

NEW ISSUE – Book-Entry-Only

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel ("Bond Counsel"), interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on corporations.

\$18,265,000*

MUELLER LOCAL GOVERNMENT CORPORATION
(A not-for-profit local government corporation acting on behalf of the City of Austin, Texas)
Tax Increment Contract Revenue Bonds, Series 2014

Dated: September 1, 2014

Due: September 1, as shown below

Interest on the \$18,265,000* Mueller Local Government Corporation Tax Increment Contract Revenue Bonds, Series 2014 (the "Bonds"), will accrue from the dated date as shown above and will be payable on March 1, 2015, and on each September 1 and March 1 thereafter until maturity or prior redemption. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Mueller Local Government Corporation (the "Corporation") intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC"), but reserves the right on its behalf or on the behalf of DTC to discontinue such system. Such Book-Entry-Only System will affect the method and timing of payment and the method of transfer (see "BOND INFORMATION – Book-Entry-Only System").

The Bonds are being issued pursuant to a resolution adopted by the Board of Directors of the Corporation on August 28, 2014, authorizing the issuance of the Bonds and an Indenture of Trust, dated as of September 1, 2009 (the "Indenture"), by and between the Corporation and U.S. Bank N.A. (as successor to Deutsche Bank Trust Company Americas), as trustee (the "Trustee"). The Bonds are payable solely from the "Trust Estate" (as defined in the Indenture), which consists primarily of the "Pledged Revenues" as defined in this Official Statement, which Pledged Revenues include tax increment revenues generated from taxation of real property within the boundaries of Tax Increment Reinvestment Zone Number Sixteen, City of Austin, Texas (the "Zone") from taxing units participating in the Zone. Under the terms of the Indenture, the Trustee will make funds available to U.S. Bank N.A., Houston, Texas (the "Paying Agent/Registrar") on or before the date principal of and/or interest on the Bonds is due and payable. Currently, only the City of Austin, Texas (the "City") participates in the Zone by contributing 100% of its tax increment revenues to the Zone, and it is not expected that any other taxing unit will participate in the Zone in the future. The tax increment revenues of the City will be contributed by the City to the Corporation pursuant to the terms of a Tri-Party Agreement among the City, the Corporation and the Zone, dated as of September 1, 2009 (the "Tri-Party Agreement"). In addition, the City has entered into a grant agreement with the Corporation, effective as of September 8, 2009 and amended effective as of August 28, 2014, pursuant to which the City may make available grant funds, subject to annual appropriation from available monies in the City's general fund, in amounts sufficient to pay debt service on the Bonds should Pledged Revenues be insufficient to allow the Corporation to meet its debt service obligation. GRANT PAYMENTS, IF ANY, MADE BY THE CITY SHALL BE TREATED AS A CURRENT EXPENSE, PAYABLE SOLELY FROM FUNDS TO BE ANNUALLY APPROPRIATED BY THE CITY FOR SUCH USE. THE BONDS ARE A LIMITED OBLIGATION OF THE CORPORATION, PAYABLE SOLELY OUT OF THE TRUST ESTATE, WHICH IS THE SOLE ASSET OF THE CORPORATION PLEDGED THEREFOR. The Bonds are being issued to provide funds for certain public infrastructure improvements within the Zone and to pay costs of issuance. The Bonds are "Additional Parity Bonds" as defined in the Indenture, and constitute the third series of Parity Bonds issued by the Corporation under the authority granted by the Indenture (see "SECURITY AND SOURCE OF PAYMENT – Authority for Issuance").

The Corporation was established by the City under the provisions of Subchapter D, Chapter 431, Texas Transportation Code, Chapter 394, Texas Local Government Code and the general laws of the State of Texas, to aid, assist, and act on behalf of the City in the performance of the City's governmental functions and to provide a means of financing certain project costs in connection with the Zone. The Zone was created by the City pursuant to the provisions of the Tax Increment Financing Act, Chapter 311, Texas Tax Code (the "TIF Act") to facilitate development of the land within the boundaries of the Zone, a parcel containing approximately 700 acres located entirely within the City.

MATURITY SCHEDULE

CUSIP Prefix: 624757

Maturity (September 1)	Amount	Interest Rate	Initial Yield	CUSIP	Maturity (September 1)	Amount	Interest Rate	Initial Yield	CUSIP
2015	\$ 375,000				2023	\$1,270,000			
2016	410,000				2024	1,430,000			
2017	510,000				2025	1,605,000			
2018	615,000				2026	1,785,000			
2019	730,000				2027	1,980,000			
2020	850,000				2028	2,190,000			
2021	980,000				2029	2,415,000			
2022	1,120,000								

RBC Capital Markets

Ramirez & Co., Inc.
Coastal Securities, Inc.

Siebert, Brandford, Shank Co.
SAMCO Capital Markets, Inc.

*Preliminary, subject to change.

The Corporation reserves the right, at its option, to redeem Bonds having stated maturities on and after September 1, 2025, in whole or in part in the principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2024, or any date thereafter, at the par value thereof, without premium, plus accrued interest to the date fixed for redemption (see “BOND INFORMATION – Optional Redemption”).

The Bonds are offered for delivery when, as and if issued, subject to the approving opinions of the Attorney General of the State of Texas and of McCall, Parkhurst & Horton L.L.P., Bond Counsel. The opinion of Bond Counsel will be printed on or attached to the Bonds (see APPENDIX E – “Form of Bond Counsel’s Opinion”). Certain legal matters will be passed on for the Underwriters by their counsel, Haynes and Boone, LLP, Houston, Texas.

It is expected that the Bonds will be delivered through the facilities of DTC on or about October 2, 2014.

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For purposes of compliance with Rule 15c2-12 of the U.S. Securities and Exchange Commission (the “Rule”), this document constitutes an Official Statement of the City with respect to the Bonds that has been deemed “final” by the City as of its date except for the omission of no more than the information permitted by the Rule.

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

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939 IN RELIANCE ON EXEMPTIONS CONTAINED IN SUCH ACTS.

The information set forth has been furnished by the Corporation and includes information obtained from other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriters. The information and expressions of the opinion in this Official Statement are subject to change without notice and neither the delivery of this Official Statement nor any sale made under the Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or the other matters described since the date of this Official Statement. CUSIP numbers have been assigned to this issue by the Standard & Poor’s CUSIP Service Bureau, a Standard and Poor’s Financial Services LLC business, and are included solely for the convenience of the owners of the Bonds.

This Official Statement includes descriptions and summaries of certain events, matters, and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references are qualified in their entirety by reference to this Official Statement in its entirety and to each such document, copies of which may be obtained from the Corporation or from Public Financial Management, Inc., the Financial Advisor to the Corporation. Any statements made in this Official Statement or the Appendices involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS OF ANY OR ALL OF SUCH BONDS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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 a part of, their responsibility 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.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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CITY OF AUSTIN/MUELLER LOCAL GOVERNMENT CORPORATION*

Elected City Officials

Lee Leffingwell	Mayor
Chris Riley	Councilmember Place 1
Mike Martinez	Councilmember Place 2
Kathryne B. Tovo	Councilmember Place 3
Laura Morrison	Councilmember Place 4
William Spelman	Councilmember Place 5
Sheryl Cole, Mayor Pro Tem	Councilmember Place 6

As a result of an amendment to the Austin City Charter approved at an election held November 2012, all current terms of the City Council will expire November 2014. In November 2014, the configuration of the City Council will change to an eleven member council, with the Mayor to be elected at large and the remainder of the council to be elected from ten single member districts. See APPENDIX A – “GENERAL INFORMATION REGARDING THE CITY - Governance”.

Appointed City Officials

Marc A. Ott.....	City Manager
Mike McDonald	Deputy City Manager
Robert Goode	Assistant City Manager
Sue Edwards	Assistant City Manager
Bert Lumbreras	Assistant City Manager
Anthony Snipes	Assistant City Manager
Rey Arellano	Assistant City Manager
Elaine Hart, CPA	Chief Financial Officer
Greg Canally	Deputy Chief Financial Officer
Ed Van Eenoo	Deputy Chief Financial Officer
Karen Kennard	City Attorney
Jannette S. Goodall.....	City Clerk

*The Austin City Council acts as the Board of Directors of the Corporation; and members of the City staff serve as officers of the Corporation. Marc A. Ott serves as President and Kevin Johns, Director of Economic Growth and Redevelopment Services Office, serves as Secretary.

BOND COUNSEL

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

DISCLOSURE COUNSEL

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Austin and Dallas, Texas

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Public Financial Management, Inc.
Austin, Texas

INDEPENDENT AUDITORS

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SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data on this page is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this data page from this Official Statement or to otherwise use it without the entire Official Statement.

This data page was prepared to present the purchasers of the Bonds information concerning the Bonds, the description of the tax base and other pertinent data, all as more fully described in this Official Statement.

