting firm with substantial and significant experience in the first-class convention hotel segment as chosen by Corporation from the list of hotel consultants attached to the Management Agreement as Exhibit S. If either Manager or Corporation in their sole discretion determines that any such consulting firm listed on Exhibit S to the Management Agreement no longer qualifies as a nationally recognized consulting firm with substantial and significant experience in the first-class convention hotel segment, such consulting firm shall be removed from the list on Exhibit S to the Management Agreement and Manager shall submit to the Corporation and the Trustee the names of two (2) nationally recognized consulting firms with substantial and significant experience in the first-class convention center hotel segment, none of whom shall be Manager's primary hotel consultant or auditor and each of whom shall provide a written statement to each of Corporation and Trustee representing that it will make a fair and impartial judgment in any matter submitted to it pursuant to this Agreement. Corporation, upon the advice of the Asset Manager and with the prior written consent of the Trustee, shall select one of the names submitted as a replacement; provided that the Corporation, upon the advice of the Asset Manager, may reject both names in its sole discretion and require the Manager to submit two additional names for consideration until the Corporation selects the replacement.

"*Hotel Deed of Trust*" shall mean the Deed of Trust and Assignment of Rents and Leases, Security Agreement and Fixture Filing dated June 1, 2001, as amended by the First Amendment to Deed of Trust and Assignment of Rents and Leases, Security Agreement and Fixture Filing dated August 1, 2003, as further amended by the Second Amendment to Deed of Trust, and Assignment of Rents and Leases, Security Agreement and Fixture Filing dated as of December 1, 2006, and as further amended by the Third Amendment to Deed of Trust, and Assignment of Rents and Leases, Security Agreement and Fixture Filing dated as of May 1, 2017 and effective as of the Closing Date for the Bonds by the Corporation.

"*Hotel Deed of Trust Title Policy*" shall mean a mortgagee policy of title insurance to be issued by the Title Company on the standard Texas form promulgated by the Texas Department of Insurance in accordance with the Texas Title Insurance Act upon the Closing Date. The Title Policy must have a liability in the amount of the aggregate principal amount of the Bonds insuring, as of the Closing Date, that fee title to the Legal Hotel Unit, is vested in the Corporation, and insuring Trustee that the lien of the Hotel Deed of Trust constitutes a first and valid lien upon the Legal Hotel Unit.

"*Hotel Manager*" or "*Manager*" shall mean Hilton and any other person who enters into an agreement with the Corporation, to operate the Hotel on behalf of the Corporation.

"*Hotel Personnel*" shall mean all individuals performing services at the Hotel employed by Manager or an Affiliate of Manager.

"*Hotel Personnel Costs*" shall mean all costs associated with the employment, management or termination of Hotel Personnel, including training expenses, recruitment expenses, the costs of moving executive level Hotel Personnel, their families and their belongings to the area in which the Hotel is located at the commencement of their employment at the Hotel, wages and salaries, compensation and benefits, employment taxes, training, and severance payments, all in accordance with Legal Requirements and Manager's policies for Other Hilton Hotels.

"*Hotel Unit*" shall mean the Unit designated on the Map as the "Hotel Unit".

"*Hotel Unit's Parking Spaces*" shall mean the reserved parking spaces designated as such and shown on the Map.

"*Impositions*" shall mean all taxes, assessments, governmental charges of any kind whatsoever, adverse judgments, water rates, meter charges and other utility charges.

"*Improvements*" shall mean the Building and all other structures, buildings, pavement, fencing, landscaping, recreational facilities, plumbing, electrical and telephone lines and computer cables and man-made objects of every type, existing or placed on the Land.

"*Indebtedness*" or "*indebtedness*", as applied to any Person, shall mean: (A) all indebtedness for borrowed money; (B) that portion of obligations with respect to leases that is properly classified as a liability on a balance sheet in conformity with GAAP; (C) notes payable and drafts accepted representing extensions of credit whether or not representing obligations for borrowed money; (D) any obligation owed for all or any part of the deferred purchase price of property or services if the purchase price is due more than six months from the date the obligation is incurred or is evidenced by a note or similar written instrument; and (E) all indebtedness secured by any Lien on any property or asset owned or held by that Person regardless of whether the indebtedness secured thereby shall have been assumed by that Person or is nonrecourse to the credit of that Person.

"*Indemnified Parties*" shall mean the Trustee and its affiliates, and each of their respective officers, directors, officials, employees, representatives, attorneys and agents.

"*Indenture*" shall mean the Amended and Restated Indenture of Trust, dated as of the Series 2017 Bond Effective Date , effective as of the Closing Date for the Series 2017 Bonds, by and between the Corporation and the Trustee, as amended and supplemented from time to time.

"*Indenture Trustee*" shall mean the beneficiary named as such on the first page of the Deed of Trust.

"*Independent Accountant*" the accounting firm of RSM US LLP or another national firm of independent certified public accountants mutually acceptable to Corporation and Manager.

"*Index*" shall mean the Consumer Price Index for All Urban Consumers, All Items, for the market area that includes the Hotel, as published by the Bureau of Labor Statistics of the United States Department of Labor, using the years 1982-84 as a base of 100, or if such index is discontinued, the most comparable index published by any federal governmental agency.

"*Information Services*" shall mean Financial Information, Inc.'s "Daily Called Bond Service," 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Service's "Called Bond Service," 65 Broadway, 16th Floor, New York, New York 10006; Moody's "Municipal and Government," 99 Church Street, 8th Floor, New York, New York 10007, Attention: Municipal News Reports; and Standard and Poor's "Called Bond Record," 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then-current guidelines of the Securities and Exchange Commission, to such other addresses and/or such other services providing information with respect to called bonds, or no such services, as the Corporation may designate in a certificate of the Corporation delivered to the Trustee.

"*Initial Bonds*" shall mean the Series 2017A Bonds and Series 2017B Bonds submitted to the Attorney General of the State of Texas and registered by the Comptroller.

"*Insolvency Proceeding*" shall mean the commencement of any proceeding by or against the Corporation under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law.

"*Insurance and Condemnation Proceeds Fund*" shall mean the "Convention Center Hotel Revenue Bond Insurance and Condemnation Fund" established pursuant to Section 5.02 of the Indenture.

"*Insurance Consultant*" shall mean an insurance consultant mutually acceptable to Manager and Corporation.

"*Insurance Costs*" shall mean insurance premiums relating to liability and casualty coverage and Business Interruption Insurance policies and other insurance policies and coverages maintained with respect to the Hotel as required pursuant to the Management Agreement and the Indenture, including, without limitation, Exhibit L attached to the Management Agreement.

"*Insurance Proceeds*" shall mean any and all proceeds received by the Owner from an insurance company as a result of a casualty loss in connection with the Owner's Unit.

"*Intended Use*" shall mean a convention center hotel and for no other use except as permitted under and in accordance with the terms of the Declaration.

"*Interest Payment Date*" shall mean, with respect to the Series 2017 Bonds, January 1 and July 1 of each year, commencing July 1, 2017 or any other date on which the principal or Redemption Price of, or interest on the Series 2017 Bonds is due, and with respect to any other Series of Bonds, the date on which interest is due and payable thereon.

"*Investment Security*" shall mean any investment set forth below which is an authorized investment for the Corporation under State law, and which matures (or is redeemable or is marketable prior to maturity) at such time or times as to enable disbursements to be made from the Fund in which such investment is held in accordance with the terms of the Indenture:

(a) Direct obligations of the United States of America or its agencies and instrumentalities.

(b) Direct obligations of the State of Texas or its agencies and instrumentalities.

(c) Other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas or the United States of America or its agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States of America.

(d) Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated at the time of investment as investment quality by a nationally recognized investment rating firm not less than “AA” or its equivalent.

(e) No-load money market funds registered with and regulated by the Securities and Exchange Commission. The prospectus and other information required by the Securities and Exchange Act of 1934 of the Investment Company Act of 1940 must be provided. The money market is required to have a dollar-weighted average stated maturity of 90 days or fewer, have an investment objective including the maintenance of a stable net asset value of $1.00 per share, and have a rating at the time of investment by S&P of "AAAm-G;" "AAA-m;" or "AA-m" and if rated by Moody's rated at the time of investment "Aaa," "Aa1" or "Aa2."

(f) Certificates of deposit secured at all times by collateral described in paragraphs (a) – (d) above. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral. Such certificates must be issued by depository institutions that have a main branch or a branch office in Texas.

(g) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by Federal Deposit Insurance Corporation.

(h) Investment Agreements, including Guaranteed Investment Contracts, Forward Purchase Agreements and Reserve Fund Put Agreements.

(i) Commercial paper having a stated maturity of 270 days or fewer from the date of issuance and is rated, at the time of purchase "A-1", "P-1" or its equivalent by at least two nationally recognized credit rating agencies or is rated at the time of purchase at least "A-1", "P-1" or its equivalent by at least one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States of America or any state thereof.

(j) Bankers acceptances with a maximum term of 270 days or fewer from the date of its issuance, will be liquidated in full at maturity, is eligible for collateral for borrowing from a Federal Reserve Bank, and is accepted by a bank organized and existing under the laws of the United States of America or any state thereof, or of a bank holding company of which the bank is the largest subsidiary, are rated at the time of investment not less than "A-1", "P-1" or its equivalent rating by at least one nationally recognized credit rating agency.

(k) Repurchase Agreements ("Repos") for 30 days or less must follow the following criteria.

Repos provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

1. Repos must be between the municipal entity and a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in Texas.

a. Primary dealers on the Federal Reserve reporting dealer list which are rated at the time of investment "A" or better by S&P and "A2" or better by Moody's, or

b. Banks at the time of investment rated "A" or better by S&P and "A2" or better by Moody's.

2. The written repurchase agreement must include the following:

a. Securities which are acceptable for transfer which are direct obligations of the United States of America or its agencies or instrumentalities.

b. The term of the Repos may be up to 30 days.

c. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee is (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).

d. Valuation of Collateral.

(1) the securities must be valued weekly, marked-to-market at current market price plus accrued interest.

(2) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the municipal entity, then additional cash and/or acceptable securities must be transferred.

3. A legal opinion which must be delivered to the municipal entity that states that the Repo meets guidelines under state law for legal investment of public funds.

"*Issuer*" shall mean Austin Convention Enterprises, Inc.

"*Issuer Resolutions*" shall mean the resolutions of the Issuer.

"*JAMS*" shall mean J.A.M.S./Endispute, Inc. or its successors.

"*Key Employees*" shall mean the following positions for the Hotel: the Senior Executive Personnel, the executive assistant manager, the resident manager, the director of marketing, the director of food and beverage, the director of front officer operations, the director of security, the director of human resources, the director of housekeeping and the director of engineering.

"*Land*" and "*Site*" shall mean the real property generally bounded by 4th Street, 5th Street, Neches Street, and Red River Street in Austin, Travis County, Texas more particularly described in Exhibit A attached to the Condominium Declaration together with all and singular the rights and appurtenances pertaining thereto.

"*Land Records*" shall mean the Official Public Records of Travis County.

"*Legal Hotel Unit*" shall have the meaning set forth in the Declaration.

"*Legal Requirements*" and "*Applicable Laws*" shall mean (a) all laws, statutes, acts (including, without limitation, the Texas Public Information Act, as applicable), ordinances, rules, regulations, permits, licenses, authorizations, directives, orders and requirements of all governments, quasi-governmental or regulatory authorities, that now or hereafter may be applicable to, as applicable, (i) the Project and the construction, maintenance and operation thereof, including those relating to employees, zoning, building, health, safety and environmental matters, and accessibility of public facilities, (ii) Manager, (iii) Manager's business operations, and/or (iv) Corporation and (b) the requirements of all documents properly filed in the real property records against the Hotel.

"*Letter of Instructions*" shall mean a written directive and authorization executed by an Authorized Corporation Representative.

"*Lien*" shall mean any mortgage, deed of trust, security interest, pledge, hypothecation, encumbrance or lien (statutory or other) of any kind or nature whatsoever (including, without limitation, agreement to give any of the foregoing, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any such agreement, and the filing of any statement under the UCC or comparable law of any jurisdiction).

"*Limited Common Elements*" shall have the meaning set forth in the Declaration.

"*Liquor License*" shall mean the liquor licenses issued for the Hotel in the name of Manager pursuant to Subsection 2.4.5 of the Management Agreement.

"*Listed Events*" shall mean any of the events listed in Section 5(a) of the Disclosure Agreement.

"*Lockbox Fund or Hotel Lockbox Fund*" shall mean the fund by that name required to be maintained pursuant to Section 5.04 of the Indenture and established pursuant to Section 2 of the Cash Management Agreement.

"*Main Transaction Documents*" shall mean the Hotel Agreements, the Bond Documents, and the Condominium Documents.

"Majority of the Bondholders" means a majority of the principal amount of all of the Beneficial Owners of the Bonds outstanding; or if the context expressly indicates, a majority of the principal amount of all of the Beneficial Owners of any one or more Series of Bonds outstanding.

"*Management Agreement*" shall mean the Hotel Operating Agreement dated as of June 1, 2001 by and between the Corporation and Hilton, as amended on December 1, 2006 and on June 2, 2010, and as may be further amended and supplemented from time to time in accordance with its terms, or as the context requires, any other management agreement entered into by the Corporation with respect to the operation and management of the Project.

"*Management Fee*" shall have the meaning assigned to such term in Subsection 3.1.1 of the Management Agreement.

"*Manager*" or "*Hotel Manager*" shall mean Hilton and any other person who enters into an agreement with the Corporation, to operate the Hotel on behalf of the Corporation.

"*Manager's Intellectual Property*" shall have the meaning assigned to such term in Section 11.6 of the Management Agreement.

"*Manager's Negligent or Willful Acts*" shall mean any (a) acts or omissions constituting fraud, negligence, or willful misconduct on the part of Manager or its Affiliates, their officers, directors, employees, agents, or assigns, or Key Employees or (b) criminal violation of law by Manager, Manager's Affiliates or permitted assignees under the Management Agreement, or any of their respective officers, directors or employees, or Key Employees. Notwithstanding the foregoing, acts or omissions of Hotel Personnel (other than Key Employees) shall be excluded from Manager's Negligent or Willful Acts, so long as Manager acted reasonably, prudently and diligently in hiring, firing, training and supervising such Hotel Personnel and Key Employees.

"*Manager's Proprietary Information*" shall mean (a) Manager's and its Affiliates' know-how, trade secrets, documents, designs, plans, reports, guest lists, and studies, (b) information Manager reasonably identifies from time to time as confidential, (c) personnel information, or (d) information that should be treated as confidential under the circumstances surrounding its disclosure including guest history information, sales and marketing information, account information or could cause competitive harm to Manager or any of its Affiliates relating to the Other Hilton Hotels and other proprietary information relative to the operating methods, procedures and policies distinctive to Other Hilton Hotels, including without limitation, the contents of the Hilton operating manuals information and methodologies relating to the Hilton Honors Program or other similar programs or the Hilton Reservation System and all commercial or financial information (including without limitation, all expenses, calculations and apportionments) relating thereto, and Hilton System information.

"*Map*" shall mean the survey plat of the Land and dimensional drawings that horizontally and vertically identify and describe the Units and the Common Elements attached to the amended condominium declaration.

"*Material Adverse Effect*" shall mean (A) a material adverse effect upon the business, operations, properties, assets or condition (financial or otherwise) of Corporation or such other Person as may be referenced or (B) the impairment of the ability of Corporation or such other Person as may be referenced to perform its non-monetary obligations under any Transaction Document or (C) if a particular item of property is referenced, a material adverse effect upon the business, operations, assets located at or condition (financial or otherwise) of the referenced property, or upon such referenced property's ability to be in compliance with the terms of the Transaction Documents. In determining whether any individual event would result in a Material Adverse Effect, notwithstanding that such event does not of itself have such effect, a Material Adverse Effect shall be deemed to have occurred if the cumulative effect of such event and all other then occurring events and existing conditions would result in a Material Adverse Effect.

"*Material Matter*" shall mean the incurrence or creation of any Lien (other than a Lien evidencing a Permitted Indebtedness or a Remitted Encumbrance), Equity Right, Indebtedness or Subordination, the transfer of an Equity Interest, a material violation of any Requirements, a default under any Indebtedness, the non-payment by Neches Partners of charges or assessments with respect to the Condominium, or any other event likely to have a Material Adverse Effect.

"*Monthly Reports*" shall have the meaning assigned to such term in Subsection 2.20.2 of the Management Agreement.

"*Moody's*" shall mean Moody's Investors Service, Inc., its successors and assigns.

"*Mortgagee*" shall mean any holder of a Deed of Trust.

"*National Vendor*" shall mean any vendor providing goods or services to the Hotel and Other Hilton Hotels under a purchasing program or a contractual arrangement with the Manager or any of its Affiliates available to or for the benefit of the Hotel and Other Hilton Hotels.

"*Net Debt Service*" shall mean, (i) for purposes of determining the Debt Service Coverage Ratios under Section 7.33 of the Indenture and Section 2.18.9 of the Management Agreement, and for purposes of determining whether a Performance Standard under Section 4.5 of the Management Agreement has been met, (a) with respect to the First Tier Bonds, Debt Service on the First Tier Bonds less actual and anticipated investment earnings on amounts held in the First Tier Debt Service Reserve Fund, and (b) with respect to the Second Tier Bonds, Debt Service on the Second Tier Bonds less actual and anticipated investment earnings on amounts held in the Second Tier Debt Service Reserve Fund, and (ii) for purposes of all other provisions of the Transaction Documents, with respect to any particular period, (a) with respect to the First Tier Bonds then Outstanding, Waterfall Requirement Service on such First Tier Bonds less actual and/or anticipated investment earnings on amounts held in the First Tier Debt Service Reserve Fund occurring after [July 1, 20__], and (b) with respect to the Second Tier Bonds then Outstanding, Waterfall Requirement Service on such Second Tier Bonds less actual and/or anticipated investment earnings on amounts held in the First Tier Debt Service Reserve Fund and Second Tier Debt Service Reserve Fund occurring after [July 1, 20__]; provided that for purposes of calculating Net Debt Service, interest earnings shall be assumed only with respect to interest anticipated from guaranteed investment contracts.

"*Net Effective Interest Rate*" shall be defined and calculated in accordance with the terms of Chapter 1204, Texas Government Code.

"*Net Operating Income*" shall mean, for any period, the amount by which the sum of (i) Gross Operating Profit properly attributable to the period under consideration and (ii) interest earned on any of the Accounts or Funds (except for the First Tier Debt Service Reserve Fund, the Second Tier Debt Service Reserve Fund, the Rebate Fund, the Renewal and Replacement Fund, the Supplemental Renewal and Replacement Fund and the Operating Reserve Fund to the extent such interest earnings on the Operating Reserve Fund are retained in the Operating Reserve Fund), exceeds the aggregate of the following: (a) Taxes; (b) Insurance Costs; and (c) amounts added to the Renewal and Replacement Fund for the same period.

"*Net Revenues*" shall mean Gross Operating Revenues for the Hotel less (a) Operating Expenses, (b) payments of interest on any Short Term Indebtedness and (c) Administrative Expenses.

"*Non-Disturbance Agreement*" shall have the meaning assigned to such term in Subsection 6.3.2 of the Management Agreement.

"*Nonrestricted Hotel*" shall mean any hotel or motel facility which is not a Restricted Hotel.

"*Obligated Person*" shall mean any "obligated person" within the meaning of the Rule.

"*Official Statement*" shall mean the Official Statement, and any supplements thereto, prepared and distributed in connection with the initial sale of the Series 2017 Bonds.

"*Operating Expenses*" shall mean all those ordinary and necessary expenses, including Reimbursable Expenses, Base Management Fee, and Additional Management Fee, incurred in the operation of the Hotel (including any management fee payable in respect of the Hotel Unit's Parking Spaces unless the Manager is obligated to pay such management fee pursuant to Section 2.26 of the Management Agreement) in accordance with and to the extent provided in the Management Agreement, including but not limited to Hotel Personnel Costs, the cost of maintenance and utilities, administrative expenses, the costs of advertising, marketing, and business promotion, and any amounts payable to Manager as set forth in the Management Agreement other than the Subordinate Management Fee, all as determined in accordance with Generally Accepted Accounting Principles and the Uniform System of Accounts. Notwithstanding the foregoing description, unless expressly made an Operating Expense under a specific provision of the Management

Agreement, the following shall not constitute Operating Expenses: (a) Taxes and Excluded Taxes and Other Charges (save and except for payroll taxes included in Excluded Taxes and Other Charges); (b) Insurance Costs; (c) rentals of real property (unless approved in writing by Corporation); (d) depreciation and amortization on capitalized assets; (e) Administrative Expenses and other costs and expenses of Trustee, Corporation, or Trustee's or Corporation's personnel, such as entertainment expenses, salaries, wages and employee benefits of Trustee's or Corporation's employees, directors' fees, and the expenses of directors or Trustee's or Corporation's employees to attend board meetings; (f) costs and professional fees, including the fees of attorneys, accountants, and appraisers, incurred directly or indirectly in connection with any category of expense that would not otherwise be an Operating Expense, unless otherwise expressly provided in the Management Agreement; (g) payments of principal and interest related to any financing of the Hotel; (h) costs covered by and of Manager's indemnity, hold harmless and defense agreements contained in the Management Agreement, all of which shall be funded out of Manager's own funds (from whatever source, including insurance proceeds); (i) costs incurred by Manager to perform obligations, duties, covenants, agreements and responsibilities which, under the express terms of the Management Agreement, are to be funded from Manager's own funds; (j) Capital Expenses, including, without limitation, construction costs of the Project; and , and (k) payments made and amounts required to be paid pursuant to the Development Agreement and the Design/Build Agreement.

"*Operating Plan*.

"*Operating Plan and Budget*" shall mean an annual marketing and operating plan and budget for the Hotel prepared by the Manager and approved (or deemed approved) by the Corporation, all in accordance with the terms of Section 2.18 of the Management Agreement.

"*Operating Reserve Fund*" shall mean the Convention Center Hotel Revenue Bond Operating Reserve Fund established by Section 5.02 of the Indenture.

"*Operating Reserve Requirement*" shall mean, prior to the Closing Date for the Series 2017 Bonds, an amount equal to $8,000,000.

"*Operating Standard*" or "*Standards*" shall mean the standard of management of the Hotel described in Subsection 2.2.1 of the Management Agreement.

"*Operating Term*" shall mean the term of the Management Agreement, as defined in Section 4.1 thereof.

"*Operating Year*" shall mean each full calendar year occurring during the Operating Term and the calendar year in which the Termination of the Management Agreement occurs.

"*Original Purchaser*" means, with respect to the Series 2017 Bonds, each of the initial registered owners of such Series 2017 Bonds.

"*Other Hilton Hotels*" shall mean all hotels and resorts in the United States that are owned or managed by Manager and/or its Affiliates under the name "HILTON", (other than under the Hilton Garden Inn and Hilton Residential Suites and Hilton Suites names or any other hotel in which HILTON is secondary to another brand name for purposes of identifying such other brands as having a relationship with Hilton Worldwide Holdings, Inc.), including all such hotels and resorts under such brand that are owned or managed by Manager and its Affiliates.

"*Out-of-Pocket Expenses*" shall mean the out of pocket costs paid to non-Affiliates of Manager (with no mark-up or profit to Manager) incurred directly by Manager or any of its Affiliates providing services to the Hotel under the Management Agreement, including, without limitation, reasonable air and ground transportation, meals, lodging, reasonable business entertainment expenses, taxes, gratuities, computer services, document reproduction, printing, promotional materials, stationery, postage, long-distance telephone calls, and facsimiles.

"*Outstanding*" shall mean, with respect to any Bonds as of any date, Bonds theretofore or thereupon being authenticated and delivered under the Indenture except:

(a) Bonds canceled or delivered for cancellation at or prior to such date;

(b) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to the Indenture; and

(c) Bonds deemed to have been paid, redeemed, purchased or defeased as provided in the Indenture, in any Supplemental Indenture, as applicable, or as provided by law.

"*Owner*" and "*Corporation*" shall mean Austin Convention Enterprises, Inc., a Texas nonprofit public facility corporation, and its successors and permitted assigns.

"*Owner's Authorized Representative*" shall mean the Owner's president or such other person named by the Owner, provided Owner shall give written notice prior to implementing such change.

"*Owner's Unit*" shall have the meaning set forth in the Declaration.

"*Participant*" means those broker-dealers, banks and other financial institutions from time to time for which DTC holds Series 2017 Bonds as securities depository.

"*Party*" or "*Parties*" shall mean, as used in and with respect to each Agreement, the parties entering into such Agreement.

"*Past Due Rate*" shall mean [_____]([__]%)] until the Indenture is no longer outstanding after which time it shall be the lesser of eighteen percent (18%) per annum or the maximum lawful rate of interest under Texas law.

"*Paying Agent*" shall mean the Trustee, and its successor or assigns.

"*PCC*" shall have the meaning assigned to such term in Section 1.20 of the Room Block Commitment.

"*Performance Standard*" shall mean either the Series 2017 Bonds Performance Standard or the REVPAR Performance Standard.

"*Performance Termination Event*" shall have the meaning assigned to such term in Subsection 4.5.1 of the Management Agreement.

"*Performance Test*" shall mean the tests to determine if a Performance Termination Event has occurred.

"*Performance Test Period*" shall mean the period of the Operating Term commencing with the fifth (5th) Operating Year and ending on the last day of the Operating Term, provided, however, if on the expiration of the 90-Day Period the Hotel is open and available for use and occupancy by the general public and PCCs, but is not otherwise Substantially Complete, then the Performance Test Period shall not commence until the 5th anniversary of the date on which the Hotel is Substantially Complete.

"*Permits*" shall mean licenses, approvals, permits, variances, authorizations, entitlements, registrations, and the like required by any governmental or regulatory organization or unit having jurisdiction over Corporation or the Project.

"*Permitted Encumbrances*" shall mean with respect to the property of the Corporation, means and includes:

(a) Liens specifically permitted by, or created by, the Indenture, the Hotel Deed of Trust, the Security Agreement or any other Transaction Document.

(b) Liens for taxes, assessments, fees, levies or other similar charges which are either not yet due and payable or are being contested in good faith by appropriate proceedings conducted with due diligence, if adequate reserves therefor have been established and are being maintained.

(c) Materialmen's, mechanics', workmen's, repairmen's, employees' or other like Liens arising in the course of construction of the Hotel or in the ordinary course of operations or maintenance of the Hotel, in each such case securing obligations which are not delinquent or are bonded in a manner satisfactory to the

Corporation acting reasonably and in good faith or are being contested in good faith by appropriate proceedings conducted with due diligence (unless by such contest there exists any risk (taking into account any applicable insurance, reserves or bonding covering such Lien) that any portion of the Site or the Hotel may become subject to loss or forfeiture or that such Lien or contest thereof might otherwise interfere with the use of the Site or the Hotel).

(d) Presently existing utility, access and other easements and rights of ways, and restrictions as set forth in Schedule B to the Mortgagee Title Policy accepted by Trustee as of the Closing Date.

(e) purchase money security interests and security interests placed upon personal property being acquired to secure a portion of the purchase price thereof, or lessor's interests in leases required to be capitalized in accordance with generally accepted accounting principles; provided that the aggregate principal amounts secured by any such interests shall not exceed at any time more than $100,000.

"*Permitted Indebtedness*" shall mean the Bond Obligations and the Short Term Indebtedness.

"*Permitted Rates*" shall mean the range of Permitted Rates approved or deemed approved by Manager and Corporation for guest rooms in the Hotel pursuant to Section 4.1 of the Room Block Commitment.

"*Person*" shall mean any individual, public or private corporation, partnership, limited liability company, county, district, authority, municipality, political subdivision or other entity of the State or the United States of America, and any partnership, association, firm, trust, estate or any other entity or organization whatsoever.

"*Petty Cash Amount*" shall mean an amount reasonably estimated by the Manager as the amount needed from time to time to be retained by the Manager at the Project as petty cash, which amount shall be comparable to the amount kept by Manager as petty cash at other hotels of comparable size and quality operated by Manager.

"*Prime Rate*" shall mean the prime lending rate then in effect for U.S. Bank National Association.

"*Principal Installment*" shall mean as of any particular date of calculation and with respect to Bonds of a particular Series, an amount of money equal to the aggregate of (a) the principal amount of Outstanding Bonds of such Series which mature on a single future date, reduced by the aggregate principal amount of such Outstanding Bonds of such Series which would before said future date be retired as a result of Sinking Fund Installments applied in accordance with this Indenture or a Supplemental Indenture plus (b) the amount of any Sinking Fund Installment payable on said future date for the retirement of any Outstanding Bonds of such Series.

"*Principal Office*" or "*Principal Corporate Trust Office*" with respect to the Trustee shall mean the principal corporate trust office of the Trustee located at the address set forth in Section 13.10 of the Indenture, or at such other place as the Trustee shall designate by notice given under said Section 13.10, or such other office designated by the Trustee from time to time.

"*Project*" shall have the meaning set forth in the Declaration.

"*Project Benefit*" shall mean any capital contribution, loan, grant, subsidy, tax abatement, tax reduction, incentive, guaranty, letter of credit, or other financial contribution, enhancement or benefit to, Corporation or the Project.

"*Projected Additional Bonds Debt Service Coverage Ratio*" shall mean for any future period, with respect to the Outstanding First Tier Bonds, a fraction calculated by dividing Total Projected Net Revenues for a particular future period of time by the Net Debt Service for the Outstanding First Tier Bonds for the same particular period of time; and with respect to the Outstanding Second Tier Bonds, means a fraction calculated by dividing Total Projected Net Revenues for a particular future period of time by the Net Debt Service for the Outstanding First Tier Bonds and Second Tier Bonds for the same particular period of time.

"*Projected Debt Service Coverage Ratio*" shall mean for any future period the ratio consisting of Total Projected Net Revenues for such future period of time divided by Net Debt Service during the same particular period of time for the Tier of Bonds so designated.

"*Property*" shall mean the Land and the Improvements.

"*Proposed Assignee*" shall, with respect to the Management Agreement, have the meaning assigned to such term in Subsection 9.2.1 of the Management Agreement.

"*Proprietary Information*" shall mean information pertaining to Proprietary Software or Manager's Intellectual Property, but only to the extent such information is not in the public domain.

"*Proprietary Software*" shall mean certain computer software specially developed by or for Manager and its Affiliates for use in hotels and resorts managed by Manager and its Affiliates or for use in Other Hilton Hotels, as more fully described in Exhibit U attached to the Management Agreement.

"*Public Facility*" shall be defined within the meaning of Chapter 1508, Texas Government Code, and Chapter 303, Texas Local Government Code.

"*Purchase Agreement*" shall mean the Bond Purchase Agreement.

"*Qualified Institutional Buyers*" shall have the meaning set forth in Rule 144A under the Securities Act of 1933, as amended.

"*Qualified Management Agreement*" shall be defined under Section 141 of the Code and Rev. Proc. 2016-44, RP-117946-16.

"*Quarterly Reports*" shall mean the quarterly reports required under Subsection 2.20.2 of the Management Agreement.

"*Rating Agency*" shall mean, as the context requires, S&P or such other rating agency as the Corporation may elect to retain to provide ratings on the Corporation's bonds.

"*Real Property*" shall mean the property described in the granting clauses of the applicable Deed of Trust, as defined in the preamble to those granting clauses.

"*Rebate Analyst*" shall mean a certified public accountant, financial analyst or bond counsel, or any firm of the foregoing, or financial institution (which may include the Trustee) experienced in making the arbitrage and rebate calculations required pursuant to Section 148 of the Code and retained by the Corporation to make the computations required under the Indenture or any Supplemental Indenture.

"*Rebate Fund*" shall mean the Convention Center Hotel Revenue Bond Rebate Fund established by Section 5.02 of the Indenture, and includes any separate accounts or subaccounts established by the terms of any Supplemental Indentures or any agreement pursuant thereto.

"*Receiving Party*" or "*receiving party*" shall have the meaning assigned to such term in Section 12.31 of the Management Agreement.

"*Record Date*" shall mean the close of business on the fifteenth day of the calendar month (whether or not a Business Day) preceding such Interest Payment Date; provided that the Record Date for any Series of Additional Bonds, if different, means the date designated in any Supplemental Indenture as the record date for the payment of interest on such Series of Additional Bonds.

"*Redemption Date*" shall mean the date upon which any Bonds are to be redeemed prior to their respective fixed maturities pursuant to the mandatory or optional redemption provision of the Indenture or any Supplemental Indenture.

"*Redemption Price*" shall mean, with respect to any Bond, the amount, including any applicable premium, payable upon the mandatory or optional redemption thereof, as provided in this Indenture or any Supplemental Indenture.

"*Refunding Bonds*" shall mean all Bonds, whether issued in one or more Series, issued for the purpose of refunding a like or different principal amount of Bonds, and hereafter authenticated and delivered pursuant to the Indenture.

"*Register*" shall mean the register maintained by the Registrar for each Series of Bonds which shows ownership of Bonds in accordance with Section 3.08 of the Indenture.

"*Registered Owner*" shall mean the registered owner of any Bond.

"*Registrar*" shall mean, with respect to the Series 2017 Bonds, the Trustee, and the successor or successors appointed pursuant to and meeting the requirements of Article X of the Indenture.

"*Regulations*" shall mean the rules and regulations promulgated by the Association from time to time. The Regulations may supplement or elaborate upon the provisions of this Declaration or the Bylaws.

"*Reimbursable Expenses*" shall mean all costs and expenses reimbursable to Manager pursuant to Subsection 3.4.1 of the Management Agreement. Notwithstanding any provision to the contrary herein contained, Reimbursable Expense shall not include Internal Expenses.

"*Related Party*" shall mean any Person who is a "related person" within the meaning of Section 144(a)(3) of the Code.

"*Renewal and Replacement Fund*" shall mean the Convention Center Hotel Revenue Bond Renewal and Replacement Fund established by Section 5.02 of the Indenture and shall have the meaning assigned to such term in Section 3.9 of the Management Agreement.

"*Renewal and Replacement Set Aside Amount*" shall mean 4% of Gross Operating Revenue. The Renewal and Replacement Set Aside Amount shall not be classified as an Operating Expense or Capital Expense, provided that upon disbursement of funds from the Renewal and Replacement Fund, the disbursed amounts shall be classified as an Operating Expense or Capital Expense in accordance with GAAP.

"*Rents*" shall mean any and all rental or other income received by the Owner in connection with the leasing, use or licensing of all or a portion of the Owner's Unit, including (without limitation) any and all revenues produced or realized by the Hotel Unit.

"*Report*" shall have the meaning assigned to such term in Section 2.22.3 of the Management Agreement.

"*Reserve Deposits*" means deposits from guests to reserve rooms or facilities at the Hotel.

"*Reserve Fund*" shall mean the First Tier Debt Service Reserve Fund and the Second Tier Debt Service Reserve Fund, as the context requires.

"*Responsible Officer*" shall mean, when used with respect to the Trustee, the chairman or vice chairman of the board of directors of the Trustee, the chairman or vice chairman of the executive committee of said board, the president or any vice president, the secretary or any assistant secretary, the treasurer or any assistant treasurer, the cashier or any assistant cashier, any trust officer or assistant trust officer, the controller or any assistant controller or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer of the Trustee to whom such matter is referred because of that officer's knowledge of and familiarity with the particular subject.

"*Restricted Area*" shall have the meaning assigned to such term in Section 12.25 of the Management Agreement.

"*Restricted Hotel*" shall mean any hotel or motel facility which (i) is operated under the "Hilton Hotel" flag as a full service hotel but shall not include or apply to any other products, services or businesses under the "Hilton" brand, including, without limitation, Hilton Suites and other all-suite hotels, Hilton Garden Inn or other limited service hotels, Homewood Suites by Hilton or any extended stay hotel or any other comparable brands created by Hilton or any other hotel in which "Hilton" is secondary to another brand name for purposes of identifying such other brands as having a relationship with Hilton Worldwide Holdings, Inc., or (ii) has more than 200 guest rooms and more than 10,000 square feet of meeting space within or immediately adjacent to such facility or has more than 500 guest rooms.

"*REVPAR*" shall mean, with respect to each hotel that is a member of the Competitive Set and with respect to the Hotel, and with respect to any period of time, the "Revenue Per Available Room" for the hotel in question, as measured and reported by Smith Travel Research, Inc., or such other reputable independent third party market research firm as may be mutually approved by Corporation and Manager.

"*REVPAR Performance Standard*" shall mean that the Hotel's REVPAR for the applicable Operating Year is at least ninety percent (90%) of the Average Competitive REVPAR for such Operating Year.

"*Room Block Commitment*" shall mean that certain Room Block Commitment Agreement entered into between Corporation and Manager, dated as of June 1, 2001.

"*Room Block Contract*" shall have the meaning assigned to such term in Section 1.15 of the Room Block Commitment.

"*Room Block Request*" shall mean a written request from Corporation, Convention Center Representative or another designee of Corporation to Manager requesting Manager to commit a specified number of rooms to a PCC on specific dates and alternate dates set forth in such request.

"*Room Rate Schedule*" shall have the meaning assigned to such term in Subsection 2.18.4.1 of the Management Agreement.

"*Rule*" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

"*S&P*" shall mean S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, its successors and assigns, and, if S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Corporation.

"*Schedule of Bonuses*" shall have the meaning assigned to such term in Subsection 3.1.4.2 of the Management Agreement.

"*Second Tier Bonds*" shall mean the Series 2017B Bonds and all Additional Bonds issued on a parity with the Series 2017B Bonds.

"*Second Tier Debt Service Reserve Fund*" shall mean the Convention Center Hotel Revenue Bond Second Tier Debt Service Reserve Fund established by Section 5.02 of the Indenture.