The Corporation.....	The Mueller Local Government Corporation (the “Corporation”) is a non-profit local government corporation created by the City of Austin, Texas (the “City”), a political subdivision located in Travis, Williamson and Hays Counties, operating as a home-rule city under the laws of the State of Texas and a charter approved by the voters in 1953, as amended, to aid, assist and act on behalf of the City in the performance of its governmental functions to promote the common good and general welfare of the City, including, without limitation, the development of the geographic area included or to be included in Reinvestment Zone Number Sixteen, City of Austin, Texas, a tax increment reinvestment zone created by the City (the “Zone”), and neighboring areas, for the promotion, development, encouragement and maintenance of employment, commerce, economic development and public facility development. The Zone is approximately 700 acres in area (see “THE CORPORATION AND THE ZONE”).
The Zone	On December 16, 2004, the City Council adopted the Creation Ordinance establishing the Zone, which encompasses the Mueller area. The Zone includes approximately 700 acres which is being developed as an urban in-fill mixed-used project with extensive amenities including open space, parks, trails, greenways and ball fields. The development includes an array of residential housing options ranging from owner-occupied single family housing to apartments to live-work shop houses. Inclusion of affordable housing is also a key component of the residential development. Commercial uses include office, retail, and a children’s hospital.
The Bonds.....	The Bonds are being issued in the principal amount of \$18,265,000* pursuant to the general laws of the State of Texas, particularly Subchapter D, Chapter 431, Texas Transportation Code, a resolution passed by the Board of Directors of the Corporation on August 28, 2014, and the terms of an Indenture of Trust between the Corporation and U.S. Bank N.A. (the successor to Deutsche Bank Trust Company Americas), dated as of September 1, 2009 (the “Indenture”). The Bonds are being issued to provide funds for certain public infrastructure improvements within the Zone and to pay costs of issuance.
Security.....	The Bonds, together with the outstanding Mueller Local Government Corporation Tax Increment Contract Revenue Bonds, Series 2009, originally issued in the aggregate principal amount of \$15,000,000 (the “Series 2009 Bonds”) and the Mueller Local Government Corporation Tax Increment Contract Revenue Bonds, Series 2012, originally issued in the aggregate principal amount of \$16,735,000 (the “Series 2012 Bonds”), are secured by a first lien on and pledge of the “Trust Estate” (as defined in the Indenture), which consists primarily of the “Pledged Revenues”, which Pledged Revenues include tax increment revenues generated from taxation of real property within the boundaries of the Zone from taxing units participating in the Zone. Currently, only the City participates in the Zone by contributing 100% of its tax increment revenues to the Zone, and it is not expected that any other taxing unit will participate in the Zone in the future. The tax increment revenues of the City will be contributed by the City to the Corporation pursuant to the terms of a Tri-Party Agreement among the City, the Corporation and the Zone, dated as of September 1, 2009 (the “Tri-Party Agreement”).

*Preliminary; subject to change.

In addition, the City has entered into a grant agreement with the Corporation, effective as of September 8, 2009 and amended effective as of August 28, 2014, pursuant to which the City may make available grant funds, subject to annual appropriation from available monies in the general fund of the City, in amounts sufficient to pay debt service on the Bonds should Pledged Revenues be insufficient to allow the Corporation to meet its debt service obligation. The City is under no obligation to make grant payments.

Redemption of Bonds The Corporation reserves the right, at its option, to redeem the Bonds having stated maturities on and after September 1, 2025, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2024, or any date thereafter, at the par value thereof, without premium, plus accrued interest to the date fixed for redemption (see “BOND INFORMATION – Optional Redemption”).

Tax Exemption..... In the opinion of Bond Counsel, the interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and the Bonds will not constitute private activity bonds. See “TAX MATTERS” for a discussion of the opinion of Bond Counsel including the alternative minimum tax consequences for corporations.

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OFFICIAL STATEMENT

Relating to

\$18,265,000*

MUELLER LOCAL GOVERNMENT CORPORATION

**(A not-for-profit local government corporation acting on behalf of the City of Austin, Texas)
Tax Increment Contract Revenue Bonds, Series 2014**

INTRODUCTION

This Official Statement, which includes the cover page, the summary statement and the appendices, provides certain information regarding the issuance by the Mueller Local Government Corporation (the “Corporation” or the “Issuer”), of \$18,265,000* Mueller Local Government Corporation Tax Increment Contract Revenue Bonds, Series 2014 (the “Bonds”). The Bonds are being issued to provide funds for certain public infrastructure improvements within the Zone and to pay costs of issuance.

There follows in this Official Statement descriptions of the Bonds, the Bond Resolution, the Indenture, certain other information about the Corporation, Reinvestment Zone Number Sixteen, City of Austin, Texas (“Reinvestment Zone Sixteen” or the “Zone”), the current and proposed future development of the Zone, Catellus Austin, LLC (the “Developer” or “Catellus”), and certain agreements among the City of Austin, Texas (the “City”), the Corporation, Reinvestment Zone Sixteen, and the Developer. All capitalized terms used which are not defined in the text of this Official Statement shall have the meanings set forth in the Bond Resolution (see APPENDIX C) or in the Summary of Certain Provisions of the Indenture (see APPENDIX D), except as otherwise indicated herein. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Public Financial Management, Inc., Austin, Texas, the Corporation’s Financial Advisor.

SECURITY AND SOURCE OF PAYMENT

Authority for Issuance

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas, and the resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the Corporation on August 28, 2014 (the “Board”), and an indenture of trust, dated as of September 1, 2009 (the “Indenture”), by and between the Corporation and U.S. Bank N.A. (the successor to Deutsche Bank Trust Company Americas), as trustee (the “Trustee”). The City approved the issuance of the Bonds by resolution adopted August 28, 2014. The Bonds are the third series of bonds issued pursuant to the terms of the Indenture, and are issued on a parity with the Corporation’s Tax Increment Contract Revenue Bonds, Series 2009, originally issued in the aggregate principal amount of \$15,000,000 (the “Series 2009 Bonds”), and the Corporation’s Tax Increment Contract Revenue Bonds, Series 2012, originally issued in the aggregate principal amount of \$16,735,000 (the “Series 2012 Bonds”). The Bonds, the Series 2009 Bonds and the Series 2012 Bonds, together with any “Additional Parity Bonds”, when and if issued, are “Parity Bonds”, as such terms are defined in the Indenture.

Security for the Bonds

The Parity Bonds are payable solely from the “Trust Estate” (as defined in the Indenture), which consists primarily of the “Pledged Revenues”, which Pledged Revenues include tax increment revenues generated from taxation of real property within the boundaries of the Zone from taxing units participating in the Zone. Currently, only the City participates in the Zone by contributing 100% of its tax increment revenues to the Zone, and it is not expected that any other taxing unit will participate in the Zone in the future. The tax increment revenues of the City will be contributed by the City to the Corporation pursuant to the terms of a Tri-Party Agreement among the City, the Corporation and the Zone, dated as of September 1, 2009 (the “Tri-Party Agreement”). In addition, the City has entered into a grant agreement with the Corporation, effective as of September 8, 2009, pursuant to which the City may make available grant funds, subject to annual appropriation from available monies in the City’s general fund, in amounts sufficient to pay debt

*Preliminary; subject to change.

service on the Parity Bonds should Pledged Revenues be insufficient to allow the Corporation to meet its debt service obligation. The City is under no obligation to make grant payments. No grant payments have been made in support of the Series 2009 Bonds or the Series 2012 Bonds.

The City created the Zone by ordinance adopted December 16, 2004. In connection with the creation of the Zone, the “base value” of real property within the Zone was established to be zero, as the property within the boundaries of the Zone was publicly-owned. Ad valorem tax revenues generated on the difference between the base value and the assessed value of real property within the Zone in each fiscal year thereafter are captured by the City and deposited to the credit of the “Tax Increment Fund” established for the Zone. The 2014 Certified Tax Roll for the City indicates that the current assessed value of real property within the Zone is \$683.1 million. Under the terms of the Tri-Party Agreement, tax increment revenues deposited to the Tax Increment Fund will be transferred to the Corporation for, among other things, the payment of debt service obligations on bonds or other obligations issued or incurred by the Corporation to finance the payment of Project Costs.

Tax Increment Fund

On December 16, 2004, the City Council authorized an ordinance (the “Creation Ordinance”) which established the Zone as a tax increment reinvestment zone. The Zone encompasses the area in which the former Robert Mueller Municipal Airport was located. The Zone became effective upon the adoption of the Creation Ordinance, and shall terminate on December 31, 2045, or at an earlier time designated by the City Council by ordinance if the City Council determines in its sole discretion that the Zone should be terminated due to insufficient private investment, accelerated public investment or other good cause, or when all project costs and any obligations secured by and payable from tax increment revenues, including interest, have been paid in full.

In accordance with the provisions of Chapter 311, Texas Tax Code, and the Creation Ordinance, the City has established for the benefit of the Zone a fund designated as the Tax Increment Reinvestment Zone Number Sixteen, City of Austin, Tax Increment Fund (the “Tax Increment Fund”). Tax increment revenues collected by the City are deposited to the credit of the Tax Increment Fund for use consistent with the Creation Ordinance and the project and financing plan governing the affairs of the Zone. As described above under “SECURITY AND SOURCE OF PAYMENT – Security for the Bonds”, in accordance with the terms of the Tri-Party Agreement, tax increment revenues will be transferred to the Corporation for, among other things, the payment of debt service on the Bonds. The City shall maintain the Tax Increment Fund until such time as the Zone is terminated.

The following tables provide information relating to tax increment revenues collected to date and the top ten taxpayers within the Zone.

Historical Assessed Valuation Applicable to the Zone

<u>Tax Year</u>	<u>Net Taxable Assessed Value</u>	<u>Captured Appraised Value</u>	<u>Tax Increment Revenue (1)</u>
2007	\$ 0	\$ 0	\$ 213,262
2008	118,564,874	118,564,874	470,925
2009	282,682,419	282,682,419	1,177,848
2010	336,151,801	336,151,801	1,567,495
2011	384,032,269	384,032,269	1,861,250
2012	452,195,494	452,195,494	2,274,091
2013	498,607,526	498,607,526	2,506,500
2014	683,137,656	683,137,656	3,277,694 (2)

- (1) The City is currently the only taxing unit participating in the Zone. The City contributes 100% of the ad valorem taxes generated within the Zone.
- (2) Preliminary, subject to change pending adoption of the tax rate, expected to occur on or about September 10, 2014.