"*Second Tier Debt Service Reserve Fund Requirement*" shall mean an amount equal to the lesser of (a) 1.25 times the average principal and interest requirements of the Series 2017B Bonds and any Additional Bonds issued as Second Tier Bonds, or (b) 1.00 times the annual principal and interest requirements of the Series 2017B Bonds and any Additional Bonds issued as Second Tier Bonds to be Outstanding in the Fiscal Year during which such annual principal and interest requirements are scheduled to be the greatest; provided, however, that the Second Tier Debt Service Reserve Fund Requirement shall not exceed 10% of the aggregate proceeds (within the meaning of Section 148(d)(2) of the Code) of the Series 2017B Bonds and any Additional Bonds issued as Second Tier Bonds.

"*Secured Obligations*" shall have the meaning assigned to such term in the Hotel Deed of Trust.

"*Securities Depositories*" shall mean the following registered securities depositories: (a) The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax- (516) 227-4039 or 4190; (b) Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax- (312) 663-2343; and (c) Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Fax-(215) 496-5058; or, (d) in accordance with then-current guidelines of the Securities and Exchange Commission, to such other addresses and/or such other securities depositories, as the Securities and Exchange Commission may designate from time to time.

"*Security Agreement*" shall mean the Security Agreement dated as of June 1, 2001, as amended by the First Amendment to Security Agreement, dated as of December 1, 2006, and as further amended by the Second Amendment to Security Agreement, dated as of May 1, 2017 and effective as of the Closing Date for the Bonds, by and between the Corporation and the Trustee.

"*Semi-Annual Installment of Subordinate Management Fee*" shall have the meaning assigned to it in Section 3.1.3.2 of the Management Agreement.

"*Senior Executive Personnel*" shall mean the individuals employed from time to time as the general manager of the Hotel and the director of finance for the Hotel.

"*Series*" shall mean Bonds identified as a separate series which are authenticated and delivered on original issuance and any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to the Indenture, or any Supplemental Indenture. All Bonds of a particular Series shall be of the same Tier.

"*Series 2017 Bonds*" shall mean, collectively, the Series 2017A Bonds and the Series 2017B Bonds.

"*Series 2017 Bonds Performance Standard*" shall mean Total Net Revenues (inclusive of the Gross Operating Revenues generated by the Garage) for the applicable Operating Year is sufficient to satisfy the Net Debt Service on the Series 2017 Bonds for such Operating Year; ; provided, however, if such Net Debt Service is in an amount greater than the respective amount shown on Schedule A to this Master Glossary for such respective Operating Year, then such Net Debt Service shall be deemed to be the respective amount shown on Schedule A to this Master Glossary for such Operating Year for purposes of determining Manager's compliance with such Series 2017 Bonds Performance Standard; provided further, however, that if the Manager is required to cease all operations of the Hotel due to the failure, revocation, lapse, non-issuance or non-reissuance or non-renewal of any temporary certificate of occupancy (not caused by Manager's Negligent or Willful Acts (provided that the Manager's good faith compliance with such Temporary Certificate of Occupancy shall not be deemed to constitute Manager's Negligent or Willful Acts,) then for such Operating Year the amount of Total Net Revenues required to satisfy the Series 2017 Bonds Performance Standard shall be reduced by an amount equal to (a) three times the number of days the Hotel is not operating divided by three hundred sixty-five multiplied by (b) the amount of Total Net Revenues sufficient to satisfy such Performance Standard applicable to such Operating Year; and, provided further, that in the event of such failure, revocation, non-issuance, non-renewal or non-reissuance which does not result in a complete cessation of operations at the Hotel then for such Operating Year the Total Net Revenues required to satisfy the Performance Standard shall be equitably reduced in proportion to the degree to which Manager's operation of the Hotel has been interrupted.

"*Series 2017A Bonds*" shall mean the $[_____] aggregate principal amount of Austin Convention Enterprises, Inc., Convention Center Hotel First Tier Revenue Refunding Bonds, Series 2017A.

"*Series 2017B Bonds*" shall mean the $[_____] aggregate principal amount of Austin Convention Enterprises, Inc., Convention Center Hotel Second Tier Revenue Refunding Bonds, Series 2017B.

"*Series 2017 Bond Effective Date*" shall mean May 1, 2017.

"*Short Term Indebtedness*" shall mean any notes or other indebtedness lawfully issued or incurred by the Corporation payable in full not later than twelve months from the date so issued or incurred.

"*Sinking Fund Installment*" shall mean, as of any particular date of calculation and with respect to any Series of Bonds, the amount of money to be applied as the Redemption Price of Bonds subject to mandatory sinking fund redemption in any Fiscal Year prior to maturity pursuant to this Indenture or the Supplemental Indenture for such Series, as such Sinking Fund Installment shall have been previously reduced by the principal amount of any Bonds of such Series of the maturity in respect of which such Sinking Fund Installment is payable which are purchased or redeemed by the Trustee in accordance with the provisions of Section 4.03 of the Indenture or of any Supplemental Indenture, other than by the prior payment of a Sinking Fund Installment.

"*Site*" shall have the meaning set forth in the definition of Land.

"*State*" shall mean the State of Texas.

"*Sub-Unit*" shall have the meaning set forth in the Declaration.

"*Subaccount*" shall mean any one or more of the subaccounts from time to time created in any of the Accounts established by Section 5.02 of the Indenture or by any Supplemental Indenture.

"*Subordinate Management Fee*" shall have the meaning assigned to such term in Subsection 3.1.3.1 of the Management Agreement.

"*Subordinate Management Fee Fund*" shall mean, so long as any Bonds remain Outstanding, the Convention Center Hotel Revenue Bond Subordinate Management Fee Fund established by Section 5.02 of the Indenture, and after no Bonds remain Outstanding, shall have the meaning assigned to such term in Section 3.9 of the Management Agreement.

"*Subordination*" shall mean (i) an agreement pursuant to which Indebtedness owed to a Person, and/or the Lien securing such Indebtedness, is made subject and subordinate, in payment priority and/or lien priority, to Indebtedness owed to another Person and/or the Lien securing the same, and (ii) any arrangement segregating or restricting the use of cash, restricting payments or dividends, or otherwise altering a Person's rights to make use of its cash as it sees fit.

"*Subordination Agreement*" shall have the meaning assigned to such term in Subsection 6.2.2 of the Management Agreement.

"*Sufficient Funds*" shall mean the following:

(a) with respect to the payment of Operating Expenses, there are sufficient amounts in the Hotel Lockbox Fund (or other funds that are made available to Manager for the payment of Operating Expenses) for the payment of such Operating Expenses;

(b) with respect to the payment of Capital Expenses in connection with unbudgeted Capital Improvements or an Emergency, there are sufficient funds in the Operating Reserve Fund, the Renewal and Replacement Fund, the Supplemental Renewal and Replacement Fund, the Excess Revenues Fund and the Cash Trap Fund to pay for such Capital Expenses;

(c) with respect to Taxes and Insurance, there shall be sufficient balances in the Taxes and Insurance Fund to pay for such costs;

(d) with respect to Gross Receipts Taxes, there shall be funds available in the Lockbox Fund to pay such taxes at least equal to the collections deposited by Manager into the Lockbox Fund that are attributable to such Gross Receipts Taxes;

(e) with respect to the payment of costs to repair and/or replace FF&E or Capital Expenses in connection with budgeted capital improvements, there are sufficient funds in the Renewal and Replacement Fund, the Supplemental Renewal and Replacement Fund, the Excess Revenues Fund, and the Cash Trap Fund to pay for such costs and Capital Expenses.

"*Supplemental Indenture*" shall mean any Indenture supplemental to or amendatory of this Indenture, entered into by the Corporation and the Trustee in accordance with Article XI thereof.

"*Supplemental Renewal and Replacement Fund*" shall mean the Convention Center Hotel Revenue Bond Supplemental Renewal and Replacement Fund established by Section 5.02 of the Indenture.

"*Supplemental Renewal and Replacement Set Aside Amount*" shall mean eight percent (8%) of Gross Operating Revenue for each month commencing the first full month after the Closing Date.

"*Systems*" include, but are not limited to, all fixtures, equipment, pipes, lines, wires, ducts, vents, computer cables, security system cables, monitoring system cables, conduits and other systems and facilities used in the production, heating, cooling and/or transmission of air, water, gas, electricity, communications, waste water, sewage, and audio and video signals, notwithstanding the fact that such System may be located in all or a portion of a Unit.

"*Taking*" or "*Taken*" shall mean a taking as a result of compulsory purchase or acquisition of all or part of the Project, any taking by any governmental authority (or any authority or entity acting on behalf of or purporting to act on behalf of any governmental authority) for any purpose whatsoever or a conveyance by Corporation in lieu thereof.

"*Tax Certificate*" shall mean the Federal Tax Certificate, dated as of the Closing Date executed by the Corporation, as such Federal Tax Certificate shall be amended from time to time.

"*Taxes*" shall mean all taxes, including ad valorem taxes on real property, personal property taxes relating to or assessed in connection with the ownership or operation of the Project, except for Excluded Taxes and Other Charges.

"*Taxes and Insurance Fund*" shall mean the "Convention Center Hotel Revenue Bond Taxes and Insurance Fund" established pursuant to Section 5.02 of the Indenture, and after the Bonds are no longer Outstanding under the Indenture, the fund by that name to be created pursuant to Section 3.9 of the Management Agreement.

"*Taxes and Insurance Set Aside Amount*" shall mean, with regard to a particular month, an amount equal to one-twelfth (1/12) of the amount budgeted for real property taxes, if any, and assessments and insurance by the then-current Operating Plan and Budget for the Operating Year in which the month falls.

"*Temporary Certificate of Occupancy*" shall mean a certificate or certificates, as applicable, issued by the City that permits legal and beneficial occupancy, operation and use of the Hotel without interruption for each of its intended purposes, which certificate or certificates may be issued with or without qualification so long as any qualification shall not prohibit, restrict or impair such occupancy, operation or use.

"*Term*" shall have the meaning assigned to such term in Section 4.1.1 of the Management Agreement.

"*Termination*" shall mean the expiration or sooner cessation or termination of the applicable agreement.

"*TIA*" shall mean the Trust Indenture Act of 1939.

"*Tier*" shall mean all Bonds of one or more Series the principal and Redemption Price of and interest on which are payable from the same Debt Service Account.

"*Title Company*" shall mean Fidelity National Title Insurance Company.

"*Total Net Revenues*" shall mean Gross Operating Revenue plus the earnings on amounts deposited into the Available Revenue Fund not otherwise included in the definition of Gross Operating Revenue, less Operating Expenses, and less amounts added to the Renewal and Replacement Fund for the same period representing the regularly scheduled 4% of Gross Operating Revenue required to be deposited pursuant to the definition of “Renewal and Replacement Set Aside Amount”.

"*Total Projected Net Revenues*" shall mean the amount of Total Net Revenues for a particular period of time as projected by a Hotel Consultant.

"*Trademarks*" shall mean the trademarks, trade name, service marks, and copyrights associated with the name HILTON, and the related marks that include the word HILTON, including HILTON HOTELS, HILTON RESORTS, and the "Hilton Hotels & Resorts" corporate logo or symbol, together with the right to use any and all slogans, derivations, trade secrets, know-how, and trade dress, and all other proprietary rights associated with such names, marks and slogans.

"*Transaction Documents*" shall mean any and all documents relating to the refinancing, ownership, management, use, or operation of the Project, as any such documents may be amended from time to time, including, without limitation, the Hotel Agreements, the Bond Documents, the Condominium Documents, and all documents pertaining to title matters. To the extent that any document or agreement is included within more than one of capitalized terms referenced within this defined term "Transaction Documents" such agreement or document shall be deemed included only once for purposes of this term "Transaction Documents"

"*Transition Period*" shall have the meaning assigned to such term in Section 4.11.11 of the Management Agreement.

"*Trust Estate*" shall have the meaning assigned to such term in the Granting Clauses of the Indenture.

"*Trustee*" shall mean U.S. Bank National Association f/k/a U.S. Bank Trust National Association, as trustee under the Indenture, together with any successors or assigns.

"*Twelve Month Period*" shall mean the twelve month period commencing with January 1, 2017 and ending on and including December 31, 2017 (which Twelve Month Period shall be the First Twelve Month Period) and each other twelve month period commencing on January 1 and ending on and including the date immediately preceding the next occurring January 1 (each subsequent Twelve Month Period may also be designated as the Second Twelve Month Period, Third Twelve Month Period, and so on as appropriate).

"*UCC*" shall mean the Texas Uniform Commercial Code.

"*Underwriter*" means, with respect to the Series 2017 Bonds, Citigroup Capital Markets Inc., as representative of a syndicate of underwriters for the Series 2017 Bonds.

"*Uniform Condominium Act*" shall mean the Uniform Condominium Act, Texas Property Code, Chapter 82, Section 82.001 et seq., as amended from time to time.

"*Uniform System of Accounts*" shall mean the latest edition of the Uniform System of Accounts for the Lodging Industry that is published by the American Hotel & Lodging Educational Institute, Lansing, Michigan, and approved by the American Hotel & Motel Association (currently, the 11th Revised Edition, 2014, or the then most current version).

"*Unit*" shall have the meaning set forth in the Declaration.

"*Unrelated Third Party*" means any Person who is not a Related Party.

"*Upscale Hotel*" shall mean a hotel having an Upscale Rating.

"*Upscale Rating*" shall have the meaning assigned to such term in Subsection 1.3 of the Management Agreement.

"*Upscale Standard*" shall mean operation of the Hotel as a full service, first class convention oriented hotel, rated as "upscale", as categorized by J.D. Powers and Associates in its annual study of upscale hotel chains (or, if such study is discontinued, by a comparable source within the hotel industry).

"*USA&M*" shall have the meaning assigned to such term in Subsection 10.1.1 of the Management Agreement.

"*Utility Easement*" shall mean a perpetual, irrevocable and nonexclusive easement over all or any of the General Common Elements and Nonexclusive Limited Common Elements in which utilities exist or which are designated for utilities.

"*Variable Expenses*" shall have the meaning assigned to such term in Subsection 2.18.7 of the Management Agreement.

"*Waterfall Distribution Date*" means the fifteenth calendar day of each month or the following Business Day if such day is not a Business Day.

SCHEDULE A

Year	Debt Service Amount

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APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE BOND DOCUMENTS

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SUMMARY OF CERTAIN PROVISIONS OF THE BOND DOCUMENTS

For definitions of certain capitalized terms used in this APPENDIX C and not defined in the body of the Official Statement, see APPENDIX B – Master Glossary of Terms.

INDENTURE

Set forth below are brief summaries of certain provisions contained in the Indenture not described elsewhere in this Official Statement. Such summaries are not to be considered full statements pertaining thereto. Reference is made to the Indenture for the complete terms thereof.

Pledge of Trust Estate

In order to secure the payment of the principal and Redemption Price of and interest on the Bonds as the same become due and payable (whether at maturity, by prior redemption, or otherwise), the performance and observance of all of the covenants and conditions contained in the Indenture, and in consideration of the premises which will be deemed to be a substantive part of the Indenture, the purchase and acceptance of the Bonds by the Registered Owners thereof, and other good and valuable consideration, the Issuer has granted, bargained sold and conveyed a pledge of and lien on the Trust Estate to the Trustee as trustee for the benefit of all beneficiaries under the Indenture, including, without limitation, all third party beneficiaries to the extent provided in the Indenture, with all rights and privileges appurtenant thereto, subject, however, to the terms and provisions of the Indenture and of the Cash Management Agreement.

Except as provided in the Indenture and subject to the terms of the Indenture, such pledge and lien will be for the equal and proportionate benefit and security of the Registered Owners from time to time of the Bonds issued and to be issued under the Indenture, or any of them, without preference, priority or distinction as to lien or otherwise of any Bond over any other Bond.

Moneys Held in Trust

All moneys held by the Trustee under the provisions of the Indenture will be deposited with the Trustee, and held in the name of the Trustee, in such capacity under the Indenture. All moneys deposited under the provisions of the Indenture with the Trustee will be held in trust and applied only in accordance with the provisions of the Indenture and the Cash Management Agreement and each of the Funds and Accounts established by the Indenture will be a trust fund for the purpose of the Indenture subject to application thereof as set forth in the Indenture and in the Cash Management Agreement.

Particular Covenants of the Issuer

Payment of Bonds. The Issuer will duly and punctually pay or cause to be paid, but solely from the Trust Estate pledged therefor by the Indenture, the principal and Redemption Price of and interest on the Bonds, at the date and places and in the manner mentioned in the Bonds, according to the true intent and meaning thereof.

Acquisition, Installation and Construction of the Project. The Project has been acquired, constructed and installed in accordance with the terms of the Original Indenture. To the extent the proceeds of any Additional Bonds or Insurance Proceeds are to be applied by the Issuer for any additional improvements to the structure of the Project, the Trustee and the Issuer will establish provisions related to such additional improvements pursuant to the terms of a Supplemental Indenture approved by the Hotel Manager, which approval will not be unreasonably withheld.

Money for Bond Payments to be Held in Trust. On or before each Interest Payment Date of the principal and Redemption Price of or interest on any Bonds is then due and payable, the Issuer will deposit with the Trustee a sum sufficient to pay the principal and Redemption Price of or interest on the Bonds so due and payable, such sum to be held in trust for the benefit of the Registered Owners of the Bonds entitled to such principal, Redemption Price or interest.

The Trustee will serve as paying agent for the Bonds. As paying agent, the Trustee has agreed, subject to the provisions of the Indenture, that as paying agent it will: (a) hold all sums held by it for the payment of principal and Redemption Price, or interest on, Bonds in trust for the benefit of the Registered Owners of the Bonds entitled thereto until such sums will be paid to such Registered Owners of the Bonds or otherwise disposed of as in the Indenture provided; and (b) give the Issuer notice of any default in the making of any such payment of principal, Redemption Price or interest.

Maintenance of Corporate Existence; Consolidation, Merger, Sale or Transfer of Assets. The Issuer has covenanted and agreed that, so long as any Bonds are Outstanding, it will maintain its existence as a Texas nonprofit public facility corporation, and will not dissolve, sell or otherwise dispose of all or substantially all of its assets (unless all Bonds then Outstanding are redeemed, paid or defeased from the proceeds of such sale) nor consolidate with or merge into another corporation or permit one or more other corporations to consolidate with or merge into it; provided that the Issuer may, without violating the covenants contained in this section, consolidate with or merge into another corporation (and dissolve the Issuer in connection therewith), or permit one or more other corporations to consolidate with or merge into it, or sell or otherwise transfer to another corporation such assets (and dissolve Issuer in connection therewith), if:

(a) The surviving, resulting or transferee corporation, as the case may be:

qualifies (A) under the Act as a "public facility corporation" or, in the alternative, and (B) as an instrumentality of the City for purposes of Section 115 of the Internal Revenue Code, if permitted by State law;

assumes in writing, if such corporation is not the Issuer, all of the covenants, conditions and obligations of the Issuer and the performance thereof under the Indenture and all other Main Transaction Documents;

will not be in default (after the expiration of all cure periods) under any provisions of the Indenture or any other Main Transaction Document;

agrees in writing to the covenants of the Issuer set forth in the Indenture and all other Main Transaction Documents; and

provides evidence satisfactory to Trustee that all Main Transaction Documents remain in full force and effect and binding on the parties, including such transferee, thereto, enforceable against them in accordance with their respective terms.

(b) The Trustee will have received an opinion of Bond Counsel to the effect that such merger, consolidation, sale or other transfer will not cause interest on the Bonds to be includible in gross income for federal income tax purposes under Section 103 of the Code.

Limitation on Encumbrances. The Issuer has covenanted and agreed that it will not directly or indirectly create, assume or suffer to exist any mortgage, deed of trust, pledge, security interest, encumbrance, lien or charge of any kind (a "security interest") upon any of its property or assets or any revenues, income or profit therefrom, whether such property is now owned or hereafter acquired, other than (a) the Hotel Deed of Trust and the Security Agreement, (b) Permitted Encumbrances, or (c) to further secure the First Tier Bonds, the Second Tier Bonds or the Third Tier Bonds; provided however that in the event a lien is filed against the Legal Hotel Unit or any portion thereof, the Issuer will, within 20 days after the filing thereof, (i) take such action as necessary to cause the lien to be removed from the Legal Hotel Unit or (ii) provide a bond to indemnify against such lien in accordance with the requirements of the applicable Texas statute. In any event, the Issuer will cause the removal of such lien prior to the foreclosure thereof. The Issuer has covenanted and agreed that it will not incur any indebtedness other than as permitted by the terms of the Indenture, or assume or guarantee any indebtedness of the City or any other entity.

Tax Covenant. The Issuer has covenanted for the benefit of the Registered Owners of the Series 2017 Bonds that it will not take any action or omit to take any action with respect to the Series 2017 Bonds, the proceeds thereof, any other funds of the Issuer or any facilities financed or refinanced with the proceeds of the Series 2017 Bonds if such action or omission (i) would cause the interest on the Series 2017 Bonds to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Code; or (ii) would cause interest on the Series 2017 Bonds to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of the Code, except to the extent such interest is required to be included in the adjusted current earnings adjustment applicable to corporations under Section 56 of the Code in calculating corporate alternative minimum taxable income. In furtherance of this covenant, the Issuer has agreed to comply with the procedures set forth in the Tax Certificate delivered by the Issuer in connection with the issuance of the Series 2017 Bonds and the provisions of any similar certificate or instrument delivered by the Issuer in connection with the issuance of Additional Bonds the interest on which is excluded from gross income for federal income tax purposes. The foregoing covenant will remain in full force and effect notwithstanding the payment in full or defeasance of the Series 2017 Bonds until the date on which all obligations of the Issuer in fulfilling the above covenant under the Code have been met.

The Issuer has covenanted for the benefit of the Registered Owners of the Series 2017 Bonds that it will not take any action or omit to take any action with respect to the Series 2017 Bonds, the proceeds thereof or any facilities financed or refinanced with the proceeds of the Series 2017 Bonds that would cause the original proceeds and investment proceeds of the Series 2017 Bonds to be deemed not to have been used to provide tangible real or tangible personal property. Proceeds shall be deemed to have been used to provide tangible property only if the proceeds are (i) used to finance costs that a taxpayer must charge to the property's capital account, may elect to charge to the property's capital account instead of deducting, or may elect to deduct instead of charging to the property's capital account; or (ii) used to fund a reasonably required reserve fund within the meaning of Section 148(d) of the Code.

The Issuer has covenanted for the benefit of the Registered Owners of the Bonds that, if necessary, it will requisition amounts on deposit in the Excess Revenues to make any payment to any Person for any reason if such payment will, in the opinion of Bond Counsel, prevent the interest on the Bonds from losing its exclusion from gross income for federal income tax purposes under Section 103 of the Code; provided, however, that the payment of such amount will not deprive the Issuer from any rights it may have to pursue remedies arising from such payment against other Persons.

Limitation on Disposition of Assets. With the exception of (v) changes in corporate ownership which are expressly permissible under the Indenture, (w) security interests permitted under the Indenture, (x) assets sold, leased or disposed of in the ordinary course of business, (y) the disposal of FF&E which is damaged, dilapidated or obsolete and replacement thereof with FF&E determined by the Hotel Manager to be of comparable quality, utility and value, or (z) a disposition of the Legal Hotel Unit which contemporaneously permits the defeasance of all of the Bonds, the Issuer will not cause or suffer to occur any sale, lease, pledge, encumbrance or other Transfer of (i) the Trust Estate or any interest in the Indenture or component part thereof, including without limitation, the Issuer's right, title and interest in and to the Legal Hotel Unit, or (ii) any direct or indirect ownership or beneficial interest in Issuer, irrespective of the number of tiers of ownership.

Amend Articles and Bylaws. The Issuer will not amend its articles of incorporation or bylaws: (a) without the prior written consent of the City, (b) in any manner that would result in inclusion of interest on the Bonds in gross income for federal income tax purposes, and (c) in any manner that would adversely affect the interest of the Registered Owners of the Bonds or any other beneficiary of the Indenture, as determined by an Opinion of Bond Counsel.

Maintenance of the Hotel. The Issuer will maintain or cause to be maintained the Hotel in good and substantial repair and condition; provided that, if all or any of the Project will be destroyed or damaged by fire or other casualty, the money derived from any insurance on the property will be applied in accordance with the terms of the provisions of the Indenture.

Bankruptcy, Insolvency; Receiver. The Issuer will not commence any voluntary case under the Bankruptcy Code or under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect. The Issuer will not (i) file, consent to the filing of, aid, solicit, support or otherwise act, cooperate or collude to cause the filing of any petition in bankruptcy or in insolvency, or for a receiver or reorganization or composition; (ii) make any assignment for the benefit of creditors generally or to a trustee for creditors generally; or (iii) permit, solicit, support or otherwise act, cooperate or collude to cause an adjudication in bankruptcy, the taking possession of the Hotel or any part thereof by a receiver, or the seizure and sale of the Legal Hotel Unit or any part thereof under judicial process or pursuant to any power of sale (except as provided in the Hotel Deed of Trust) and fail to have such adverse actions as set forth in this clause (iii) set aside within 45 days.

The Issuer immediately will give notice to the Trustee of the filing of any petition, or commencement of any proceedings, in bankruptcy, or for a receiver or insolvency or for reorganization or composition, or any assignment for the benefit of creditors generally to a trustee for the benefit of creditors generally, relating to the Issuer, or the Hotel or any part thereof.

If notwithstanding the foregoing prohibitions, the Issuer, or its creditors, file a petition alleging insolvency, requesting reorganization or a composition of creditors, or for an assignment for the benefit of creditors, in any court, the Trustee, at the written direction of the Majority of Bondholders, will have the right to participate and vote on any plan or reorganization, agreement for a composition of creditors, and on any assignment for the benefit of creditors. If there is a proceeding to effect a receivership for the Issuer, the Trustee, at the direction of the Majority of Bondholders, will have the right to select the receiver.

Compliance with Law; Maintenance of the Project. The Issuer will operate, use and maintain, or will cause the operation, use and maintenance of, the Hotel in accordance with all Applicable Laws (other than those laws, rules, regulations and other non-compliance which would not reasonably be expected to have, either individually or in aggregate, a Material Adverse Effect on the use, operation or maintenance of the Hotel) and the applicable Budget and will not alter or change or permit the change or alteration of the Hotel from its intended use as the Hotel.

The Issuer will maintain, use and operate or cause the maintenance, use and operation of the Hotel and all engines, boilers, pumps, machinery, apparatus, furniture, fixtures, fittings and equipment, including FF&E, of any kind in or that will be placed in any building or structure now or hereafter at any time constituting part of the Hotel, in good repair, working order and condition, and the Issuer will from time to time make or cause to be made all needful and proper replacements, repairs, renewals and improvements; in each case to the extent necessary so that the efficiency and value of the Hotel will not be impaired in any manner which could result in a Material Adverse Effect with respect to the Issuer or the Hotel.

The Issuer will: (i) maintain or cause to be maintained all licenses and permits now held or hereafter acquired by any of them, the loss, suspension, or revocation of which, or failure to renew, could have a Material Adverse Effect on the Issuer or the Hotel and (ii) perform, observe, fulfill and comply (or cause the performance, observance, fulfillment and compliance of and with) all of its obligations, covenants and conditions contained in the Indenture or in any other Transaction Document with respect to the Issuer or the Hotel.

The Issuer will enforce or cause to be enforced all operating covenants, restrictions and conditions set forth in the Condominium Declaration or the Management Agreement governing the use, maintenance and operation of the Units and the Improvements (as such terms are defined in the Condominium Declaration). The Trustee is authorized and directed to consent in writing to any amendment or modification to the Declaration upon receipt of a certificate of an authorized representative of the Issuer to the effect that such amendment or modification does not materially restrict the ability of the Issuer to operate the Hotel or access any portion thereof, or materially impact the value of the Trust Estate.

Taxes, Assessments, Governmental Charges and Adverse Judgments. The Issuer will pay and discharge or cause to be paid and discharged (but solely from Gross Revenues and amounts on deposit in the Taxes and Insurance Fund) all taxes, assessments, governmental charges of any kind whatsoever, adverse judgments, water rates, meter charges and other utility charges (collectively, "Impositions") which may be or have been assessed or rendered or which may have become liens upon the Hotel, the Gross Revenues, or any portion of the Trust Estate and the interests in the Indenture of the Trustee or of the Registered Owners of the Bonds and will make such payments or cause such payments to be made, respectively, in due time to prevent any delinquency thereon or any forfeiture or sale of the Hotel, the Trust Estate or any part of either thereof, and, upon request, will furnish to the Trustee receipts for all such payments, or other evidences satisfactory to the Trustee; provided, however, that the Issuer will not be required to pay any Imposition as in the Indenture provided as long as it will in good faith contest the validity thereof, provided that (a) the Issuer will have deposited with the Trustee adequate reserves in the Taxes and Insurance Fund (or such other special fund or account as will be established to set aside amounts necessary to pay any adverse judgments) in an amount equal to at least one hundred twenty-five percent (125%) (or such higher amount as may be required by Applicable Law) of the total of (x) the balance of such Imposition then remaining unpaid, and (y) all interest, penalties, costs and charges accrued or accumulated thereon; (b) no risk of sale, forfeiture or loss of any interest in the Trust Estate or any part thereof arises, in Trustee's reasonable judgment, during the pendency of such contest; (c) such contest does not have a Material Adverse Effect; and (d) such contest is based on bona fide, material, and reasonable claims or defenses. Any such contest will be prosecuted with due diligence, and Issuer will promptly pay or cause to be paid the amount of such Imposition as finally determined, together with all interest and penalties payable in connection therewith. The Trustee will have full power and authority, but no obligation, to apply any amount deposited with the Trustee under this subsection to the payment of any unpaid Imposition to prevent the sale or forfeiture of the Trust Estate or any interest in the Indenture or part thereof for non-payment of such Imposition, if the Trustee reasonably believes that such sale or forfeiture is threatened. Any surplus retained by the Trustee after payment of the Imposition for which a deposit was made will be transferred to the Available Revenue Fund for disposition in accordance with the Indenture. Notwithstanding any provision of this section to the contrary, the Issuer will pay any Imposition which it might otherwise be entitled to contest if an Event of Default will occur, or if, in the reasonable determination of the Majority of Bondholders, the Trust Estate or any interest in the Indenture or any part thereof is in jeopardy or in danger of being forfeited or foreclosed. If the Issuer fails to pay any such Imposition, the Trustee may (but will not be obligated to) make such payment and the Issuer will reimburse the Trustee on demand for all such advances.

Insurance. The Issuer will cause the Hotel and its operations thereon to be adequately insured at all times and, with respect to the Common Elements, or cause the Association to carry and maintain at all times such insurance (including self-insurance and other alternative risk management programs) as is required to be maintained under the Declaration in amounts set forth in the Declaration or, if not set forth in the Declaration, in amounts that are customarily carried and against such risks as are customarily insured against by others in connection with the ownership and operation of facilities of similar character and size. The Issuer will carry and maintain, or cause to be carried and maintained, and will pay or cause to be paid in timely fashion its allocable portion of the premiums for (but solely from funds on deposit in the Taxes and Insurance Fund), at least the following insurance with respect to the Hotel and the Issuer when and as such insurance is available:

Property. Insurance, on the Hotel against all risk of loss or damage by fire, lightning and all other risks including, but not limited to those covered by the extended coverage insurance endorsement then in use in the State of Texas and such other perils as water damage and collapse as are normally understood to be included in an "all risk" form of coverage, subject to a reasonable deductible per accident or casualty, in an amount equal to the full replacement value of the Hotel, (except that such insurance may be subject to deductible clauses of not to exceed fifty thousand dollars ($50,000) for any one loss). Without limiting the generality of the foregoing, the extended coverage endorsement will, as nearly as practicable, cover loss or damage by explosion, windstorm, earthquake, subsidence, aircraft, vehicle damage, smoke, vandalism and malicious mischief and such other hazards as are normally covered by such endorsement. Flood coverage is required if the Site is situated in a high hazard flood zone A or V. Insurance against the risk of terrorism will be obtained so long as such coverage is reasonably commercially available; provided however, that in no event will the cost of insurance against the risk of terrorism exceed ten percent (10%) of the total cost of maintaining all insurance on the Hotel during such Operating Year. The replacement value of the Hotel will be determined from time to time at the request of the Issuer or the Trustee (but not less frequently than once in every five years) by an Insurance Consultant. During the course of substantial addition, extension, alteration or improvement to the Hotel, the Issuer will maintain or cause to be maintained builder's risk insurance in the amount of the full completed value of such construction work, subject to reasonable deductibles per accident or casualty, covering, at a minimum, loss by fire, lightning and removal from the premises endangered by fire and lightning, and all other risks covered by the extended coverage endorsement then in use in the State of Texas.

Business Interruption. Business interruption insurance with respect to the Hotel only covering actual losses to the Issuer of gross operating earnings which result directly from the necessary interruption of business of the Hotel caused by damage to or destruction of any real or personal property constituting part of the Project from the risks mentioned under " – *Property*" above, less charges and expenses which do not continue during such interruption of business, with limits equal to the sum of (A) Debt Service for the next three years, (B) the Base Management Fee, the Additional Management Fee and the Subordinate Management Fee for the next three years, (C) a reasonable estimate of the Group Services Fees and Charges and Reimbursable Expenses that will be payable to the Hotel Manager under the Management Agreement for the next three years, and (D) a reasonable estimate of the taxes and insurance premiums for the Project during the next three years.

Boiler and Machinery/Equipment Breakdown Coverage. Broad form boiler and machine insurance providing coverage of pressure vessels, auxiliary piping, pumps and compressors, refrigeration systems, transformers and miscellaneous electrical apparatus in the Hotel which present significant potential for loss, in an amount not less than $1,000,000, subject to deductibles not exceeding $10,000 per occurrence. In addition, the Majority of Bondholders may require a rider to such policy to extend such coverage to electrical machinery and equipment, air conditioning, refrigeration and mechanical objects, to the extent not already covered in the property insurance required above under "Particular Covenants of the Issuer – Property."

Comprehensive Public Liability and Property Damage. Comprehensive public liability and property damage insurance will be the lesser of the original principal amount of the First Tier Bonds plus the Second Tier Bonds or $100,000,000, but in no event less than $1,000,000 for damages arising out of any one accident, and automobile liability and property insurance in the minimum amount of $1,000,000 for damages arising out of any one accident.

Fidelity Bonds/Crime Coverage. Fidelity bonds or other insurance, including computer fraud, on all employees of the Issuer and the Hotel who collect or have custody of or access to revenues, receipts or income of the Issuer, will be the lesser of the original principal amount of the First Tier Bonds plus the Second Tier Bonds or $1,000,000 but in no event less than $500,000.

Directors and Officers. Insurance to cover wrongful acts of the directors and officers, including entity coverage, to the extent available in a nonprofit directors and officers policy form in an amount not less than $5,000,000. When available at reasonable cost in the marketplace, such insurance shall provide for defense costs in addition to the limit of liability.

Insurance Consultant. The Issuer will employ or cause to be employed for the benefit of the Trustee and the Issuer an Insurance Consultant to review the insurance requirements of the Issuer from time to time (but not less frequently than once every 24 months). The cost of such Insurance Consultant will be paid as an Operating Expense by the Hotel Manager from amounts on deposit in the Lockbox Fund. If the Insurance Consultant makes recommendations for the increase of any of the coverage required by the Indenture, the Issuer must increase coverage in accordance with such recommendations to the extent such coverage is reasonably commercially available. Notwithstanding anything in the Indenture to the contrary, the Issuer has the right, without giving rise to an event of default under the Indenture solely on such account, to maintain insurance coverage below that required by the Indenture as described above, if the Issuer furnishes to the Trustee a written statement executed by the Insurance Consultant, that the insurance so provided accords the greatest amount of coverage available for the risk being insured against at rates which, in the judgment of the Insurance Consultant, are reasonable in connection with reasonable and appropriate risk management.

Workers' Compensation Insurance. The Issuer must at all times maintain or cause to be maintained insurance or self-insurance for workers' compensation claims as required by Applicable Law. Alternatively, if the Hotel Manager is a Non-Subscriber (as defined under Applicable Law), Hotel Manager may substitute an ERISA-compliant occupational injury benefit plan which covers substantially the same work-related injuries as workers' compensation. In such event, the Hotel Manager will carry employers' liability insurance with limits sufficient to cover plan benefits and liability claims for at least $5 million.

Disposition of Insurance and Condemnation Proceeds. The Issuer will provide the Trustee with immediate written notice of (i) any event of loss or damage to the Project, the Condominium or any part of either thereof, or (ii) any actual or threatened action or proceeding relating to any condemnation or other taking, direct or indirect, or sale transfer in lieu of a condemnation or taking ("Taking") of the Project, the Condominium and/or any part of either thereof. To the extent of any loss or damage to or Taking of the Hotel Unit only, the Issuer authorizes and empowers the Trustee as Issuer's attorney in fact coupled with an interest to make the proof of loss, adjust and compromise any claim under insurance policies and to appear in and prosecute any action arising from such insurance policies or any Taking. In the event of any loss or damage to or Taking of portions of the Project or the Condominium other than, or in addition to, the Hotel ("Project-Wide Event"), then to the extent that the Issuer will have the right to control, approve or participate in (i) the proof of loss, adjustment and compromise of any claim under insurance policies, (ii) appearance in and prosecution of any action arising from such insurance policies or any Taking and/or (iii) any decision to restore or repair all or any portion of the Project, the Issuer authorizes and empowers the Trustee as the Issuer's attorney-in-fact coupled with an interest to exercise such rights of control, approval or participation in its own name or in the name of the Issuer. The Trustee will be entitled to collect, and Issuer assigns to Trustee for deposit into the Insurance and Condemnation Proceeds Fund, all insurance proceeds or the proceeds of any award, payment or claim for damages, direct or consequential, in connection with any Taking of the Hotel and/or in the case of a Project-Wide Event, to which Issuer will be entitled under the Condominium Declaration in respect of the Hotel and is further entitled to deduct therefrom the Trustee's reasonable out-of-pocket expenses incurred in the collection of such proceeds (collectively, the "Available Amount"). The Trustee will be entitled to act as, and the Issuer will vote to appoint Trustee, the Depositary and Insurance Trustee under the Condominium Declaration with the power to allocate and administer the disbursement of all proceeds of insurance and condemnation awards in accordance with the terms of the Condominium Declaration and the Issuer authorizes and empowers the Trustee as Issuer attorney in fact (such power being coupled with an interest) to exercise the voting rights of the Issuer and cause the Trustee to be appointed the Depositary and Insurance Trustee under the Condominium Declaration. In the event any insurer of the Corporation should recover the Corporation's deductible through subrogation the monies shall be payable solely to the Corporation as the Named Insured for deposit in the accounts of the Corporation.

The Trustee in its role as Depositary will be entitled to determine in its reasonable discretion that portion of the Available Amount which is allocable to the Hotel Unit and that portion which is allocable to the Project other than the Hotel Unit and will cause such amount, together with all other amounts deposited with the Trustee in its role as Depositary under the Condominium Declaration or as a result of a Shortfall (as defined below), to be applied to the cost of restoration and reconstruction of the Project (in keeping with such allocations) so long as the following conditions have been met: (a) no Event of Default then exists, (b) the Trustee has reasonably determined that the Available Amount together with all investment income earned or expected to be earned thereon and other proceeds deposited with the Trustee will be sufficient to restore the Project to its Pre-Existing Condition (as defined below), or if such proceeds are not sufficient (a "Shortfall"), the Issuer will have deposited or caused to be deposited into the Insurance and Condemnation Proceeds Fund the full amount of such Shortfall within 30 days of the Trustee's notice of such Shortfall, (c) the Trustee is reasonably satisfied that the Project can be restored and repaired as nearly as is reasonably possible to the condition it was in immediately prior to a casualty in the case of any casualty or to a condition, in the case of any Taking, which permits the Project's use in the manner contemplated by the Indenture and for which the Project was originally constructed, in each case in compliance with all Project Requirements (the "Pre-Existing Condition"), (d) the Trustee will have received and approved, in its reasonable judgment, plans and detailed specifications of the contemplated repair or restoration of the Project, together with a statement of an architect reasonably acceptable to the Trustee that the Project can be restored to its Pre-Existing Condition in the time frame and for the cost specified in such plans and specifications, and (e) if more than 15% of the Project is damaged, destroyed or taken, the Issuer will have furnished to the Trustee a guaranteed maximum or fixed price contract for an amount not in excess of the Available Amount and all investment income earned or reasonably expected to be earned thereon. If the Issuer disagrees with the Trustee's determination on whether any of the foregoing conditions set forth in clauses (b) through (e) above have been satisfied, the Issuer may submit such matter to arbitration in accordance with the Indenture. In the event any or all of the foregoing conditions will not have been satisfied, or if such matter is submitted to arbitration and any such condition is not determined by the arbitrator to have been satisfied, then the Trustee will be entitled to apply the Available Amount to the redemption of the Bonds in the order and manner specified in the Indenture.

Following a casualty loss or Taking at or affecting the Project and/or the Condominium and if the Available Amount is made available for repair or restoration and is sufficient for such purpose, the Issuer will cause the restoration of the Project to substantially its Pre-Existing Condition or such other condition as the Trustee may approve in writing, and the Issuer will cause the prompt commencement of such restoration or repair as soon as is reasonably possible after the casualty loss or taking and at all times thereafter the diligent prosecution thereof to completion. Subject to satisfaction of the conditions set forth in the immediately preceding paragraph and provided that there is no Event of Default under the Indenture, the Trustee will disburse any insurance proceeds or condemnation awards collected by it or deposited with it as the Depositary under the Condominium Declaration in accordance with the applicable procedures of the Indenture and will be entitled to condition disbursement of any such insurance proceeds or condemnation awards upon satisfaction of the terms and conditions specified in the Indenture.

If any of the Available Amount is applied to the payment of the Bonds as above contemplated, any such application of proceeds will not extend or postpone the due dates of the payments due thereunder or otherwise under the Bond Documents or change the amounts of such payments. Any amount of insurance proceeds remaining in the Trustee's possession after full and final payment and discharge of all Bonds will be refunded to Issuer or otherwise paid in accordance with applicable law. If Issuer's interest in the Condominium is sold at foreclosure or if the Trustee acquires title to the Issuer's interest in the Condominium, the Trustee will have all of the right, title and interest of the Issuer in and to any insurance policies and unearned premiums thereon, any proceeds, awards or damages arising from any Taking and in and to the proceeds resulting from any damage to the Issuer's interest therein prior to such sale or acquisition.

Notwithstanding the foregoing, all condemnation proceeds resulting from a temporary Taking which are not attributable to compensation for alterations or physical damage to the real or personal property used in the operation of the Legal Hotel Unit will be deemed Gross Operating Revenue and deposited in the Lockbox Fund (if such proceeds relate to a temporary taking of the Project and/or the Condominium).

Operation of the Hotel.

Management of the Hotel. The Issuer will cause the Hotel to be managed and operated as a revenue-producing, full-service, first-class, "upscale" (as categorized by J.D. Powers and Associates in its annual study of upscale hotel chains) convention hotel affiliated with a national hotel chain with experience in managing full service, first class "upscale" convention hotels. The Issuer will cause the Hotel Unit's Parking Spaces to be operated in accordance with operating standards which are consistent with a "first class" urban garage, and are reasonably calculated both to protect and preserve the assets that comprise the Hotel Unit's Parking Spaces and to control the Operating Expenses attributable to the Hotel Unit's Parking Spaces. The Issuer will cause to be in full force and effect at all times one or more Management Agreements with respect to the Hotel with terms and conditions similar to those of the initial Management Agreement, and which requires the Hotel Manager to maximize over the term of the management agreement the financial return to the Issuer from the operation of the Hotel as a first class, convention center headquarters hotel, after taking into consideration the Room Block Commitment. The Issuer will not amend, modify or otherwise alter the Management Agreements without the prior written consent of a Majority of the Bondholders; provided, however, that no consent shall be required if the Issuer delivers a certified report of the Asset Manager, evidencing that (i) the terms of such amendment, modification or replacement, including the performance termination provisions thereof, are consistent with those of similar convention center headquarter hotels under then current market conditions, or, if such terms are not consistent with comparable convention center hotels, such aberrations are necessary or advisable in order to maintain the tax-exempt status of the Bonds, and (ii) such amendment, modification or replacement is not reasonably expected to cause the projected Debt Service Coverage Ratio for the First Tier Bonds and the Second Tier Bonds, based upon the projections originally set forth in the Official Statement, to be less than 2.50:1.00 and 1.50:l.00, respectively, for each Calendar Year succeeding the date of such amendment or modification for the remainder of the term of such Management Agreement. Each Management Agreement for the Hotel or any part thereof shall expressly permit the assignment thereof to the Trustee for the benefit of Registered Owners, and entitle the Trustee to the benefits thereof upon the occurrence of an Event of Default. A material consideration for the purchase by the Registered Owners of their respective Bonds is the expertise brought by the Manager in managing the Hotel. In recognition of such expertise, the Issuer covenants for the benefit of the Registered Owners that it will not disapprove of any rate schedules (other than as set forth in the Room Block Commitment) prepared by the Manager under the terms of the Management Agreement so long as (i) such rate schedules do not vary from the rate schedules of hotels in the “Competitive Set” by more than 45%, (ii) the Budget prepared assuming such rate schedule does not result in a Debt Service Coverage Ratios for the First Tier Bonds and Second Tier Bonds of more than 2.50:1.00 or less than 1.00:1.00 coverage, and (iii) a Hotel Consultant does not recommend a different rate schedule pursuant to Section 7.30 herein. If the Issuer disapproves of a proposed rate schedule by the Manager or any amendment thereto and the Manager disagrees with the Issuer’s reasons for disapproving such proposed rate schedule (or modification thereto) and disputes the accuracy of the information contained in either clause (i) or (ii) of the immediately preceding sentence, then the Issuer shall retain a Hotel Consultant to confirm or reject the accuracy of such information. If a Hotel Consultant agrees with the Manager, the Issuer shall not have any right to dispute such proposed rate schedules and shall withdraw its disapproval and in any event its disapproval shall be of no further force and effect. If a Hotel Consultant agrees with the Issuer, the Manager shall follow the Issuer’s advice so long as the Manager determines that it would not otherwise result in an Event of Default or breach of a covenant under this Indenture or under the Management Agreement. If the Issuer disagrees with the Manager's determination that following such advice would result in an Event of Default or breach of a covenant under this Indenture or under the Management Agreement, then either the Manager or the Issuer may, by delivering written notice of its requirement for arbitration to the others, require that the matter in dispute be submitted to arbitration in accordance with the Management Agreement, or if the initial Management Agreement is no longer in effect, in accordance with the Indenture. Each Management Agreement will incorporate this provision therein.

Asset Manager. The Issuer has covenanted to hire or cause to be hired an Asset Manager to assist the Issuer in overseeing the operations of the Hotel for the benefit of and on behalf of the Issuer and the Trustee. If the Person then serving as Asset Manager is terminated or resigns, the Issuer has covenanted to hire or cause to be hired a replacement within 60 days of such termination or resignation. The Asset Manager will signify acceptance of such position by executing a certificate or agreement at or prior to employment that he, she or it agrees to perform the duties of Asset Manager as described in the Transaction Documents which include, but are not limited to, the following: (i) reviewing and recommending approval or disapproval to Trustee of the proposed Capital Budget and Operating Plan and Budget for the upcoming Operating Year (collectively the "Proposed Budget Documents"), (ii) reviewing all reports required to be delivered by the Hotel Manager pursuant to the Management Agreement, (iii) providing reports to the Issuer on a monthly basis summarizing the Asset Manager's findings for the preceding month regarding the Hotel Manager's compliance with the Management Agreement, (iv) approving the list of possible replacement Hotel Consultants supplied by the Hotel Manager and (v) commenting on the recommendations submitted by any Hotel Consultant. Notwithstanding anything contained in the Indenture or in the Management Agreement to the contrary, the Asset Manager will not have any additional or different rights with respect to the Hotel Manager or the Hotel or any part thereof than the Issuer has.

Review and Adjustment of Operating Plan and Budget. On or before November 15 of each Operating Year, the Issuer will cause the Hotel Manager to prepare and deliver to the Issuer and its designees and consultants (including the Trustee) for the Issuer's review the final Proposed Budget Documents for the next ensuing Operating Year.

The Asset Manager and the Hotel Manager will meet within 15 days after the Issuer's receipt of the final Proposed Budget Documents for any Operating Year. At such meeting, (i) the Issuer will provide to the Hotel Manager the Issuer's then current estimate of Issuer's Administrative Expenses for the next ensuing Operating Year and (ii) the Hotel Manager will provide to the Issuer its final Proposed Budget Documents for the applicable Operating Year, together with an explanation of the changes from the proposed budgets initially delivered to the Issuer. If the Issuer and the Hotel Manager are unable to agree upon a proposed operating plan and budget and proposed capital budget for an Operating Year within 15 days after such initial 15-day period, then within 10 days after the expiration of such second 15-day period, the Issuer will deliver to the Hotel Manager the Issuer's written objections to the proposed operating plan and budget and proposed capital budget, subject, however, to the provisions of the Indenture. The Issuer will timely provide all such objections and approvals. If the Issuer fails to deliver to the Hotel Manager its written approval or disapproval of a proposed operating plan and budget and proposed capital budget within such 10-day period, then such proposed operating plan and budget and proposed capital budget will be deemed the approved Operating Plan and Budget and approved Capital Budget for the applicable Operating Year, until Issuer delivers to Manager its objections in writing. The Issuer will timely provide all such objections and approvals. At such time as Issuer delivers its objections to such proposed budgets, such disapproval will specifically include the items disapproved (which disapproved items may include objections that Issuer receives from a Hotel Consultant). During the 15 day period following the Hotel Manager's receipt of Issuer's items of disapproval, the Issuer and the Hotel Manager will meet to discuss the disapproved items. Within 5 days after the expiration of such third 15-day period, the Hotel Manager will submit to the Issuer (and any designee or consultant appointed by the Issuer) a revised proposed operating plan and budget and proposed capital budget, as applicable, incorporating such revisions as the Issuer and the Hotel Manager agreed upon during such third 15-day period. If the Issuer and the Hotel Manager do not agree upon such revisions, then the Issuer or the Hotel Manager may request arbitration pursuant to and in accordance with the provisions of the Management Agreement.

Without limiting the Issuer's approval rights or the obligation of the Hotel Manager to follow the Hotel Consultant's written recommendations to the extent set forth in the Indenture, the Issuer will have the right to object to any aspect of any proposed operating plan and budget and/or any proposed capital budget if (among other reasons):

the objection or change would not materially (A) interfere with the Hotel Manager's operation of the Hotel in a manner consistent and in compliance with the Operating Standards or

(B) impair the Hotel Manager's ability to achieve a Performance Test, or (C) interfere with the Hotel Manager's fulfillment of its obligations, duties, agreements, covenants or responsibilities under the Management Agreement;

the applicable budget is not consistent with the requirements of an Event Room Block Contract or rates approved by the Hotel Manager and the Issuer for an Event Room Block pursuant to the Room Block Commitment;

as to a proposed capital budget, there are not Sufficient Funds available to make the proposed Capital Improvements set forth in the Indenture;

the proposed operating plan and budget will result in a Debt Service Coverage Ratio of less than the Debt Service Coverage Requirement;

as to a proposed capital budget, all or some of the proposed Capital Improvements represent material upgrades to the quality or facilities of the Hotel (as distinct from repairs, maintenance or replacements required to prevent any diminution in quality) that are not, in Issuer's reasonable opinion, required to satisfy the Upscale Standard and each other Operating Standard; and

as to a proposed capital budget, any proposed upgrades to the quality of the facilities of the Hotel would (x) be imprudent based upon a reasonable weighing of the costs and benefits to the Hotel of the upgrades (taking into account the cost and impact on Hotel revenue and expense of the upgrades, the useful life of the upgrades, and the remaining term of the Management Agreement) or (y) render funds in the Renewal and Replacement Fund, the Supplemental Renewal and Replacement Fund, Operating Reserve Fund, Excess Revenues Fund, or Cash Trap Fund inadequate for other necessary Capital Expenses or funding of other amounts as contemplated by the Management Agreement or an existing approved Capital Budget. The foregoing will not in any way limit Issuer's right to approve a proposed capital budget as to reasonableness of specifications and cost of implementing any upgrade set forth in the Indenture.

If (A) the Hotel Manager and the Issuer, despite their good faith efforts, are unable to reach final agreement on the proposed operating plan and budget and/or the proposed capital budget for an Operating Year by December 15 of the prior Operating Year and (B) the Issuer does not have the right or the obligation to appoint a Hotel Consultant pursuant to the Indenture, then either the Hotel Manager or the Issuer may, by delivering written notice of its requirement for arbitration to the others by January 30 of the next following year (each such notice of arbitration, an "Arbitration Request"), require that the matter(s) in dispute be submitted to arbitration as provided in accordance with the Management Agreement or if the initial the Management Agreement will no longer be in effect, in accordance with the following:

Such dispute will be submitted to final and binding arbitration (without appeal or review) in Travis County, Texas and administered by the ADR Provider under its then-current rules. The arbitrator must have experience in the hospitality industry and must certify that it does not have any conflict of interest.

Subject to the right of the prevailing party in such arbitration to seek reimbursement from other party(ies) pursuant to subsection (iv) below, Issuer and Manager will share equally the costs, including fees, of the ADR Provider selected or appointed in accordance with subsection (i) above. As soon as practicable after selection of the ADR Provider, the ADR Provider or its designated representative will determine a reasonable estimate of the ADR Provider's anticipated fees and costs and send a statement to each party setting forth that party's equal share of the fees and costs. Each party will, within ten days after receipt of the statement, deposit the required sum with the ADR Provider. Issuer will obtain any substitute or replacement Manager's written affirmation of and agreement with the foregoing provisions of this subsection (ii).

The venue of any arbitration will be, and any judicial proceedings will be in Travis County, Texas, unless otherwise mutually agreed in writing by the Parties. The Issuer irrevocably submits to the jurisdiction of the federal and state courts located in Travis County, Texas unless otherwise mutually agreed in writing by the Parties. The Issuer waives to the fullest extent permitted by law, trial by jury of all disputes arising out of or relating to this Agreement. The Issuer will obtain any substitute or replacement Manager's written affirmation of and agreement with the foregoing provisions of this subsection (iii).

The prevailing party in any arbitration, suit or other action arising out of or related to this subsection will be entitled to recover from the other party(ies) all reasonable attorneys' fees and its reasonable out-of-pocket arbitration costs and expenses incurred in connection with the action, including reasonable attorneys' fees, expenses, and disbursements, and fees, costs, and expenses relating to any mediation, arbitration and/or litigation, as applicable. If any party secures a judgment in any proceeding brought to enforce or interpret these provisions, then any costs or expenses (including reasonable attorneys' fees) incurred in enforcing, or in appealing from, such judgment will be payable to the prevailing party by the party against whom such judgment has been rendered and will be recoverable separately from and in addition to any other amount included in such judgment. A "*prevailing party*" will be a party who is successful on its claim or appeal brought in the arbitration, as determined by the ADR Provider. If both parties are a prevailing party, then the arbitrator will award attorneys' fees and allocate cots as it determines to be fair and equitable, in its sole discretion. Notwithstanding the foregoing, a party will not be a prevailing party if such party is awarded less than 75% of the amount of the claim for which it sought recovery. Issuer will obtain any substitute or replacement Manager's written affirmation of, and agreement with, the foregoing provisions of this subsection (iv).

If neither the Hotel Manager nor the Issuer delivers an Arbitration Request by the required date, then the Hotel Manager, the Issuer and the Trustee will be deemed to have waived their respective rights to arbitrate the matters in dispute and the proposed operating plan and budget and the proposed capital budget for the applicable Operating Year will be deemed to be the Operating Plan and Budget and Capital Budget for such Operating Year, provided that any Operating Expense line item which is in dispute in the proposed operating plan and budget will not be greater than 110% of the amount of the actual Operating Expenses incurred for such line item during the Operating Year preceding the Operating Year covered by the proposed operating plan and budget.

If either the Hotel Manager or the Issuer timely delivers its Arbitration Request regarding the proposed operating plan and budget, then, until the arbitrator issues its decision regarding the disputed items in the proposed operating plan and budget, the proposed operating plan and budget will govern the areas of operations not in dispute and the prior year's Operating Plan and Budget will govern the areas in dispute, except that Manager may increase the budgeted expenses provided for such disputed item(s) in the prior year's Operating Plan and Budget and/or Capital Budget, as applicable, by an amount not in excess of the lesser of 10% of the actual amount of the applicable expense line item for such prior Operating Year or the amount of the increase proposed by the Hotel Manager.

If either the Hotel Manager or the Issuer timely delivers its Arbitration Request regarding the proposed capital budget, then, until the arbitrator issues its decision regarding the disputed items in the proposed capital budget, the proposed capital budget will govern the areas of operations not in dispute and Manager may not incur a Capital Expense for a disputed Capital Improvement included in a proposed capital budget unless the Capital Expense (A) was contemplated as a regularly recurring Capital Expense in the Capital Budget approved for the prior Operating Year (increased by the percentage increase in the Index from such prior Operating Year), (B) is for an amount not in excess of Sixty Seven Thousand Five Hundred Dollars ($67,500) (subject to increase based upon the change in the Index from the Required Opening Date to the beginning of the 12-month period in question) and when aggregated with all other Capital Expenses incurred for any other disputed Capital Improvements during such Operating Year, does not exceed One Hundred Thirty Five Thousand ($135,000) (subject to increase based upon the change in the Index from the Required Opening Date to the beginning of the 12-month period in question), or (C) is necessary to eliminate or remove an Emergency. Notwithstanding the foregoing, the Hotel Manager will notify Issuer and immediately in writing of any such capital expenditure as soon as practicable and describe the reasons therefor and immediately upon receipt of such notice. The Issuer will deliver such notice to the Trustee.

Under each the Management Agreement, the Hotel Manager (i) will use commercially reasonable efforts to operate within, and in a manner consistent with, each approved Operating Plan and Budget and each approved Capital Budget and (ii) will not substantially deviate from the budgeted Capital Expenses in an approved Capital Budget unless the Hotel Manager obtains the prior written consent of Issuer (it being agreed that a deviation in excess of One Hundred Thousand Dollars ($100,000) in total Capital Expenses is substantial), provided, however, that the Hotel Manager will be entitled to reallocate up to 10% of the Capital Budget to one or more line items in the Capital Budget so long as the remaining dollars in those line items from which such 10% is removed are sufficient to complete the Work contemplated by those line items. Issuer acknowledges that certain of the expenses described in the Operating Plan and Budget (but not the Capital Budget) for any Operating Year will vary based on the occupancy of the Hotel. Accordingly, to the extent that the occupancy of the Hotel for any Operating Year exceeds or falls below the occupancy projected in the approved Operating Plan and Budget for such Operating Year, the approved Operating Plan and Budget will be deemed to include corresponding increases or decreases in such Variable Expenses, as applicable, so long as with respect to increases in expenses, Manager reasonably believes and Issuer reasonably agrees that such increase will increase net operating income over that budgeted. The term "Variable Expenses" will mean Operating Expenses covered by an Operating Plan and Budget that reasonably fluctuate as a direct result of business volumes, including food and beverage expenses, other merchandise expenses, operating supply expenses, and energy costs.

If the Issuer appoints a Hotel Consultant upon the occurrence of any of the events described in the Indenture requiring the Issuer to appoint a Hotel Consultant, the Issuer will deliver the Hotel Consultant's reports and findings to the Hotel Manager, the Trustee and the Asset Manager, and the Hotel Manager and the Asset Manager will study and review such reports and any recommendations made by the Hotel Consultant. The Manager will also, upon the request of the Issuer or the Trustee, meet with the Hotel Consultant to discuss the Hotel Consultant's reports, findings and recommendations.

The Issuer will file or cause to be filed with the Trustee the approved Operating Plan and Budget and Capital Budget prior to the commencement of the applicable Operating Year. The Trustee will be entitled to rely on the final Operating Plan and Budget to determine the amounts to be deposited into the various funds and accounts as set forth in Section 5.04(a) in the Indenture.

Deposit of Gross Operating Revenues; Cash Management Agreement. The Issuer has covenanted and agreed that it will deposit or cause to be deposited all Gross Operating Revenues calculated on a cash basis (less the Petty Cash Amount) in the Lockbox Fund pursuant to the terms of the Cash Management Agreement. The Issuer will cause the Hotel Manager to be a party to the Cash Management Agreement. The Issuer has covenanted and agreed to maintain or cause to be maintained the Lockbox Fund from the Closing Date for the Series 2017 Bonds until no Bonds are Outstanding. The Issuer has covenanted and agreed to execute any substitute or replacement cash management and lockbox agreements with respect to Gross Operating Revenues as are reasonably required by the Trustee; provided that, unless consented to in writing by the Hotel Manager, which consent will not be unreasonably withheld or delayed, such cash management and lockbox agreements will not materially or substantively modify Manager's rights, duties or obligations under the Cash Management Agreement or the Indenture, or have a material adverse impact on the Hotel Manager. The Issuer has covenanted and agreed that it will deposit or cause to be deposited with the Trustee any Gross Revenues not constituting Gross Operating Revenue in accordance with the provisions set forth in the Indenture.

Manager. The Issuer has covenanted and agreed that it will at all times cause to be delegated the duties and responsibilities of operating the Hotel to a nationally recognized hotel management company having the experience and qualifications to operate and manage a first-class hotel of the size and character of the Hotel pursuant to an operating agreement consistent with the terms of the Management Agreement.

Discharge of Indenture

If the Issuer, its successors or assigns will pay, or cause to be paid, all of the principal and Redemption Price of and interest on the Bonds, at the times and in the manner provided in the Bonds according to the true intent and meaning thereof, and will cause the payments to be made into the Funds and Accounts established under the Indenture and in the amounts required thereby, or will provide, as permitted thereby, for the payment thereof by depositing with or for the account of the Trustee or to a trust company or commercial bank, that does not act as a depository for the Corporation (an "Escrow Agent"), an amount sufficient to provide for payment of the entire amount due or to become due thereon (including any amount due or to become due with respect to the Bonds under Section 148 of the Code), and will well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of the Indenture to be kept, performed and observed by it on or prior to the date such payments are made, and will pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions of the Indenture, then, upon such payment and performance, the Indenture and the rights and liens thereby granted will cease, determine and be void unless the Indenture is supplemented or amended in connection with the issuance of Refunding Bonds; provided, however, that the Issuer's obligations specified under the Indenture, the Trustee's obligation specified under the Indenture, and the Issuer's specified indemnification obligations and the Trustee's rights and protections will survive such discharge; otherwise, the Indenture is to be and will remain in full force and effect. In the event that the Indenture is discharged as provided in the Indenture, the Trustee will cause an accounting for such period or periods as will be requested by the Issuer to be prepared and filed with the Issuer and, upon the request of the Issuer, will execute and deliver to the Issuer all such instruments as may be desirable to evidence such discharge and satisfaction, and the Fiduciaries will pay over or deliver to the City all moneys or securities held by them pursuant to the Indenture in respect of such Series which are not required for the payment of principal, or Redemption Price, and interest on the Bonds of such Series not theretofore surrendered for such payment or redemption.

Defeasance

Any Outstanding Bonds of any Series will, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in the Indenture if (a) in case any of such Bonds are to be redeemed on any date prior to their maturity, the Issuer will have given to the Trustee and any Escrow Agent in form satisfactory to it a Letter of Instructions containing irrevocable instructions to give notice of redemption of such Bonds on said date as provided in the Indenture; (b) there will have been deposited with the Trustee or an Escrow Agent, in trust, either money in an amount which will be sufficient, or Defeasance Investment Securities the principal of and interest on which without any reinvestment thereof when due will provide money which, together with the money, if any, deposited with the Trustee or an Escrow Agent at the same time, will be sufficient, in the opinion of an independent certified public accountant, to pay when due the principal, or Redemption Price of, and interest due and to become due on, such Bonds on or prior to the redemption date or maturity date thereof, as the case may be; (c) in the event such Bonds are not to be redeemed within the next succeeding 60 days, the Issuer will have given the Trustee and any Escrow Agent in form satisfactory to it a Letter of Instructions containing irrevocable instructions to mail, as soon as practicable, notice to the Registered Owners of all such Bonds that the deposit required by clause (b) above has been made with the Trustee or an Escrow Agent and that such Bonds are deemed to have been paid in accordance with this section and stating such maturity or Redemption Date upon which money is to be made available for the payment of the principal or Redemption Price of and interest on such Bonds, and (d) there will be delivered to the Trustee a written opinion of Bond Counsel to the effect that the provisions of this section have been complied with so that such Bonds are no longer entitled to the benefits of the Indenture and such defeasance will not adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes. Neither Defeasance Investment Securities nor money deposited with the Trustee or an Escrow Agent pursuant to this section nor principal or interest payments on any such Defeasance Investment Securities will be withdrawn or used for any purpose other than, and will be held in trust for, the payment of the principal, or Redemption Price of and interest on said Bonds; provided that any cash received from such principal or interest payment on such Defeasance Investment Securities, (i) to the extent such cash will not be required at any time for such purpose, will be paid over to the Issuer as received, free and clear of any trust, lien, security interest, pledge or assignment securing such Bonds or otherwise existing under the Indenture, if all Bonds have been redeemed or discharged, otherwise such cash will be deposited as Available Revenues; and (ii) to the extent such cash will be required for such purpose at a later date, will, to the extent practicable, be reinvested in the Defeasance Investment Securities maturing at times and in amounts sufficient to pay when due the principal, or Redemption Price of and interest to become due on such Bonds, on or prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestment will be paid over to the Issuer, as received, free and clear of any trust, lien or pledge, if all Bonds have been redeemed or discharged, otherwise such cash will be deposited as Available Revenues. Bonds defeased under the Indenture will no longer be subject to redemption at the option of the Issuer, except to the extent that such Bonds are called for redemption at the time provision is made for the defeasance thereof, as provided in this section.

Events of Default and Remedies

Events of Default. Each of the following is an "Event of Default" under the Indenture:

(a) failure to make due and punctual payment of the principal or Redemption Price of any First Tier Bond when and as the same becomes due and payable, whether at maturity or by call for redemption, or otherwise;

(b) failure to make due and punctual payment of any installment of interest on any First Tier Bond or the unsatisfied balance of any Sinking Fund Installment therefor (except when such Sinking Fund Installment is due on the maturity date of such Bond), when and as such interest installment or Sinking Fund Installment become due and payable;

(c) other than as described elsewhere under this caption "Events of Default and Remedies – Events of Default," failure by the Issuer in the performance or observance of any other of the covenants, agreements, or conditions on its part contained in the Indenture or any Supplemental Indenture or in the First Tier Bonds, and such failure continues for a period of 120 days after written notice thereof to the Issuer by the Trustee or to the Issuer and to the Trustee by the Majority of Bondholders; provided, however, if the failure stated in the notice was due to the failure of another Person in its performance or observance of one or more of its covenants, agreements or conditions on its part contained in another Transaction Document, then instead of such 120-day grace period, no Event of Default will have occurred so long as corrective action is instituted by the Issuer after any applicable grace period permitted under such Transaction Document for such Person and diligently pursued until corrected for a maximum time period of 30 days following the applicable grace period for such Person;

(d) after the date on which no First Tier Bonds remain Outstanding, failure to make due and punctual payment of the principal or Redemption Price of any Second Tier Bond when and as the same will become due and payable, whether at maturity, by call for redemption, or otherwise;

(e) after the date on which no First Tier Bonds remain Outstanding, failure to make due and punctual payment of any installment of interest on any Second Tier Bond or the unsatisfied balance of any Sinking Fund Installment therefor (except when such Sinking Fund Installment is due on the maturity date of such Bond), when and as such interest installment or Sinking Fund Installment will become due and payable;

(f) after the date on which no First Tier Bonds remain Outstanding, other than as described elsewhere under this caption "Events of Default and Remedies – Events of Default," failure by the Issuer in the performance or observance of any other of the covenants, agreements or conditions on its part contained in this Indenture or any Supplemental Indenture or in the Second Tier Bonds, and such failure will continue for a period of 120 days after written notice thereof to the Issuer by the Trustee or to the Issuer and to the Trustee by the Majority of Bondholders; provided, however, if the failure stated in the notice was due to the failure of another Person in its performance or observance of one or more of its covenants, agreements or conditions on its part contained in another Transaction Document, then instead of such 120-day grace period, no Event of Default will have occurred so long as corrective action is instituted by the Issuer after any applicable grace period permitted under such Transaction Document for such Person and diligently pursued until corrected for a maximum time period of 30 days following the applicable grace period for such Person;

(g) if proceedings are commenced by or against the Issuer in bankruptcy or seeking reorganization, arrangement, readjustment, or composition of its debts, or for any other relief under the federal bankruptcy laws or under any other insolvency act or law, State or federal, now or hereafter existing, or seeking the appointment of a receiver or trustee of the Issuer or for all or a substantial part of its property, and, if not commenced by the Issuer, the same continues for 60 days undismissed or undischarged or results in the adjudication of bankruptcy or insolvency;

(h) any representation or warranty made by the Issuer in the Indenture or in any document, instrument, or certificate furnished to the Trustee in connection with the issuance of any Series of Bonds at any time proves to have been incorrect in any material respect as of the time made; provided, however, that if it can be corrected by the Issuer and such default was unintentional, the Issuer has a 60-day period to make such correction prior to an Event of Default occurring;

(i) failure to retain a Hotel Consultant to the extent required under the Indenture;

(j) the termination of the Management Agreement and a new management agreement has not been delivered to the Trustee within 60 days from the effective date of such termination; except that, if the Issuer is unable to locate a new manager with a national reputation of successfully managing first class, upscale convention center hotels within such 60 day period, such failure will not become an Event of Default for an additional 120 days so long as the Issuer diligently proceeds to locate a manager with a national reputation of successfully managing first class, upscale convention center hotels, the Performance Standard is being met and the Issuer has retained a Hotel Consultant to provide advice to the Issuer in operating the Hotel;

(k) if the City or the Issuer acquire or commence the development of another hotel within the Austin Central Business District, or issue their tax exempt bonds in support of a hotel located or to be developed within the Austin Central Business District (other than tax exempt bonds issued to finance public improvements located on or in proximity to a hotel), or enter into a room block commitment agreement which would have the effect of diverting convention business from the Hotel (other than in connection with business diverted when the Hotel reaches substantially full occupancy). Notwithstanding the previous sentence, an Event of Default will not occur if (i) the Debt Service Coverage Ratio for the required deposits to the Bond Prepayment Account of the Excess Revenues Fund was at least 1.25:1.00 during the preceding 12-month period; (ii) a Hotel Consultant selected by the Issuer with the written approval of the Bond Insurer forecasts that, for the five-year period following the completion of the competing hotel, the Projected Debt Service Coverage Ratio for such five year period for the required deposits to the Bond Prepayment Account of the Excess Revenues Fund is at least 1.25:1.00; and (iii) the Bond Insurer provides written consent, not to be unreasonably withheld, prior to the City or the Issuer commencing any action described in the previous sentence;

(l) if the City or the Issuer or any Person acting on behalf of the City or the Issuer, designates any hotel other than the Hotel within the City of Austin as one of the City's convention center headquarters hotel (provided, however, that an Event of Default will not occur if the Majority of Bondholders consents thereto), or if the City formally commences condemnation proceedings against all or any part of the Hotel (other than fines or penalties assessed against the Hotel for non-compliance with an Applicable Law);

(m) if the City levies or imposes any tax, fee, or other charge on the Hotel or Gross Revenues in a manner disproportionate to any other tax, fee, or other charge on any other hotels within the Austin Central Business District;

(n) if the City closes the facilities currently constituting the Austin Convention Center or changes the use of such facilities to a use other than as the City's Convention Center and a Hotel Consultant forecasts that such closure or change will have a material adverse effect on the Gross Operating Revenues;

(o) any Transaction Document for any reason ceases to be in full force and effect or is declared to be null and void and has a Material Adverse Effect, or any Person who is a party thereto denies that it has any further liability under any Transaction Document to which it is a party, or gives notice to such effect;

(p) failure by the Issuer in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Indenture relating to providing financial statements, and such failure will continue for a period of ten days after written notice thereof to the Issuer by the Trustee or to the Issuer and to the Trustee by the Majority of Bondholders (provided however, that if such failure was the result of the failure of another Person in the performance or observance of one or more of its covenants, agreements or conditions on its part contained in another Transaction Document, then the Issuer will be entitled to the grace period set forth in clause (e) above;

(q) failure by the Issuer or Hotel Manager to comply with the cash management provisions of the Indenture and the Cash Management Agreement, including provisions of the Indenture, involving an aggregate amount in excess of $50,000;

(r) failure by the Issuer to perform or comply with any of the provisions contained in the Indenture relating to maintaining the permits necessary to operate the Hotel, compliance with Environmental Laws, compliance with Applicable Law, maintaining the Hotel in good repair and working order and the execution and delivery of all Transaction Documents and opinions related thereto, and such failure is not fully cured within 30 days after receipt by Issuer of written notice from Trustee or Majority of Bondholders of such default; provided however that if (i) the failure is capable of cure but with diligence cannot be cured within such period of 30 days, (ii) Issuer has commenced the cure within 10 days after the first notice of such failure and at all times after such commencement has pursued such cure diligently, and (iii) Issuer delivers to Trustee promptly following demand (which demand may be made from time to time by Trustee) evidence satisfactory to Trustee of the foregoing, then such period will be extended for so long as is reasonably necessary, but in no event beyond the 60th day after the original notice of default; and

(s) failure by the Issuer in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Indenture relating to encumbrances on the Legal Hotel Unit, disposition of assets, maintaining its existence as a sole purpose corporation, or hiring the Asset Manager, (provided, however, that if the failure is due to an involuntary Lien under the Indenture, such failure will not constitute an Event of Default if within 15 days following written request by the Trustee, the Issuer either (i) causes the same to be removed of record, or (ii) provides to Trustee security for the same in an amount and pursuant to the terms both satisfactory to Trustee in Trustee's sole discretion).

NOTWITHSTANDING ANYTHING CONTAINED IN THE INDENTURE TO THE CONTRARY, OTHER THAN AS DESCRIBED BELOW UNDER THE CAPTION " – NOTICE AND RIGHTS OF OWNERS OF FIRST TIER BONDS", THE CONTROLLING PARTY HAS THE SOLE RIGHT TO DIRECT AND CONTROL REMEDIES UPON AN EVENT OF DEFAULT.

Upon the occurrence of an Event of Default, the Trustee will promptly provide written notice by first class mail to the Registered Owners of the Bonds then Outstanding and to the Beneficial Owners of the Bonds then Outstanding who have provided such information to the Trustee as is reasonably required by the Trustee to enable it to provide such notice to such Beneficial Owners (i) of such Event of Default, and (ii) the action or remedy, if any, then proposed to be taken by the Trustee.

The Trustee will be fully protected in acting in accordance with the written direction of a Majority of the Bondholders and shall so act. Third parties, including the Issuer, shall be entitled to rely upon the actions of the Trustee.