Top Ten Taxpayers in the Zone (Certified Tax Roll)

<u>Taxpayers</u>	<u>Property Description</u>	<u>2014 Taxable Value</u>	<u>Percent of 2014 Taxable Value</u>
WRI Mueller LLC	Commercial	\$ 77,814,232	11.4%
New York Life Insurance	Multi-family	73,191,780	10.7%
Mueller II Limited Partnership	Commercial	45,613,000	6.7%
TRT 1345 Philomena Street Owner LLC	Commercial	39,337,800	5.8%
Strictly Pediatrics Land Co LLP	Commercial	38,397,875	5.6%
Catellus Market District LLC	Commercial	29,331,568	4.3%
Mueller Hospitality LP	Commercial	10,471,060	1.5%
Catellus Austin LLC	Commercial	7,419,522	1.1%
Austin Children's Museum Holding Inc	Commercial	4,831,446	0.7%
Mueller Austin Multifamily 1 LLC	Multi-family	<u>4,371,709</u>	<u>0.6%</u>
TOTAL		\$330,779,992	48.4%

Projected Revenue Adequacy for the Parity Bonds

Projected Coverage	
Principal and Interest due FY 2015	\$2,933,813
Projected FY 2015 Tax Increment Revenue at 100% Collections	3,277,694
Debt Service Coverage	1.12x

The Grant Program and the Grant Agreement

Section 52-a of Article III of the Texas Constitution ("Article III, Section 52-a") authorizes the Texas Legislature to provide for the creation of programs and the making of loans and grants of public money for the public purposes of development and diversification of the economy of the state, the elimination of unemployment and underemployment in the state, the stimulation of agricultural innovation, the fostering of the growth of enterprises based on agriculture, or the development or expansion of transportation or commerce in the state. Article III, Section 52-a further provides that a program created or loan or grant made that is not secured by a pledge of ad valorem taxes of the political subdivision does not constitute or create a debt for the purpose of any provision of the Texas Constitution. Chapter 380, Texas Local Government Code ("Chapter 380"), provides that the governing body of a municipality may establish and provide for the administration of one or more programs, including programs for making loans and grants of public money and providing personnel and services of the municipality, to promote state or local economic development and to stimulate business and commercial activity in the municipality. In 2003 and 2005, the City Council of the City adopted resolutions establishing a program to provide for economic development grants to promote and foster economic development in the City. With respect to development within the Zone, the City entered into a Master Development Agreement with Catellus Austin, LLC, effective as of December 2, 2004 (the "Development Agreement"), and in the Development Agreement, the City agreed to issue debt to finance certain "Public Finance Reimbursable Project Costs" either directly or through the auspices of a local government corporation to be created by the City. The Corporation was created in response to the provisions of the Development Agreement.

The City Council of the City adopted a resolution on April 27, 2006 authorizing the establishment of a specific program under Chapter 380 to provide economic assistance in an effort to achieve the economic development objectives of the geographic area included or to be included in the Zone and neighboring areas. The grant to be made to the Corporation is in furtherance of this program. On August 27, 2009, the City Council approved the execution and delivery of a grant agreement with the Corporation (the "Grant Agreement"), pursuant to which the City, subject to annual appropriation at the sole discretion of the City Council, may grant funds to the Corporation from the City's general fund to enable the Corporation to pay debt service on the Series 2009 Bonds, the Series 2012 Bonds, and the Bonds and any additional bonds issued by the Corporation and secured by tax increment revenues. No payments have been made to the Corporation by the City under the terms of the Grant Agreement. In the Bond Resolution and the resolution adopted by the City approving the issuance of the Bonds, the Corporation and the City each agreed to amend the Grant Agreement to provide that the maximum aggregate principal amount of bonds issued by the Corporation that may be subject to the terms of the Grant Agreement would be increased from \$35 million to \$50 million. The Bonds, the Series 2009 Bonds and the Series 2012 Bonds are the only outstanding obligations issued by the Corporation to which the Grant Agreement applies.

The City entered into a similar grant agreement with the Corporation in respect to the Corporation's Contract Revenue Bonds, Series 2006 (the "Series 2006 Bonds"). The Series 2006 Bonds are **not** secured by a pledge of tax increment revenues generated within the Zone. The City intends to fund the grant in respect to the Series 2006 Bonds from sales taxes generated within the Zone, and to the extent sales taxes generated within the Zone are insufficient to fund the grant, it is anticipated that the balance of the grant amount shall be funded from the City's general fund. To date, the City has funded grants in the aggregate amount of \$6,019,242 to enable the Corporation to make debt service payments on the Series 2006 Bonds and to pay fees and expenses of the trustee for the Series 2006 Bonds. Sales tax collections within the Zone have totaled \$5,598,753 since inception. The City anticipates that future sales tax collections within the Zone will be sufficient to enable the Corporation to adequately fund Series 2006 Bond debt service amounts over the life of the Series 2006 Bonds. See "INVESTMENT CONSIDERATIONS – Forward-Looking Statements".

GRANT PAYMENTS, IF ANY, MADE BY THE CITY UNDER THE GRANT AGREEMENT SHALL BE TREATED AS A CURRENT EXPENSE, PAYABLE SOLELY FROM FUNDS TO BE ANNUALLY APPROPRIATED BY THE CITY FOR SUCH USE. THE BONDS ARE A LIMITED OBLIGATION OF THE CORPORATION, PAYABLE SOLELY OUT OF THE TRUST ESTATE (AS DEFINED IN THE INDENTURE), WHICH IS THE SOLE ASSET OF THE CORPORATION PLEDGED THEREFOR. THE BONDS ARE SOLELY THE OBLIGATION OF THE CORPORATION, AND DO NOT CONSTITUTE, EITHER WITHIN THE MEANING OF ANY STATUTORY OR CONSTITUTIONAL PROVISION, AN INDEBTEDNESS, AN OBLIGATION OR A LOAN OF CREDIT OF THE CITY, THE STATE OF TEXAS, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS. THE CITY IS UNDER NO OBLIGATION TO APPROPRIATE FUNDS TO MAKE GRANT PAYMENTS. SEE "INVESTMENT CONSIDERATIONS" BELOW.

The Tri-Party Agreement

The Tri-Party Agreement vests in the Issuer the authority to issue the Bonds or to enter into other contractual obligations that are to be repaid from moneys to be paid by the City and the Zone to the Issuer from Tax Increments pursuant to the Tri-Party Agreement, in furtherance of the implementation of the Reuse and Redevelopment Plan for Mueller. See "THE CORPORATION AND THE ZONE – General."

The Issuer is expressly granted the right and authority in the Tri-Party Agreement from time to time to issue bonds upon such terms and conditions as the Issuer and the City shall determine to be necessary or desirable to implement the Plan. The Bonds constitute bonds that are permitted to be issued under the terms of the Tri-Party Agreement.

Under the Tri-Party Agreement, the Issuer has agreed to commence the process to issue and sell bonds from time to time, at such times and in such amounts as are required to produce bond proceeds in an amount sufficient to accommodate the construction of improvements within the Zone and to pay other Project Costs as necessary. The issuance of bonds by the Issuer is subject to the approval of the City by a resolution duly adopted by the City Council.

In accordance with the terms of the Tri-Party Agreement, the City established the Tax Increment Fund and has deposited therein all Tax Increments. During the term of the Tri-Party Agreement, the City is required to pay to the Issuer, on a monthly basis on the first business day of the month, all Contract Tax Increment funds then available in the Tax Increment Fund for deposit into the Pledged Revenue Fund established by the Issuer in the Indenture pursuant to the Tri-Party Agreement.

The Issuer is required by the Tri-Party Agreement to use the monies in the Pledged Revenue Fund in accordance with the description of the flow of funds outlined in the Plan.

The obligation of the City and the Zone to the Issuer under the Tri-Party Agreement is limited to the Contract Tax Increments of the City and the other Taxing Units, if any, which are received by the City. Currently, the City is the only Taxing Unit contributing Tax Increments to the Zone. The Tri-Party Agreement does not create any obligation on the City or the Zone which is payable from taxes or other moneys of the City other than the Contract Tax Increments which are collected by the City. The obligation of the City and the Zone to the Issuer shall be subject to the rights of any of the holders of bonds, notes or other obligations that have heretofore or are hereafter issued by the City or any other Taxing Units that may contribute Tax Increment to the Tax Increment Fund that are payable from or secured by a general levy of ad valorem taxes throughout the taxing jurisdiction of the City or any such other Taxing Units. In the Tri-Party Agreement, the City covenants and agrees, for so long as any Bond secured by Tax Increments is outstanding and unpaid, to annually assess, levy and collect its ad valorem taxes within the Zone.

The obligations of the City and the Zone to make payments to the Issuer from the sources and in the manner set forth in the Tri-Party Agreement are absolute and unconditional, and, until such time as all bonds and obligations incurred pursuant to the Tri-Party Agreement, including the Bonds, have been fully paid or provided for in accordance with their terms or the date of expiration of the Zone, whichever comes first, the City and the Zone will not suspend or discontinue any payments provided for in the Tri-Party Agreement and will not terminate the Tri-Party Agreement for any cause, including the failure of the Issuer to perform or observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or in connection with the Tri-Party Agreement.

The Tri-Party Agreement will terminate upon the termination of the Zone. A party may terminate its performance under the Tri-Party Agreement only upon default by another party. A default shall occur if a party fails to perform or observe any of the terms and conditions and such failure is not cured within the 30-day cure period. No termination of the Tri-Party Agreement, however, will affect the obligation of the City and the Zone to pay from Contract Tax Increments an amount that will permit the Issuer to pay its bonds, notes or other obligations issued or incurred pursuant to the Tri-Party Agreement prior to termination. The Tri-Party Agreement may be amended upon mutual written consent of the parties thereto.