AS LONG AS ANY FIRST TIER BONDS REMAIN OUTSTANDING, NO EVENT OF DEFAULT WILL EXIST OR MAY BE DECLARED WITH RESPECT TO ANY SECOND TIER BONDS.

Remedies for Events of Default of First Tier Bonds. If an Event of Default (other than with respect to Second Tier Bonds while any First Tier Bonds are Outstanding) occurs and is continuing, then subject to the Indenture, the Trustee may, and upon the written request of the Majority of the Bondholders and having been indemnified to its satisfaction will take any or all or any combination of the following actions:

(a) unless such Event of Default is an Event of Default under provisions of the Indenture under clauses (c), (f), (i), or (k) under the caption "Events of Default and Remedies – Events of Default" herein which does not have a Material Adverse Effect on the Hotel or any part thereof, accelerate the Bonds of each or all Tiers, whereupon all principal of and interest on such Bonds will immediately become due;

(b) by mandamus or other suit, action, or proceeding at law or in equity require the Issuer to perform its covenants, representations, and duties with respect to the First Tier Bonds under the Indenture;

(c) by action or suit in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the First Tier Bonds;

(d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Registered Owners of the First Tier Bonds;

(e) prohibit the Issuer from withdrawing money from any Funds or Accounts (except the Rebate Fund, the Taxes and Insurance Fund, the Operating Reserve Fund, and the Renewal and Replacement Fund) without the Majority of Bondholders's written consent;

(f) request that a court of competent jurisdiction appoint, to the extent permitted by law, a receiver or receivers of the Trust Estate, and the income, revenues, profits, and use thereof, it being the intent that, to the extent permitted by law, the Trustee will be entitled to appointment of such a receiver as a matter of right;

(g) unless such Event of Default is an Event of Default under clauses (c), (f), (i) or (k) under the caption "Events of Default and Remedies – Events of Default" herein which does not have a Material Adverse Effect on the Hotel or any part thereof, commence foreclosure of the Hotel Deed of Trust and/or the Security Agreement by private sale or judicial foreclosure; provided, however, that the Trustee must first receive the written consents of the Registered Owners of not less than a majority in aggregate principal amount of the First Tier Bonds then Outstanding;

(h) upon the occurrence of an Event of Default with respect to the payment of First Tier Bonds, transfer money from any Funds or Accounts (other than amounts necessary to pay Operating Expenses and amounts on deposit in the Taxes and Insurance Fund, the Rebate Fund, and the Second Tier Debt Service Reserve Fund) to the First Tier Debt Service Account of the Debt Service Fund;

(i) enter into such agreements or other arrangements as the Majority of Bondholders determines, in its discretion, to be necessary or appropriate either to retain the Hotel Manager under the existing Management Agreement or make modifications to said Management Agreement; provided, however, that there will first be delivered an opinion of Bond Counsel to the effect that such agreements, arrangements or modifications will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any of the Bonds;

(j) enforce all rights of the Issuer under the Management Agreement, including the right to terminate and replace such parties under a new qualified management agreement which is reasonable under the circumstances and necessary and appropriate to (a) maximize the current and long term value of the Hotel, (b) maximize Net Revenues, and (c) enhance the overall operating efficiency of the Hotel;

(k) take such actions, including the filing and prosecution of lawsuits, at the written direction of the Majority of Bondholders, as may be required to enforce for the benefit of the Registered Owners the terms of any agreements or instruments relating to the Legal Hotel Unit or any part thereof which the Trustee, at the written direction of the Majority of Bondholders may be entitled to enforce;

(l) exercise any right of the Issuer to give any consent or notice, to take any act or refrain from taking any act, and otherwise act in the full place and stead of the Issuer in any Transaction Document, either in its name, the name of the Majority of Bondholders, or the name of the Issuer (and in order to do so, the Issuer grants the Trustee or the Majority of Bondholders an irrevocable power of attorney to use the Issuer's name); provided, however, that if the Event of Default is an Event of Default as set forth in clauses (c), (f), (i) or (k) under the caption "Events of Default and Remedies – Events of Default" herein, then such right to exercise the remedy set forth in this clause will be restricted to relate solely to curing such Event of Default unless such Event of Default results in a Material Adverse Effect with respect to the Hotel or any part thereof; or

(m) take such other steps to protect and enforce its rights and the rights of the Registered Owners of the First Tier Bonds, whether by action, suit, or proceeding in aid of the execution of any power granted in the Indenture or for the enforcement of any other appropriate legal or equitable remedy, including, but not limited to, proceeding by suit or suits, at law or in equity or by any other appropriate legal or equitable remedy, to enforce payment of the principal and Redemption Price of and interest then due on the First Tier Bonds.

Notice and Rights of Owners of First Tier Bonds. Upon the occurrence of an Event of Default, the Trustee will promptly provide written notice by first class mail to the Registered Owners of the Bonds then Outstanding and to the Beneficial Owners of the Bonds then Outstanding who have provided such information to the Trustee as is reasonably required by the Trustee to enable it to provide such notice to such Beneficial Owners of such Event of Default and the action or remedy, if any, then proposed to be taken by the Trustee.

Notice of Default. Upon knowledge of the existence of any Event of Default, the Trustee will notify the Issuer, the City, and the Hotel Manager in writing as soon as practicable, but in any event within two Business Days; provided, however, that the Trustee need not provide notice of any Event of Default if the Issuer has expressly acknowledged the existence of such Event of Default in a writing delivered to the Responsible Officer. The Trustee will recognize any cure of an Event of Default by the Hotel Manager.

Remedies for Events of Default of Second Tier Bonds. If an Event of Default with respect to the Second Tier Bonds occurs and is continuing, then, subject to the Indenture, the Trustee may and, upon the written request of the Majority of Bondholders and having been indemnified to its satisfaction, will take all or any combination of the following actions:

(a) unless such Event of Default is an Event of Default under (c), (f), or (h) of "Events of Default and Remedies – Events of Default" herein which does not have a Material Adverse Effect on the Hotel, or any part thereof, accelerate the Second Tier Bonds, whereupon all principal of and interest on such Bonds will immediately become due; provided that the Trustee will first receive the written consents of the Registered Owners of not less than a majority in aggregate principal amount of the Second Tier Bonds then Outstanding;

(b) by mandamus or other suit, action or proceeding at law or in equity require the Issuer to perform its covenants, representations and duties with respect to the Second Tier Bonds under the Indenture;

(c) by action or suit in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Second Tier Bonds;

(d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Registered Owners of the Second Tier Bonds;

(e) prohibit the Issuer from withdrawing moneys from any Funds or Accounts (except the Rebate Fund, the Taxes and Insurance Fund, the Operating Reserve Fund and the Renewal and Replacement Fund) without the Majority of Bondholder's written consent;

(f) request that a court of competent jurisdiction appoint, to the extent permitted by law, a receiver or receivers of the Trust Estate, and the income, revenues, profits and use thereof, it being the intent hereof that, to the extent permitted by law, the Trustee will be entitled to appointment of such a receiver as a matter of right;

(g) unless such Event of Default is an Event of Default under (c), (f), or (h) of "Events of Default and Remedies – Events of Default" herein which does not have a Material Adverse Effect on the Hotel, or any part thereof, commence foreclosure of the Hotel Deed of Trust and/or the Security Agreement by private sale or judicial foreclosure; provided that the Trustee will first receive the written consents of the Registered Owners of not less than a majority in aggregate principal amount of the Second Tier Bonds then Outstanding;

(h) upon the occurrence of an Event of Default described in (d) or (e) of "Events of Default and Remedies – Events of Default" herein, transfer moneys from any Funds or Accounts (other than amounts necessary to pay Operating Expenses and amounts on deposit in the Taxes and Insurance Fund and the Rebate Fund) to the Second Tier Debt Service Account of the Debt Service Fund;

(i) enter into such agreements or other arrangements as the Majority of Bondholders determines, in its discretion, to be necessary or appropriate either to retain the Hotel Manager under the existing Management Agreement or make modifications to said Management Agreement; provided that there will first be delivered an opinion of Bond Counsel to the effect that such agreements, arrangements or modifications will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any of the Bonds;

(j) enforce all rights of the Issuer under the Management Agreement, including the right to terminate and replace such parties under a new qualified management agreement which is reasonable under the circumstances and necessary and appropriate to (A) maximize the current and long term value of the Hotel, (B) maximize Net Revenues, and (C) enhance the overall operating efficiency of the Hotel;

(k) take such actions, including the filing and prosecution of lawsuits, at the written direction of the Majority of Bondholders, as may be required to enforce for the benefit of the Registered Owners the terms of any agreements or instruments relating to the Hotel, or any part thereof, which the Trustee, at the written direction of the Majority of Bondholders may be entitled to enforce;

(l) exercise any right of the Issuer to give any consent or notice, to take any act or refrain from taking any act, and otherwise act in the full place and stead of the Issuer in any Transaction Document, either in its name, the name of the Majority of Bondholders or the Issuer (and in order to do so, the Corporation hereby grants the Trustee an irrevocable power of attorney to use the Issuer's name); provided that if the Event of Default is an Event of Default as set forth in (c), (f), (i) or (k) of "Events of Default and Remedies – Events of Default" herein, then such right to exercise the remedy set forth in this clause (xii) will be restricted to relate solely to curing such Event of Default unless such Event of Default results in a Material Adverse Effect with respect to the Hotel or any part thereof; or

(m) take such other steps to protect and enforce its rights and the rights of the Registered Owners of the Second Tier Bonds, whether by action, suit or proceeding in aid of the execution of any power herein granted or for the enforcement of any other appropriate legal or equitable remedy, including, but not limited to, proceeding by suit or suits, at law or in equity or by any other appropriate legal or equitable remedy, to enforce payment of the principal and Redemption Price of and interest then due on the Second Tier Bonds.

Application of Proceeds. The proceeds received by the Trustee, after payment or provision for payment of Operating Expenses (including the Base Management Fee and the Additional Management Fee) then due and payable and making the deposits to the Funds and Accounts and such disbursements therefrom as required to be made pursuant to the Cash Management Agreement which the Hotel Manager will continue to have access to as set forth in the Cash Management Agreement, pursuant to the exercise of any right or remedy under the Indenture will, together with all securities and other moneys which may then be held by the Trustee as a part of the Trust Estate, subject to the application of amounts in specific Funds and Accounts which are pledged solely to the repayment of Bonds of a specific Tier, be applied in order, as follows:

(c) *First*, To the payment of the reasonable and proper charges, expenses and liabilities of the Trustee (including reasonable attorneys' fees);

Second,

Unless the principal of all First Tier Bonds will have become or have been declared due and payable,

First, to the payment to the Registered Owners entitled thereto of all installments of interest (together with interest due on overdue installments of interest to the extent allowed by law) then due on the First Tier Bonds in the order of the maturity of such installment, and, if the amount available will not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second, to the payment to the Person entitled thereto of the unpaid principal, or Redemption Price of the First Tier Bonds with respect to which such remedy was exercised which will have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available will not be sufficient to pay in full all the First Tier Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal, or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

If the principal of all of the First Tier Bonds with respect to which such remedy was exercised will have become or have been declared due and payable, to the payment of the principal or Redemption Price and interest then due and unpaid upon the First Tier Bonds, with interest on the overdue principal and interest (to the extent allowed by law) at the rate borne by the respective First Tier Bonds, and, if the amount available will not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest or Redemption Price, or of interest over principal or Redemption Price, or of Redemption Price over principal or interest, or of any installment of interest over any other installment of interest, or of any First Tier Bond over any other First Tier Bond, according to the amounts due respectively for principal, Redemption Price and interest, to the Registered Owners entitled thereto without any discrimination or preference;

Third,

Unless the principal of all Second Tier Bonds will have become or have been declared due and payable,

First, to the payment to the Registered Owners entitled thereto of all installments of interest (together with interest due on overdue installments of interest to the extent allowed by law) then due on the Second Tier Bonds in the order of the maturity of such installment, and, if the amount available will not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second, to the payment to the Registered Owners entitled thereto of the unpaid principal, or Redemption Price of the Second Tier Bonds with respect to which such remedy was exercised which will have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available will not be sufficient to pay in full all the Second Tier Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal, or Redemption Price due on such date, to the persons entitled thereto, without any discrimination or preference.

If the principal of all of the Second Tier Bonds with respect to which such remedy was exercised will have become or have been declared due and payable, to the payment of the principal or Redemption Price and interest then due and unpaid upon the Second Tier Bonds, with interest on the overdue principal and interest (to the extent allowed by law) at the rate borne by the respective Second Tier Bonds, and, if the amount available will not be sufficient to pay in full the whole amount so due and unpaid, then to the payment thereof ratably, without preference or priority of principal over interest or Redemption Price, or of interest over principal or Redemption Price, or of Redemption Price over principal or interest, or of any installment of interest over any other installment of interest, or of any Second Tier Bond over any other Second Tier Bond, according to the amounts due respectively for principal, Redemption Price and interest, to the Registered Owners entitled thereto without any discrimination or preference;

Trustee as Attorney-in-Fact. The Trustee has been irrevocably appointed (and Registered Owners of the Bonds, by taking and holding same from time to time, will be deemed to have so appointed the Trustee) the true and lawful attorney in fact of the Registered Owners of the Bonds, or on behalf of all Registered Owners of the Bonds as a class, with respect to any proof of debt, amendment to proof of debt, petition or other document, and to do and perform any and all acts and things for and in the name of the Registered Owners of the Bonds against the Issuer allowed in any equity receivership, insolvency, liquidation, bankruptcy, reorganization or other proceedings to which the Issuer will be a party and to receive payment of or on account of such claims. Any such receiver, assignee, liquidator or trustee has been authorized by each of the Registered Owners of the Bonds to make such payments to the Trustee, and, in the event that the Trustee will consent to the making of such payments directly to the Registered Owners of the Bonds, to pay to the Trustee any amount due for compensation and expenses of the Trustee, including counsel fees, incurred up to the date of such distribution, and the Trustee will have full power of substitution and delegation in respect of any such powers.

Remedies Not Exclusive. No remedy in the Indenture conferred upon or reserved to the Trustee or the Majority of Bondholders is intended to be exclusive of any other available remedy or remedies, but each and every such remedy will be cumulative and will be in addition to every other remedy given under the Indenture or under the Bonds or now or hereafter existing at law or in equity or by statute subject, however, to the right of the Majority of Bondholders to direct the remedies and the limitations on remedies for the benefit of the Registered Owners of the Second Tier Bonds and Third Tier Bonds set forth in the Indenture.

Limitation on Suits. All rights of action in respect of the Indenture will be exercised only by the Trustee, and the Registered Owners of the Bonds will have no right to institute any suit, action or proceedings at law or in equity for the appointment of a receiver or for any other remedy under the Indenture or by reason thereof, unless and until the Trustee will have received a written request of the Majority of Bondholders, and will have been furnished reasonable indemnity and will have refused or neglected for 30 days thereafter to institute such suit, action or proceedings and no direction inconsistent with such written request has been given to the Trustee during such 30-day period by the Majority of Bondholders. The making of such request and the furnishing of such indemnity will in each and every case be conditions precedent to the execution and enforcement by any Registered Owner of any Affected Bond, if then the Majority of Bondholders, of the powers and remedies given to the Trustee under the Indenture and to the institution and maintenance by any such Registered Owner of any action or cause of action for the appointment of a receiver or for any other remedy under the Indenture, but the Trustee may, in its discretion, and when thereunto duly requested in writing by the Majority of Bondholders and when furnished indemnity satisfactory to protect it against expenses, charges and liability will, forthwith, subject to the provisions of the Indenture, take such appropriate action by judicial proceedings otherwise in respect of any existing default on the part of the Issuer as the Trustee may deem expedient in the interest of the Majority of Bondholders. The rights of the Registered Owners under this section are in all events subject to the provisions of the Indenture.

Nothing contained in this section, however, will affect or impair the right of any Registered Owner of any Bonds, which will be absolute and unconditional, to enforce the payment of the principal of, premium, if any, and interest on the Bonds of such Registered Owner, but only out of the moneys for such payment as provided in the Indenture, or the obligation of the Issuer, which will also be absolute and unconditional, to make payment of the principal of, premium, if any, and interest on the Bonds, but only out of the monies available for such payment as provided in the Indenture, to the respective Registered Owners thereof at the time and place stated in the Indenture, and subject in all cases to the provisions of the Indenture and the rights of the Hotel Manager under the Management Agreement, the Indenture and the Cash Management Agreement.

Right of Majority of Bondholders to Direct Proceedings. Notwithstanding any provision of the Indenture to the contrary other than the rights of the Registered Owners of the First Tier Bonds as described under the caption "Events of Default and Remedies – Remedies for Events of Default for First Tier Bonds" herein, the Majority of Bondholders will have the right, at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the pursuit or exercise of any remedy available to the Trustee or any trust or power conferred on the Trustee or any other proceedings under the Indenture, provided, however, that the Trustee will have been satisfactorily indemnified and that such direction will not be contrary to law or the provisions of the Indenture, and, unless such direction relates to the acceleration of all or a portion of the Affected Bonds, the Trustee will have the right to decline to follow any such direction if the Trustee in good faith will determine that the proceedings so directed would involve it in personal liability for which it has not received adequate indemnity. The rights of the Registered Owners under this section are in all events subject to the provisions of the Indenture. For purposes of this section, the Trustee may conclusively rely on any instrument delivered to it in accordance with this section and need not conduct an independent investigation as to such matters.

Restoration of Rights and Remedies. If the Trustee or any Registered Owner of a Bond has instituted any proceeding to enforce any right or remedy under the Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Registered Owner of a Bond, then and in every such case, the Issuer, the Trustee and the Registered Owners of the Bonds will, subject to any determination in such proceeding, be restored severally and respectively to their former positions under the Indenture, and thereafter all rights and remedies of the Trustee and the Registered Owners of the Bonds will continue as though no such proceeding had been instituted.

Waiver of Stay or Extension Laws. To the extent that it may lawfully do so, the Issuer has covenanted that it will not at any time insist upon, plead or in any manner whatsoever claim or take the benefit or advantage of any stay or extension law, whenever or wherever enacted, which may affect the covenants or the performance of the Indenture. The Issuer has also covenanted that it will not otherwise hinder, delay or impede the execution of any power in the Indenture granted to the Trustee.

Delay or Omission Not Waiver. No delay or omission of the Trustee or of any Registered Owner of any Bond to exercise any right or remedy accruing upon any Event of Default under the Indenture will impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence in the Indenture. Every right and remedy given by the Indenture or by law to the Trustee or to the Registered Owners of the Bonds may be executed from time to time, and as often as may be deemed expedient, by the Trustee or by the Registered Owners of the Bonds, as the case may be.

Rights of Manager. Notwithstanding anything contained in the Indenture to the contrary, so long as the Management Agreement has not expired or terminated, the exercise of the rights and remedies by the Trustee and the Registered Owners will not affect the rights of the Hotel Manager as set forth in the Indenture, the Cash Management Agreement and the Management Agreement.

Trustee

Responsibilities of the Trustee. The recitals of fact in the Indenture and in the Bonds will be taken as the statements of the Issuer, and the Trustee assumes no responsibility for the correctness of the same. The Trustee makes no representations as to the validity or sufficiency of the Indenture or of any Bonds issued under the Indenture or as to the security afforded by the Indenture, and the Trustee will not incur any liability in respect thereof. The Trustee will, however, be responsible for its representations contained in any authentication on the Bonds. The Trustee will not be under any responsibility or duty with respect to the application of any money paid to the Issuer or money collected by the Issuer prior to the delivery thereof to the Trustee. The Trustee will not be under any obligation or duty to perform any act, whether requested by the Registered Owners or otherwise, which would involve it in liability or to institute or defend any suit in respect thereof, or to advance any of its own money, unless it has been satisfactorily indemnified against such liability except liability resulting from its negligence or willful misconduct; provided however that in the case of the Registered Owner that demonstrates that it has assets of at least $50,000,000, a written undertaking by the Registered Owner to indemnify the Trustee for its proportionate share (relative to the other indemnifying Registered Owners) of any liabilities incurred by the Trustee will suffice and no indemnity bond will be required. Subject to the provisions of the following paragraph, the Trustee will not be liable in connection with the performance of its duties under the Indenture except for its own negligence or willful misconduct.

The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in the Indenture, and no implied covenants or obligations will be read into the Indenture against the Trustee. In case an Event of Default has occurred (which has not been cured), the Trustee will exercise such of the rights and powers vested in it by the

Indenture, and use the same degree of care and skill in their exercise, as a prudent person ordinarily would exercise or use under the circumstances in the conduct of their own affairs. The Trustee will not be required to take notice or be deemed to have notice or knowledge of any default under the Indenture except Events of Default (a), (b), (d), (e) or (f) specified under the caption "Events of Default and Remedies – Events of Default" herein, or any other default or Event of Default of which the Trustee has knowledge, or any Event of Default (as defined in the Management Agreement) or any termination of the Management Agreement unless a Responsible Officer of the Trustee will be specifically notified in writing of the default by the Issuer or by the Registered Owners of not less than 25% in principal amount of the Affected Bonds then Outstanding. All notices or other instruments required by the Indenture to be delivered to the Trustee must, to be effective, be delivered at the designated office of the Trustee, and in the absence of the notice so delivered, the Trustee may conclusively assume there is no default except as aforesaid. Any provision of the Indenture relating to action taken or to be taken by the Trustee or the evidence upon which the Trustee may rely will be subject to the provisions of this section.

Absent manifest error or obvious defects, the Trustee is not required to make any inquiry or investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document (other than to establish facial compliance with the requirements of the Indenture) but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit and, if the Trustee determines to make such further inquiry or investigation, it is entitled to examine the books, records and premises of the Issuer, in person or by agent or attorney.

The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under the Indenture will extend to the non-negligent acts and actions taken on behalf of the Trustee by the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and right to indemnification, together with the Trustee's right to compensation, will survive the Trustee's resignation or removal, the discharge of the Indenture and final payment of the Bonds.

The permissive right of the Trustee to take the actions permitted by the Indenture will not be construed as an obligation or duty to do so.

Promptly after receiving appropriate notification thereof, the Trustee will be responsible for sending notifications required to be sent to the Registered Owners under the Indenture and requesting consents of the Surety and Registered Owners when required under the Indenture.

Except for information provided by the Trustee concerning the Trustee, the Trustee will have no responsibility for any information in any offering memorandum or other disclosure material distributed with respect to the Bonds, and the Trustee will have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

The right of the Trustee to give any consent or notice, to take any act or refrain from the taking of any act, under any Transaction Document (other than the ministerial duties of the Trustee set forth in the Indenture and in the Cash Management Agreement) will be exercised or refrained from exercise only pursuant to the written direction of the Majority of Bondholders.

Resignation of Trustee. Except as otherwise provided by a Supplemental Indenture, the Trustee may at any time resign and be discharged of the duties and obligations created by the Indenture, effective immediately upon the appointment of a successor Trustee pursuant to the provisions of the Indenture, by giving not less than 60 days' written notice to the Issuer of the date it desires to resign and mailing written notice to the Registered Owners of all Bonds and such resignation will take effect immediately on the appointment of a successor Trustee pursuant to the provisions of the Indenture.

Removal of Trustee. The Trustee may be removed, with or without cause, at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Issuer or its attorneys-in-fact duly authorized. Notwithstanding the foregoing, any removal of the Trustee will not be effective until a successor Trustee has been appointed and has assumed the duties and responsibilities of successor Trustee under the Indenture.

Appointment of Successor Trustee. In case at any time the Trustee will resign or will be removed or will become incapable of acting, or will be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, will be appointed, or if any public officer will take charge or control of the Trustee, or of its property or affairs, a successor may be appointed by the Issuer with the written consent of the Majority of Bondholders, by an instrument or concurrent instruments in writing signed and acknowledged by the Issuer or by its attorneys-in-fact duly authorized and delivered to such successor Trustee, notification thereof being given to the Majority of Bondholders and the predecessor Trustee. The successor Trustee will mail notice of the appointment of the successor Trustee to the Registered Owners of all Bonds.

If in a proper case no appointment of a successor Trustee will be made pursuant to the foregoing provisions of this section within 45 days after the Trustee will have given to the Issuer written notice as provided in the Indenture or after a vacancy in the office of the Trustee will have occurred by reason of its inability to act, its removal, or for any other reason whatsoever, the Trustee (in the case of a resignation) or the Majority of Bondholders may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee.

Any Trustee appointed under the provisions of this section in succession to the Trustee will be a bank, trust company or financial institution or other entity organized and doing business under the laws of the United States or any state, (i) duly qualified under the laws of the State to perform the duties of Trustee under the Indenture and (ii) having (or whose parent holding company will have) capital stock and surplus aggregating at least $100,000,000 and subject to supervision or examination by federal or state authority.

Merger or Consolidation. Any bank or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank or trust company resulting from any merger, conversion or consolidation to which it will be a party or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such entity will be a bank or trust company organized under the laws of any state of the United States or a national banking association, and will be authorized by law to perform all duties imposed upon it by the Indenture, will be the successor Trustee without the execution or filing of any paper or the performance of any further act. The successor Trustee will mail notice to the Registered Owners of all Outstanding Bonds of the successor Trustee.

Amendments

Supplemental Indentures and Amendments of Bond Documents Effective Without Consent of Registered Owners. The Issuer and the Trustee may, as appropriate, from time to time and at any time and without the consent of but with notice to Registered Owners, enter into Supplemental Indentures or any amendments to the Bond Documents as follows: (a) to cure any formal defect, omission, inconsistency or ambiguity in the Indenture or in the applicable Bond Document; (b) to insert such provisions clarifying matters or questions arising under the Indenture or in the applicable Bond Document as are necessary or desirable and are not contrary to or inconsistent with the Indenture or the applicable Bond Document as theretofore in effect; (c) to grant to or confer upon the Trustee for the benefit of the Registered Owners any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Indenture or the Bond Documents as therefor in effect; (d) to authorize Bonds of a Series and, in connection therewith, to specify and determine the matters and things referred to in the Indenture and also any other matters and things relative to such Bonds which are not in conflict with the Indenture as theretofore in effect, or to amend, modify, or rescind any such authorization, specification, or determination at any time prior to the first delivery of such Bonds; provided however that such supplement or amendment will be limited to the specific terms of the Additional Bonds and will not otherwise amend the Indenture unless all of the Bonds Outstanding immediately prior to the issuance of such Additional Bonds are no longer Outstanding immediately after the issuance of such Additional Bonds; (e) to provide limitations and restrictions in addition to the limitations and restrictions contained in the Indenture or any Supplemental Indenture or the Bond Documents on the delivery of Bonds or the issuance of other evidences of indebtedness; (f) to add to the covenants and agreements of the Issuer in the Indenture or any Supplemental Indenture or the Bond Documents, other covenants and agreements to be observed by the Issuer or the other parties thereto which are not in conflict with the Indenture or the applicable Supplemental Indentures or in the applicable Bond Document as theretofore in effect; (g) to add to the limitations and restrictions in the Indenture or any Supplemental Indenture or the Bond Documents other limitations and restrictions to be observed by the Issuer or the other parties thereto which are not in conflict with the

Indenture or the applicable Supplemental Indenture as theretofore in effect; (h) to confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture or any Supplemental Indenture, of the Trust Estate or of any other moneys, securities or funds, or to subject to the lien or pledge of the Indenture additional revenues, properties or collateral; (i) to provide for additional duties of the Trustee in connection with the Trust Estate or the Project; (j) to modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit, if presented, the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or under any state blue sky law; (k) to surrender any right, power or privilege reserved to or conferred upon the Issuer by the terms of the Indenture, provided that the surrender of such right, power or privilege is not in conflict with the covenants and agreements of the Issuer contained in the Indenture; (l) to establish or increase the required balance to be accumulated or maintained in the Renewal and Replacement Fund; (m) to designate Registrars and other Fiduciaries for the Bonds of any Series; (n) to evidence the appointment of a succession of a new Trustee under the Indenture; (o) to modify, amend or supplement the Indenture or any Supplemental Indenture in order to provide for or eliminate book-entry registration of all or any of the Bonds to the extent not inconsistent with the provisions of the Indenture; (p) to make any change (including changes to reflect any amendment to the Code or interpretations by the Internal Revenue Service of the Code) that does not materially adversely affect the rights of any Registered Owner; (q) to conform the Indenture and the other Bond Documents to any amendment, modification or replacement of the Management Agreement authorized pursuant to Section 7.24(a) of the Indenture, including the deletion of any rights of Manager thereunder or under any other Bond Document to the extent that the same are no longer applicable, and for the subordination and non-disturbance of the rights of the Trustee thereunder and under the other Bond Documents to the Manager; and (r) to amend a prior Supplemental Indenture in accordance with the provisions thereof.

Supplemental Indentures and Amendments to Bond Documents Requiring Registered Owner Consent. Except as provided in the Indenture and in the immediately following sentence, any modification or amendment of the Indenture or to any Bond Document and of the rights and obligations of the Issuer and of the Registered Owners of the Bonds under the Indenture, in any particular, may only be made by a Supplemental Indenture or an amendment to the applicable Bond Document in each instance with the written consent of the Majority of Bondholders and the written consent or deemed consent (as permitted under the Indenture in the manner described below) of the Registered Owners of a majority in aggregate principal amount of each Tier or Series of Bonds then Outstanding. No such modification or amendment will, without the written consent of the Registered Owner of each Bond affected thereby and the Surety, permit (i) a change in the terms of redemption or maturity of the principal of any outstanding Bond or of any installment of interest thereon or a reduction in the principal amount, or the Redemption Price thereof or in the rate of interest thereon, or (ii) creation of a lien upon or a pledge of or payment priority from the Gross Revenues ranking prior to or on a parity with the lien or pledge created by the Indenture or (iii) a preference or priority of any Bonds or Bonds over any other Bond or Bonds of the same Tier, or (iv) a reduction in the percentages or otherwise affect the classes of Bonds of which the consent of the Registered Owners is required to effect any such modification or amendment, or (v) an impairment of the exclusion from gross income for federal income tax purposes of interest on any Bond or (vi) a deprivation to any Registered Owners of the lien created by the Indenture or (vii) a change or modification of any of the rights or obligations of any Fiduciary without its written consent thereto. For the purposes of this section, a Series will be deemed to be affected by a modification or amendment of the Indenture or an amendment to the applicable Bond Document if the same materially adversely affects or diminishes the rights of the Registered Owners of Bonds of such Series. The Trustee may in its discretion determine whether or not, in accordance with the foregoing powers of amendment, Bonds of any particular Series or maturity would be affected by any modification or amendment of the Indenture or an amendment to the applicable Bond Document and any such determination will be binding and conclusive on the Issuer and all Registered Owners.

Consent of Registered Owners. The Issuer and the Trustee, as applicable, may at any time enter into a Supplemental Indenture or an amendment to the applicable Bond Document making a modification or amendment permitted by the provisions of the Indenture, to take effect when and as provided in this section. A copy of such Supplemental Indenture or amendment to a Bond Document (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Registered Owners for their consent thereto in form satisfactory to the Trustee, will be mailed to Registered Owners as provided in the Indenture. Any Supplemental Indenture or amendment to such Bond Document requiring the consent of all or any of the Registered Owners will be effective when: (a) there will have been filed with the Trustee the written consent of the Surety, the written consent of such Registered Owners of the percentages of Outstanding Bonds specified in the Indenture required to consent to such amendment (provided that if the required consent is a majority in aggregate principal amount of Bonds of a Series or

Tier, Registered Owners failing to respond within 10 Business Days after mailing the notice will be deemed to have consented to such amendment), and an opinion of Bond Counsel, in form and substance satisfactory to the Trustee, stating that such Supplemental Indenture has been duly and lawfully entered into by the Issuer in accordance with the provisions of the Indenture, is authorized or permitted by the Indenture, is valid and binding upon the Issuer and enforceable in accordance with its terms, is in accordance with the Indenture and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Bonds; provided, however, that such opinion may take exception for limitations imposed by or resulting from bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally and principles of government law and equity; and (b) a notice will have been mailed as provided in this section. Each such written consent (other than a deemed consent) will be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof will be such as is permitted by the Indenture. A certificate or certificates by the Trustee filed with the Issuer that it has examined such proof and that such proof is sufficient in accordance with the Indenture thereof will be conclusive that the consents have been given by the Registered Owners of the Bonds described in such certificate or certificates of the Trustee. Any such consent will be binding upon the Registered Owner of the Bonds giving or deemed to have given such consent and, anything in the Indenture to the contrary notwithstanding, upon any subsequent Registered Owner of such Bonds and of any Bonds issued in exchange therefor (whether or not such subsequent Registered Owner thereof has notice thereof) unless such consent is revoked in writing by the Registered Owner of such Bonds giving or deemed to have given such consent or a subsequent Registered Owner thereof by filing with the Trustee, prior to the time when the written statement of the Trustee provided for in this section is filed, such revocation. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee. At any time after the Registered Owners of the required percentages of Bonds will filed their consents to the Supplemental Indenture or amendment to a Bond Document, the Trustee will make and file with the Issuer a written statement that the Registered Owners of such required percentages of Bonds have filed or deemed to have filed such consents. Such written statement will be conclusive that such consents have been so filed or deemed to have been so filed. Upon receipt of such consents or deemed consents, filing of the written statement of the Trustee required hereunder, and the execution of such amendment, notice, stating in substance that the Supplemental Indenture (which may be referred to as a Supplemental Indenture entered into by the Issuer and the Trustee as of a stated date, a copy of which is on file with the Trustee) or other amendment of the Bond Documents has been consented or deemed consented to by the Registered Owners of the required percentages of Bonds and will be effective as provided in this section, may be given to Registered Owners by mailing such notice to Registered Owners immediately thereafter by the Trustee. Proof of the mailing of such notice will be filed with the Trustee. A record, consisting of the papers required or permitted by this section to be filed with the Trustee, will be proof of the matters in the Indenture stated. Such Supplemental Indenture or amendment to a Bond Document making such amendment or modification will be deemed conclusively binding upon the Issuer, the Trustee and the Registered Owners of all Bonds after the filing with the Trustee of the proof of the mailing of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Indenture or amendment to a Bond Document in a legal action or equitable proceeding for such purpose commenced prior to such mailing; provided, however, that the Fiduciary and the Issuer prior to such mailing and any such further period during which any such action or proceeding may be pending will be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Indenture or amendment to a Bond Document as they may deem expedient.

CASH MANAGEMENT AGREEMENT

Set forth below are brief summaries of certain provisions contained in the Cash Management Agreement not described elsewhere in this Official Statement. Such summaries are not to be considered full statements pertaining thereto. Reference is made to the Cash Management Agreement.

Establishment of the Lockbox Fund

The Issuer, the Trustee (if not the Depository Bank) and the Manager have established, and will cause the Depository Bank to maintain, an interest bearing deposit account, which will be entitled "Austin Convention Center Hotel Lockbox Fund" (the "Lockbox Fund").

On the Closing Date for the Series 2017 Bonds, the Issuer will cause to be deposited into the Operating Reserve Fund the amount of $8,000,000. Thereafter, additional amounts will be deposited into the Operating Reserve Fund in the manner set forth in the Indenture. The funds in the Operating Reserve Fund will be subject to disbursement and withdrawal for the purposes and manner set forth in the Indenture and described below.

As part of the process of depositing all Gross Operating Revenues into the Lockbox Fund, the Hotel Manager may also establish one or more segregated deposit accounts (collectively, the "Clearing Bank Accounts") in order to obtain for the Hotel the most favorable terms available for settling electronic transactions effected with bank and non bank credit cards or for other purposes customary in the upscale hotel industry; provided, however, that all Clearing Bank Accounts will be "zero balance" accounts such that, at the end of each Business Day, all amounts contained therein (except for de minimis amounts) will be automatically withdrawn and transferred to the Lockbox Fund and other than as provided in the following sentence or in the Cash Management Agreement no other withdrawals from the Clearing Bank Accounts will be permitted. Costs of maintaining such Clearing Bank Accounts will be paid or credited as an Operating Expense. Trustee and Issuer acknowledge and agree that (a) Manager shall have the right to maintain customary and reasonable petty cash accounts at the Hotel and to fund those accounts in an amount or amounts aggregating not more than the Petty Cash Amount, (b) credit card processors will require the ability to access, debit for charge back purposes and offset the Clearing Bank Accounts set up for the purpose of handling credit card payments and (c) Manager shall retain or receive directly from the separate account of the Lockbox Fund maintained by the Depository Bank pursuant to the Indenture (to the extent deposited with the Depository Bank) all Excluded Taxes and Other Charges.

Deposit of Gross Operating Revenues

The Hotel Manager will immediately instruct each bank, Issuer, processor or other entity (each, a "Credit Card Company") with which the Hotel Manager has entered into a merchant's or other agreement with respect to the processing of charge card, debit card or comparable forms of payment that all receipts payable with respect to the Hotel, in accordance with such merchant's or other agreement or otherwise, will be transferred when due by wire transfer or the ACH System for deposit in a Clearing Bank Account or the Lockbox Fund, notwithstanding contrary terms of any such merchant's or other agreement.

The Hotel Manager will immediately instruct all Persons that now or hereafter maintain open accounts with the Hotel Manager, or from whom the Hotel Manager receives or will receive payment on an "accounts receivable" basis, the payments on which open accounts or accounts receivable constitute or will constitute Gross Operating Revenues, to deliver all such payments when due under such accounts to the Hotel Manager for deposit in a Clearing Bank Account or the Lockbox Fund whether in the form of checks, drafts, cash, money orders or any other type of payment whatsoever. The Hotel Manager will immediately notify and advise each Person who is a tenant under any lease with respect to the Hotel, if any, whether now or hereafter in effect, to send all payments under the applicable lease, to the extent such payments constitute or will constitute Gross Operating Revenues, directly to the Hotel Manager when due for deposit in a Clearing Bank Account or the Lockbox Fund. The Hotel Manager will not direct any such Person to make payments due under such accounts in any other manner.

The Issuer and the Hotel Manager each have agreed to deposit promptly in the Lockbox Fund or a Clearing Bank Account any Gross Operating Revenues it may receive directly or from any third party; provided, however, that the Hotel Manager may retain the Petty Cash Amount on the Hotel premises and may retain Excluded Taxes and Other Charges as provided in the Cash Management Agreement (which Excluded Taxes and Other Charges the Hotel Manager will pay as provided in the Management Agreement).

Without the prior written consent of the Trustee, no party to the Cash Management Agreement shall (i) terminate, amend, revoke, modify or contradict any instruction letter delivered thereunder in any manner or (ii) cause any tenant, debtor or Credit Card Company to pay any amount of Gross Operating Revenues in any manner other than as provided specifically therein.

Disbursements From the Lockbox Fund

Disbursements to Manager by Depository Bank. Unless an Event of Default (as defined in the Management Agreement) by the Hotel Manager has occurred and is continuing under the Management Agreement or the Management Agreement has been terminated, on and after the Commencement Date, the Depository Bank periodically disburses amounts deposited in the Lockbox Fund to Manager as periodically requested by the Hotel Manager, pursuant to either written instructions provided by the Hotel Manager specifying the amount to be transferred by the Depository Bank to the Hotel Manager for Operating Expenses or by check or draft drawn by the Hotel Manager directly against such Lockbox Fund for the payment of Operating Expenses including, without limitation, (i) amounts then due and owing pursuant to the terms of any Short Term Indebtedness then outstanding; (ii) the Additional Management Fee then due and owing; and (iii) the Base Management Fee then due and owing, which Base Management Fee and/or Additional Management Fee then due and owing will be paid out on the first Business Day of each month immediately prior to any other disbursements, including, without limitation, the disbursements to the Trustee as provided in the Cash Management Agreement. If an Event of Default (as defined in the Management Agreement) by the Hotel Manager has occurred and is continuing under the Management Agreement and the Management Agreement has not yet been terminated, on and after Commencement Date, the Depository Bank periodically distributes amounts deposited in the Lockbox Fund to the Hotel Manager as periodically requested by the Hotel Manager, pursuant to either written instructions provided by the Hotel Manager specifying the amount to be transferred by the Depository Bank to the Hotel Manager for Operating Expenses or by check or draft drawn by the Hotel Manager directly against such Lockbox Fund for (i) amounts then due and owing pursuant to the terms of any Short Term Indebtedness then outstanding; (ii) budgeted Operating Expenses including, without limitation, the Base Management Fee and Additional Management Fee, then due and owing, and (iii) with the prior written consent of the Operations Monitor and the Issuer, unbudgeted Operating Expenses and, if an Event of Default has occurred and is continuing under the Indenture, the Trustee; provided that the Hotel Manager will provide a weekly report summarizing all Operating Expenses paid during each week to the Issuer and, if requested by the Trustee, to the Trustee.

Disbursements to the Trustee by Depository Bank. The Depository Bank disburses to the Trustee on the first Business Day of each month all amounts in the Lockbox Fund in excess of Operating Costs Set Aside Amount for deposit into the Available Revenue Fund pursuant to the provisions of the Indenture, provided, however, such disbursements to the Trustee will not be made prior to the disbursement of the Base Management Fee and/or Additional Management Fee then due and payable to Manager as requested by the Hotel Manager as provided in the Cash Management Agreement.

The transfers set forth above will be made by the Depository Bank in accordance with the Hotel Manager's instructions, unless the Depository Bank has been notified in writing by the Trustee that the Hotel Manager has been terminated. The Depository Bank has no duty to investigate and determine whether or not the Hotel Manager has been terminated or other circumstances or events have occurred to restrict the Hotel Manager's access to the funds or that the Hotel Manager is transferring the funds in accordance with the Transaction Documents.

Other Funds Held by Trustee and Manager's Rights to Disbursements

Pursuant to the Indenture, the Trustee has established or will establish certain Funds and Accounts into which the Trustee will deposit (y) the Available Revenues received from the Depository Bank in accordance with the Cash Management Agreement and (z) any other funds constituting Gross Operating Revenues received from the Issuer, the Hotel Manager or any other Person. The Hotel Manager has requested for the purpose of paying Operating Expenses (including but not limited to the Base Management Fee and Additional Management Fee), costs of FF&E, Capital Expenses, and Subordinate Management Fee and other expenses for which Sufficient Funds (as defined in the Management Agreement) are required to be provided under the Management Agreement that the Trustee and Issuer enter into the Cash Management Agreement. The Hotel Manager's right to seek disbursements from the Trustee, the Trustee's obligations to make such disbursements and the terms and conditions under which such disbursements are to be made are set forth in the Indenture.

Termination of Depository Bank

The Trustee or the Issuer may replace the Depository Bank with a new Depository Bank reasonably acceptable to the Hotel Manager upon five days' notice to the other parties to the Cash Management Agreement. If the replacement Depository Bank is not the Trustee under the Indenture at such time, the Majority of Bondholders will first approve the replacement Depository Bank. The Manager and the Issuer have each agreed that they will take all reasonable action necessary to facilitate the transfer of the respective obligations, duties and rights of the Depository Bank to the successor thereof selected by the Trustee in its reasonable discretion. In the event of termination of the Depository Bank, the parties agree to establish a new Lockbox Fund and Clearing Bank Accounts (if such Clearing Bank Accounts are maintained with the Depository Bank) with a new depository bank, and amend this Agreement to the extent necessary. The Depository Bank may withdraw as Depository Bank and terminate its obligations under the Cash Management Agreement upon 60 days written notice to the parties. Upon its withdrawal as Depository Bank under the Cash Management Agreement, the Depository Bank agrees to promptly transfer and deliver to the successor Depository Bank or other party upon direction from the Trustee (i) the funds on deposit in the Lockbox Fund and (ii) upon the written request of the Trustee, the pertinent records relating to the Lockbox Fund.

Grant of Security Interest

The Issuer has pledged, transferred and assigned to the Trustee, and granted to the Trustee, as additional security for the payment and performance of the Issuer's obligations under the Indenture and the Management Agreement, a continuing perfected security interest in and to, and a general first lien (subject to the credit card processors' right to access, debit for charge back purposes and offset the Clearing Bank Accounts set up for the purpose of handling credit card payments) upon, (a) the Lockbox Fund and all Clearing Bank Accounts (now or hereafter in existence, other than as described in the Cash Management Agreement) and all right, title and interest in and to all cash, property or rights transferred to or deposited in such fund and accounts from time to time, (b) all earnings, investments and securities held in such fund and accounts in accordance with the Cash Management Agreement and (c) any and all proceeds of the foregoing. The Cash Management Agreement and the pledge, assignment and grant of security interest made thereby will secure payment of all amounts payable by the Issuer under the Indenture. Upon the opening of the Lockbox Fund and all Clearing Bank Accounts or at any time thereafter, the parties each agree to execute, acknowledge, deliver, file or perform all other acts, assignments, notices, agreements or other instruments as the Trustee may reasonably require in order to effectuate, assure, convey, secure, assign, transfer, continue and convey unto the Trustee any of the rights granted by this section. The general first lien on the funds and accounts described in the Cash Management Agreement is subject to the Depository Bank's right of setoff against such funds and accounts for its fees and for Returned Items. "Returned Items" means (i) any item deposited to the Depository Bank and returned unpaid, whether for insufficient funds or for any other reason, and without regard to the timeliness of such return or the occurrence or timeliness of any drawee's notice of non-payment; (ii) any item subject to a claim against the Depository Bank of breach of transfer or presentment warranty under the UCC, as adopted in the applicable state; (iii) any automated clearing house ("ACH") entry credited to the Depository Bank and returned unpaid or subject to an adjustment entry under applicable clearing house rules, whether for insufficient funds or for any other reason, and without regard to the timeliness of such return or adjustment; (iv) any credit to the Depository Bank form a merchant card transaction, against which a contractual demand for chargeback has been made; and (v) any credit to the Depository Bank made in error.

Remedies of Trustee

After an Event of Default under the Indenture, the parties to the Cash Management Agreement have agreed to cause the Depository Bank to transfer the Lockbox Fund to the name and credit of the Trustee upon demand thereof, as provided in and permitted by the provisions of the Indenture, subject to terms of the Management Agreement; provided, however, that the Trustee will continue to be bound by the Indenture and the Cash Management Agreement. Notwithstanding anything contained in the Cash Management Agreement to the contrary, as set forth in the Indenture, so long as the Management Agreement has not expired or terminated, the Hotel Manager will continue to be entitled to Request and receive funds as provided in the Cash Management Agreement and in the Indenture even upon the occurrence of an Event of Default (as defined in the Indenture), the breach of any provision of the Indenture or the occurrence of any event or condition which with the giving of notice, the passage of time or both would constitute an Event of Default (as defined in the Indenture). Notwithstanding anything contained in the Cash Management Agreement to the contrary, so long as the Management Agreement has not expired or terminated, the exercise of the rights and remedies by the Trustee and the Bondholders under the Indenture will not affect the rights of the Hotel Manager as set forth in the Indenture, the Cash Management Agreement and the Management Agreement. If the Management Agreement has expired or terminated and a new Management Agreement has not been entered into, until a replacement Manager has entered into a Management Agreement with the Issuer, the Issuer will be entitled to submit Requests and receive funds as described in the Indenture and as described in the Cash Management Agreement as if the Issuer was the Hotel Manager.

Termination of the Cash Management Agreement

Notwithstanding any other provision of the Cash Management Agreement, the Hotel Manager's rights and obligations under the Cash Management Agreement will terminate upon termination of the Management Agreement and any successor agreement with the Hotel Manager with respect to the management of the Hotel; provided that the Hotel Manager will be entitled to all amounts then due and owing to it under the Management Agreement in the manner and to the extent described in the Management Agreement.

SECURITY AGREEMENT

Set forth below are brief summaries of certain provisions contained in the Security Agreement not described elsewhere in this Official Statement. Such summaries are not to be considered full statements pertaining thereto. Reference is made to the Security Agreement.

Grant of Security Interest

The Issuer has granted to the Trustee a continuing security interest in all of the Issuer's right, title, and interest in and to the following (the "Collateral");

(a) all machinery, equipment, furnishings, or other personal property of the Issuer at any time installed or located on or in the Hotel, and substitutions or replacements therefore, all machinery, equipment, furnishings or other personal property which under the terms of the Indenture is to become the property of the Issuer or is to be subjected to the security interest of the Security Agreement, and, without limiting the foregoing, all of the personal property of the Issuer at any time installed or located on or in the Hotel together with all machinery, apparatus, equipment, fittings, fixtures, whether actually or constructively attached to said property and including all trade, domestic, and ornamental fixtures and articles of personal property of every kind and nature whatsoever in which the Issuer now or hereafter has an interest and is located in, upon, or under said property or any part thereof and used or usable in connection with any present or future operations of said property, including, without limiting the generality of the foregoing, all heating, air conditioning, freezing, lighting, laundry, incinerating, and power equipment, gas and electric fixtures, engines, machinery, pipes, pumps, tanks, motors, conduits, switchboards, plumbing, lifting, cleaning, fire prevention, fire extinguishing, refrigerating, ventilating, and communications apparatus, safety equipment, boilers, ranges, furnaces, oil burners, or units thereof, appliances, air-cooling and air-conditioning apparatus, washers, dryers, water heaters, mirrors, mantels, vacuum cleaning systems, elevators, escalators, shades, awnings, screens, storm doors, and windows, stoves, wall beds, refrigerating plants, refrigerators, attached cabinets, partitions, ducts and compressors, rungs and carpets and other floor coverings, draperies, furniture and furnishings, together with all building materials and equipment now or hereafter delivered to the property and intended to be installed therein, including, but not limited to, lumber, plaster, cement, shingles, roofing, plumbing, fixtures, pipe, lath, wallboard, cabinets, nails, sinks, toilets, furnaces, heaters, brick, tile, water heaters, screens, window frames, glass, doors, flooring, paint, lighting fixtures and unattached refrigerating and cooking, heating, and ventilating appliances and equipment, together with all additions and accessions thereto and replacements thereof; (any and all such property described in this paragraph (a) being referred to as the "Equipment");

(b) all of the accounts, documents, chattel paper, instruments, investment property, and moneys arising in any manner from the Issuer's ownership and operation of the Hotel, including, but not limited to, all amounts due from tenants of the Hotel (any and all such property described in this paragraph (b) being referred to as the "Revenues");

(c) all of the inventory now or hereafter located at the Hotel in all of its forms, including, without limitation, all goods, materials, supplies, stores of food, drugs and linens now or hereafter held for sale and use or consumption, whether by the Issuer or by another person pursuant to a service contract, at the Hotel, together with all documents, documents of title, dock warrants, dock receipts, warehouse receipts, bills of lading, or order for the delivery of all or any portion of the foregoing, all goods in which the Issuer has an interest in mass or a joint or other interest or right of any kind, all goods which are returned to or repossessed by the Issuer, and all accessions thereto and products thereof (any and all such property described in this paragraph (c) being referred to as the "Inventory");

(d) any and all tenant contracts, rental agreements, franchise agreements, management contracts, construction contracts, and other contracts, licenses and permits now or hereafter affecting the Hotel or any part thereof, including without limitation, any contracts for the occupancy of hotel rooms in the Hotel;

(e) all of the Issuer's present and future general intangibles, choses in action, causes of action, and all other intangible personal property of every kind and nature including, without limitation, corporate and other business books and records, inventions, designs, patents, patent applications, trademarks, service marks, trademark applications, service mark applications, trade names, trade secrets, goodwill, registrations, copyrights, licenses, franchises, customer lists, computer programs, software and other computer materials, tax refunds, tax refund claims, rights and claims against charters, carriers, shippers, franchisees, lessors, and lessees, and rights to indemnification, intercompany receivables, and any security documents executed in connection therewith, deposit accounts, proceeds of any letters of credit, indemnity, warranty or guaranty payable to the Issuer from time to time with respect to the foregoing or proceeds of any insurance policies on which the Issuer is named as beneficiary, claims against third parties for advances and other financial accommodations and any other obligations whatsoever owing to the Issuer, contract rights, customer and supplier contracts, rights in and to all security agreements, security interests or other security held by the Issuer to secure payment of the Issuer's accounts, all right, title and interest under leases, subleases, and concessions and other agreements relating to personal property (including, without limitation, all rents, issues and profits related thereto), rights in and under guarantees, instruments, securities, documents of title and other contracts securing, evidencing, supporting or otherwise relating to any of the foregoing, together with all rights in any goods, merchandise or inventory which any of the foregoing may represent (collectively, "General Intangibles"); and

(f) all proceeds of any or all of the foregoing, including, without limiting the generality of the foregoing, all inventory, accounts, chattel paper, documents, equipment, instruments, farm products, consumer goods, investment property and general intangibles constituting proceeds acquired with cash proceeds of any or all of the Collateral and, to the extent not otherwise included, all payments of insurance (whether or not the Issuer is the loss payee thereof) and any indemnity, condemnation award, performance, labor, and material payment bond, warranty, or guaranty payable by reason of loss or damage to, or otherwise with respect to, any of the Collateral: in each case, whether now owned or hereafter acquired by the Issuer and howsoever its interest therein may arise or appear (whether by ownership, security interest, claim, or otherwise). The security interest granted pursuant to the Security Agreement is subject to the "Permitted Encumbrances" as such term is defined in the Indenture.

Security for Secured Obligations

The Security Agreement secures the payment of all of the Secured Obligations of the Issuer under the Bonds, the Indenture, the Deed of Trust, and the Security Agreement upon the priority and in the manner as set forth therein.

Remedies Upon Default

If any Event of Default (as defined in the Indenture) occurs and is continuing:

(a) The Trustee may exercise in respect of the Collateral, in addition to other rights and remedies provided for in the Security Agreement or otherwise available to it, all rights and remedies permitted under the Indenture or otherwise permitted in law or in equity, to protect and dispose of the Collateral and to protect its and the Bondholders' rights to payment under the Indenture and the Bonds, and all the rights and remedies of a secured party on default under the applicable Uniform Commercial Code (the "UCC") (whether or not the UCC applies to the affected Collateral) and also may, without limiting the Trustee's rights and remedies of a secured party under the UCC, (i) require the Issuer to, and the Issuer has agreed, that it will upon the request of the Trustee forthwith, gather or assemble all or part of the Collateral not in the possession of the Trustee as directed by the Trustee and make it available to the Trustee at a place to be designated by the Trustee which is reasonably convenient to both parties and (ii) without notice except as specified below, sell the Collateral or any part thereof in one or more parcels at public or private sale, at the Trustee's office or elsewhere, for cash or credit, or for future delivery, and at such price or prices and upon such other terms as the Trustee may deem commercially reasonable. The Issuer has agreed that, to the extent notice of sale will be required by law, at least 10 days' notice to the Issuer of the time and place of any public sale or the time after which any private sale is to be made will constitute reasonable notification. The Trustee will not be obligated to make any sale of any Collateral, regardless of notice of sale having been given. The Trustee may adjourn any public or private sale from time to time by announcement at the time and place fixed therefor, and such sale may, without further notice, be made at the time and place to which it was so adjourned.

(b) Any cash held by the Trustee as Collateral and all cash proceeds received by the Trustee in respect of any sale of, collection from, or other realization upon all or part of the Collateral will be deposited with the Trustee and applied and distributed as provided in the Indenture and the Cash Management Agreement while recognizing the rights of the Hotel Manager under the Management Agreement and Cash Management Agreement.

(c) Each of the rights of the Trustee under the Security Agreement, the Indenture, the Cash Management Agreement, the Bonds, and each and every other document or instrument now or hereafter evidencing or securing the indebtedness thereby secured is separate and distinct from and cumulative to all other rights in the Security Agreement and therein granted and all other rights which the Trustee may have in law or equity, and no such right will be in exclusion of any other. No delay by the Trustee in exercising any right or remedy under the Security Agreement or otherwise afforded by law will operate as a failure by the Trustee to insist upon the strict performance by the Issuer of each and every agreement of the Issuer under the Indenture, the Cash Management Agreement, the Bonds, the Deed of Trust, or the Security Agreement or said other documents and instruments or will constitute a waiver of or consent to any Event of Default or an acquiescence therein, and no waiver by the Trustee of any Event of Default will constitute a waiver of or consent to any subsequent Event of Default. No withdrawal or abandonment by the Trustee of any exercise of the power of sale granted in the Security Agreement or of any of its rights under such power will be construed as a waiver of any power or right of the Trustee under the Security Agreement. In case the Trustee will proceed to enforce any right, power, or remedy under the Security Agreement and such proceeding is withdrawn, discontinued, or abandoned for any reason, or is determined adversely to the Trustee, then in every such case (i) the Issuer and the Trustee will be restored to their former positions and rights, (ii) all rights, powers, and remedies of the Trustee will continue as if no such proceedings had been taken, (iii) each and every default declared or occurring prior or subsequent to such withdrawal, discontinuance, or abandonment will be and will be deemed to be a continuing default, and (iv) neither the Security Agreement nor the Secured Obligations will be or will be deemed to be modified or amended or otherwise affected by such withdrawal, discontinuance, or abandonment, and the Issuer has expressly waived the benefit of any statute or rule of law now provided, or which may hereafter be provided, which would produce a result contrary to or in conflict with the above.

DEED OF TRUST

Set forth below are brief summaries of certain provisions contained in the Deed of Trust not described elsewhere in this Official Statement. Such summaries are not to be considered full statements pertaining thereto. Reference is made to the Deed of Trust.

Remedies Upon Event of Default

If an Event of Default under the Indenture occurs and is continuing, the Beneficiary will have the right and option to do any one or more of the following, and to exercise any or all of the following remedies, or any or all other remedies then provided by law or in equity.

The Beneficiary may proceed to protect and enforce its rights under the Deed of Trust by suit in equity, action at law, or other appropriate proceedings, including actions for the specific performance of any covenant or agreement contained in the Deed of Trust or in aid of the exercise of any power granted in the Deed of Trust, or may proceed in any other manner to enforce the payment of the Indebtedness and any other legal or equitable right of the Beneficiary.

The Issuer, upon the demand of the Beneficiary, will forthwith surrender the actual possession of, and it will be lawful for the Beneficiary, by such officer or agent as it may appoint, with or without force or process of law, to enter and take possession of, and exclude the Issuer and its agents and servants wholly from, all or any part of the Deed of Trust Estate together with the books, papers, and accounts of the Issuer pertaining thereto, without the appointment of a receiver, or an application therefor, and to hold, operate, store, use, control and manage the same and conduct the business thereof and from time to time make all necessary and proper repairs, maintenance, renewals, restorations, replacements and improvements and procure all necessary and proper insurance as determined by the Beneficiary; and the Beneficiary may lease the Deed of Trust Estate or any part thereof in the name and for the account of the Issuer and collect, receive and sequester the rents, revenues, issues, earnings, income, products and profits therefrom and, out of the same and any money received from any receiver of any part thereof, pay and/or set up proper reserves for the payment, of all proper costs of Beneficiary and its respective agents and counsel, any taxes and assessments and other charges prior to the lien of the Deed of Trust which the Beneficiary elects to pay, and apply the remainder of the money so received in accordance with the provisions of the Deed of Trust. Risk of loss or damage to the Deed of Trust Estate is undertaken by the Issuer, and neither the Deed of Trust Trustee nor the Beneficiary will have any liability for the decline in value of the Deed of Trust Estate nor for the failure to obtain or maintain insurance thereon. Whenever all that is presently due upon the Indebtedness will have been paid and all Events of Default have been made good, the Beneficiary will surrender possession to Issuer, the same rights of entry provided in the Deed of Trust, however, to exist upon any subsequent Event of Default. The Beneficiary may complete the construction of any improvements which have been undertaken but not completed, and the Beneficiary for such purpose may use all available materials and equipment and employ contractors and other employees. All sums expended by the Beneficiary for such purposes will constitute advancements and will be secured by the Deed of Trust and will forthwith be due and payable by the Issuer to the Beneficiary on demand. The authority and agency conferred pursuant to the Deed of Trust upon the Beneficiary will be deemed to create a power coupled with an interest and will be irrevocable.

Subject to compliance with any notice requirements imposed by State law, Beneficiary may, at its option, declare all of the Indebtedness at once due and payable without demand, notice, notice of intent to accelerate, notice of acceleration or presentment, and request the Deed of Trust Trustee to sell the Deed of Trust Estate. Any such sale (including notice thereof) will comply with the applicable requirements, at the time of the sale, of Section 51.002 of the Property Code or, if and to the extent such statute is not then in force, with the applicable requirements, at the time of the sale, of the successor statute or statutes, if any, governing sales of Texas real property under powers of sale conferred by deeds of trust. If there is no statute in force at the time of the sale governing sales of Texas real property under powers of sale conferred by deeds of trust, such sale will comply with applicable law, at the time of the sale, governing sales of Texas real property under powers of sale conferred by deeds of trust. In no event will the Deed of Trust Trustee be required to exhibit, present or display at any foreclosure sale of the Deed of Trust Estate any of the Deed of Trust Estate that may be sold at such sale. The Beneficiary will have the right to become the purchaser at any such sale and will have the right to credit the secured Indebtedness owing to the Beneficiary upon the amount of its bid entered at such sale to the extent necessary to satisfy such bid. Issuer authorizes and empowers the Beneficiary to sell the Deed of Trust Estate, in lots or parcels or as a whole, and to execute and deliver to the purchaser or purchasers thereof good and sufficient deeds of conveyance thereto of the estate of title then existing on the Deed of Trust Estate with covenant of general warranty by the Issuer. Issuer agrees to accept proceeds of said sale, if any, which are payable to Issuer as provided in the Deed of Trust. Proceeds of sale of the Deed of Trust Estate will be applied in the following order:

(a) to the payment of all necessary costs and expenses incident to the execution of said trust, including reasonable fees and expenses to the Beneficiary;

(b) to the payment of the principal, costs and interest legally due and secured by the Deed of Trust, in such order and priority as the Beneficiary may lawfully direct, and absent any direction, to reimbursements due under the Indenture, then to principal and then to interest as provided in the Indenture;

(c) to the payment of lawful contractual late charges, if any, accrued prior to acceleration of the indebtedness secured by the Deed of Trust;

(d) to the payment of any other indebtedness secured by the Deed of Trust; and

(e) the remainder, if any, to be paid to Issuer or such other persons or entities entitled thereto by law.

Payment of the purchase price to the Deed of Trust Trustee will satisfy the obligation of the purchaser at a foreclosure sale, and such purchaser will not be responsible for the application of the sales proceeds.

If an Event of Default occurs, the Beneficiary at its option may proceed with foreclosure in satisfaction of only that portion or installment of Indebtedness secured by the Deed of Trust as to which a default has occurred, either through the courts or by directing the Deed of Trust Trustee to proceed as if under a full foreclosure, conducting sale as hereinbefore provided, but without declaring the entire Indebtedness due, and provided that if said sale is made because of such Event of Default, such sale may be made subject to the unmatured part of such Indebtedness, such sale, if made, will not in any manner affect the unmatured part of Indebtedness secured by the Deed of Trust, but as to such unmatured part, the Deed of Trust will remain in full force as though no sale had been made. Several sales may be made without exhausting the right to sell with respect to any unmatured part of said Indebtedness. The Beneficiary will also have the right to sell the Deed of Trust Estate for any other part of said Indebtedness, whether matured at the time or subsequently maturing, it being the purpose and intent of the Deed of Trust to provide for a foreclosure and the sale of the Deed of Trust Estate for any matured portion of said Indebtedness without exhausting the power of foreclosure.

In the event any foreclosure under the Deed of Trust is commenced by the Deed of Trust Trustee or his substitute or successor, the Beneficiary may, at any time before the sale of the Deed of Trust Estate, direct the said Deed of Trust Trustee to abandon the sale, and may then institute suit for the collection of the amounts due and payable under the Indenture and any other secured Indebtedness, and for judicial foreclosure of the Deed of Trust. It is agreed that if the Beneficiary should institute any suit for the collection of the amounts due and payable under the Indenture or any other secured indebtedness and for judicial foreclosure of the Deed of Trust, the Beneficiary may, at any time before the entry of a final judgment in said suit, dismiss the same and require the Deed of Trust Trustee, his substitute or successor, to sell the Property by sale in accordance with the provisions of the Deed of Trust.

Instead of exercising the power of sale granted above, the Beneficiary has the right and the Deed of Trust Trustee has the right if so directed by the Beneficiary, to proceed by suit or suits, at law or in equity, to enforce the payment and performance of the Secured Obligations by the Deed of Trust, to foreclose the lien created by the Deed of Trust and to have all or any part of the Deed of Trust Estate sold under the judgment or decree of a court of competent jurisdiction.

Appointment of Receivers

If an Event of Default occurs and is continuing, a receivership may be necessary to protect the Deed of Trust Estate, whether before or after maturity of the Indebtedness, or at the time or after the institution of suit to collect the principal of, premium, if any, or interest on the Indebtedness, or to enforce the Deed of Trust; accordingly the Deed of Trust Trustee, at the direction of the Beneficiary, will, as a matter of strict right and regardless of the value of the Deed of Trust Estate or of the solvency of any party bound for the payment of the Indebtedness, have the right to the appointment on application and notice to Issuer, by any court having jurisdiction, of a receiver to take charge of, manage, preserve, protect and operate the Deed of Trust Estate and any business or businesses located thereon, to collect the revenues, rents, issues, profits, projects and income thereof, to make all necessary and needed repairs, to complete the construction of any improvements which have been undertaken but not completed, to pay all taxes and assessments against the Deed of Trust Estate and insurance premiums for insurance thereon, and after the payment of the expenses of the receivership, including reasonable attorneys' fees to the Deed of Trust Trustee's attorney, and after compensation for management of the Deed of Trust Estate, to apply the net proceeds to pay the Secured Obligations or in such manner as the court will direct. All such expenses will be secured by the lien of the Deed of Trust until paid.

The receiver or its agents will be entitled to enter upon and take possession of any part and all of the Deed of Trust Estate, together with any and all businesses conducted and all business assets used therewith or thereon, or any part or parts thereof, and to operate and conduct the business or businesses, or complete construction of improvements, to the same extent and in the same manner as Issuer may lawfully do. The receiver personally or through its agents or attorneys, may exclude Issuer and its subsidiaries, agents, servants and employees wholly from the Deed of Trust Estate and may have, hold, use, operate, manage and control the same and each and every part thereof, and in the name of Issuer, its subsidiaries or agents, may exercise all of their rights and powers and use all of then existing items of security and collateral, materials, current supplies, stores, and assets and, at the expense of Deed of Trust Estate, may maintain, restore, complete construction, insure and keep insured the properties, equipment and apparatus provided or required for use in connection with such business or businesses, and may make all necessary and proper repairs, renewals and replacements and all such useful alterations, additions, betterments and improvements as the receiver may deem judicious.

Such receivership will, at the option of the Beneficiary, continue until full payment of the Indebtedness, title to and interest in the Deed of Trust Estate having passed by foreclosure sale under the Deed of Trust, or the Event of Default having been cured.

Application of Proceeds

The acting Deed of Trust Trustee will pay, distribute and apply the proceeds of any disposition of the Deed of Trust Estate to the Beneficiary for deposit and use as provided in the Indenture. Said disposition will forever be a bar against Issuer, its legal representatives, successors and assigns, and all other persons claiming under any of them.

Remedies Not Exclusive.

No lien, right or remedy conferred upon or otherwise available to the Deed of Trust Trustee is intended to be or will be construed to be exclusive of any other available lien, right or remedy, but each and every such lien, right or remedy will be cumulative and will be in addition to every other lien, right or remedy given under the Deed of Trust or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right, power or remedy or will be construed to be a waiver of any such default or Event of Default under the Deed of Trust will extend to or will affect any subsequent default or Event of Default or will impair any rights or remedies consequent. The giving, taking or enforcement of any other or additional security, collateral or guaranty for the payment of the Indebtedness will not operate to prejudice, waive or affect the security of the Deed of Trust or any rights, powers or remedies under the Deed of Trust, nor will the Deed of Trust Trustee be required to first look to, enforce or exhaust such other additional security, collateral or guarantees.

Abandonment of Sale; Termination of Proceedings.

If foreclosure should be commenced by the Deed of Trust Trustee, the Beneficiary may at any time before the sale direct the Deed of Trust Trustee to abandon the sale, and may at any time or times thereafter direct the Deed of Trust Trustee to again commence foreclosure; or, irrespective of whether foreclosure is commenced by the Deed of Trust Trustee, the Beneficiary may at any time after an Event of Default as described in the Deed of Trust institute suit for collection of all or any part of the Indebtedness or foreclosure of the lien on the Deed of Trust or both. If the Beneficiary should institute suit for collection of the Indebtedness and foreclosure of the lien of the Deed of Trust, the Beneficiary may at any time before the entry of final judgment dismiss the same and require the Deed of Trust Trustee to sell the Deed of Trust Estate in accordance with the provisions of the Deed of Trust.

In case the Deed of Trust Trustee will have proceeded to enforce any right under the Deed of Trust by the appointment of a receiver, by entry or otherwise, and such proceedings will have been discontinued or abandoned for any reason or will have been determined adversely to the Deed of Trust Trustee, then and in every such case Issuer, the Deed of Trust Trustee and the Beneficiary will be restored to their former positions and rights under the Deed of Trust, and all rights, remedies and powers of the Deed of Trust Trustee will continue unimpaired as if no such proceedings had been taken.

ASSIGNMENT AGREEMENT

Set forth below are brief summaries of certain provisions contained in the Assignment Agreement not described elsewhere in this Official Statement. Such summaries are not to be considered full statements pertaining thereto. Reference is made to the Assignment Agreement.

Assignment by Issuer; Consents

The Issuer sells, assigns and transfers to the Trustee for the benefit of the Registered Owners of the Bonds, (i) all of its rights, title and interests in, arising out of, or in relation to, any and all contracts, instruments and agreements, now existing or hereafter arising, in connection with the acquisition, operation, construction, use or occupancy of the Project, including, without limitation, the Development Agreement, the Development Rights Agreement, the Design/Build Agreement, the Architect's Agreement, and the Technical Services Agreement (collectively, the "Issuer Documents"), and the right to enforce performance, exercise such remedies conferred upon the Issuer by the Issuer Documents for the purpose of securing performance by the Issuer under the Indenture; provided that, so long as no Event of Default will have occurred and be continuing under the Indenture, the Issuer will have, and may exercise, all of its rights under such Issuer Documents, as applicable, including the rights to receive performance under such Issuer Documents and the rights to enforce such Issuer Documents in accordance therewith and (ii) to the extent permitted under applicable law, all licenses, permits, authorizations, consents and approvals heretofore or hereafter issued by any and all governmental instrumentalities and authorities in connection with the operation, construction, use or occupancy of the Project including without limitation, those licenses, permits, authorizations, consents and approvals set forth in Assignment Agreement (collectively, the "Project Permits"). The Issuer will have and may continue to exercise all of its rights under the Issuer Documents, until such time as the Trustee, as the assignee of such agreements, delivers notice (the "Default Notice") to the parties in such Issuer Documents, as applicable, of its intent to enforce all or any of Issuer Documents due to the occurrence and continuance of an Event of Default. Further, Trustee will have the right upon an Event of Default to exercise any right of Issuer, to give any consent or notice, to take any act or refrain from taking any act, to enforce and otherwise act in the full place and stead of the Issuer in, under or pursuant to any Issuer Document or Project Permit (and in order to do so the Issuer has granted to the Trustee an irrevocable power of attorney, coupled with an interest to use the Issuer's name and to so act). Notwithstanding the foregoing, such assignment will not discharge or release the Issuer from its duties and obligations under the Issuer Documents if the Trustee does not perform or cause to be performed such duties and obligations

Each of the parties executing the Assignment Agreement as a Consenting Party has consented to the assignment by the Issuer of the Issuer Documents, and agreed to permit the Trustee to enforce the Issuer Documents and enjoy the benefits thereof at any time upon receipt of the Default Notice, at which time it will treat the Trustee as the party entitled to receive the benefits of, and to enforce the Issuer Documents to which such notice relates.

SUBORDINATION AGREEMENT

Set forth below are brief summaries of certain provisions contained in the Subordination Agreement not described elsewhere in this Official Statement. Such summaries are not to be considered full statements pertaining thereto. Reference is made to the Subordination Agreement.

Assignment of Hotel Operating Agreements

As additional collateral security for the Indenture, including the repayment of the Debt Service on the Bonds, the Issuer has unconditionally transferred, set over and assigned to the Trustee all of the Issuer's right, title and interest in and to the Hotel Agreements, said transfer and assignment being a present and irrevocable assignment. So long as no Event of Default has occurred and is continuing under the Indenture, or other documentation executed in connection therewith, the Issuer will have a license to perform under and receive performance of the Hotel Agreements. Upon the occurrence and continuation of any Event of Default under the Indenture, the Trustee will have the right at its option (i) to foreclose on the assignment or (ii) with or without foreclosure, to exercise any right of the Issuer, to give any consent or notice, to take any act or refrain from taking any act, to enforce and otherwise act, in the full place and stead of each assignor in, under or pursuant to the Hotel Agreements (and in order to do so, each assigner has granted the Trustee an irrevocable power of attorney, coupled with an interest, to use Issuer's name and to so act).

Termination

At such time as all of the obligations, covenants and indebtedness will have been paid and performed pursuant to the provisions of the Indenture, the Subordination Agreement and all of the Trustee's right, title and interest under the Subordination Agreement with respect to the Hotel Agreements will terminate.

Issuer's Covenants

Issuer has covenanted that during the term of the Subordination Agreement: (a) the Issuer will not transfer the responsibility for the operation of the Hotel from Hilton to any other person or entity without the prior written consent of the Trustee, which consent may be withheld by the Trustee in the Trustee's sole discretion; (b) the Issuer will not terminate, modify, waive or amend any of the terms or provisions of the Hotel Agreements without the prior written consent of the Trustee, which consent may be withheld by the Trustee in the Trustee's sole discretion; and (c) the Issuer will, in the manner provided for in the Subordination Agreement, give notice to the Trustee of any notice or information that the Issuer receives which indicates that Hilton is terminating any of the Hotel Agreements or that Hilton is otherwise discontinuing its operation of the Hotel.

Subordination of Hotel Operating Agreements

The Issuer and Hilton have agreed that the Hotel Agreements and any and all liens, rights (including the right to receive fees) and interests (whether choate or inchoate) owed, claimed or held by Hilton in and to the Hotel or arising in connection with Hilton's possession or operation of the Hotel will in all respects be subordinate and inferior to the liens, security interests or rights of Trustee, its successors and assigns, and securing the payment and performance of the Indenture and all renewals, extensions, increases, amendments, modifications or replacements thereof. Notwithstanding the foregoing, Hilton will be entitled to receive and retain the Base Management Fee and the Additional Management Fees (as those terms are defined in the Hotel Operating Agreement) in accordance with the terms and provisions of the Hotel Operating Agreement. In addition, and provided Hilton is not then in default under any Hotel Agreement, in the event that the Trustee either forecloses or takes control of the Project in Trustee's name, the Trustee will not terminate the Hotel Agreement(s) unless a termination is then authorized or permitted under the applicable Hotel Agreement.

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APPENDIX D – SUMMARY OF CERTAIN PROVISIONS OF THE HOTEL OPERATING AGREEMENT

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SUMMARY OF CERTAIN PROVISIONS OF THE HOTEL OPERATING AGREEMENT

Set forth below is a brief summary of certain provisions contained in the Hotel Operating Agreement, as amended by that First Amendment to Hotel Operating Agreement and Second Amendment to Hotel Operating Agreement not described elsewhere in this Official Statement. Such summary is not to be considered full statements pertaining thereto. Reference is made to the Hotel Operating Agreement, as amended, for the complete terms thereof.