Pledged Revenues; Pledged Revenue Fund

The Indenture created a fund to be held by the Trustee designated as the “Pledged Revenue Fund”. Money in the Pledged Revenue Fund is held in trust by the Trustee. Such money was initially applied on February 15, 2010 and is to be applied on each August 15 and February 15 thereafter for so long as the Indenture is in effect (a “Transfer Date”) in the following manner and order of priority:

First, to the Interest Account amounts necessary to make the amounts on deposit therein equal to the interest due on the Tax Increment Contract Revenue Bonds (defined below) on the next succeeding Interest Payment Date;

Second, to the Principal Account amounts necessary to make the amounts on deposit therein equal to one-half of the Principal Installments, and premium, if any, due on the Tax Increment Contract Revenue Bonds on the next succeeding Principal Installment Payment Date;

Third, to the payment of the fees and expenses of the Trustee and Paying Agent/Registrar due and owing, for the next six (6) month period;

Fourth, to any fund or account created for the benefit of any Subordinate Lien Obligations issued or incurred by the Corporation; provided that immediately prior to any such transfers the deposits required by First through Third above have been made or provided for; and

Fifth, as directed by the Corporation, for any lawful purpose as may be approved by the City for the payment of Project Costs; provided that immediately prior to any such transfers the deposits required by First through Fourth have been provided for.

The foregoing notwithstanding, after the deposits required by First through Fourth above have been made or provided for, the Trustee may make deposits as permitted by Fifth above in accordance with written directions executed by an Authorized Representative and approved by the City, provided that after such deposits and transfers required by First through Fourth above have been made, upon transferring funds as permitted by Fifth above, there shall be on deposit in the Pledged Revenue Fund moneys not less than \$100,000 (the “Pledged Revenue Fund Balance”). As of August 15, 2014, the balance in the Pledged Revenue Fund was \$2,127,641.

The Bonds, the Series 2009 Bonds and the Series 2012 Bonds constitute “Tax Increment Contract Revenue Bonds”.

Debt Service Fund

Money in the Debt Service Fund shall be held in trust by the Trustee. Within the Debt Service Fund, the “Interest Account” and the “Principal Account” are created and established with the Trustee. The Corporation shall deposit or cause to be deposited into the Debt Service Fund accrued interest on the Tax Increment Contract Revenue Bonds (including the Bonds), transfers from the Pledged Revenue Fund as provided in the Indenture, and, to the extent

necessary, other Pledged Revenues in such amounts and at such times to provide that amounts necessary to pay all Tax Increment Contract Revenue Bonds when due, including specifically to pay interest and principal due on the Bonds in the twelve month period following a Transfer Date. The Trustee shall transfer to the Paying Agent/Registrar on or before each date interest on and principal of the Tax Increment Contract Revenue Bonds (including the Bonds) is due and payable such amounts in the Debt Service Fund necessary to pay interest on and principal of the Bonds as the same becomes due.

Public Improvements Fund

The Public Improvements Fund was initially funded as provided in the Bond Resolution. The money and securities in the Public Improvements Fund shall be held in trust by the Trustee and applied as provided below, and until such application, the money and securities in such fund shall be subject to a lien and charge in favor of the Owners of the Bonds.

- A. The Trustee is authorized and directed to make disbursements from the Public Improvements Fund and to issue its checks therefor or otherwise pay upon receipt of a requisition in accordance with paragraph B below. The Trustee shall keep and maintain adequate records pertaining to the Public Improvements Fund and all disbursements therefrom.
- B. The Trustee shall use money in the Public Improvements Fund solely to pay or reimburse the Corporation for Project Costs including Costs of Issuance and the repayment of any advances, loans, notes or other obligations used to finance Project Costs. Before any payment shall be made from the Public Improvements Fund, there shall be filed with the Trustee a completed requisition signed by an Authorized Representative of the Corporation. Upon receipt of such requisition, the Trustee shall make payment from the Public Improvements Fund in accordance with such requisition.

Additional Parity Bonds

The Corporation reserves the right to issue, for any lawful purpose (including the refunding of any previously issued or incurred Parity Bonds), one or more series of Additional Parity Bonds payable from and secured by a first lien on the Pledged Revenues, on a parity with the Bonds; provided, however, that no Additional Parity Bonds may be issued unless:

- 1) The Additional Parity Bonds mature on, and interest is payable on, the Principal Installment Payment Dates and Interest Payment Dates, respectively; and
- 2) The Corporation is not in material default with the terms of the Indenture, any Bond Resolution or any other agreement to which it is a party and has so certified.

The Bonds constitute Additional Parity Bonds under the terms of the Indenture. The aggregate principal amount of Tax Increment Contract Revenue Bonds that may be issued that are secured by a first lien on and pledge of the Trust Estate shall not exceed \$50,000,000 and may not be issued without the prior approval of the City. The Bonds constitute the third series of Tax Increment Contract Revenue Bonds issued under authority of the Indenture, and shall be on a parity with the Series 2009 Bonds and the Series 2012 Bonds. Upon the delivery of the Bonds, the Corporation will have used its full authority to issue Additional Parity Bonds.

INVESTMENT CONSIDERATIONS

Nonappropriation

There can be no assurance that the City will annually appropriate sufficient funds to pay the Grant Payments in any given year. THE CITY HAS NO OBLIGATION TO ADOPT OR MAINTAIN A BUDGET TO MAKE GRANT PAYMENTS OR TO MAKE GRANT PAYMENTS IN ANY YEAR SUBSEQUENT TO A YEAR IN WHICH GRANT PAYMENTS ARE APPROPRIATED.

Other Obligations of the City

Grant Payments, if any, made by the City will be satisfied from the funds of the City which are appropriated for such use. To the extent that the City's ad valorem tax revenues are used by the City to make the Grant Payments, the City has outstanding debt obligations secured by, and may enter into other obligations which may constitute additional charges against, such funds from which the Grant Payments may be appropriated and, therefore, such funds available for appropriation for Grant Payments may be decreased.

Project Development

Neither the City nor the Corporation has any direct ability to influence development within the Zone. General economic conditions, demand by retailers for commercial space within the Zone, competition from other developments in the City and the Austin metropolitan region, and other factors relating to the cost of the construction of the development within the Zone, may cause delays in or cancellation of some or all proposed elements of the development within the Zone.

Change in State Law Affecting City Economic Development Program

The Constitution of the State of Texas, including specifically Article III, Section 52-a, could be amended in the future in a manner that would restrict or eliminate the ability of a future City Council to fund a grant for economic development within the Zone as provided for in the resolutions of the City approving the economic development program. State law, including Chapter 380, could be amended or, in the case of Chapter 380, repealed prior to the funding of any economic development grant by the City, in such a manner that the ability to fund such a grant may be restricted or eliminated.

Forward-Looking Statements

The statements contained in this Official Statement and in any other information provided by the Corporation that are not purely historical are forward-looking statements, including statements regarding the Corporation'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 Corporation on the date hereof, and the Corporation assumes no obligation to update any such forward-looking statements. It is important to note that the Corporation's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, and competitors, and legislative, judicial, and other governmental authorities and officials.

Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Corporation. 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.

BOND INFORMATION

General

The Bonds will be dated September 1, 2014, and shall bear interest on the unpaid principal amounts from such date, at the per annum rates shown on the cover page. Principal is payable on September 1 in each of the years shown on the cover page hereto or on redemption prior to maturity, upon presentation thereof, at the Designated Payment/Transfer Office of the Paying Agent/Registrar (see "Paying Agent/Registrar" herein). Interest thereon is payable by the Paying Agent/Registrar to the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined) on or before March 1, 2015 and each September 1 and March 1

thereafter until maturity or prior redemption and shall be paid by the Paying Agent/Registrar by check mailed by United States mail, first class postage prepaid, to the address of such person as it appears on the registration books of the Paying Agent/Registrar on or before each interest payment date or by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the bondholder. The Bonds are issued only as fully registered obligations in denominations of \$5,000 or any integral multiple thereof within a maturity.

The record date (the “Record Date”) for the interest payable on any interest payment date is the 15th day of the month next preceding such interest payment date, as specified in the Bond Resolution. In the event of a nonpayment of interest on a scheduled interest payment date, and for 30 days thereafter, a new record date for such interest payment (the “Special Record Date”) will be established by the Paying Agent/Registrar, in accordance with the provisions of the Bond Resolution, if and when funds for the payment of such interest have been received from the Corporation. Notice of the Special Record Date and of the scheduled payment date of the past due interest, which shall be at least 15 days after the Special Record Date, shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each bondholder appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Optional Redemption

The Corporation reserves the right, at its option, to redeem the Bonds having stated maturities on and after September 1, 2025, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2024, or any date thereafter, at the par value thereof, without premium, plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the Corporation shall determine the respective maturities and amounts to be redeemed and, if less than all of a maturity is to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed.

Notice of Redemption

At least 30 days prior to a redemption date, the Corporation shall cause a written notice of such redemption to be sent by United States mail, first class postage prepaid, to the registered owners of each Bond to be redeemed at the address shown on the registration books maintained by the Paying Agent/Registrar and subject to the terms and provisions relating thereto contained in the Indenture. If a Bond (or a portion of its principal sum) shall have been duly called for redemption and notice of such redemption duly given, then upon such redemption date such Bond (or the portion of its principal sum to be redeemed) shall become due and payable, and interest thereon shall cease to accrue from and after the redemption date thereof, provided moneys for the payment of the redemption price and the interest on the principal amount to be redeemed to the date of redemption are held for the purpose of such payment by the Paying Agent/Registrar.

Defeasance of Bonds

The Bond Resolution provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agency, in trust (1) money sufficient to make such payment or (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The Bond Resolution provides that “Defeasance Securities” means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and (c) 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 rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent. The Corporation has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the Corporation moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. The Corporation has reserved the option, however, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date, Bonds which have been defeased to their maturity date, if the Corporation in the proceedings providing for the firm banking and financial arrangements (i) expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Book-Entry-Only System

The Corporation has elected to utilize the book-entry-only system of The Depository Trust Company, New York, New York (“DTC”), as described under this heading. The Corporation is obligated to timely pay the Paying Agent/Registrar the amount due under the Indenture. See “- Paying Agent/Registrar”. The responsibilities of DTC, the Direct Participants and the Indirect Participants to the Beneficial Owner of the Bonds are described in this Official Statement.