Contemporaneously with the issuance of the Series 2001 Bonds, the Issuer and the Hotel Manager entered into the Hotel Operating Agreement, pursuant to which the Hotel Manager agreed to manage and operate the Hotel. The term of the Hotel Operating Agreement is for a period from December 7, 2006 to December 6, 2021. The agreement is intended to constitute a "qualified management agreement" under section 141 of the Code and Revenue Procedure 9713 issued by the Internal Revenue Service, 19975 I.R.B. 18 ("Rev. Proc. 9713").

Operating Standard

The Hotel Manager agrees to operate the Hotel (a) in a manner consistent with the requirements and limitations set forth in the Hotel Operating Agreement (including those relating to the applicable Operating Plan and Budget and the applicable Capital Budget and the Condominium Documents), (b) in accordance with standards, policies, and programs which are prevailing in effect from time to time and applicable to the operation of Other Hilton Hotels, including standards and policies applicable to all phases of operation and programs such as purchasing programs, sales promotion programs, and quality improvement programs, (c) as a full service, first class, convention oriented upscale hotel in a manner reasonably expected to earn the Hotel at least an "upscale" (as categorized by J.D. Powers and Associates in its annual study of upscale hotel chains) rating ("Upscale Rating"), which is at least comparable to other first class convention Other Hilton Hotels, taking into account the character, size and location of the facility and (d) to the extent consistent with (a), (b), and (c), in a manner reasonably calculated to: (i) protect and preserve the assets that comprise the Hotel; (ii) maximize over the Operating Term the financial return to Issuer from the operation of the Hotel as a first class, convention center headquarters hotel, after taking into consideration the Room Block Commitment; and (iii) control Operating Expenses (the standards described in clauses (a) through (d) above being referred to collectively as either the "Operating Standards" or the "Operating Standard"). Nevertheless, if an Upscale Rating for the Hotel is not achieved, it will not constitute a default provided the Hotel Manager works diligently and in good faith to achieve such an Upscale Rating so long as a Performance Termination Event has not occurred.

Rates and Prices

During the annual budgeting process, the Hotel Manager is required to deliver to the Issuer a proposed rate schedule for guest rooms for the next occurring Operating Year. The Issuer covenants with the Registered Owners of the Bonds that it will not disapprove of a proposed rate schedule by the Hotel Manager so long as (1) such rate schedules do not vary from the rate schedules of hotels in the Competitive Set by more than 45%, and (2) the budget prepared assuming such rate schedule does not result in a Debt Service Coverage Ratio for the Series 2017A Bonds and Series 2017B Bonds of more than 2.50:1.00 or less than 1.00:1.00 coverage, and (3) the Hotel Consultant does not recommend a different rate schedule pursuant to the Hotel Operating Agreement or any other management agreement. So long as any Bonds are Outstanding, if the Issuer exercises its right to disapprove a proposed rate schedule by the Hotel Manager or any amendment thereto and the Hotel Manager disagrees with the Issuer's reasons for disapproval of such proposed rate schedule (or modifications thereto) and disputes the accuracy of the information contained in either clauses (1) or (2) of the immediately preceding sentence, then the Issuer will retain a Hotel Consultant to prove or disprove such clauses (1) or (2). If a Hotel Consultant agrees with the Hotel Manager, the Issuer will not have any right to dispute such proposed rate schedules and will withdraw its disapproval. If a Hotel Consultant agrees with the Issuer, the Hotel Manager will follow the Issuer's advice so long as the Hotel Manager determines that it would not otherwise result in an Event of Default or breach of a covenant under the Indenture or under the Hotel Operating Agreement. If the Issuer disagrees with Hotel Manager's determination that following such advice would result in an Event of Default or breach of a covenant under the Indenture or under the Hotel Operating Agreement then either Party may, by delivering written notice of its requirement for arbitration to the others, require that the matter in dispute be submitted to arbitration pursuant to the terms of the Hotel Operating Agreement. Each room rate schedule approved or deemed approved by Issuer is referred to as a "Room Rate Schedule." The foregoing provisions do not apply to the Room Block Commitment.

For so long as any Bonds are Outstanding, if the Hotel Manager at any time believes that the current market conditions will not enable the Hotel Manager to charge daily room rates at least equal to those set forth in the applicable Room Rate Schedule for a period of two consecutive weeks or more, the Hotel Manager covenants to promptly provide Issuer with a written detailed explanation of the situation and recommendations as to modifications of the applicable Room Rate Schedule. Issuer does not have the right to approve any such modifications so long as (1) such modified rate schedules do not vary from the published or announced rate schedules of hotels in the Competitive Set by more than 45%, (2) the budget prepared assuming such rate schedule does not result in a Debt Service Coverage Ratio for the Series 2017A Bonds and Series 2017B Bonds of more than 2.50x or less than l.00x coverage, and (3) the Hotel Consultant does not recommend a different rate schedule pursuant to the Hotel Operating Agreement.

Contracts, Licenses and Permits

The Hotel Manager is required to negotiate, enter into, and administer concession agreements for all space at the Hotel, service contracts for Hotel operations, as well as banquet and meeting facility contracts. Prior to entering into any such concession agreement (or any other similar occupancy agreement), the Hotel Manager must obtain an opinion from the Hotel's legal counsel to the effect that such concession agreement will not adversely affect the Hotel's exemption from ad valorem taxes, which opinion will run for the benefit of the Issuer. The Hotel Manager is not permitted to enter into any leases with respect to any space within the Hotel or on the Site. The Hotel Manager understands that the Hotel is exempt from ad valorem taxes and that any such lease may adversely affect such exemption. Accordingly, the Hotel Manager is responsible for operating any stores, shops, and restaurants within the Hotel. In addition, the Hotel Manager will use commercially reasonable efforts to include in each service contract a no personal liability clause in favor of the Issuer.

Notwithstanding anything to the contrary in the Hotel Operating Agreement contained, the Hotel Manager covenants not to enter into any contract, as a result of which Hotel Manager, or any Affiliate of or party related to Hotel Manager, receives, directly or indirectly, any direct or indirect benefit (other than the receipt by the vendor of the stated contract consideration), including, without limitation, any rebate, kick-back, revenue sharing, royalty, profit participation, equity participation, barter consideration in the form of goods or services, or any other device, however denominated, and whether similar or dissimilar to any of the foregoing.

The Hotel Manager covenants to obtain all licenses and permits required for the operation, management, and operation of the Hotel or the making of Capital Improvements. Without in any way limiting the foregoing, the Hotel Manager or such Affiliate, as applicable, agrees, if required by the Trustee and permitted by applicable law, to pledge such Liquor Licenses to Trustee or another party designated by Trustee, in order to secure the re-payment of the Series 2017 Bonds.

Maintenance

The Hotel Manager is required to keep the Hotel and FF&E which serves the Hotel in good operating order, repair and condition, and to make all necessary replacement, improvements, additions, and substitutions and generally maintain the condition of the Hotel and building systems. The Issuer has the right to retain an outside consultant to independently inspect the Hotel and FF&E not more than once each Operating Year, the cost of which will be paid from the Cash Trap Fund or from Hotel Gross Operating Revenues as a Hotel Operating Expenses if there are insufficient funds in the Cash Trap Fund.

Operating Plan and Budget

On or before November 1 of each Operating Year, the Hotel Manager is required to prepare and deliver to Issuer and its designees and consultants (provided the Hotel Manager has received written notice of the names and addresses of such designees and consultants at least seven Business Days in advance of delivery) for the Issuer's review, a proposed operating plan and budget and proposed capital budget for the next ensuing Operating Year. Issuer understands that the November 1 proposed budgets will be preliminary in nature and that the Hotel Manager will not submit its final proposed operating plan and budget and final proposed capital budget until November 15 of the applicable Operating Year. If the proposed operating plan and budget results in a Debt Service Coverage Ratio of less than the Debt Service Coverage Requirement, the Hotel Manager is required to include with its delivery of the applicable proposed operating plan and budget a detailed explanation as to why the Hotel Manager has not budgeted to attain such ratios.

The Hotel Manager is required to act reasonably and exercise prudent business judgment in preparing each budget. Issuer has the right to review and approve each proposed operating plan and budget. If the event that the Issuer and the Hotel Manager are unable to agree upon all items in the proposed operating plan and budget and proposed capital budget, then each party has the right to request a mediation/arbitration process and pending resolution pursuant to that process, the portions of the budget which were approved and the prior year's budget for the disapproved items (subject to inflationary adjustment) operate as the approved operating plan and budget and approved capital budget. However, the Hotel Manager may not incur any capital item which is being arbitrated unless the capital item (a) was contemplated as a regularly recurring Capital Expense in the Capital Budget approved for the prior Operating Year (increased by the percentage increase in the Index from such prior Operating Year), (b) is for an amount not in excess of $67,500 (subject to increase based upon the change in the Index from the Closing Date to the beginning of the 12 month period in question) and when aggregated with all other Capital Expenses incurred for any other disputed Capital Improvements during such Operating Year, does not exceed $135,000 (subject to increase based upon the change in the Index from the Closing Date to the beginning of the 12 month period in question), or (c) is necessary to eliminate to remove an Emergency.

Hotel Consultant

The Issuer will have the right to appoint a Hotel Consultant (and will appoint if required pursuant to the Indenture) under each of the following circumstances:

(a) if the proposed operating plan and budget will not result in the Debt Service Coverage Requirement being met, Issuer will thereafter have the right to hire a Hotel Consultant (within 30 days of the receipt of such proposed operating plan and budget) to make written recommendations as to the operations, management, marketing, improvement, condition, or use of the Hotel or any part thereof that the Hotel Consultant believes could result in satisfying the Debt Service Coverage Requirement or improving the total amount of Net Revenues available to pay Debt Service;

(b) if the actual Debt Service Coverage Ratios with respect to the Series 2017A Bonds and Series 2017B Bonds for any 4 consecutive quarters is less than the Debt Service Coverage Requirement then unless the Issuer has appointed a Hotel Consultant pursuant to (a) above within the preceding twelve months, the Issuer will thereafter have the right to hire a Hotel Consultant (within 30 days of the receipt by the Issuer of the Quarterly Report from the Hotel Manager which reflects that such ratio was less than the Debt Service Coverage Ratio for the prior 4 consecutive quarters) to make written recommendations as to the operation, management, marketing, improvement, condition, or use of the Hotel or any part thereof that the Hotel Consultant believes could result in satisfying the Debt Service Coverage Requirement or improving the total amount of Net Revenues available to pay Debt Service; or

(c) if the audited annual financial statement delivered to the Issuer pursuant to the Hotel Operating Agreement reflects that the Debt Service Coverage Requirement was not achieved, then unless the Issuer has appointed a Hotel Consultant pursuant to (a) above within the preceding twelve months, the Issuer will thereafter have the right to hire a Hotel Consultant (within 30 days of the Issuer's receipt of such audited annual financial statement) to make recommendations as to the operation, management, marketing, improvement, condition or use of the Hotel or any part thereof that the Hotel Consultant believes could result in satisfying the Debt Service Coverage Requirement or improving the total amount of Net Revenues available to pay Debt Service.

The Issuer will deliver the Hotel Consultant's reports and findings to the Hotel Manager, Trustee, and Asset Manager within three (3) Business Days of receipt thereof by the Issuer. The Hotel Manager and Asset Manager will study and review such reports and any recommendations made by the Hotel Consultant. The Hotel Manager will also, upon the request of Issuer or Trustee, meet with the Hotel Consultant to discuss the Hotel Consultant's reports, findings and written recommendations. The Hotel Manager will act in good faith in reviewing and implementing all of the Hotel Consultant's written recommendations except those recommendations which require an expenditure of funds greater than the amount available for such purpose under the Indenture, those written recommendations that compromise the Operating Standards, or those written recommendations which could, in the opinion of Bond Counsel, adversely affect the tax-exempt status of the interest on the Bonds. In addition, if the Hotel Manager believes that it is not in the best interest of the Hotel to implement any of the Hotel Consultant's written recommendations, the Hotel Manager will not be required to follow such written recommendations if the Hotel Manager provides a written explanation to the Issuer, Asset Manager and Trustee as to why the Hotel Manager is not implementing such written recommendations; provided, however, that if the Debt Service Coverage Ratio for the First Tier Bonds and Second Tier Bonds is less than 1.20:1.00 for the prior eight consecutive calendar quarters, the Hotel Manager will act in good faith in implementing such Hotel Consultant's written recommendations unless it receives a written waiver from the Asset Manager with respect to the implementation of any such written recommendations.

The fees and expenses of the Hotel Consultant will be paid as an Operating Expense from amounts on deposit in the Lockbox Fund. Contemporaneously with engaging a Hotel Consultant pursuant to the preceding provisions, the Issuer will deliver to the Hotel Manager a copy of such engagement. In addition, each Party will deliver to the other at no additional charge copies of any information, correspondence or documents delivered to the Hotel Consultant contemporaneously with delivering such information, correspondence or documents to the Hotel Consultant. To the extent any costs are incurred in connection with the review by the Asset Manager of the written recommendations that the Hotel Manager disagrees with, such costs will be paid by (i) the Hotel Manager if the Asset Manager recommends that the Hotel Manager follow the Hotel Consultant's written recommendations, (ii) the Issuer if the Asset Manager recommends that the Hotel Consultant's written recommendations will not be followed by the Hotel Manager, and (iii) the Hotel Manager and the Issuer as equitably apportioned between the Parties if the Asset Manager recommends that the Hotel Manager follows some of the Hotel Consultant's written recommendations and recommends that the other recommendations should not be followed.

Financial Records

The Hotel Manager is required to maintain books of account and other records relating to or reflecting the results of the operation of the Hotel, to be kept in accordance with Generally Accepted Accounting Principles and, to the extent applicable, with the Uniform System of Accounts and the Hilton Classification of Accounts. All books and records must be reported in the format that Hilton uses for all Other Hilton Hotels and in such other format and including such additional information as may be required in the Indenture, the Continuing Disclosure Agreement (as defined in the Indenture) and as may be reasonably required by the Issuer, Trustee or Mortgagee. All financial books and records (excluding confidential files relating to the Hotel Manager's Proprietary Information and all employee records under the Hotel Operating Agreement) pertaining to the Hotel will be the property of the Issuer; provided, however, that guest information may be used by the Hotel Manager for any of its business purposes so long as such information is not used in a manner which would violate the Hotel Operating Agreement.

The Hotel Manager is required to prepare monthly and quarterly operating reports reflecting the operational results for each month of the Operating Year and the Quarterly Reports must reflect operational results for each quarter of the Operating Year, as well as the then-current Hotel Debt Service Coverage Ratio. Within 150 days after the end of each Operating Year, the Hotel Manager is required to prepare Certified Financial Statements for the preceding Operating Year. "Certified Financial Statements" means audited financial statements consisting of a balance sheet, a statement of earnings and retained earnings, and a statement of cash flows together with a certificate of the Independent Accountant to the effect that, subject to any qualifications contained therein, the financial statements fairly present, in conformity with Generally Accepted Accounting Principles, the financial position, results of operations, and cash flows of the Hotel for the Operating Year then ended.

Hotel Personnel

The Hotel Manager is required to recruit, hire, relocate, pay, supervise, and dismiss all Hotel Personnel, with the understanding that all Hotel Personnel are the employees of the Hotel Manager and not the Issuer. The Hotel Manager must ensure that the number of Hotel Personnel is sufficient to operate the Hotel in accordance with the Operating Standard. The Issuer has the right to interview and approve (not to be unreasonably withheld) the individuals selected by the Hotel Manager as the Senior Executive Personnel prior to their appointment.

Marketing and Sales

The Hotel Manager is required to maintain a marketing and sales program that promotes the brand identity of the Hotel Manager and its affiliates, advertises to the Hotel Manager's and its affiliates markets, and secures bookings for hotels and resorts, including the Hotel, operated under the "HILTON" name. In addition, the Hotel Manager must develop and implement a specific marketing program for the Hotel to provide for the planning, publicity, internal communications, organizing, and budgeting activities to be undertaken.

Asset Manager

The Hotel Manager has acknowledged that the Issuer is required pursuant to the terms of the Indenture to retain an Asset Manager to perform certain duties and responsibilities as set forth in the Indenture. The Hotel Manager recognizes that the Asset Manager is an authorized representative of the Issuer with respect to the Hotel and agrees to cooperate with the Issuer and Asset Manager fully in order to permit the Asset Manager to effectively perform its duties and responsibilities.

Management Fees

The Issuer will pay for (i) the period from December 7, 2006 to and including December 31, 2006, the amount of $222,192 as the applicable "Management Fee" for such period of time, to be divided between a Base Management Fee equal to 75% of such amount and a Subordinate Management Fee equal to 25% of such amount and (ii) each Twelve-Month Period thereafter, a "Management Fee" which consists of the following:

Period	Amount
First Twelve-Month Period and thereafter	$2,666,300, provided that the Management Fee payable for the second Twelve-Month Period and each succeeding Twelve-Month Period will be increased or decreased, as applicable, by a percentage equal to the percentage change in the Index from the last month of the preceding Twelve-Month Period as compared to last month of the Twelve-Month Period immediately preceding such preceding Twelve-Month Period; provided that any such decrease will not exceed 3% per annum regardless of the percentage decrease in the Index for such period of time.

The Management Fee is divided into two portions, the Base Management and the Subordinate Management Fee, as set forth and further described in the Hotel Operating Agreement. The Issuer and Hotel Manager agree that, except for Management Fee, Additional Management Fee, Group Services Fees and Charges, and Reimbursable Expenses, Hotel Manager will not be entitled directly or indirectly to any other fees or compensation in connection with the delivery of services which Hotel Manager is required to provide to the Hotel pursuant to the Hotel Operating Agreement. All such fees will be treated as Operating Expenses except the Subordinate Management Fee which, so long as any Bonds remain Outstanding under the Indenture, will be subordinate to payment of Debt Service on all Outstanding Bonds and payable solely from amounts rightfully on deposit in the Subordinate Management Fee Fund held by the Trustee under the Indenture.

Commencing with the first Twelve-Month Period, the Base Management Fee will be equal to 66.67% of the Management Fee for the applicable period.

Commencing with the first Twelve-Month Period, the Subordinate Management Fee will be equal to 33.33% of the Management Fee for the applicable period.

In addition to the Management Fee, commencing with the first full calendar year following December 7, 2006 and continuing for each Operating Year thereafter during the Operating Term, the Hotel Manager will be paid an additional annual management fee of $227,000; provided, that such additional management fee for each Operating Year after the Operating Year ending December 31, 2007 will be increased by a percentage equal to the percentage change in the Index for the last month of the Operating Year for which such additional management fee is payable as compared to the last month of the Operating Year immediately preceding the Operating Year for which such additional management fee is payable (such $227,000 additional management fee, as adjusted, the "Additional Management Fee").

By January 10 of each Operating Year, the Hotel Manager covenants to deliver to Issuer a schedule of bonuses it intends to pay to Eligible Employee, it being understood that each such schedule will set forth the names of each Eligible Employee to whom Hotel Manager will pay a bonus for the preceding Operating Year and the amount of the bonus payable to each such Eligible Employee (the "Schedule of Bonuses"). In the event that Hotel Manager awards bonuses to Eligible Employees during an Operating Year and the bonuses exceed the Additional Management Fee for such Operating Year, then the Additional Management Fee for such Operating Year will be increased by the amount by which the awarded bonuses exceed the Additional Management Fee for such Operating Year, but in no event will such increase exceed an amount equal to 5% of the Management Fee payable for the Twelve-Month Period that immediately preceded the date on which Hotel Manager delivers to Issuer the applicable Schedule of Bonuses. In the event that Hotel Manager awards bonuses to Eligible Employees during an Operating Year and the bonuses are less than the Additional Management Fee for such Operating Year, then the Additional Management Fee for such Operating Year will be decreased by the amount by which the Additional Management Fee exceeds the awarded bonuses, but in no event will such decrease exceed an amount equal to 5% of the Management Fee payable for the Twelve-Month Period that immediately preceded the date on which Hotel Manager delivers to Issuer the applicable Schedule of Bonuses. Bonuses to eligible employees will be payable solely from the Additional Management Fee and to the extent the Additional Management Fee is insufficient, such insufficiency will be an obligation of Hotel Manager payable solely from Hotel Manager's own funds and not directly or indirectly from any Gross Revenues of the Hotel.

The Additional Management Fee for an Operating Year will not be payable until the later of (i) five days after Issuer receives the applicable Schedule of Bonuses or (ii) the 15th of January of the Operating Year immediately following the Operating Year covered by the applicable Schedule of Bonuses; provided, however, that for the Operating Year during the occurrence of the termination of the Hotel Operating Agreement, the amount of the Additional Management Fee calculated in accordance with Section 3.1.4.1 of the Hotel Operating Agreement will be payable not later than 30 days after the date of termination. The Hotel Manager will prepare a request which directs payment of the Additional Management Fee to the Hotel Manager to be distributed to the Eligible Employees who are awarded bonuses and will submit same to the Trustee within five days after the Issuer receives the applicable Schedule of Bonuses.

The Issuer is required to maintain the funds required to be on deposit in the Operating Account, at all times, in order to ensure the timely payment of all current liabilities of the Hotel (including the Management Fee); however, only to the extent that gross revenues are sufficient therefor.

The Issuer deposited $500,000 of the Series 2001 Bond proceeds into the Lockbox Fund and $700,000 into the Operating Reserve Fund for operational usage. On the Closing Date for the Series 2006 Bonds, the Issuer deposited $8,000,000 into the Operating Reserve Fund. In addition, commencing on the Closing Date for the Series 2006 Bonds, the Hotel Manager retains $1,000,000 in the Lockbox Fund on the first Business Day of each calendar month after the transfer is made from the Lockbox Fund to the Trustee for deposit into the Available Revenue Fund. The Hotel Manager has access to the Operating Costs Set Aside Amount as provided in the Cash Management Agreement and access to the amount on deposit in the Operating Reserve Fund as provided in the Indenture.

Casualty Damage

The Issuer is required to restore the Hotel in the event of damage or destruction, subject to the sufficiency of insurance proceeds and revenues of the Hotel.

The Hotel Manager's obligations, duties, covenants, agreements, and responsibilities under the Hotel Operating Agreement that require the expenditure of funds which constitute an Operating Expense, Capital Expense (without duplication) fixed expenses under the Uniform System of Accounts, Taxes, Excluded Taxes, and Other Charges (but only to the extent that the Hotel Manager has deposited in the Lockbox Fund collections that are attributable to such Excluded Taxes and Other Charges) and amounts required to be paid (but which are not paid) under the Development Agreement are subject to Sufficient Funds being available to the Hotel Manager.

Events of Default

An Event of Default occurs with respect to the Hotel Manager if and only if:

(a) The Hotel Manager breaches or fails to perform any covenant or agreement made by the Hotel Manager under the Hotel Operating Agreement and fails to cure such breach or failure within one hundred twenty (120) days after Manager's receipt of a written notice from the Issuer, the Trustee or the Asset Manager specifying the breach or failure to perform;

(b) Hotel Manager fails to pay, on the due date thereof, Taxes, Gross Receipts Taxes, or withholding or other employment related taxes provided, however, that if Manager is contesting the amount of such items in good faith, Hotel Manager may withhold payment of the disputed amount until the earlier of 120 days after the payment's due date or the date on which the failure to make full payment would result in the assessment of interest or penalties or the imposition of a lien or other restriction upon the Hotel, or would otherwise have an adverse effect upon the Hotel or Issuer;

(c) Hotel Manager fails to pay Insurance Costs when due, or permits the insurance coverages required by the Hotel Operating Agreement to lapse for any reason;

(d) Issuer determines, after consultation with Bond Counsel, that, due to Hotel Manager's actions in contravention with the terms of the Hotel Operating Agreement or failure to act in accordance with the terms set forth in the Hotel Operating Agreement, the Hotel Operating Agreement does not constitute a Qualified Management Agreement, provided, however, that if such actions or failure to act can be cured within thirty (30) days of notice thereof to the Hotel Manager, and Bond Counsel is of the opinion that the interest on the Bonds will not be includible in gross income of the holders thereof for federal income tax purposes during such 30 days, then the Hotel Manager will have thirty (30) days to cure such default;

(e) Hotel Manager defaults under the Room Block Commitment beyond any applicable grace periods set forth therein;

(f) Hotel Manager fails to pay any amounts due to Issuer (including, without limitation, any amounts owed to Issuer under an indemnity, hold harmless or reimbursement clause contained in the Hotel Operating Agreement) on the date required under the Hotel Operating Agreement and such failure continues for a period of thirty (30) days after Hotel Manager receives written notice thereof;

(g) Hotel Manager fails to deposit cash receipts, checks, money orders and the like into the Clearing Bank Accounts as soon as is reasonably practicable and such failure continues for a period of 5 days;

(h) any representation or warranty made by Hotel Manager in the Hotel Operating Agreement is false or misleading in any material respect and (a) there is no reasonable action which Hotel Manager could take to cause such representation or warranty to be true, correct and not misleading in all material respects within thirty (30) days after receiving written notice thereof or (b) if such a reasonable action exists, Hotel Manager fails to have caused such representation or warranty to be true, correct and not misleading in all material respects prior to the end of such 30-day period;

(i) Hotel Manager makes a representation or warranty to Issuer under the Hotel Operating Agreement knowing that such representation or warranty is not true or is misleading in a material respect and as a result thereof Issuer or Trustee suffers damage;

(j) Hotel Manager assigns or purports to assign the Hotel Operating Agreement or any of its rights under the Hotel Operating Agreement in violation of the provisions of certain provisions of the Hotel Operating Agreement;

(k) Hotel Manager fails to continuously operate the Hotel during the Operating Term, seven days a week, twenty four hours a day, provided that the failure to continuously operate did not occur by reason of any of the following: (i) Force Majeure Event; (ii) lack of Sufficient Funds for (1) Operating Expenses, (2) Capital Expenses for budgeted Capital Improvements and FF&E, unbudgeted (but approved) Capital Improvements or an Emergency, (3) Taxes, Excluded Taxes and Other Charges (but only to the extent that Hotel Manager has deposited in the Lockbox Fund collections that are attributable to such Excluded Taxes and Other Charges), or (4) Insurance; (iii) an Event of Default by the Issuer; (iv) breach by Issuer of its obligations under the Hotel Operating Agreement or a breach by Trustee of the agreements and obligations benefiting the Hotel Manager pursuant to Section 5.21 of the Indenture; (v) the failure, revocation, lapse, non-issuance, non-reissuance, or non-renewal of any Temporary Certificate of Occupancy not caused by Hotel Manager's Negligence or Willful Acts (provided that Hotel Manager's good faith compliance with the Temporary Certificate of Occupancy will not be deemed to constitute Hotel Manager's Negligence or Willful Acts); or (vi) as a result of Hotel Manager's implementation of a Hotel Consultant's recommendation; and further provided that the closing of the shops, restaurants and lounges after normal business hours for shops, lounges and restaurants, respectively, will not constitute an Event of Default;

(l) the Liquor Licenses for the Hotel are not obtained by the Required Opening Date and such failure continues for a period of ten (10) days after written notice from Issuer, or any of the Liquor Licenses are revoked or terminated or otherwise declared ineffective by the applicable governmental authority and is not fully restored within thirty (30) days after revocation or such declaration.

(m) any of the following occur or exist:

(i) Hotel Manager files a voluntary case concerning itself under the Bankruptcy Code;

(ii) an involuntary case is filed against Hotel Manager under the Bankruptcy Code, and such involuntary case is not dismissed within ninety (90) days after the filing thereof;

(iii) the appointment of a custodian (as defined in the Bankruptcy Code) or a receiver for, or a custodian or receiver taking charge of all or any substantial part of the property of Hotel Manager, and such appointment is not revoked or dismissed within ninety (90) days after such appointment is made;

(iv) Hotel Manager commences any proceeding under any reorganization, arrangement, adjustment of debt, relief of debtors, dissolution, insolvency or liquidation or similar law of any jurisdiction whether now or hereafter in effect, or any such proceeding is commenced against Hotel Manager and is not dismissed within ninety (90) days after the commencement thereof;

(v) Hotel Manager is adjudicated insolvent or bankrupt;

(vi) Hotel Manager makes a general assignment of its assets for the benefit of creditors;

(vii) Hotel Manager calls a general meeting of substantially all of its creditors (either in number or in amount) with a view to arranging a composition or adjustment of its debts;

(viii) all or any substantial part of the property of Hotel Manager is attached, and such attachment or levy is not released within ninety (90) days thereafter;

(ix) Hotel Manager indicates in writing its consent to, approval of, or acquiescence, in any of the foregoing; or

(x) if Hotel Manager is a corporation or partnership, Hotel Manager takes any corporate or partnership action for the purpose of effecting any of the foregoing.

Notwithstanding any provision to the contrary in the Hotel Operating Agreement contained, if (i) the cure periods provided to Issuer under the Indenture are less than the cure periods granted in the Hotel Operating Agreement, the cure periods granted in the Hotel Operating Agreement will be deemed reduced to be 15 days less than the cure periods provided for under the Indenture; and (ii) Hotel Manager is able to demonstrate to the reasonable satisfaction of the Issuer and the Asset Manager that such default is the result following the Hotel Consultant's recommendation and would not have occurred but for the Hotel Manager's following the advice of such Hotel Consultant, such default will not constitute an Event of Default under the Hotel Operating Agreement. Hotel Manager claims that a breach or failure to perform by Manager would not have occurred but for Hotel Manager following the recommendations of a Hotel Consultant and Issuer and Asset Manager disagree with such claims by Hotel Manager, then either Party may, by delivering written notice of its requirements for arbitration to the others, require that the disputed matter be submitted to arbitration pursuant to terms of the Hotel Operating Agreement. Hotel Manager will keep Issuer and the Asset Manager informed, in writing, of all actions that Hotel Manager is taking in order to cure a breach or failure and to satisfy the requirements regarding commencing, pursuing and curing the applicable breach or failure, including, without limitation, satisfaction of time lines regarding the proposed cure and satisfaction of the curative procedure and steps.

An Event of Default occurs with respect to Issuer if and only if:

(a) Issuer breaches or fails to perform any covenant or agreement made by Issuer under the Hotel Operating Agreement and fails to cure such breach or failure within one hundred twenty (120) days after Issuer's receipt of written notice from the Hotel Manager specifying the breach or failure to perform;

(b) Issuer fails to pay any money to the Hotel Manager within the time required under the Hotel Operating Agreement (including, without limitation, any amounts owed to the Hotel Manager under an indemnity, hold harmless or reimbursement agreement contained a the Hotel Operating Agreement) and such failure continues for a period of 30 days after the Hotel Manager delivers written notice to the Hotel Manager specifying such failure;

(c) any representation or warranty made by Issuer under the Hotel Operating Agreement is false or misleading in any material respect and (i) there is no reasonable action which Issuer could take to cause such representation or warranty to be true, correct and not misleading in all material respects within 30 days after receiving written notice thereof or (ii) if such a reasonable action exists, Issuer falls to have caused such representation or warranty to be true, correct and not misleading a all material respects prior to the end of such 30 day period, and in either case, the Hotel Manager is materially damaged as a result of such false or materially misleading representation or warranty.

Rights and Remedies of Non-Defaulting Party

Upon the occurrence of an Event of Default by the Hotel Manager or Issuer, the non-defaulting Party has the right, but not the obligation, to terminate the Hotel Operating Agreement by giving written notice to the other Party specifying a date, no earlier than 25 days and no later than 75 days after the giving of such notice, when the Hotel Operating Agreement will terminate. In addition to its right of Termination, the non-defaulting Party is entitled to pursue all other remedies available to it under applicable law as a result of such Event of Default. At the same time as the Hotel Manager delivers a notice of a default to Issuer thereunder, the Hotel Manager will provide Trustee with a copy of such notice of a default (failing which the notice of default to Issuer will be deemed ineffective) and Trustee will have the right to cure any such default to the same extent and for the same period of time afforded to Issuer to cure such default thereunder and no longer.

Limitation on Issuer's Liability

Until no Bonds are Outstanding are owed by the Issuer, any damages owed to the Hotel Manager by Issuer will be satisfied solely out of (a) the amounts from time to time in the Cash Trap Fund, (b) after satisfaction of all Bonds, and if Issuer remains the owner of the Hotel, then out of the general assets of the Issuer, including Issuer's interest in the Hotel and Gross Revenues, and (c) if Issuer sells, transfers, or conveys the Hotel to a third party, the net sale proceeds (i.e., after payment of normal and ordinary closing costs, payment of all expenses required under the contract of sale, and satisfaction of all Bonds and all amounts owing under the Bond Documents) received by Issuer upon the sale of the Hotel. So long as any unpaid damages are owed to the Hotel Manager, such damages will constitute an ongoing claim against the amounts described in clauses (a), (b), and (c).

Performance Termination

The Issuer has the right to terminate the Hotel Operating Agreement (with the Trustee's consent so long as any Series 2017A Bonds and Series 2017B Bonds remain Outstanding) in the event that one of several performance termination events occur. Notwithstanding the foregoing, the Hotel Manager will have the right to eliminate certain Performance Termination Events under the Hotel Operating Agreement if, for the applicable Operating Year, the Hotel Manager loans the amount of the shortfall to the Trustee for deposit in the Lockbox Fund upon such terms as will be mutually agreed to by the Issuer and the Hotel Manager; provided however that prior to making such loan, there will be delivered to the Issuer and the Hotel Manager an Opinion of Bond Counsel to the effect that such loan will not cause the interest on the Bonds to be included in gross income of the holders thereof for federal income tax purposes; provided further however, this right may be exercised by the Hotel Manager not more than once during any three (3) consecutive Operating Years. A Performance Termination Event will not exist if the Performance Termination Event is caused primarily by one or more of the following: (a) the occurrence of a Force Majeure Event during the applicable Operating Year(s); (b) the Issuer's refusal during the applicable Operating Year to allow the Hotel Manager to make a Capital Improvement included in the approved Capital Budget for such Operating Year(s); (c) an Event of Default by the Issuer under the Hotel Operating Agreement during the applicable Operating Year; (d) a latent defect in the construction of the Hotel, provided such latent defect is discovered and reported to the Issuer by the commencement of the fifth (5th) Operating Year; (e) the Issuer's failure to require Design/Builder to perform required warranty work in accordance with the Design/Build Agreement; (f) the Issuer's refusal to disburse or the Issuer's inability to cause the Trustee to disburse Sufficient Funds in order to pay Operating Expenses, Capital Expenses, fixed expenses, Taxes, Excluded Taxes and Other Charges or Insurance (but only to the extent that the Hotel Manager has deposited in the Lockbox Fund collections that are attributable to such Excluded Taxes and Other Charges); or (g) the Hotel Manager demonstrates to the reasonable satisfaction of the Issuer and the Asset Manager that the Performance Termination Event was a direct result of following the written recommendations of a Hotel Consultant pursuant to the Hotel Operating Agreement and would not have occurred but for Manager's following the written recommendations of such Hotel Consultant.

The Issuer will exercise its Termination rights with respect to a Performance Termination Event under the Hotel Operating Agreement, if at all, by giving notice of such Termination to the Hotel Manager within ninety (90) days following the scheduled deadline for the Hotel Manager's delivery of the Certified Financial Statements for the Operating Year on which the Termination is based; provided however, that if the Hotel Manager does not deliver the Certified Financial Statements by the scheduled deadline, the period of time to exercise such Termination right will be extended by the number of days that the Hotel Manager is late with such delivery. Any such notice under this paragraph will specify the effective date of Termination, which date will be no earlier than ninety (90) days and no later than three hundred sixty five (365) days following the date of the Issuer's notice of Termination. If the Issuer fails to deliver notice to the Hotel Manager within the required ninety (90) day period under this paragraph, the Issuer's right to terminate the Hotel Operating Agreement pursuant to this section will expire as to the Performance Termination Event in question. No Termination Fee will be payable in the event the Hotel Operating Agreement is terminated pursuant to the terms and conditions of this paragraph.

Termination Upon Sale

If at any time following the expiration of the fifth Operating Year, Issuer (with the written consent of the Controlling Party as provided in the Indenture) or its successor in interest transfers the Hotel or more than a 50% direct or indirect equity interest in Issuer or its successor in interest pursuant to a bona fide, arm's length transaction (whether by fee transfer, a transfer of ownership interests in Issuer (excluding the sale of shares in Issuer to the public), or otherwise) to a third party that is not an Affiliate of Issuer or its constituent owners immediately prior to such conveyance, then, subject to the Hotel Manager's receipt of the Termination Fee on or before the effective date of Termination, the party acquiring the Hotel in such transfer will have the right to terminate the Hotel Operating Agreement by delivering written notice to the Hotel Manager not more than 45 days prior to the conveyance and not later than 60 days after the conveyance, and in any event at least 45 days prior to the effective date of the Termination with the effective date of the Termination being selected by Issuer or the party acquiring the Hotel in its sole and absolute discretion subject to the foregoing notice requirements. If such a Termination notice is forwarded to the Hotel Manager prior to the closing of the sale and the sale does not occur for a reason other than Event of Default by Issuer, then Issuer may withdraw the Termination notice and the Hotel Operating Agreement will continue in full force and effect. If, at the time of the sale, the Hotel Manager is not in Default and a Performance Termination Event does not exist, the Issuer must pay or cause to be paid to the Hotel Manager a fee (the "Termination Fee") in an amount calculated by multiplying (i) the sum of (a) the Base Management Fee for the most recently ended 12-Month Period and (b) an amount equal to the lesser of (x) the Subordinate Management Fee for the most recently ended 12 Month Period or (y) the balance of the Subordinate Management Fund on the last day of such most recently ended 12 Month Period by (ii) the applicable "Multiplier" set forth below:

Termination Occurring In Various Years

Operating Year	Multiplier
6-7	3
8-9	2
10-14	1

Termination Upon Foreclosure

Except as otherwise provided in a Non-Disturbance Agreement, a Mortgagee (including the Trustee) will have the right to terminate the Hotel Operating Agreement upon the foreclosure of its Mortgage or upon acceptance of a deed-in-lieu of foreclosure, if (a) a monetary Event of Default exists under the Indenture, (b) an Event of Default exists under the Indenture which was the result of an action or inaction by the Hotel Manager, (c) an Event of Default by the Hotel Manager exists under the Hotel Operating Agreement at the time of commencement, completion, or during the process of the foreclosure proceeding or the process of the deed-in-lieu of foreclosure, (d) an uncured Performance Termination Event has occurred or (e) the Hotel Operating Agreement is subject to Termination as provided in the Subordination Agreement. If the Hotel Operating Agreement is so terminated by a Mortgagee no Termination Fee will be payable to the Hotel Manager, unless the purchaser is an Affiliate of the Issuer and the Mortgagee liability for past defaults will be limited as provided in the Hotel Operating Agreement.