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 Corporation believes this information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The Corporation cannot and does not give any assurance that (1) DTC will distribute payment of debt service on the Bonds, or redemption or other notices to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the 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 Bonds. The Bonds will be issued as fully-registered Bonds 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 Bonds, each in the aggregate principal amount of 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 as “Participants”. DTC has a 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 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 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 Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on

the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds 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 Paying Agent/Registrar, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

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

The Corporation may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates for each series of the Bonds will be printed and delivered to DTC.

Paying Agent/Registrar

U.S. Bank N.A. will act as paying agent and registrar for the Bonds (as used herein, the "Paying Agent/Registrar"). Interest on and principal of the Bonds will be payable, and transfer functions will be performed at the corporate trust office of the Paying Agent/Registrar in Houston, Texas (the "Designated Payment/Transfer Office"). In the Bond Resolution, the Corporation retains the right to replace the Paying Agent/Registrar. The Corporation covenants to maintain and provide a Paying Agent/Registrar at all times while the Bonds are outstanding and any successor Paying Agent/Registrar shall be a commercial bank, trust company or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for

the Bonds, the Corporation agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Transfer, Exchange and Registration

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar at the Designated Payment/Transfer Office 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. A Bond may be assigned by the execution of an assignment form thereon or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the Designated Payment/Transfer Office, or sent by United States mail, first class postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt thereof to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See “Book-Entry-Only System” for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Limitation on Transfer of Bonds Called for Redemption

Neither the Corporation nor the Paying Agent/Registrar shall be required (i) to make any transfer or exchange of any Bond during the period beginning at the opening of business 15 days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing, or (ii) to transfer or exchange any Bonds so selected for redemption when such redemption is scheduled to occur within 30 calendar days; provided, however, such limitation shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Bond.

Events of Default

An Event of Default under the Indenture shall consist of any of the following acts or occurrences:

- (A) failure to pay when due principal of or interest on any Bond; or
- (B) failure to deposit to the Debt Service Fund money sufficient for the payment of any principal or interest payable on the Bonds by no later than the date when such principal or interest becomes due and payable; or
- (C) failure by the Corporation to observe or perform any other covenant, agreement or obligation on its part to be observed or performed contained in the Indenture or in the Bonds, which failure shall have continued for a period of thirty (30) days after written notice, either by registered or certified mail, to the Corporation specifying the failure and requiring that it be remedied, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the holders of not less than 25 percent (25%) in aggregate principal amount of the Bonds then outstanding.

See APPENDIX D - Summary of Certain Provisions of the Indenture.

Bondholder Remedies

If an Event of Default shall occur and be continuing, then, in addition to all of the other rights and remedies granted to the Trustee under the Indenture, the Trustee in its discretion, subject to the provisions of the Indenture, may proceed to protect and enforce its rights and the rights of the Owners of the Bonds by suit, action or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in the Indenture, the Bond Resolution or the Bonds or in aid of the execution of any power granted in the Indenture or for the enforcement of any other legal, equitable or other remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and

enforce any of the rights of the Trustee or such Owners of the Bonds, including, without limitation, the right to seek a writ of mandamus issued by a court of competent jurisdiction compelling the members of the Board or other officers of the Corporation to observe and perform such covenant, obligations or conditions of the Indenture.

Registered Owners' Remedies After Default

Remedies available to Registered Owners of Bonds in the event of a default by the Corporation in one or more of its obligations under the Bonds, the Bond Resolution or the Indenture are limited. Although Texas law and the Bond Resolution provide that the Registered Owners may obtain a writ of mandamus requiring performance of such obligations, such remedy may prove time-consuming, costly and difficult to enforce. Neither the Bond Resolution nor the Indenture provides for acceleration of maturity of the Bonds, or for the foreclosure of any property or assets other than applying the Pledged Revenues in the manner provided in the Indenture. See “ - Bankruptcy Limitation to Registered Owners' Rights” below, “APPENDIX C - Bond Resolution” and “APPENDIX D - Summary of Certain Provisions of the Indenture”.

Bankruptcy Limitation to Registered Owners' Rights

As is true with many entities that issue debt, there is a risk that the Corporation may file for bankruptcy and afford itself the protection of the Federal Bankruptcy Code. In that case, the Corporation receives the benefit of the automatic stay and creditors, such as the holders of the Bonds, cannot pursue their remedies against it without the permission of the Bankruptcy Court. The Corporation has a right to reorganize and adjust its debts with the approval of the Bankruptcy Court. While the relevant law on this point is not clear, it may be possible for the Corporation to be forced into involuntary bankruptcy by one or more creditors. A bankruptcy filing by or against the Corporation could adversely affect the payment of principal and interest on the Bonds.

Future Debt

The Corporation currently does not anticipate any additional Parity Bonds will be issued. See “SECURITY AND SOURCE OF PAYMENT - Additional Parity Bonds”.

Marketability of the Bonds

The Corporation has no understanding with the Underwriters regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price may be greater than the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

Continuing Compliance with Certain Covenants

Failure of the Corporation to comply with certain covenants contained in the Bond Resolution and the Indenture on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See “TAX MATTERS”.

THE CORPORATION AND THE ZONE

The Corporation

The creation of the Corporation, a not-for-profit local government corporation, was authorized by the City on December 2, 2004, by Resolution No. 041202-60 of the City Council of the City. The Corporation operates pursuant to Articles of Incorporation filed with the Secretary of State and Bylaws approved by the City, and under the provisions of Subchapter D, Chapter 431, Texas Transportation Code, Chapter 394, Texas Local Government Code, and the general laws of the State of Texas applicable to nonprofit corporations. The Corporation was created to aid, assist and act on behalf of the City in the performance of its governmental functions to promote the common good and general welfare of the City, including, without limitation, the development of the geographic area included or to be included in the Zone and neighboring areas, for the promotion, development, encouragement and maintenance of employment, commerce, economic development and public facility development, including the redevelopment of the property within the City

formerly known as Robert Mueller Municipal Airport (“Mueller” or “RMMA”), which is located within the boundaries of the Zone.

Reinvestment Zone Sixteen

On December 16, 2004, the City Council adopted the Creation Ordinance, which established Reinvestment Zone Sixteen, a tax increment financing zone encompassing the Mueller area. The Zone includes approximately 700 acres which are being developed as an urban in-fill mixed-used project with extensive amenities including open space, parks, trails, greenways and ball fields. The development includes an array of residential housing options ranging from owner-occupied single family housing to apartments to live-work shop houses. Inclusion of affordable housing is also a key component of the residential development. Commercial uses include office, retail, and a children’s hospital. In order to develop the property, extensive deconstruction of runways and facilities has occurred and infrastructure has been constructed. It is estimated that full build-out of the project will occur in 2018. See “THE CORPORATION AND THE ZONE - General”.

The goals of the development in the Zone include creation of a revenue stream to help fund onsite infrastructure as well as increase the City’s tax base for the benefit of all citizens, to increase Austin’s role in an increasingly global marketplace and create a wide range of employment opportunities for the community’s citizens, and to promote economic development opportunities within East Austin. Other key goals include compatibility with and linkage to surrounding neighborhoods, economic and ethnic diversity and sustainability.

The Zone was effective on December 16, 2004 and shall terminate on December 31, 2045, or at an earlier time designated by the City Council by ordinance if the council determines in its sole discretion that the Zone should be terminated due to insufficient private investment, accelerated private investment or other good cause, or when all project costs and tax increment bonds, if any, including interest, have been paid in full. The base on values of real property within the Zone was established at zero, as the property within the boundaries of the Zone was publicly-owned. Tax increment revenues, those revenues generated from real property value increases in excess of the base value, are deposited to the tax increment fund established for the Zone, and are transferred to the Corporation in accordance with the terms of the Tri-Party Agreement.

Mueller Local Government Corporation Debt Service Requirements

Fiscal Year Ending 30-Sep	Outstanding Tax Increment Contract Revenue Bonds (a)			The Bonds (b)			% of Principal Retired
	Interest	Total	Principal	Interest	Total	Total	
2015	\$ 1,185,000	969,009	\$ 2,154,009	\$ 375,000	\$ 404,804	\$ 779,804	\$ 2,933,813
2016	1,215,000	935,634	2,150,634	410,000	441,560	851,560	3,002,193
2017	1,250,000	901,359	2,151,359	510,000	439,100	949,100	3,100,458
2018	1,285,000	866,084	2,151,084	615,000	434,663	1,049,663	3,200,746
2019	1,325,000	826,284	2,151,284	730,000	427,713	1,157,713	3,308,997
2020	1,370,000	785,184	2,155,184	850,000	417,055	1,267,055	3,422,239
2021	1,415,000	736,534	2,151,534	980,000	402,180	1,382,180	3,533,714
2022	1,465,000	686,234	2,151,234	1,120,000	382,482	1,502,482	3,653,716
2023	1,520,000	634,134	2,154,134	1,270,000	357,282	1,627,282	3,781,416
2024	1,570,000	582,615	2,152,615	1,430,000	326,167	1,756,167	3,908,782
2025	1,625,000	526,715	2,151,715	1,605,000	289,416	1,894,416	4,046,131
2026	1,685,000	468,765	2,153,765	1,785,000	246,081	2,031,081	4,184,846
2027	1,745,000	406,215	2,151,215	1,980,000	195,923	2,175,923	4,327,138
2028	1,810,000	340,434	2,150,434	2,190,000	138,701	2,328,701	4,479,134
2029	1,880,000	272,059	2,152,059	2,415,000	73,658	2,488,658	4,640,716
2030	1,955,000	200,401	2,155,401				2,155,401
2031	2,015,000	136,864	2,151,864				2,151,864
2032	2,085,000	70,369	2,155,369				2,155,369
	\$ 28,400,000	\$ 10,344,890	\$ 38,744,890	\$ 18,265,000	\$ 4,976,782	\$ 23,241,782	\$ 61,986,672

(a) Includes Series 2009 and Series 2012

(b) Preliminary; subject to change.

General

Located in the heart of Austin, the redevelopment of Mueller, Austin's previous municipal airport site, includes approximately 700 acres of land that have been carefully planned to bring to life the community's vision to create a new district for the City.

Mueller is strategically located three miles northeast of downtown Austin. It is within three miles of the state capitol, and two miles of the campus of The University of Texas at Austin, and it is near three additional accredited institutions of higher learning, regional shopping destinations, and a belt of technology centers that runs along U.S. Highways 183 and 290.

The Reuse and Redevelopment Plan for Mueller was adopted by the Austin City Council in 2000. This plan was the product of many years of community involvement, serving as the springboard for more detailed development planning with the Developer (see "THE DEVELOPER").

The Mueller Redevelopment Project Master Plan includes approximately 5,900 single-family homes and multi-family units with a diverse range of housing opportunities including:

- Single-family yard houses with front porches and rear garages, some of which include carriage houses above the garage
- Attached residential row houses
- Attached live-work shop houses that provide a workspace at street level
- Apartments and condominiums, some in mixed-use buildings with ground-level retail and small businesses.

At least 25 percent of the residential units expected at Mueller will be affordable to low-income households, or approximately 1,475 affordable units distributed throughout the community.

The project will also include more than four million square feet of commercial and institutional facilities with a wide range of uses including:

- Dell Children's Medical Center of Central Texas (currently 633,000 square feet),
- The University of Texas Medical Research campus,
- 750,000 square feet of retail, including both regional retail, a market district and the Town Center,
- Over 1,000,000 feet of office space, and
- Approximately 20 acres for the Austin Film Studios complex.

Infrastructure delivery is expected to be complete in 2018. Upon completion of vertical improvements, the redevelopment will be one of the largest urban infill redevelopment projects in the country, projected to provide approximately 13,000 permanent jobs to the community. The total value of improvements at final buildout of Mueller is estimated to exceed \$1 billion in 2014 dollars, which at current tax rates will generate roughly \$5 million in annual property tax revenues to the City.

With more than 140 acres of parks and open space and a planned school, Mueller is designed as a model for responsible urban planning and development and will result in the creation of a community that is compact and pedestrian-scaled, supportive of transit, and compatible and complementary with the surrounding fabric of single-family neighborhoods.

Transit – Transit is essential to the goal of achieving a compact, pedestrian-oriented community. The Mueller Master Plan accounts for possible urban rail transit service to connect to commuter rail service in the future, as well as Bus Rapid Transit (BRT) and expanded local bus service.

Open Space – The Mueller Master Plan incorporates approximately 140 acres of open space usable by the public, including neighborhood parks, new lakes, sports fields, greenways with hike/bike paths and 15,000 new trees.

Pedestrian-Friendly – The streets at Mueller have been designed to provide a network of pedestrian ways throughout the community.

Bicycle-Friendly – Mueller will host a comprehensive network of bicycle facilities to extend the existing system of bike lanes adjacent to the property. Overall, a total of 13 miles of new bike routes, lanes and paths are planned.

Sustainability – Mueller’s design promotes sustainability at three levels: Green Community Design, Green Buildings and Green Infrastructure. The creation of a compact, walkable, transit-oriented development provides an alternative to the automobile-dominant patterns of development. The Mueller redevelopment also incorporates principles based on the U.S. Green Building Council’s LEED (Leadership in Energy and Environmental Design) program and the City’s own Green Building Program.

The City had a number of goals in mind while the redevelopment plan was being formulated. The development as planned meets all these goals, which include:

Fiscal Responsibility – The redevelopment must create a revenue stream that will substantially fund onsite infrastructure and increase the City’s tax base for the benefit of all citizens.

Economic Development - The redevelopment will reinforce Austin’s role in an increasingly global marketplace and create a wide range of employment opportunities for the community’s citizens.

East Austin Revitalization - The redevelopment must promote economic development opportunities within East Austin, giving local residents a direct stake in redevelopment.

Compatibility with Surrounding Neighborhoods - Development must maintain and enhance the quality of life in adjacent neighborhoods, providing complementary linkages, land uses and transportation patterns.

Diversity - Mueller will offer a wide range of housing and employment choices in order to create a new community of ethnically and economically diverse residents.

Sustainability - Development has been planned in a way that promotes energy efficiency, reduced auto dependency, watershed protection and green space preservation.

Project Status

Current infrastructure development of Mueller encompasses 398 acres of completed improvements in accordance with the Mueller Redevelopment Project Master Plan, supporting a well-established employment center and vibrant residential neighborhoods. More than 50% (or 75 acres) of the planned parklands have been built.

In the northwest quadrant, 67 employers already provide more than 4,850 jobs at Mueller. Along with the Dell Children’s Hospital in 2007, Strictly Pediatrics opened a 127,000 square foot medical office building, Ronald McDonald House opened a 30,000 square foot facility, and SEDL (Southwest Educational Development Laboratory) opened their 56,000 square foot headquarters. In 2009 the 156,000 square foot Seton Family of Hospitals headquarters and the 150,000 square foot University of Texas’ Dell Pediatric Research Institute were completed. Construction completed in 2013 included Dell Children’s Hospital’s \$48,000,000 expansion; a 112-room hotel; the former Austin Children’s Museum’s new 36,000 square foot facility named The Thinkery; the Town Center’s first district parking garage with 564 spaces, that will serve the museum and future town center retail, office or residential users; and the Market District, a 148,000 square foot area that includes a grocery-anchored shopping center and two medical services facilities. The Austin Independent School District’s first regional Performing Arts Center, with 1,500 seats, is under construction and targeted to be open January 2015.

From the start of home sales in 2007, the community has been well received. As of the second quarter of 2014, approximately 1,080 single-family residential homes were either occupied or being built; 943 for-rent apartment units have been completed; and an additional 279-unit apartment project is currently under construction. Infrastructure for an additional 274 homes is under construction, with those homes to be constructed starting in the fall of 2014. With the completion of these single-family homes and the apartment complexes, approximately 2,500 families will have residences at Mueller.

Retail Description

The first phase of the Mueller's regional retail center opened in 2007, followed in 2008 by a second phase to total more than 350,000 square feet in place. The tenant mix includes large format "power" retailers Home Depot, Best Buy, Bed Bath & Beyond and Old Navy, complemented by small shops, services and restaurants like Starbucks, Which Wich?, Jamba Juice and Chipotle Grill. The center currently includes 29 stores with a 99% occupancy.

In July of 2013, Catellus completed the 118,000 square foot Market District anchored by Texas' market-leading grocer, HEB, and an additional 11,000 square foot retail building in the regional retail center. These two retail areas include 22 stores with a 90% occupancy. The remaining 10% of the space is either under construction or in final lease negotiations with 100% occupancy expected in the first quarter of 2015. Catellus also completed the first phase of the Market District South area that includes 30,000 square feet of medical services facilities, open for business in March 2014. Construction has recently started on an additional 15,000 square feet in the second phase of the Market District South and a 6,100 square foot restaurant building in the regional retail center with an expected opening date in first quarter of 2015. Additional retail along with restaurant and entertainment use is planned for the future town center.

THE MASTER DEVELOPMENT AGREEMENT

In December 2004, the City and Catellus (see "THE DEVELOPER – Catellus Acquisition Company, LLC") executed the Master Development Agreement setting forth the terms and conditions relating to the development of the Mueller property. Both the City and Catellus have committed to fund the cost of constructing the Master Development Agreement and each will realize financial gains from the successful redevelopment of Mueller. The developer bears the bulk of the risk in the Master Development Agreement. Catellus is directly responsible for financing, constructing infrastructure, and marketing the development, and will be investing a significant amount of equity into the project.

Due to the lack of infrastructure in place, the cost to demolish existing buildings and runways and the high level of amenities, the City has always anticipated that public financing would be required to fulfill the vision. This infrastructure to be constructed consists primarily of streets and intersections, bicycle and pedestrian infrastructure, backbone for water, wastewater, electric, gas and telecommunications, street lighting, parks and greenways, drainage and water quality features.

The primary source of funding for the Master Development Agreement is proceeds from the sale of the land and other related revenues. These sources are projected to provide approximately 83 percent of total Master Development Agreement costs. In addition, the Corporation issued \$12 million in contract revenue bonds in August 2006, \$15 million tax increment contract revenue bonds in 2009, and \$16.735 million tax increment contract revenue bonds in 2012 to provide additional funding.

At the end of the redevelopment, after all costs and land-sale proceeds are known, there will be a final accounting, and Catellus anticipates that it will realize its investment returns through the money generated by land sales. While the City may also share in land-sale proceeds, the City's primary source of financial gain will be the ongoing property and sales tax revenues generated by the project.

THE DEVELOPER

Catellus Austin, LLC

Catellus Austin, LLC, a Delaware limited liability company, was created on December 2, 2004, to fully execute the Master Development Agreement with the City. Its parent company, Catellus Holdings, LLC, is one of many entities owned by Catellus Acquisition Company, LLC, which is itself predominately owned by affiliates of TPG Capital ("TPG"). The Catellus entities own, operate and develop several retail and mixed-use projects, and Catellus has a national reputation for redeveloping complex mixed-use real estate projects in locations throughout the United States.

Catellus Acquisition Company, LLC

Catellus Acquisition Company, LLC, was formed by affiliates of TPG in 2010 to acquire, through subsidiaries, a real estate portfolio, including Catellus Austin, LLC, from ProLogis, a leading provider of industrial real estate. Today the company operates as "Catellus" with offices and assets in five states.