Protection of Guest Lists

The Hotel Manager may not contact any Hotel guests that have booked Hotel rooms prior to Termination for the purpose of soliciting such Hotel guests to cancel their previously booked Hotel rooms and transfer such business to any other transient lodging in the City of Austin, Texas.

Restrictive Covenant

Until the later of the expiration or prior Termination of the Hotel Operating Agreement or 12 months after the Termination of the Hotel Operating Agreement due to an Event of Default by the Hotel Manager with the intention of causing the Hotel Operating Agreement to terminate in order to prevent the enforcement of the restrictive covenant, and as a material inducement to Issuer entering into the Hotel Operating Agreement, the Hotel Manager and its Affiliates may not, without the prior written consent of the Issuer, own, lease, operate, manage, license, franchise, merge with or join through a joint marketing or other similar arrangement, a whole or a part, directly or indirectly, a Restricted Hotel within the Austin Central Business District (the "Restricted Area"). A "Restricted Hotel" is any hotel or motel facility which (i) is operated under the "Hilton Hotel" flag as a full service hotel but will not include or apply to any other products, services or businesses under the "Hilton" brand, including, without limitation, Hilton Suites and other all-suite hotels, Hilton Garden Inn or other limited service hotels, Homewood Suites by Hilton or any extended stay hotel or any other comparable brands created by Hilton, or (ii) has more than 200 guest rooms and more than 10,000 square feet of meeting space within or immediately adjacent to such facility or has more than 500 guest rooms.

The foregoing restriction does not apply to

(a) any hotel that is not a Restricted Hotel;

(b) any existing Restricted Hotel within the Restricted Area now owned, leased, operated, managed, licensed or franchised by Hotel Manager or any of its affiliates;

(c) any Restricted Hotel or Hotels which are members of a hotel chain or group of hotel chains acquired by, owned, operated, leased, managed, franchised, or licensed by or merged with or joined through a marketing agreement with Hotel Manager or its affiliates (or the operation of which is transferred to Hotel Manager or any of its affiliates in its entirety) at any time;

(d) the replacement of a Restricted Hotel in the Restricted Area owned, leased, operated, managed, licensed or franchised by Hotel Manager or any of its Affiliates as of the date hereof or acquired by Hotel Manager or any of its affiliates as a part of a hotel chain, with one or more other Restricted Hotels in the Restricted Area the total number of rooms of which do not exceed the total number of rooms in the Restricted Hotel then in use and being replaced, provided that unless the Restricted Hotel being replaced is or was operated as a part of the Hilton System as of the date hereof, any of the new Restricted Hotels within the Restricted Area may not be operated as a "Hilton" hotel or as a part of the Hilton System except as may be otherwise permitted in this section;

(e) commencing with the fifth Operating Year or, if the proposed hotel is to be operated as a "Hilton" hotel, commencing with the tenth Operating Year, any other Restricted Hotel, provided that the occupancy for the Hotel at budgeted average daily rates (absent the impact of the replacement Restricted Hotel) during the 12 month period preceding the date the replacement Restricted Hotel is scheduled to become a competing Restricted Hotel within the Restricted Area is 70% or more and a Hotel Consultant forecasts in writing to the Issuer and the Trustee that the lodging market segment of the Hotel for the 5 year period following the date the competing Restricted Hotel is open will be at a level that will continue to (i) support at least a 70% occupancy rate at the Hotel for such 5 year period without adverse change in budgeted average daily rates, taking into consideration the impact of such Restricted Hotel and (ii) pay all amounts and obligations payable by the Issuer to the Trustee as and when due under the Indenture during such 5 year period; and

(f) any shared ownership properties commonly known as "vacation ownership" or "timeshare ownership" or similar real estate properties. Any "timeshare" or "vacation" ownership property will be designed and intended for use on a regular basis by the individual owners of such interests who are be affiliates of Hotel Manager.

The foregoing terms of clause (f) may not be used to avoid the operation of such restriction if the method of ownership is directly or indirectly a financing vehicle for the acquisition or development of a Restricted Hotel which would otherwise be in violation of this section.

Hotel Manager and its affiliates may not redirect or permit the redirection of guests or other business from the Hotel to another hotel owned, managed, operated, acquired, leased, franchised, licensed by, merged with or joined through a marketing or other arrangement with Hotel Manager, an affiliate of Hotel Manager or any entity in which Hotel Manager has an interest (direct or indirect) in the event there are roams and facilities available in the Hotel for such purpose.

IRS Guidelines

The Issuer and the Hotel Manager entered into the Hotel Operating Agreement with the intent that it comply with Rev. Proc. 9713. Although the Hotel Manager makes no representation, and will have no liability, regarding the effect, if any, of the Hotel Operating Agreement on the tax-exempt status of the Series 2017 Bonds, the Hotel Manager does agree to the modification or termination of the Hotel Operating Agreement, as may be necessary, to protect and to further ensure the tax-exempt status of the Series 2017 Bonds.

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APPENDIX E – FORM OF BOND COUNSEL OPINION

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May __, 2017

AUSTIN CONVENTION ENTERPRISES, INC.
CONVENTION CENTER HOTEL FIRST TIER REVENUE
REFUNDING BONDS, SERIES 2017A
IN THE PRINCIPAL AMOUNT OF $[___________]

and

AUSTIN CONVENTION ENTERPRISES, INC.
CONVENTION CENTER HOTEL SECOND TIER REVENUE
REFUNDING BONDS, SERIES 2017B
IN THE PRINCIPAL AMOUNT OF $[___________]

We have acted as Bond Counsel to Austin Convention Enterprises, Inc. (the "Corporation") in connection with the issuance of the bonds described above (collectively, the "Bonds") for the sole purpose of providing legal advice and traditional legal services to the Corporation including rendering an opinion with respect to 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. We have not investigated or verified original proceedings, records, data, or other material, but we have relied solely upon the transcript of certified proceedings, certifications, and other documents described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Corporation or the disclosure thereof in connection with the sale of the Bonds or with respect to the sufficiency of security or marketability of the Bonds. We have relied solely on information and certifications furnished to us by the Corporation with respect to the adequacy of the Trust Estate, and the revenues derived therefrom, for payment of the Bonds. Capitalized terms not defined herein have the meanings assigned to them in that certain Master Glossary of Terms defined below.

In our capacity as Bond Counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds that contains executed or certified copies of the following:

a. the resolution of the Board of Directors of the Corporation authorizing the Bonds adopted on [_____, 20__] and a "Pricing Certificate" executed by an authorized officer of the Corporation dated [_____, 20__] (collectively, the "Bond Resolution");

b. the resolution of the City Council of the City of Austin, Texas (the "City"), approving the issuance of the Bonds adopted on February 16, 2017 (the "Sponsor Resolution");

c. the "Defeasance Sufficiency Certificate" dated [________, 2017] by The Arbitrage Group, Inc.;

d. the "Amended and Restated Indenture of Trust" between the Corporation and U.S. Bank National Association (the "Trustee"), dated as of December 1, 2006 (the "Original Indenture"), authorizing the issuance of "Austin Convention Enterprises, Inc. Convention Center Hotel First Tier Revenue Refunding Bonds, Series 2006A" and "Austin Convention Enterprises, Inc. Convention Center Hotel Second Tier Revenue Refunding Bonds, Series 2006B" being refunded with proceeds of the Bonds (collectively, the "Refunded Bonds");

e. the “Amended and Restated Indenture of Trust” including the “Master Glossary of Terms” dated as of May 1, 2017 and effective as of the Closing Date for the Bonds (the “Indenture”) by and between the Corporation and the Trustee;

f. the “Hotel Operating Agreement” dated as of June 1, 2001, as amended by the “First Amendment to Hotel Operating Agreement” dated as of December 1, 2006, as further amended by the “Second Amendment to Hotel Operating Agreement” dated as of June 2, 2010, and as further amended by the “Third Amendment to Hotel Operating Agreement” dated as of May 1, 2017, by and between the Corporation and Hilton Management LLC (the “Manager”);

g. the “Consent of Hotel Operator” effective as of [________, 2017] by the Manager;

h. the “Security Agreement” dated as of June 1, 2001, as amended by the “First Amendment to Security Agreement” dated as of December 1, 2006, and as further amended by the “Second Amendment to Security Agreement” dated as of May 1, 2017 and effective as of the Closing Date for the Bonds, by and between the Corporation and the Trustee;

i. the “Deed of Trust and Assignment of Rents and Leases, Security Agreement and Fixture Filing” dated June 1, 2001, as amended by the “First Amendment to Deed of Trust and Assignment of Rents and Leases, Security Agreement and Fixture Filing” dated August 1, 2003, as further amended by the “Second Amendment to Deed of Trust, and Assignment of Rents and Leases, Security Agreement and Fixture Filing” dated as of December 1, 2006, and as further amended by the “Third Amendment to Deed of Trust, and Assignment of Rents and Leases, Security Agreement and Fixture Filing” dated as of May 1, 2017 and effective as of the Closing Date for the Bonds by the Corporation;

j. the “Amended and Restated Cash Management and Lockbox Agreement” dated as of May 1, 2017, among the Corporation, Wells Fargo Bank, N.A., the Trustee, and the Manager;

k. the “Assignment and Subordination of Hotel Operating Agreements” dated as of June 1, 2001, as amended by the “First Amendment to Assignment and Subordination of Hotel Operating Agreements” dated as of December 1, 2006, and as further amended by the “Second Amendment to Assignment and Subordination of Hotel Operating Agreements” dated as of May 1, 2017 and effective as of the Closing Date for the Bonds, by the Corporation in favor of the Trustee and as acknowledged and consented to by the Manager and the Trustee;

l. the “Bond Purchase Agreement” dated as of [___________, 2017] between Citigroup Global Markets Inc. and the Corporation;

m. the approving opinion of the Attorney General of the State of Texas; and registration of the Bonds by the Comptroller of Public Accounts for the State of Texas;

n. customary certificates of officers, agents, and representatives of the Corporation (including a “Federal Tax Certificate”) and other public officials; and

o. other documents relating to the issuance of the Bonds.

In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the truth and accuracy of the statements contained in such certificates. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service (the “Service”) as we have deemed relevant. We have also examined executed Bonds No. AI-1 and BI-1, and such other documents and materials as we have deemed necessary in order to render this opinion.

Based on said examination, and in accordance with customary legal opinion practice, it is our opinion that:

1. The Corporation is a validly existing nonprofit public facilities corporation created and organized pursuant to Chapter 303 of the Texas Local Government Code with power to adopt the Bond Resolution, perform its agreements therein, and issue the Bonds.

2. The Bonds have been authorized, sold, and delivered in accordance with law.

3. The Bonds constitute valid and legally binding obligations of the Corporation enforceable in accordance with their terms except as 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.

4. The Bonds constitute valid and legally binding special obligations of the Corporation secured by and payable solely from a first lien on and pledge of the Trust Estate and the revenues derived therefrom in accordance with the Indenture and the Bond Documents. The registered owners of the Bonds shall never have the right to demand payment of the principal thereof or interest thereon out of any funds raised or to be raised by taxation, or from any source whatsoever other than the Trust Estate. The Bonds are not obligations of the City, the State of Texas, or any other political corporation, subdivision, or agency of the State of Texas, other than the Corporation. The Corporation also has reserved the right, subject to the restrictions stated in the Indenture, and without obtaining the consent of the registered owners of the Bonds, to issue (a) "Additional Bonds" which also may be secured by and payable from a first lien on and pledge of the Trust Estate, in the same manner and to the same extent as the Bonds; (b) additional obligations to be secured by and payable from a lien on and pledge of the Trust Estate on a subordinated basis as to the Bonds; and (c) "Short Term Indebtedness" which may be secured by and made payable from a first lien on the Gross Operating Revenues but not any other portion of the Trust Estate.

5. Interest on the Bonds will be excludable from gross income for federal income tax purposes under section 103 of the Code, and the Bonds will not be treated as "private activity bonds" within the meaning of section 141 of the Code. Interest on the Bonds will not be included as an alternative minimum tax preference item for individuals and corporations under section 57(a)(5) of the Code, except that interest on the Bonds will be included in the "adjusted current earnings" of certain corporations other than an S corporation, a mutual fund, a financial asset securitization investment trust, a real estate mortgage investment conduit, or a real estate investment trust. 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. Corporate purchasers of the Bonds should consult their tax advisors regarding the computation of alternative minimum tax.

6. The requirements set forth in Section 8.02 of the Original Indenture relating to the defeasance of the Refunded Bonds have been complied with so that the Refunded Bonds are no longer considered Outstanding under the Indenture, and such defeasance will not adversely affect the exclusion of interest on the Refunded Bonds from gross income for federal income tax purposes. In rendering this opinion, we have relied upon the Defeasance Sufficiency Certificate with respect to sufficiency of cash deposited with the Trustee for the purposes of paying the principal of and interest on the Refunded Bonds.

The Corporation has reserved the right, subject to the restrictions stated in the Indenture, to make certain amendments to the Indenture with the approval of the Registered Owners of a majority in aggregate principal amount of each Tier or Series of Bonds then Outstanding.

We call your attention to the fact that the ownership of 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, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, certain S corporations with Subchapter C earnings and profits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred expenses allocable to, tax-exempt obligations.

In rendering these opinions, we have relied upon representations and certifications of the Corporation, the City's financial advisor, and the underwriters of the Bonds with respect to matters solely within the knowledge of such parties, respectively, which we have not independently verified, and we assume continuing compliance by the Corporation with covenants pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If such representations and certifications are determined to be inaccurate or incomplete, or if the Corporation fails to comply with the foregoing covenants, interest on the Bonds could become includable in gross income retroactively to the date of issuance of the Bonds, regardless of the date on which the event causing such inclusion occurs.

The Service has an ongoing audit program to determine compliance with rules relating to whether interest on state or local obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit is commenced, under current procedures, the Service would treat the Corporation as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. We observe that the Corporation has covenanted not to take any action, or omit to take any action within its control, that, if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Except as stated above, we express no opinion as 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, ownership, or disposition of the Bonds.

The opinions set forth above are based on existing laws of the United States (including statutes, regulations, published rulings, and court decisions) and the State of Texas, which are 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 hereafter come to our attention, or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent our legal judgment based on our review of existing law, and are made in reliance on the representations and covenants referenced above that we deem relevant to such opinions.

We express no opinion herein regarding the accuracy, adequacy, or completeness of the Official Statement relating to the Bonds or the marketability of the Bonds.

This legal opinion expresses the professional judgment of this firm as to the legal issues explicitly addressed therein and is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. In rendering a legal opinion, we do not become an insurer or guarantor of that 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 our opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Respectfully submitted,

APPENDIX F – FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") dated as of May 1, 2017 and effective as of the Closing Date for the Bonds is executed and delivered by the Austin Convention Enterprises, Inc. (the "Issuer") in connection with the issuance of its "Austin Convention Enterprises, Inc. Convention Center Hotel First Tier Revenue Refunding Bonds, Series 2017A" and "Austin Convention Enterprises, Inc. Convention Center Hotel Second Tier Revenue Refunding Bonds, Series 2017B" (collectively, the "Bonds") and U.S. Bank National Association, as Dissemination Agent. The Bonds are being issued pursuant to an Amended and Restated Indenture of Trust effective as of the Closing Date for the Bonds (the "Indenture"), by and between the Issuer and U.S. Bank National Association.

The Issuer and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer and the Dissemination Agent for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters (defined below) in complying with the Rule (defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Disclosure Representative" shall mean the person designated by the Issuer or such person's designee, or such other person as the Issuer shall designate in writing to the Trustee and Dissemination Agent from time to time. The initial Disclosure Representative shall be the Issuer's President.

"Dissemination Agent" shall mean U.S. Bank National Association, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Trustee a written acceptance of such designation.

"EMMA" shall mean the electronic municipal market access website established by the Municipal Securities Ruling Board, found at http:/emma.msrb.org., or such other national repository as may hereafter be established by the Municipal Securities Ruling Board under the Rule.

"Listed Events" shall mean any of the events listed in Section 6(a) of this Disclosure Agreement; provided, however, that the Listed Events shall be deemed to have been amended to the extent that the same are revised under the Rule.

"Obligated Person" shall mean any "obligated person" within the meaning of the Rule.

"Official Statement" shall mean the Official Statement dated April [___], 2017 prepared and distributed in connection with the initial sale of the Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering and sale of the Bonds.

"Repository" means each of EMMA and the State Repository.

"Rule" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Texas.

"State Repository" shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, the State Repository is the Municipal Advisory Council of Texas, 606 West 8th Street, Post Office Box 2177, Austin, Texas 78768-2177, (512) 476-6947.

"Trustee" shall mean U.S. Bank National Association, having a principal corporate trust office in Chicago, Illinois, or its successor as Trustee under the Indenture.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or, upon written direction, shall cause the Dissemination Agent to, not later than six months after the end of the Issuer's fiscal year (currently December 31), commencing with the report for the fiscal year ending December 31, 2017, provide to each Repository an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 6(e). It is expressly agreed that the Dissemination Agent has no duty or liability whatsoever to determine whether the Issuer has satisfied Section 4 of this Disclosure Agreement and will be fully indemnified by the Issuer in connection with the Dissemination Agent's obligations hereunder.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories, the Issuer shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Issuer to determine if the Issuer is in compliance with subsection (a). The Dissemination Agent has no duty to review such Annual Report.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (b), the Trustee shall send a notice to the Issuer and each Repository in substantially the form attached as Exhibit A, no later than the date specified in subsection (a) for providing the Annual Report to the Repositories.

(d) The Dissemination Agent shall file a report with the Issuer, with the Issuer and the Trustee (if the Trustee is not the Dissemination Agent) certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to the Repositories.

SECTION 4. Content of Annual Reports. The Issuer's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board, together with a debt compliance letter signed by the auditor. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements required for the fiscal year being audited, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) A summary of historical operating data substantially in the form appearing in Table 1 of the Official Statement.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Issuer is an Obligated Person, which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final Official Statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Provision of Quarterly Reports. The Issuer shall, or, upon written direction, shall cause the Dissemination Agent to, not later than forty-five (45) days after the end of each calendar quarter of the Issuer, commencing with the report for the calendar quarter ending June 30, 2017, provide to each Repository operations reports for the Hotel as compared to the Competitive Set (as such term is defined in the Indenture), and unaudited quarterly reports (which will include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows).

SECTION 6. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section, the Issuer shall give, or cause to be given, in a timely manner (but not in excess of ten business days after the occurrence of the event) notice of the occurrence of any of the following Listed Events with respect to the Bonds:

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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds , or other material events affecting the tax status of the Bonds;
7. modifications to rights of the Bondholders;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer;
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a

definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; or

14. The appointment of a successor or additional trustee or the change of name of a trustee, if material.

Each material event notice shall be so captioned and shall prominently state the date, title and (to the extent less than all of the Bonds are affected by the related material event) CUSIP numbers of the Bonds.

(b) The Dissemination Agent shall, as soon as reasonably practicable, upon a responsible officer of the Dissemination Agent obtaining actual knowledge of the occurrence of any of the Listed Events contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (e) below. The Dissemination Agent shall have no duty to determine the materiality of any such Listed Events. For purposes of this Disclosure Agreement, "actual knowledge" of the occurrence of such Listed Events shall mean actual knowledge by the Dissemination Agent. Provided, however, the Dissemination Agent's failure to so inform the Issuer will not relieve the Issuer of its obligations under this Section and will not constitute a breach by the Dissemination Agent of its duties or responsibilities under this Disclosure Agreement.

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, because of a notice from the Dissemination Agent pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such Listed Event would be material under applicable federal securities laws.

(d) If the Issuer has determined that the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (e).

(e) If the Dissemination Agent has been instructed by the Issuer to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence each Repository with a copy to the Issuer. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (a)(9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Owners of affected Bonds pursuant to the Indenture.

SECTION 7. Termination of Reporting Obligation. The Issuer's and the Dissemination Agent's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination or substitution occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 6(e).

SECTION 8. Dissemination Agent; Removal or Resignation. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Issuer shall be the Dissemination Agent. The Dissemination Agent may resign by providing thirty days written notice to the Issuer and the Trustee.

SECTION 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer, Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the Issuer provided, the Dissemination Agent shall not be obligated to enter into any such amendment that modifies or increases its duties or obligations hereunder) and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking herein, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Owners or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 6(e), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, including the filing of information with DisclosureUSA, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. Default. In the event of a failure of the Issuer or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee shall at the written request of any Participating Underwriter or the Owners of at least 25% of the Outstanding Bonds, and upon provision of indemnification satisfactory to the Dissemination Agent , or any Owner or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer or the Dissemination Agent , as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Duties, Immunities and Liabilities of the Dissemination Agent. Article X of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture and the Dissemination Agent shall be entitled to the provisions thereof. The Dissemination Agent and Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement. To the extent it legally may but solely from the Trust Estate (as defined in the Indenture), the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities, costs and expenses (including attorneys fees) due to the Dissemination Agent's fraud, violation of law, whether willful or negligent, negligence, willful misconduct or breach of this Disclosure Agreement. The Dissemination Agent shall be paid compensation by the Issuer for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent and the Trustee shall have no duty or obligation to review any information provided to them hereunder and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Bondholders, or any other party. The Dissemination Agent shall have no duty to prepare any information report nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Issuer in a timely manner and in a form suitable for filing. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

The fact that the Dissemination Agent or an affiliate thereof has or may have any banking, fiduciary or other relationship with the Issuer or any other party in connection with the Bonds or otherwise, apart from the relationship by this Disclosure Agreement, shall not be construed to mean that the Dissemination Agent or affiliate thereof has knowledge or notice of any event or condition relating to the Bonds except in the Dissemination Agent's capacity under this Disclosure Agreement.

Neither the Issuer nor the Dissemination Agent will disclose information which the Issuer has stated in writing to the Dissemination Agent to be (1) confidential or proprietary; (2) the disclosure of which is prohibited by applicable law; or (3) otherwise not subject to disclosure.

The Annual Report may contain such disclaimer language as the Issuer may deem appropriate. Any information disclosed hereunder by the Dissemination Agent may contain such disclaimer language as the Dissemination Agent may deem appropriate.

SECTION 13. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

The Dissemination Agent: U.S. Bank National Association
Corporate Trust Services
60 Livingston Ave, EP-MN-WS3C
Saint Paul, Minnesota 55107
Phone: (651) 495-3917
Fax: (651) 495-8097

The Issuer: Austin Convention Enterprises, Inc.
P.O. Box 1088
Austin, Texas 78767-1088
Telephone: (512) 476-5461
Telecopy: (512) 404-4416

Any person may, by written notice to the other persons listed above, designate a different address or telephone number(s) to which subsequent notices or communications should be sent.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Issuer, the Trustee, the Dissemination Agent, the Participating Underwriters, and Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

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AUSTIN CONVENTION ENTERPRISES, INC.

By ____
Mark Tester, President

U.S. BANK NATIONAL ASSOCIATION,
a national banking association as Dissemination Agent

By____________________________________
Name __________________________________
Title ___________________________________

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: **Austin Convention Enterprises, Inc.**

Name of Bond Issue:

Convention Center Hotel First Tier Revenue Refunding Bonds, Series 2017A

Convention Center Hotel Second Tier Revenue Refunding Bonds, Series 2017B

Name of Obligated Person: **Austin Convention Enterprises, Inc.**

Date of Issuance: ________, 2017

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Agreement dated as of [__________]. The Issuer anticipates that the Annual Report will be filed by _____________.

Dated: _______________.

U.S. BANK NATIONAL ASSOCIATION,
as Dissemination Agent

By ____
Authorized Signatory

cc: Austin Convention Enterprises, Inc.

APPENDIX G – AUDITED FINANCIAL STATEMENTS OF THE ISSUER (FISCAL YEAR 2015)

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Austin Convention Enterprises, Inc.

Basic Financial Statements and Independent Auditor's Report

December 31, 2015 and 2014

Austin Convention Enterprises, Inc.

Table of Contents

PS&Co.
Padgett Stratemann

Independent Auditor's Report

To the Board of Directors
Austin Convention Enterprises, Inc.
Austin, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of Austin Convention Enterprises, Inc. (the "Company"), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Austin Convention Enterprises, Inc. as of December 31, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, these financial statements present only the financial statements of Austin Convention Enterprises, Inc. and do not purport to, and do not, present fairly the financial position of the City of Austin as of December 31, 2015 and 2014, and the changes in its financial position for the years then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Padgett, Stratemann + Co., L.L.P.

Austin, Texas
May 16, 2016

The following discussion of Austin Convention Enterprises, Inc. (the "Company") should be read in conjunction with the basic financial statements and notes thereto appearing elsewhere in this report. Historical results and trends which might appear should not be taken as indicative of future operations. The results of operations and the financial condition of the Company, as reflected in the accompanying statements and related footnotes, are subject to management's evaluation and interpretation of business conditions, changing capital market conditions and other factors which could affect the ongoing viability of the Company.

The Company is a Texas non-profit public facility corporation incorporated in March of 2000 pursuant to Chapter 303 of the Texas Local Government Code. For the year ended December 31, 2015, the Company is presented as a discrete component unit of the City of Austin, Texas as the City of Austin Council members appoint the Company's board of directors and maintain a contractual ability to remove board members at will. The Company is legally separate from the City of Austin and the debt issued by the Company does not constitute a debt or pledge of the faith and credit of the City of Austin.

The Company was organized for the specific purpose to purchase, own, acquire, construct, equip, encumber, lease, sell, and provide for the operation of a hotel, parking garage, and related facilities (the "Hotel Project") to be located adjacent to the Austin Convention Center. On June 14, 2001, the Company issued tax exempt revenue bonds totaling $265,113,811 to finance the Hotel Project in three series: the "Series 2001A Bonds," the "Series 2001B Bonds," and the "Series 2001C Bonds." Construction was substantially completed and the Hotel Project opened in December 2003. On December 7, 2006, the Company issued tax-exempt revenue bonds totaling $260,170,000 to refund the outstanding Series 2001A Bonds and the Series 2001B Bonds in two series: the "Series 2006A Bonds" and the "Series 2006B Bonds." Hilton Worldwide, Inc. ("Hilton") manages the Hotel Project through a qualified management contract (the "Contract").

The Company offers this narrative overview and analysis of the basic financial activities of the Company for the years ended December 31, 2015 and December 31, 2014.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Company's basic financial statements and notes thereto. The basic financial statements of the Company are prepared on a basis similar to an enterprise fund as defined by the Governmental Accounting Standards Board ("GASB"). Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred.

The Statement of Net Position presents information on all of the Company's assets, deferred outflows of resources, and liabilities as of year end, with the difference being reported as net position. With the Hotel Project operational, comparisons in increases or decreases in net position, from one full year of operation to the next, may serve as a useful indicator of whether the financial position of the Company is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information for revenues and expenses regardless of when cash is received or paid. Therefore, revenues and expenses are reported in this statement for some items that will affect cash flow in future fiscal years.

The Statement of Cash Flows represents information related to cash inflows and outflows summarized by operating, investing, and capital and related financing activities.

The notes to the basic financial statements provide additional information that is essential for a complete understanding of the data in the basic financial statements described above.

FINANCIAL HIGHLIGHTS

During the year ended December 31, 2015, the following significant events have taken place in connection with the operation of the Hotel Project:

- The Hotel Project generated $81.1 million in operating revenues and experienced $42.8 million in operating expenses (excluding surety insurance expense, depreciation, professional fees, and other expenses), resulting in net revenues of $38.3 million.

- The Company approved the 2016 operating budget in the amount of $82.8 million in operating revenues for the Hotel Project.

FINANCIAL ANALYSIS OF THE COMPANY'S STATEMENTS

STATEMENTS OF NET POSITION

The following table summarizes the Company's assets, deferred outflows of resources, liabilities, and net position as of December 31, 2015, 2014 and 2013:

Table 1
Condensed Statements of Net Position

	2015	2014	2013
ASSETS			
Current assets	$ 7,983,449	$ 9,523,637	$ 7,751,653
Capital assets, net	166,143,475	173,197,821	167,666,775
Other noncurrent assets	73,726,780	60,804,138	74,702,118
TOTAL ASSETS	247,853,704	243,525,596	250,120,546
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	17,859,758	19,050,409	20,241,060
TOTAL DEFERRED OUTFLOWS OF RESOURCES	17,859,758	19,050,409	20,241,060
LIABILITIES			
Current liabilities	19,519,152	19,875,193	19,916,070
Noncurrent liabilities	240,091,510	249,328,940	265,827,729
TOTAL LIABILITIES	259,610,662	269,204,133	285,743,799
NET POSITION			
Net investment in capital assets	(65,435,016)	(65,863,240)	(77,050,176)
Restricted – debt service	21,426,553	21,086,730	5,180,560
Unrestricted	50,111,263	38,148,382	56,487,423
TOTAL NET POSITION (DEFICIT)	$ 6,102,800	$ (6,628,128)	$ (15,382,193)

Discussion of 2015 Results and Comparison to 2014

As shown in Table 1, total assets increased by $4.3 million at December 31, 2015 as compared to the year ended December 31, 2014, which is primarily due to an increase in investments (reserve funds). The increase in reserve funds was the result of the room renovation in 2014 which cost $23.0 million.

Deferred outflow of resources decreased by $1.2 million, as the deferred charge on bond refunding is amortized over the life of the bonds.

Total liabilities decreased by $9.6 million at December 31, 2015, as compared to the year ended December 31, 2014, primarily due to principal payments made on the revenue bonds.

Net position represents the difference between the Company's assets and deferred outflows of resources and liabilities and consists of net investment in capital assets, restricted, and unrestricted net position. The increase in the net position at December 31, 2015 as compared to the year ended December 31, 2014 of $12.7 million results from the Company's revenues exceeding its expenses. Net investment in capital assets, consists of historical cost of capital assets, net of accumulated depreciation, less any debt that remains outstanding that was used to finance those assets. Net position is restricted when constraints placed on the net assets' use are either externally imposed, such as by law through constitutional provisions or enabling legislation, or internally such as debt documents. Unrestricted net position consists of net assets that do not meet the definition of "Restricted" or "Net Investment in Capital Assets."

Discussion of 2014 Results and Comparison to 2013

As shown in Table 1, total assets decreased by $6.6 million at December 31, 2014 as compared to the year ended December 31, 2013, which is primarily due to a decrease in investments (reserve funds). The decrease in reserve funds was the result of the $23.0 million cost of the room renovation.

Deferred outflow of resources decreased by $1.2 million, as the deferred charge on bond refunding is amortized over the life of the bonds.

Total liabilities decreased by $16.5 million at December 31, 2014, as compared to the year ended December 31, 2013, primarily due to principal payments made on the revenue bonds.

Net position represents the difference between the Company's assets and deferred outflows of resources and liabilities and consists of net investment in capital assets, restricted, and unrestricted net position. The increase in the net position at December 31, 2014 as compared to the year ended December 31, 2013 of $8.8 million results from the Company's revenues exceeding its expenses.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The following table summarizes the Company's revenues, expenses and changes in net position during the years ended December 31, 2015, 2014, and 2013:

Table 2
Condensed Statements of Revenues, Expenses and Changes in Net Position

	2015	2014	2013
OPERATING REVENUES	$ 81,058,240	$ 75,049,647	$ 72,913,859
OPERATING EXPENSES	52,518,747	50,072,587	45,231,570
Operating Income	28,539,493	24,977,060	27,682,289
NONOPERATING REVENUES (EXPENSES)	(15,808,565)	(16,222,995)	(17,074,145)
Change in Net Position	12,730,928	8,754,065	10,608,144
Net position (deficit) – beginning of period	(6,628,128)	(15,382,193)	(25,990,337)
Net position (deficit) – end of year	$ 6,102,800	$ (6,628,128)	$ (15,382,193)

Hotel Project Net Operating Revenues

During the year ended December 31, 2015, the Hotel Project generated $81.1 million in operating revenue. The operating revenue generated during the year ended December 31, 2015 was sufficient to offset the corresponding 12 months of hotel operating expenses, depreciation expenses, other expenses, and nonoperating expenses. Total net position increased by $12.7 million for the year ended December 31, 2015 as compared to a net position increase of $8.8 million for the year ended December 31, 2014, due primarily to the Company's increase in operating revenues. For the year ended December 31, 2015, the Hotel Project operating expenses incurred were $42.8 million, depreciation expense incurred was $8.9 million, other expenses incurred were $0.8 million, and nonoperating expenses incurred were $15.8 million.

During the year ended December 31, 2014, the Hotel Project generated $75.0 million in operating revenue. The operating revenue generated during the year ended December 31, 2014 was sufficient to offset the corresponding 12 months of hotel operating expenses, depreciation expenses, other expenses, and nonoperating expenses. Total net position increased by $8.8 million for the year ended December 31, 2014 as compared to a net position increase of $10.6 million for the year ended December 31, 2013, due primarily to the Company's increase in operating expenses. For the year ended December 31, 2014, the Hotel Project operating expenses incurred were $40.5 million, depreciation expense incurred was $8.6 million, other expenses incurred were $0.9 million, and nonoperating expenses incurred were $16.2 million.

Hotel Project Occupancy, Average Daily Rate, and RevPAR

The Hotel Project achieved an occupancy rate of 80.9% during the 2015 operating year. The 2015 occupancy rate was 5.8% higher compared to the 2014 occupancy rate of 75.1%. Occupancy increased because, during the prior year, there were a number of rooms unavailable for rent due to the ongoing room renovation project. The Hotel Project's average daily rate ("ADR") during the 2015 operating year was $224, which is $1 above the 2014 ADR of $223. These factors yielded revenue per available room ("RevPAR") for the 2015 operating year of $181. The 2015 RevPar is $14 higher than the 2014 RevPar of $167.

The Hotel Project achieved an occupancy rate of 75.1% during the 2014 operating year. The 2014 occupancy rate was 4.1% lower compared to the 2013 occupancy rate of 79.2%. Occupancy decreased because, during the year, there were a number of rooms unavailable for rent due to the ongoing room renovation project. The Hotel Project's ADR during the 2014 operating year was $223, which is $14 above the 2013 ADR of $209. These factors yielded RevPAR for the 2014 operating year of $167. The 2014 RevPar is $2 higher than the 2013 RevPar of $165.

PROPERTY AND EQUIPMENT

Table 3
Property and Equipment

	2015	2014
Land	$ 7,498,163	$ 7,498,163
Buildings	190,764,122	190,764,122
Furniture, fixtures, and equipment	32,568,681	31,583,306
Computer equipment	796,458	783,556
Construction in progress	818,933	57,045
Subtotal	232,446,357	230,686,192
Less accumulated depreciation	(66,302,882)	(57,488,371)
Total property and equipment	$ 166,143,475	$ 173,197,821

Additional information on the Company's property and equipment is presented in the *Notes to Financial Statements*, Note 4 – Capital Assets.

LONG TERM DEBT

Table 4
Long-Term Debt

	2015	2014
Revenue Bonds, net	$ 245,631,510	$ 254,528,940

As of December 31, 2015, the Company reported $245,631,510 in outstanding long-term debt, which includes $238,605,000 of principal, $4,598,990 of premiums on the Series 2006A bonds, and $2,427,520 of premiums on the Series 2006B bonds. During the year ended December 31, 2015, principal payments of $8,190,000 were made against the revenue bonds.

As of December 31, 2014, the Company reported $254,528,940 in outstanding long-term debt, which includes $246,795,000 of principal, $5,085,150 of premiums on the Series 2006A bonds, and $2,648,790 of premiums on the Series 2006B bonds. During the year ended December 31, 2014, principal payments of $15,680,000 were made against the revenue bonds.

Additional information relating to the outstanding bonds can be found in Note 6 of the financial statements.

2006 Refunding

In December 2006, the Company issued its Series 2006 Bonds in the total amount of $260,170,000 to refund the outstanding Series 2001A Bonds and Series 2001B Bonds. In connection with the sale of the Series 2006A Bonds, the Company purchased a municipal bond insurance policy from XL Capital Assurance Inc., now known as Syncora Guarantee Inc. (the "Bond Insurer"), to guarantee the payment of the principal and the interest on the Series 2006A Bonds. In connection with the issuance of the Series 2006 Bonds, Hilton forgave $7,710,000 in principal and $689,000 in interest on the Series 2001C Bonds in exchange for various amendments to the Contract. Upon the issuance of the Series 2006 Bonds, ZC Specialty Insurance Company terminated its surety policy guaranteeing the payment of the Series 2001A Bonds and refunded to the Company $20,000,000 from the surety premium previously paid. The Company recognized an economic gain of $15,379,124 upon the issuance of the Series 2006 Bonds. The change in net cash flow that resulted was a decrease of $12,761,607. Additional information relating to the issuance of the Series 2006 Bonds can be found in Note 6 of the basic financial statements.