TPG Capital

TPG is a leading global private investment firm founded in 1992 with over \$59 billion of assets under management and offices in San Francisco, Fort Worth, Austin, Dallas, Houston, New York, Beijing, Hong Kong, London, Luxembourg, Melbourne, Moscow, Mumbai, São Paulo, Shanghai, Singapore and Tokyo. TPG has extensive experience with global public and private investments executed through leveraged buyouts, recapitalizations, spinouts, growth investments, joint ventures and restructurings. TPG Real Estate is the real estate platform of TPG. In addition to Catellus, TPG Real Estate's investments have included ST Residential, Taylor Morrison Home Corporation (NYSE:TMHC), Parkway Properties, Inc. (NYSE:PKY), Merin Group Holding B.V., MWest Properties, the Woolgate Exchange building in the City of London, AV Homes, Inc. (NASDAQ:AVHI), Assisted Living Concepts, Inc., PointPark Properties Limited and Evergreen Industrial Properties. For more information visit www.tpg.com.

SELECTED INFORMATION FOR THE CITY OF AUSTIN, TEXAS

GENERAL FUND REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE

(Amounts are in thousands)

	Fiscal Year Ended September 30				
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Revenues:					
Taxes (1)	\$356,064	\$387,061	\$409,344	\$448,537	\$498,605
Franchise Fees	33,276	34,964	32,904	32,578	35,040
Fines, Forfeitures and Penalties	19,100	18,692	18,131	15,784	16,971
Licenses, Permits and Inspections	20,531	15,716	18,653	22,664	28,669
Charges for Services	33,655	33,394	44,464	44,147	49,579
Interest and Other	<u>10,456</u>	<u>8,059</u>	<u>5,096</u>	<u>4,414</u>	<u>6,027</u>
Total Revenues	\$473,082	\$497,886	\$528,592	\$568,124	\$634,891
Expenditures:					
Administration	\$ 11,966	\$ 11,768	\$ 12,229	\$ 12,674	\$ 13,926
Urban Growth Management	19,682	17,535	34,299	38,419	44,934
Public Safety	389,518	398,930	422,092	447,944	473,980
Public Services and Utilities	365	363	14	-	-
Public Health	37,133	37,464	39,230	41,991	48,232
Public Recreation and Culture	59,988	60,040	72,189	71,753	81,893
Transportation, Planning and Sustainability (3)	-	-	-	5	9
Nondepartmental Expenditures	<u>52,197</u>	<u>69,456</u>	<u>74,291</u>	<u>83,875</u>	<u>87,126</u>
Total Expenditures	\$570,849	\$595,556	\$654,344	\$696,661	\$750,100
Excess (Deficiency) of Revenues					
Over Expenditures Before Other					
Financing Sources (Uses)	\$ (97,767)	\$ (97,670)	\$(125,752)	\$(128,537)	\$(115,209)
Other Financing Sources (Uses):					
Transfers from Other Funds	121,936	130,233	141,448	144,208	145,764
Transfers to Other Funds	<u>(20,698)</u>	<u>(16,014)</u>	<u>(9,487)</u>	<u>(19,761)</u>	<u>(13,626)</u>
Net Other Financing Sources	\$101,238	\$114,219	\$131,961	\$124,447	\$132,138
Excess (Deficiency) of Total					
Revenues and Other Services					
Over Expenditures and Other					
Uses	\$ 3,471	\$ 16,549	\$ 6,209	\$ (4,090)	\$ 16,929
Fund Balances at Beginning of Year	<u>88,690</u>	<u>92,161</u>	<u>128,044</u>	<u>134,253</u>	<u>130,163</u>
Fund Balances at End of Year (2)	<u>\$ 92,161</u>	<u>\$108,710</u>	<u>\$134,253</u>	<u>\$130,163</u>	<u>\$147,092</u>

(1) Consists of property, sales and mixed drinks tax.

- (2) In addition to the budget stabilization reserve, the ending balance includes a contingency reserve of approximately \$5.0 million and an emergency reserve of \$40 million.
- (3) Reported with Urban Growth Management prior to 2012.

CERTAIN GENERAL FUND RECEIPTS OTHER THAN AD VALOREM TAXES

Municipal Sales Tax

At an election held on September 30, 1967, the citizens of Austin voted a 1% retail sales and use tax to become effective on January 1, 1968. This tax provides an additional revenue source to the General Fund of the City. These sales tax revenues are not pledged to the payment of the Tax Increment Contract Revenue Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts of the State of Texas, who currently remits the proceeds of the tax to the City monthly. Revenue from this source has been:

Fiscal Year <u>Ended 9-30</u>	Per Capita <u>Sales and Use Tax</u>	(in 000's) <u>Sales and Use Tax</u>	% of <u>Ad Valorem Tax Levy</u>
2006	\$196.75	\$139,289	60.06%
2007	211.43	153,098	61.32%
2008	207.00	154,445	55.70%
2009	182.51	139,795	45.40%
2010	185.87	144,710	42.47%
2011	187.58	151,125	42.59%
2012	199.99	164,193	43.08%
2013	209.35	176,198	42.06%
2014 (1)	221.41	188,867	42.43%
2015 (2)	227.29	198,310	41.86%

(1) Estimate.

(2) Estimate used in FY 2015 Proposed Budget.

Transfers From Utility Funds

The City owns and operates a Waterworks and Wastewater System and an Electric Light and Power System, the financial operations of which are accounted for in the Utility Funds. Transfers from the Utility Funds to the General Fund have historically provided a significant percentage of the receipts for operation of the General Fund. The utility system revenues are not pledged to the payment of the Tax Increment Contract Revenue Bonds. The following sets forth the amount of such transfers.

Fiscal Year <u>Ended 9-30</u>	(in 000's) <u>Transfers</u>	% of General <u>Fund Requirements</u>
2006	\$ 97,658	20.3%
2007	106,471	20.0%
2008	115,629	19.8%
2009	121,505	20.9%
2010	129,967	21.5%
2011	134,263	20.8%
2012	136,919	19.8%
2013	139,548	18.5%
2014 (1)	142,909	18.0%
2015 (2)	143,755	16.9%

(1) Estimate.

(2) Estimate used in FY 2015 Proposed Budget.

TAX INFORMATION

Ad Valorem Tax Law

The appraisal of property within the City is the responsibility of the Travis Central Appraisal District (the “Appraisal District”). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under Title 1, Texas Tax Code (commonly known as the “Property Tax Code”) to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. State law further limits the appraised value of a residence homestead for a tax year (the “Homestead 10% Increase Cap”) to an amount not to exceed the lesser of (1) the property’s market value in the most recent tax year in which the market value was determined by the Appraisal District or (2) the sum of (a) 10% of the property’s appraised value in the preceding tax year, plus (b) the property’s appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

Reference is made to the Property Tax Code for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution (“Article VIII”) and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State Law, the governing body of a political subdivision, at its option, may grant:

- (1) An exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision;
- (2) An exemption of up to 20% of the market value of residence homesteads; minimum exemption \$5,000.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from \$5,000 to a sum of \$12,000.

The surviving spouse of an individual who qualifies for the exemption described under (1) above for the residence homestead of a person 65 years of age or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual’s spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

Section 1-b, Article VIII, and State law authorize a county, city, town or junior college district to establish an ad valorem tax freeze on residence homesteads of persons who are disabled or 65 years of age or older. If the City Council does not take action to establish the tax limitation, voters within the City may submit a petition signed by five percent of the registered voters of the City requiring the City Council to call an election to determine by majority vote whether to establish the tax limitation.

If the tax limitation is established, the total amount of ad valorem taxes imposed by the City on a homestead that receives the residence homestead exemption for persons who are disabled or 65 years of age or older may not be increased, except to the extent the value of the homestead is increased by improvements other than repairs. If a disabled or elderly person dies in a year in which the person received a residence homestead exemption, the total amount of ad valorem taxes imposed on the homestead by the taxing unit may not be increased while it remains the residence homestead of that person’s surviving spouse if the spouse is 55 years of age or older at the time of the person’s death. In addition, the tax limitation applicable to a person’s homestead may be transferred to the new homestead of such person

if the person moves to a different residence within the taxing unit. Once established, the governing body of the taxing unit may not repeal or rescind the tax limitation.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Personal property not used in the business of a taxpayer, such as automobiles or light trucks, is exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property.

Article VIII, Section 1-j provides for “freeport property” to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication.

Article VIII, Section 1-n provides for an exemption from taxation for “goods in transit.” “Goods in transit” are defined as (i) personal property acquired or imported into Texas and transported to another location in the State or outside of the State, (ii) stored under a contract for bailment in public warehouses not in any way owned or controlled by the owner of the stored goods, and (iii) transported to another location in the State or outside the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. Pursuant to changes enacted during the 2011 Texas Legislature’s Special Session, all taxing units, including those that have previously taken official action to tax goods-in-transit, may not tax goods-in-transit in the 2012 tax year or thereafter, unless the governing body of the taxing unit holds a public hearing and takes action on or after October 1, 2011 to provide for the taxation of goods-in-transit. After holding the public hearing, a taxing unit may take official action prior to January 1 of the first tax year in which the governing body proposes to tax goods-in-transit. After taking official action, the goods-in-transit remain subject to taxation by the taxing unit until the governing body rescinds or repeals its previous action to tax goods-in-transit. If, however, a taxing unit took official action prior to October 1, 2011 to tax goods-in-transit and pledged the taxes imposed on the goods-in-transit for the payment of a debt of the taxing unit, the tax officials of the taxing unit may continue to impose the taxes on the goods-in-transit until the debt is discharged, the taxes would be collected if cessation of the imposition of the tax would impair the obligation of the contract was created.

Freeport property is exempt from taxation by the City, and, on October 20, 2011, the City took action to tax goods-in-transit.

The City grants an exemption to the appraised value of the residence homestead of persons 65 years of age or older and to the disabled of \$70,000.