Credit Rating and Bond Insurance Relating on Series 2006A Bonds

In connection with the sale of the Series 2006A Bonds, the Company purchased a municipal bond insurance policy from the Bond Insurer to guarantee the payment of principal and interest when due on the Series 2006A Bonds. The credit ratings of the Bond Insurer have since been materially downgraded so that the underlying ratings of the Series 2006A Bonds are the same as the bonds with the credit enhancement. The Series 2006A Bonds are rated, as of the date of this report, "BBB-" by Standard & Poor's and "Ba1" by Moody's.

Series 2006A Bonds maturing January 1, 2034 in the amount of $7.75 million have been additionally enhanced by Berkshire Hathaway Assurance. The ratings on these bonds are different from the general Series 2006A Bonds and are rated "Aa2" and "AA+" by Moody's and Standard and Poor's, respectively.

Credit Rating Relating to Series 2006B Bonds

The Series 2006B Bonds are rated, as of the date of this report, "BB" by Standard & Poor's and "Ba2" by Moody's.

CURRENTLY KNOWN FACTS

In the Hilton budget submitted for the 2015 operating year, projected net revenues were sufficient to cover debt service on the Series 2006A Bonds, the Series 2006B Bonds, and the Series 2001C Bonds. As the budget met the debt service requirements of the bond financing documents, no new hotel consultant review was required or performed. The most recent hotel consultant's recommendations were made in the report dated March 27, 2006. Hilton and the asset manager have implemented many of the recommendations. Hotel Project expenses relating to capital improvements may be funded from amounts in the Renewal and Replacement Fund and the Supplemental Renewal and Replacement Fund.

The Company approved the 2016 operating budget for the Hotel Project, with projected gross revenues for the Hotel Project at $82.8 million. Projected net revenues for the Hotel Project for the 2016 operating year will be sufficient to cover debt service on the Series 2006 Bonds and the Series 2001C Bonds and meet the debt service requirements of the bond financing documents.

REQUESTS FOR ADDITIONAL INFORMATION

This financial report is designed to provide investors, creditors, and customers with a general overview of the Company's finances and to demonstrate the Company's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mark Tester, Vice President, Austin Convention Enterprises, Inc. at 500 East Cesar Chavez Street, Austin Texas 78701 or at (512) 404-4040.

Austin Convention Enterprises, Inc.

Statements of Net Position

December 31, 2015 and 2014

	2015	2014
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 4,199,461	$ 4,455,661
Accounts receivable, net	2,457,572	3,681,618
Inventories	924,374	903,813
Prepaid expenses and other assets	402,042	482,545
Total current assets	7,983,449	9,523,637
Noncurrent Assets:		
Investments – restricted	68,278,339	55,041,711
Capital assets, net	166,143,475	173,197,821
Prepaid municipal bond insurance, net	5,411,500	5,712,138
Other noncurrent assets	36,941	50,289
Total noncurrent assets	239,870,255	234,001,959
TOTAL ASSETS	247,853,704	243,525,596
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	17,859,758	19,050,409
Total deferred outflows of resources	17,859,758	19,050,409
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	7,607,314	8,007,518
Current liabilities payable from restricted investments:		
Revenue bonds accrued interest	6,371,838	6,667,675
Revenue bonds payable	5,540,000	5,200,000
Total current liabilities	19,519,152	19,875,193
Noncurrent Liabilities:		
Revenue bonds payable, net	240,091,510	249,328,940
Total noncurrent liabilities	240,091,510	249,328,940
TOTAL LIABILITIES	259,610,662	269,204,133
NET POSITION		
Net investment in capital assets	(65,435,016)	(65,863,240)
Restricted – debt service	21,426,553	21,086,730
Unrestricted	50,111,263	38,148,382
TOTAL NET POSITION (DEFICIT)	$ 6,102,800	$ (6,628,128)

The accompanying notes to financial statements are an integral part of these statements.

Austin Convention Enterprises, Inc.

Statements of Revenues, Expenses and Changes in Net Position

Years Ended December 31, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Rooms	$ 52,937,803	$ 48,898,921
Food and beverage	23,873,474	22,218,926
Other	4,246,963	3,931,800
Total operating revenues	81,058,240	75,049,647
OPERATING EXPENSES		
Cost of revenue:		
Rooms	9,372,230	8,486,783
Food and beverage	11,563,856	11,117,488
Other	6,853,455	6,581,419
General and administrative	5,313,553	5,442,846
Sales and marketing	5,851,462	4,985,972
Taxes and insurance	433,014	483,684
Management fees	3,370,405	3,440,078
Other expenses	136,797	155,789
Surety insurance	300,639	300,639
Professional fees	408,397	444,324
Depreciation	8,914,939	8,633,565
Total operating expenses	52,518,747	50,072,587
OPERATING INCOME	28,539,493	24,977,060
NONOPERATING REVENUES AND EXPENSES		
Interest income	3,331	3,201
Interest expense	(13,934,326)	(15,037,876)
Amortization of bond premiums	707,430	761,848
City of Austin project expense	(2,000,000)	(1,950,168)
Chilled Water Contract Setlement	(585,000)	-
Total nonoperating revenues and (expenses)	(15,808,565)	(16,222,995)
CHANGE IN NET POSITION	12,730,928	8,754,065
NET POSITION (DEFICIT) – BEGINNING OF YEAR	(6,628,128)	(15,382,193)
NET POSITION (DEFICIT) – END OF YEAR	$ 6,102,800	$ (6,628,128)

The accompanying notes to financial statements are an integral part of these statements.

Austin Convention Enterprises, Inc.

Statements of Cash Flows

Years Ended December 31, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	$ 82,282,286	$ 72,809,268
Cash payments to employees for services	(14,450,557)	(11,807,758)
Cash payments to suppliers for goods and services	(29,178,595)	(28,610,878)
Net cash provided by operating activities	38,653,134	32,390,632
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	3,331	3,201
Investment purchases and sales, net	(13,236,628)	13,413,872
Net cash used in investing activities	(13,233,297)	13,417,073
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Payments on Chilled Water Contract Settlement	(585,000)	-
Payments for City of Austin projects	(2,000,000)	(1,950,168)
Net cash used in noncapital financing activities	(2,585,000)	(1,950,168)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of fixed assets	(1,861,525)	(14,164,611)
Principal payments on bonds payable	(8,190,000)	(15,680,000)
Interest paid	(13,039,512)	(14,517,500)
Net cash used in capital and related financing activities	(23,091,037)	(44,362,111)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(256,200)	(504,574)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	4,455,661	4,960,235
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 4,199,461	$ 4,455,661
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	$ 28,539,493	$ 24,977,060
Adjustments to reconcile operating income to net cash provided by operating activities:		
Noncash items included in operating income:		
Depreciation	8,914,939	8,633,565
Loss on disposal of assets	932	-
Amortization of prepaid surety insurance	300,639	300,639
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivables, net	1,224,046	(2,240,380)
Inventories	(20,561)	21,039
Prepaid expenses and other assets	93,851	126,252
Increase (decrease) in:		
Accounts payable and accrued expenses	(400,205)	609,398
Incentives and compensation	-	(36,941)
Net cash provided by operating activities	$ 38,653,134	$ 32,390,632
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Amortization of bond premiums	(707,430)	(761,848)
Amortization of deferred loss on refunding	1,190,651	1,190,651

The accompanying notes to financial statements are an integral part of these statements.

Note 1. Reporting Entity

Organization – Austin Convention Enterprises, Inc. (the "Company") was incorporated on March 24, 2000 as a Texas non-profit public facility corporation. The Company has no members and is a nonstock corporation. It is organized under the Texas Local Government Code, Chapter 303, as amended, for public purposes. The sponsor of the Company is the City of Austin, Texas.

The specific purposes of the Company are:

- To render financial or other assistance to the City of Austin, Texas by constructing and financing public facilities

- To borrow the necessary funds to pay the cost of constructing and financing public facilities

- To receive limited or conditional grants or gifts in order to carry out the purposes of the Company

Under the provisions as set forth above, the Company has financed the acquisition, construction, and equipping of a hotel (the "Hotel") located adjacent to the Austin Convention Center. Substantial completion of the construction of the Hotel and the commencement of operations occurred on December 27, 2003. Final completion of the construction of the Hotel occurred on June 1, 2004. The Company owns a condominium interest in the real property on which the Hotel is situated and the portion of the building constructed that comprises the Hotel.

The Company is not financially accountable for any other operations and, accordingly, is accounted for as a special purpose government entity engaged in a single business-type activity with no component units, which reports similarly to an enterprise fund. The Company has no employees.

The Company is presented as a component unit of the City of Austin, Texas ("City of Austin") as the City of Austin's Council members appoint the Company's board of directors (the "Board") and maintain a contractual ability to remove Board members at will. The Company is legally separate from the City of Austin and the debt issued by the Company does not constitute a debt or pledge of the faith and credit of the City of Austin.

Note 2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying basic financial statements is as follows:

Basis of Accounting – The Company meets the definition of a governmental entity as set forth in the AICPA Audit and Accounting Guide, *State and Local Governments*. The entity is considered a special purpose government engaged solely in business-type activities. As such, the financial statements of the entity are prepared on the basis of an enterprise fund, as defined by the Governmental Accounting Standards Board ("GASB"). The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Company follows the provisions of GASB Statement No. 62, *Codifications of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.* This statement codifies all sources of accounting principles generally accepted in the United States of America into the GASB's authoritative literature.

Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

Net position represents the difference between assets and deferred outflows of resources, less liabilities and is classified into the following three components:

- *Net investment in capital assets* – This component of net position consists of the historical cost of capital assets, net of accumulated depreciation, less any debt that remains outstanding that was used to finance those assets.

- *Restricted net position* – This component of net position consists of constraints placed on assets use through external constraints imposed by creditors (such as through debt covenants), contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted net position* – This component of net position consists of assets that do not meet the definition of "restricted" or "net investment in capital assets."

Cash and Cash Equivalents – For purposes of the statements of cash flows, the Company considers currency on hand, unrestricted demand deposits in banks, unrestricted money market funds, and unrestricted certificates of deposit with original maturities of three months or less to be cash and cash equivalents.

Investments – All investments are recorded at fair value based on quoted market prices. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Investments in money market mutual funds are carried at cost, which approximates fair value.

Note 2. Summary of Significant Accounting Policies (continued)

Accounts Receivable – The Company provides for uncollectible accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account and recoveries of previously charged off accounts are added to the allowance. Bad debt expense was $10,532 and $24,161 for the years ended December 31, 2015 and 2014, respectively.

Revenue Recognition – Service and other sales revenues are recognized when services are rendered or when revenue is earned.

Inventories – Inventories consist primarily of beverage, china, glass, silver and linens used in the operations of the Hotel and are stated at the lower of cost or market. Cost is determined using the first-in, first-out cost method.

Restricted Assets – Restricted assets are assets whose use is subject to constraints that are externally imposed by creditors, such as through debt covenants.

Capital Assets – Property, plant, and equipment are recorded at original cost for items purchased or at estimated fair value at the date of gift for items conveyed. Ordinary maintenance and repairs are charged to expense when incurred.

Depreciation – Depreciation is provided on a straight-line basis over the estimated useful lives of the depreciable assets as follows:

- Buildings 40 years
- Furniture, Fixtures, and Equipment 8 years
- Computer Equipment 3 years

Premium on Bonds **–** Bond premiums are recorded as an adjustment to bonds payable. These amounts are amortized over the life of the related bonds using the straight-line method. Amortization of bond premiums totaled $707,430 and $761,848 for the years ended December 31, 2015 and 2014, respectively.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Note 2. Summary of Significant Accounting Policies (continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Company had no deferred inflows of resources at December 31, 2015 or 2014.

Classification of Operating and Nonoperating Revenue and Expenses – The Company defines operating revenues and expenses as those revenues and expenses generated by a specified program offering either a good or service. This definition is consistent with GASB Statement No. 9, which defines operating receipts as cash receipts from customers and other cash receipts that do not result from transactions defined as capital and related financing, noncapital financing or investing activities. Operating expenses include personnel services, contractual services, commodities, other expenses (such as insurance), and depreciation. Revenues and expenses not fitting the above definitions are considered nonoperating.

Use of Estimates – In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the statement of net position and reported revenues and expenses for the period. Actual results could differ significantly from those estimates.

Income Taxes – The Company has been organized as a public facility corporation sponsored by the City of Austin and as such, its income generated in the exercise of its essential government functions is excluded from federal income tax under Internal Revenue Code Section 115. Furthermore, the Company has received a ruling from the Texas Comptroller of Public Accountants that it is also exempt from Texas franchise tax. Accordingly, no provision for federal or state income or franchise taxes has been provided in the accompanying financial statements.

Subsequent Events – The Company has evaluated subsequent events through May 16, 2016, the date the financial statements were available to be issued, and no additional events have occurred through that date that would impact the financial statements.

Note 3. Deposits and Investments

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the Company's deposits may not be returned to it. The Company does not have a deposit policy for custodial credit risk. As of December 31, 2015, $3,626,160 of the Company's bank balance of $4,001,228 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 3,626,160
Total	$ 3,626,160

Note 3. Deposits and Investments (continued)

As of December 31, 2014, $4,224,371 of the Company's bank balance of $4,687,593 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	$ 4,224,371
Total	$ 4,224,371

Investments – Chapter 2256 of the Texas Government Code (the "Public Funds Investment Act") authorizes the Company to invest its funds under a written investment policy (the "Investment Policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. The investment policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under Chapter 2256 of the Texas Government Code.

The Company's deposits and investments are invested pursuant to the Investment Policy, which is approved annually by the Company's Board. The Investment Policy includes a list of authorized investment instruments and a maximum allowable stated maturity of any individual investment. In addition, it includes an "Investment Strategy Statement" that specifically addresses each fund's investment options and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions in which the Company will deposit funds is addressed.

The Company is authorized to invest in the following investment instruments:

a. direct obligations, including letters of credit, of the United States of America;
b. direct obligations of the State of Texas;
c. other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States of America;
d. obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent;
e. banker's acceptance with a stated maturity of 270 days or less and are rated "A-1", "P-1", or the equivalent by a nationally recognized credit rating agency;
f. commercial papers with a stated maturity of 270 days or less and are rated not less than "A-1", "P-1", or the equivalent by at least two nationally recognized credit rating agencies or is rated at least "A-1", "P-1" , or the equivalent by at least one nationally recognized credit rating agency and are fully secured by an irrevocable letter of credit;
g. fully collateralized repurchase agreements having a defined termination date;
h. certificates of deposit issued by depository institutions that have a main office or branch office in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or secured by obligations noted in A through D above;
i. certain certificates of deposit issued by depository institutions that have a main office or branch office in Texas;

Note 3. Deposits and Investments (continued)

j. certain SEC-regulated and registered, no-load money market mutual funds with a dollar-weighted average stated portfolio maturity of 90 days or less;
k. certain local government investment pools with authorization of investment in such local government investment pool by separate resolution of the Board;
l. certain guaranteed investment contracts if the guaranteed investment contract has a defined termination date, secured by obligations from A above;
m. securities lending programs with any agreement to lend securities with a term of one year or less;
n. bonds, issued, assumed, or guaranteed by the State of Israel; and
o. notwithstanding the foregoing, all investments permitted under the Indenture of Trust ("Indenture") between the Company and the trustee.

In the event of any conflict between the provisions of the Investment Policy and the Indenture, the provisions of the Indenture, to the extent permitted by law, shall control.

The Company's investments carried at fair value as of December 31, 2015 and 2014 are:

Investments:	2015	2014
First American Government Obligation Fund	$ 68,277,989	$ 55,041,426
Subtotal Investments	68,277,989	55,041,426
Accrued Interest	350	285
Total Investments	$ 68,278,339	$ 55,041,711

Custodial Credit Risk – All of the Company's investments are insured, registered, or the Company's agent holds the securities in the Company's name, therefore, the Company is not exposed to custodial credit risk.

Credit Risk – As of December 31, 2015 and 2014, the First American Government Obligation money market funds was rated "AAAm" by Standard & Poor's and "Aaa" by Moody's.

Concentration of Credit Risk – It is the policy of the Company to diversify its investment portfolio so that reliance on any one issuer or broker will not place an undue financial burden on the Company. Money held by the trustee shall be invested in accordance with a Letter of Instructions of the Company. Absent direction from the Company at least one business day before the day on which amounts are to be invested, the trustee shall invest such amounts in First American Government Obligation Funds so long as such funds qualify as investment securities as described in clause (d) of the definition thereof in the Indenture.

Note 3. Deposits and Investments (continued)

At December 31, 2015 and 2014, the Company held investments with more than 5% of the total investment portfolio balances in First American Government Obligation Money Market Funds ($68 million or 100% at December 31, 2015 and $55 million or 100% at December 31, 2014) that exclusively invest in government obligation funds, which are short-term United States government and municipal securities and repurchase agreements secured by United States government securities.

Proceeds of a single bond issue may be invested in a single security or investment if the Company's Board determines that such an investment is necessary to comply with Federal arbitrage restrictions or to facilitate arbitrage record keeping and calculation.

Interest Rate Risk – As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lesser of a dollar weighted average maturity of 365 days or the anticipated cash flow requirements of the funds.

At December 31, 2015 and 2014, the Company held investments in money market funds with maturities that meet anticipated cash flow requirements.

Restricted assets (by bond indenture funds) at December 31, 2015 and 2014 are as follows:

	2015	2014
2006 Available revenue fund	$ 3	$ 12
2006AB Tax and insurance fund	514,731	596,306
2006AB Administrative fee fund	4,950	4,950
2006AB Renewal and replacement fund	1,903,276	674,446
2006A Debt service fund	7,234,305	7,025,402
2006A Debt service reserve fund	5,886,032	5,886,032
2006B Debt service fund	4,273,847	4,151,414
2006B Debt service reserve fund	10,000,051	10,000,051
2006 Supplemental renewal and replacement fund	17,739,033	7,504,207
2006AB Subordinate management fee	531,222	513,232
2006AB Cash trap fund	5,000,026	5,000,026
2006AB Operating reserve fund	8,000,041	8,000,041
2006AB Excess revenue corporate fund	3,476,520	2,000,009
2006AB Excess revenue prepayment fund	3,310,146	2,994,077
2001 Third tier debt service fund	404,156	691,506
	$ 68,278,339	$ 55,041,711

Note 4. Capital Assets

Major classifications of property and equipment for the period ended December 31, 2015 are as follows:

	December 31, 2014	Additions	Disposals	December 31, 2015
Property and equipment, nondepreciable:				
Land	$ 7,498,163	$ -	$ -	$ 7,498,163
Construction in progress	57,045	1,764,727	(1,002,839)	818,933
Total property and equipment, nondepreciable	7,555,208	1,764,727	(1,002,839)	8,317,096
Property and equipment, depreciable:				
Buildings	190,764,122	-	-	190,764,122
Furniture, fixtures, and equipment	31,583,306	1,085,803	(100,428)	32,568,681
Computer equipment	783,556	13,834	(932)	796,458
	223,130,984	1,099,637	(101,360)	224,129,261
Less accumulated depreciation	(57,488,371)	(8,914,939)	100,428	(66,302,882)
Total property and equipment, depreciable	165,642,613	(7,815,302)	(932)	157,826,379
Net property and equipment	$ 173,197,821	$ (6,050,575)	$ (1,003,771)	$ 166,143,475

Depreciation expense for the year ended December 31, 2015 was $8,914,939.

Note 4. Capital Assets (continued)

Major classifications of property and equipment for the period ended December 31, 2014 are as follows:

	December 31, 2013	Additions	Disposals	December 31, 2014
Property and equipment, nondepreciable:				
Land	$ 7,498,163	$ -	$ -	$ 7,498,163
Construction in progress	9,419,793	16,803	(9,379,551)	57,045
Total property and equipment, nondepreciable	16,917,956	16,803	(9,379,551)	7,555,208
Property and equipment, depreciable:				
Buildings	190,440,671	323,451	-	190,764,122
Furniture, fixtures, and equipment	28,876,509	23,996,236	(21,289,439)	31,583,306
Computer equipment	678,802	168,312	(63,558)	783,556
	219,995,982	24,487,999	(21,352,997)	223,130,984
Less accumulated depreciation	(69,247,163)	(8,633,565)	20,392,357	(57,488,371)
Total property and equipment, depreciable	150,748,819	15,854,434	(960,640)	165,642,613
Net property and equipment	$167,666,775	$ 15,871,237	$ (10,340,191)	$ 173,197,821

Depreciation expense for the year ended December 31, 2014 was $8,633,565.

Note 5. Operating Leases

The Company leases one vehicle under a noncancellable operating lease with a term of one year or more. The following is a schedule by year of future minimum lease payments under noncancellable operating leases with initial or remaining terms greater than one year as of December 31, 2015:

Year ending December 31,	
2016	$ 2,960
Total minimum payments	$ 2,960

Rental expense for the years ended December 31, 2015 and 2014 was $11,840 and $21,625, respectively.

Note 6. Bonds Payable

Bonds payable consists of the following at December 31, 2015 and 2014:

	2015	2014
$165,000,000 Convention Center Hotel First Tier Revenue Refunding Bonds, Series 2006A; interest ranging from 4.00% to 5.25% due semi-annually on January 1 and July 1, beginning July 1, 2007; secured by all net revenue of the Company, amounts held by the trustee, and an insurance policy.	$ 147,410,000	$ 150,690,000
$95,170,000 Convention Center Hotel Second Tier Revenue Refunding Bonds, Series 2006B; interest ranging from 5.75% to 6.00% due semi-annually on January 1 and July 1, beginning July 1, 2007; secured by all net revenues of the Company except for deposits to the First Tier Revenue Refunding Bonds and certain amounts held by the trustee.	87,315,000	88,895,000
$12,499,100 Convention Center Hotel Third Tier Revenue Bonds, Series 2001C-1; interest at 9.75% due semi-annually on January 1 and July 1, beginning January 1, 2006; subordinated to the First and Second Tier Revenue Refunding Bonds.	2,065,000	3,835,000
$7,999,711 Convention Center Hotel Third Tier Revenue Bonds, Series 2001C-2; interest at 9.75% due semi-annually on January 1 and July 1, beginning January 1, 2006; subordinated to the First and Second Tier Revenue Refunding Bonds.	1,815,000	3,375,000
	238,605,000	246,795,000
Premiums on Series 2006A bonds payable, net	4,598,990	5,085,150
Premiums on Series 2006B bonds payable, net	2,427,520	2,648,790
Bonds payable, net	245,631,510	254,528,940
Less amounts due in one year	(5,540,000)	(5,200,000)
Bonds payable, noncurrent, net	$ 240,091,510	$ 249,328,940

Note 6. Bonds Payable (continued)

First and Second Tier Revenue Refunding Bonds, Series 2006A and 2006B

In December 2006, the Company issued $165,000,000 of Convention Center Hotel First Tier Revenue Refunding Bonds, Series 2006A (the "Series 2006A Bonds") and $95,170,000 of Convention Center Hotel Second Tier Revenue Refunding Bonds, Series 2006B (the "Series 2006B Bonds"), (collectively, the "Series 2006 Bonds").

Interest on the Series 2006A Bonds is payable semi-annually in January and July. The bonds' maturity dates and interest rates are as follows:

Maturity Date	Principal Amount	Interst Rate
January 1, 2016	$ 3,575,000	5.25%
January 1, 2017	3,885,000	5.25%
January 1, 2018	4,220,000	5.25%
January 1, 2019	4,565,000	5.25%
January 1, 2020	4,935,000	5.25%
January 1, 2021	5,330,000	4.00%
January 1, 2024	18,345,000	5.25%
January 1, 2033	14,000,000	4.30%
January 1, 2034	88,555,000	5.00%
	$ 147,410,000	

The Series 2006A Bonds are guaranteed under a Municipal Bond Insurance Policy issued by Syncora Guarantee Inc. (formerly XL Capital Assurance Inc.). In the event that legally available funds are insufficient to pay the principal or interest on the Series 2006A Bonds when due, Syncora Guarantee Inc. is required to make payments to the Series 2006A bondholders.

The Series 2006A Bonds maturing January 1, 2024 are subject to mandatory redemption at a price of 100%, plus accrued interest in January in each year as set forth below:

Year January 1	Redemption Amount
2022	$ 5,675,000
2023	6,105,000
2024	6,565,000
Total	$ 18,345,000

Note 6. Bonds Payable (continued)

The Series 2006A Bonds maturing January 1, 2033 are subject to mandatory redemption at a price of 100%, plus accrued interest in January in each year as set forth below:

Year January 1	Redemption Amount
2025	$ 1,500,000
2026	1,500,000
2027	1,500,000
2028	1,500,000
2029	1,500,000
2030	1,500,000
2031	1,500,000
2032	1,500,000
2033	2,000,000
Total	$ 14,000,000

The Series 2006A Bonds maturing January 1, 2034 are subject to mandatory redemption at a price of 100%, plus accrued interest in January in each year as set forth below:

Year January 1	Redemption Amount
2025	$ 5,545,000
2026	6,025,000
2027	6,535,000
2028	7,070,000
2029	7,630,000
2030	8,220,000
2031	8,845,000
2032	9,505,000
2033	9,695,000
2034	19,485,000
Total	$ 88,555,000

Note 6. Bonds Payable (continued)

Interest on the Series 2006B Bonds is payable semi-annually in January and July. The bonds' maturity dates and interest rates are as follows:

Maturity Date	Principal Amount	Interest Rate
January 1, 2016	$ 1,750,000	6.00%
January 1, 2017	1,935,000	6.00%
January 1, 2018	2,125,000	6.00%
January 1, 2019	2,335,000	6.00%
January 1, 2020	2,555,000	6.00%
January 1, 2024	12,655,000	5.75%
January 1, 2034	63,960,000	5.75%
	$ 87,315,000	

The Series 2006B Bonds maturing January 1, 2024 are subject to mandatory redemption at a price of 100%, plus accrued interest in January in each year as set forth below:

Year January 1	Redemption Amount
2021	$ 2,785,000
2022	3,030,000
2023	3,285,000
2024	3,555,000
Total	$ 12,655,000

Note 6. Bonds Payable (continued)

The Series 2006B Bonds maturing January 1, 2034 are subject to mandatory redemption at a price of 100%, plus accrued interest in January in each year as set forth below:

Year January 1	Redemption Amount
2025	$ 3,845,000
2026	4,150,000
2027	4,475,000
2028	4,820,000
2029	5,190,000
2030	5,575,000
2031	5,985,000
2032	6,425,000
2033	6,885,000
2034	16,610,000
Total	$ 63,960,000

Third Tier Revenue Bonds, Series 2001C

In June 2001, the Company issued $12,499,100 of Convention Center Hotel Third Tier Revenue Bonds, Series 2001C-1 for $5,000,937 in cash and received land valued at $7,498,163. Interest is payable semi-annually in January and July beginning on January 1, 2006 at 9.75% per annum. Prior to January 1, 2006, the bonds accreted interest compounding on each January 1 and July 1, beginning January 1, 2002 at 9.75% per annum. The bonds mature on January 1, 2026.

In connection with the issuance of the Series 2006 Bonds, Hilton Worldwide, Inc. ("Hilton") agreed to extinguish, as of December 7, 2006, $7,710,000 of principal and $689,000 of interest on the Series 2001C-1 Bonds owned by Hilton in exchange for various amendments to the hotel operating agreement; as noted in the First Amendment to the Hotel Operating Agreement. In consideration for such extinguishment, the Company agreed to pay to Hilton, which payment is a condition to and must be received by Hilton before any such termination shall be effective, the unamortized amount in the event the management agreement is terminated before the expiration of the term and Hilton has not entered into a new agreement to manage the Hotel, unless the termination resulted from (a) manager event of default, (b) a foreclosure as set forth in Section 4.7 of the original agreement, (c) a performance termination event as set forth in Section 4.5 of the original agreement occurring after the tenth operating year, or (d) a casualty or condemnation of the Hotel as set forth in Section 7 of the original agreement. The Company and Hilton represent that, as of the Series 2006 Refunding effective date, they do not reasonably expect that any of the events that could result in the payment of the unamortized amount will occur during the term of this agreement.

Note 6. Bonds Payable (continued)

In June 2001, the Company issued $7,999,711 of Convention Center Hotel Third Tier Revenue Bonds, Series 2001C-2. Interest is payable semi-annually in January and July beginning on January 1, 2006 at 9.75% per annum. Beginning on June 14, 2003 and prior to January 1, 2006, the bonds accreted interest compounded on each January 1 and July 1, beginning January 1, 2004 at 9.75% per annum. The bonds mature on January 1, 2026. The Company issued the bonds to Landmark Organizations, L.P. as compensation for general contractor services associated with construction of the Hotel.

The Series 2001C Bonds, consisting of Series 2001C-1 and Series 2001C-2, both maturing January 1, 2026, are subject to mandatory redemption at a price of 100%, plus accrued interest in January in each year as set forth below:

Year January 1	Series 2001C-1 Redemption Amount	Series 2001C-2 Redemption Amount
2016	$ 115,000	$ 100,000
2017	125,000	110,000
2018	135,000	120,000
2019	150,000	130,000
2020	160,000	145,000
2021	180,000	160,000
2022	200,000	170,000
2023	220,000	190,000
2024	235,000	210,000
2025	260,000	230,000
2026	285,000	250,000
Total	$ 2,065,000	$ 1,815,000

Note 6. Bonds Payable (continued)

A summary of changes in bonds payable relating to the Company's activities for the years ended December 31, 2015 and 2014 are as follows:

Description	Amounts Original Issue	Amounts Outstanding 12/31/14	Increases	Decreases	Amounts Outstanding 12/31/15	Amounts Due Within One Year
Series 2006A Bonds	$165,000,000	$150,690,000	$ -	$ (3,280,000)	$ 147,410,000	$ 3,575,000
Series 2006B Bonds	95,170,000	88,895,000	-	(1,580,000)	87,315,000	1,750,000
Series 2001C-1 Bonds	12,499,100	3,835,000	-	(1,770,000)	2,065,000	115,000
Series 2001C-2 Bonds	7,999,711	3,375,000	-	(1,560,000)	1,815,000	100,000
	$280,668,811	$246,795,000	$ -	$ (8,190,000)	$ 238,605,000	$ 5,540,000

Description	Amounts Original Issue	Amounts Outstanding 12/31/13	Increases	Decreases	Amounts Outstanding 12/31/14	Amounts Due Within One Year
Series 2006A Bonds	$165,000,000	$153,690,000	$ -	$ (3,000,000)	$ 150,690,000	$ 3,280,000
Series 2006B Bonds	95,170,000	90,315,000	-	(1,420,000)	88,895,000	1,580,000
Series 2001C-1 Bonds	12,499,100	9,820,000	-	(5,985,000)	3,835,000	180,000
Series 2001C-2 Bonds	7,999,711	8,650,000	-	(5,275,000)	3,375,000	160,000
	$280,668,811	$262,475,000	$ -	$ (15,680,000)	$ 246,795,000	$ 5,200,000

During 2015, the Company made optional pre-payment amounts of $1,590,000 on the Series 2001 C-1 bonds and $1,400,000 on the Series 2001 C-2 bonds. During 2014, the Company made optional pre-payment amounts of $5,580,000 on the Series 2001 C-1 bonds and $4,920,000 on the Series 2001 C-2 bonds.

Future debt service payments under all bonds payable as of December 31, 2015 are as follow:

Year	Interest	Principal
2016	$ 12,239,994	$ 5,540,000
2017	11,935,569	6,055,000
2018	11,602,963	6,600,000
2019	11,240,994	7,180,000
2020	10,847,356	7,795,000
2021-2025	47,546,369	49,275,000
2026-2030	32,533,025	67,725,000
2031-2034	10,958,456	88,435,000
	$ 148,904,726	$ 238,605,000

The Company's management believes that it has complied with all the covenants related to the outstanding debt at December 31, 2015 and 2014.

Note 6. Bonds Payable (continued)

The bond ratings at December 31, 2015 and 2014 are as follows:

Debt	Moody's Investors Service, Inc.	Standard and Poor's Ratings Services
First Tier Refunding Bonds, 2006A	Ba1	BBB-
Second Tier Refunding Bonds, 2006B	Ba2	BB

$7.75 million of the term bond maturing on January 1, 2034 is additionally secured by Berkshire Hathaway Assurance, which is rated "Aa2" by Moody's Investors Service, Inc. ("Moody's") and "AA+" by Standard and Poor's Ratings Services ("S&P").

Syncora Guarantee Inc. (formerly XL Capital Assurance Inc.) is the provider of the debt service reserve insurance policy deposited into the First Tier Debt Service Reserve Fund in partial satisfaction of the reserve fund requirement and available to be drawn upon by U.S. Bank National Association, trustee, for the payment of the Series 2006A Bonds. In 2012, S&P and Moody's withdrew their rating and Syncora is not rated at this time.

Note 7. Management Fees and Operating Expenses per Operating Agreement

In June 2001, the Company and Hilton entered into an agreement naming Hilton as the hotel manager. The first amendment to the hotel operating agreement was made in December 2006 and became effective on December 6, 2006. The Company's agreement with Hilton expires on December 6, 2021. The agreement is intended to constitute a "qualified management agreement" under Section 141 of the Internal Revenue Service (the "IRS") Code and IRS Revenue Procedure 9713.

In accordance with the hotel operating agreement, Hilton is paid the following: a management fee, group services fees and charges, and reimbursable expenses. The Company and Hilton agree that, except for the management fee, additional management fees, group services fees and charges, and reimbursable expenses, Hilton shall not be entitled directly or indirectly to any other fees or compensation in connection with the delivery of services which Hilton is required to provide to the Hotel pursuant to this agreement. All such fees shall be treated as operating expenses except the subordinate management fee which, so long as any bonds remain outstanding under the Indenture, shall be subordinate to payment of debt service on all outstanding bonds and payable solely from amounts rightfully on deposit in the subordinate management fee fund held by the trustee under the Indenture.

Note 7. Management Fees and Operating Expenses per Operating Agreement (continued)

Commencing with the first full calendar year ending December 31, 2007 and continuing for each operating year thereafter, the Company shall pay a management fee, to be divided between a base management fee equal to 66.67% of such amount and a subordinate management fee equal to 33.33% of such amount, of $2,666,300, provided that the management fee payable for the second 12-month period and each succeeding 12-month period shall be increased or decreased, as applicable, by a percentage equal to the percentage change in the consumer price index ("index") from the last month of the preceding 12-month period as compared to the last month of the 12-month period immediately preceding such preceding 12-month period; provided that any such decrease shall not exceed 3% per annum regardless of the percentage decrease in the index for such period. The base management fee and subordinate management fee paid to Hilton for the year ended December 31, 2015 was $2,068,419 and $1,034,055, respectively. The base management fee and subordinate management fee paid to Hilton for the year ended December 31, 2014 was $2,052,889 and $1,026,291, respectively

In addition to the management fee, commencing with the year ending December 31, 2007 and continuing for each operating year thereafter during the operating term, Hilton shall be paid an additional annual management fee of $227,000, provided that such additional management fee for each operating year after the operating year ending December 31, 2007 shall be increased by a percentage equal to the percentage change in the consumer price index for the last month of the operating year for which such additional management fee is payable as compared to the last month of the operating year immediately preceding the operating year for which such additional management fee is payable.

In the event that Hilton awards bonuses to eligible employees during an operating year and the bonuses exceed the additional management fee for such operating year, then the additional management fee for such operating year will be increased by the amount by which the awarded bonuses exceed the additional management fee for such operating year, but in no event will such increase exceed an amount equal to 5% of the total management fee payable for the 12-month period that immediately preceded the date on which Hilton delivers to Company the applicable Schedule of Bonuses.

In the event the bonuses are less than the additional management fee for such operating year, then the additional management fee for such operating year will be decreased by the amount by which the additional management fee exceeds the awarded bonuses, but in no event will such decrease exceed an amount equal to 5% of the total management fee payable for the 12-month period that immediately preceded the date on which Hilton delivers to Company the applicable Schedule of Bonuses. Bonuses to eligible employees will be payable solely from the additional management fee and, to the extent the additional management fee is insufficient, such insufficiency will be an obligation of Hilton payable solely from its own funds and not directly or indirectly from any gross revenues of the Hotel. The additional management fee paid to Hilton for the years ended December 31, 2015 and 2014 was $267,931 and $360,898, respectively.

Note 8. Commitments and Contingencies

A number of claims against the Company are pending with respect to various matters arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, changes in financial position, or liquidity.

PS&Co.
Padgett Stratemann

Independent Auditor's Report

To the Board of Directors
Austin Convention Enterprises, Inc.
Austin, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statements of net position of Austin Convention Enterprises, Inc. (the "Company") as of December 31, 2015, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and have issued our report thereon dated May 16, 2016.

In connection with our audit, nothing came to our attention that caused us to believe that the Company failed to comply with the terms, covenants, provisions, or conditions of Section 7.35m, inclusive, of the Indenture dated December 1, 2006, with U.S. Bank National Association insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

Our report is intended solely for the information and use of the Board of Directors and management of Austin Convention Enterprises, Inc.; U.S. Bank National Association, trustee; the City of Austin; and Hilton Worldwide, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Padgett, Stratemann + Co., L.L.P.

Austin, Texas
May 16, 2016

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AUSTIN CONVENTION ENTERPRISES, INC. • CONVENTION CENTER HOTEL FIRST TIER REVENUE REFUNDING BONDS, SERIES 2017A AND SECOND TIER REVENUE REFUNDING BONDS, SERIES 2017B

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