The City may create one or more tax increment financing districts (“TIF”) within the City and freeze the taxable values of real property in the TIF at the value at the time of its creation. Other overlapping taxing units levying taxes in the TIF may agree to contribute all or part of future ad valorem taxes levied and collected against the value of property in the TIF in excess of the “frozen values” to pay or finance the costs of certain public improvements in the TIF. Taxes levied by the City against the values of real property in the TIF in excess of the “frozen” value are not available for general city use but are restricted to paying or financing “project costs” within the TIF. The City has created 4 TIFs including the Zone. The City may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. The City has adopted criteria for granting tax abatements which establish guidelines regarding the number of jobs to be created and the amount of new value to be added by the taxpayer in return for the abatement. The City has entered into several such abatement agreements in recent years.

Cities are also authorized, pursuant to Chapter 380, to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes; however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the

City. The City has entered into several such Chapter 380 agreements in recent years, including the Grant Agreement with the Corporation.

Tax Valuation

January 1, 2014 Appraised Valuation (1)		\$116,470,243,654
Less Local Exemptions to Assessed Values: (2)		
Residential Homestead over 65	\$ 2,240,780,366	
Homestead 10% Increase Cap	2,476,806,773	
Disabled Veterans	217,051,106	
Agricultural and Historical Exemptions	640,791,855	
Disability Exemption	159,611,390	
Other Exemptions	10,973,855,987	
Freeport Exemption	<u>1,028,473,849</u>	<u>17,737,371,327</u>
January 1, 2014 Net Taxable Assessed Valuation (1)		<u>\$ 98,732,872,327</u>

-
- (1) 2014 Certified Appraised Value includes \$4,588,390,963 in property in the appeals process.
- (2) Exemptions or adjustments to assessed valuation granted in 2014 include (a) exemptions of \$70,000 for homestead property of property owners who are over 65 years of age or disabled; (b) exemptions for residence homestead property exceeding a 10 percent increase in valuation from the previous year; (c) exemptions for property of disabled veterans or certain surviving dependents of disabled veterans; (d) certain adjustments to productive agricultural lands; (e) exemptions to the land designated as historically significant sites by certain public bodies; (f) exemption of freeport property detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication of exported finished goods from Texas.

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Statement of Debt (As of September 30, 2014)

The following table sets forth on a pro forma basis the amount of Public Improvement Bonds, Assumed Bonds, Contract Revenue Obligations, Certificates of Obligation and Contractual Obligations outstanding and certain debt ratios related thereto.

Public Improvement Bonds (1)	\$963,730,000	
Certificates of Obligation (1)	159,860,000	
Contractual Obligations (1)	110,395,000	
Mueller Contract Revenue Obligations	37,395,000	
The Obligations (2)	160,870,000	
The Taxable Obligations (2)	19,600,000	
Assumed MUD Bonds (3)	<u>9,194,994</u>	
Total		\$1,461,044,994
Less Self-Supporting Debt:		
Assumed MUDs	\$ 9,194,994	
Mueller Contract Revenue Obligations	37,395,000	
Airport (4)	131,369	
Austin Energy (4)	676,160	
City Hall (4)	13,325,896	
Code Compliance (4)	859,147	
Convention Center (4)	17,864,441	
Financial Services (4)	19,098,127	
Fleet Management (4)	3,034,876	
Golf (4)	1,090,068	
One Texas Center (4)	4,429,953	
PARC - Zilker Park (4)	450,076	
Solid Waste (2) (4)	65,390,649	
Transportation (2) (4)	24,315,477	
Waller Creek (2) (4)	93,924,119	
Water and Wastewater (2) (4)	12,774,519	
Watershed Protection (2) (4)	<u>20,710,161</u>	
Total Self-Supporting		\$ 324,665,032
Interest and Sinking Fund (5)		15,323,212
Self-Supporting General Fund Payments (6)		<u>7,664,467</u>
Net Debt (6)		<u>\$1,113,392,283</u>
Ratio Total Debt to 2014 Net Taxable Assessed Valuation		1.65%
Ratio Net Debt to 2014 Net Taxable Assessed Valuation		1.26%

2014 Population (Estimate) – 853,020 (7)
Per Capita Net Taxable Assessed Valuation – \$103,805.97
Per Capita Net Debt Outstanding – \$1,305.24

- (1) Excludes the Obligations and Taxable Obligations.
- (2) The Obligations will be sold on August 28, 2014, and are expected to be delivered on October 2, 2014. The Taxable Obligations will be sold on September 9, 2014, and are expected to be delivered on October 2, 2014. Preliminary; subject to change. See also “DEBT INFORMATION - Concurrent Issuance of General Obligation Debt”.
- (3) Represents bonds of the Northwest Austin MUD#1 annexed by the City.
- (4) Airport, Austin Energy, Austin Water, Code Compliance, City Hall, Convention Center, Financial Services, Fleet Management, Golf, One Texas Center, PARC, Solid Waste, Transportation, Waller Creek, and Watershed Protection represent a portion of the City's Outstanding Public Improvement Bonds, Certificates of Obligation and/or Contractual Obligations. Debt service for Airport, Austin Energy, Austin Water, Convention Center, Code Compliance, Financial Services, Golf, One Texas Center, Solid Waste, Transportation, and Watershed

Protection is paid from revenue of the respective enterprises. The City plans to continue to pay these obligations from each respective enterprise. Fleet Management and One Texas Center are internal service funds that generate revenue through charges to user departments.

- (5) Represents estimate of cash plus investments at cost on September 30, 2014.
- (6) Various general fund departments have issued debt which is supported by a transfer into the debt service fund from the issuing department. These departments budget the required debt service which reduces the debt service tax requirement.
- (7) Source: City of Austin Planning/Growth Department. This figure does not include areas annexed for limited purposes.

Revenue Debt (As of July 31, 2014)

In addition to the above, on a pro forma basis, the City had outstanding \$30,561,469 Combined Utility Systems Revenue Bonds payable from a first lien on the combined net revenue of the Electric System and the Water and Wastewater System and \$148,104,711 Combined Utility System Revenue Bonds payable from a subordinate lien on the combined net revenue of the Electric System and the Water and Wastewater System; \$1,095,765,000 Electric Utility Obligations payable from a separate lien on the net revenues of the Electric Utility System; \$2,303,590,000 Water and Wastewater Obligations payable from a separate lien on the net revenue of the Water and Wastewater System, and \$164,351,000 Combined Utility Systems Commercial Paper payable from a subordinate lien on the combined net revenue of the Electric System and the Water and Wastewater System.

The City also has outstanding \$310,445,000 Airport System Revenue Bonds payable from net revenues of the City's Airport System. The City also has outstanding \$149,215,000 in Convention Center Bonds, payable from hotel/motel occupancy and rental car tax collections.

Obligations Subject to Annual Appropriation

With respect to the redevelopment of Mueller, the City entered into the Development Agreement with Catellus, effective as of December 2, 2004, and in the Development Agreement, the City agreed to issue debt to finance certain "Public Finance Reimbursable Project Costs" either directly or through the auspices of a local government corporation to be created by the City. The City has entered into an economic development grant agreement (the "2006 Grant Agreement") with the Corporation. Under the terms of the 2006 Grant Agreement, the City will make grant payments to the Corporation from the General Fund, subject to annual appropriation by the City, in amounts sufficient to pay debt service on bonds issued by the Corporation to fund Public Finance Reimbursable Project Costs and pay administrative costs associated with such bonds. It is anticipated that sales tax revenues generated by properties developed at Mueller will be sufficient to fund the grants throughout the term of the 2006 Grant Agreement. \$12,000,000 in Contract Revenue Bonds were issued in 2006 (the "2006 Bonds") by the Corporation to finance Public Finance Reimbursable Project Costs. As of the date of the Official Statement, the City has appropriated \$7,004,198 in funds to fund payments under the 2006 Grant Agreement, transferred such funds to the Corporation, and the Corporation has used such funds to pay debt service on the 2006 Bonds. In fiscal year 2015, the City has appropriated \$986,369 to pay debt service on the 2006 Bonds. The 2006 Bonds are not secured with Contract Tax Increments, and are not on a parity with the Bonds.

See "SECURITY AND SOURCE OF PAYMENT – Security for the Bonds" for a description of the Grant Agreement applicable to the Bonds. Also see "SECURITY AND SOURCE OF PAYMENT – The Grant Program and the Grant Agreement".

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Valuation and Funded Debt History

Fiscal Year Ended	Estimated City	Taxable Assessed	Per Capita Taxable Assessed	(000's) Net Funded	Per Capita Net Funded	Ratio of Net Funded Tax Debt to Taxable	% of Tax Collections
9-30	Population (1)	Valuation	Valuation	Tax Debt (2)	Tax Debt	Valuation	Collections
2006	714,237	\$52,349,642,297	\$ 73,295	\$ 943,312	\$1,320.73	1.80%	99.85%
2007	732,381	60,512,328,889	82,624	869,974	1,187.87	1.44%	99.83%
2008	746,105	68,736,790,926	92,128	907,667	1,216.54	1.32%	99.70%
2009	770,296	76,752,007,737	99,640	1,065,565	1,383.32	1.39%	99.57%
2010	778,560	80,960,540,976	103,988	1,002,186	1,287.23	1.24%	99.22%
2011	805,662	77,619,349,384	96,342	1,049,751	1,302.89	1.35%	99.42%
2012	821,012	79,219,780,879	96,490	1,132,201	1,379.03	1.43%	99.27%
2013	841,629	83,294,536,493	98,966	1,198,730	1,424.26	1.44%	99.36%
2014	853,020	88,548,568,973	103,806	1,113,392	1,305.24	1.26%	99.78% (3)
2015	872,481	98,732,872,327(4)	113,163	1,156,948 (5)	1,326.04 (5)	1.17% (5)	N/A

(1) Source: City of Austin Department of Planning and Development based on full purpose area as of April 1.

(2) Excludes general obligation debt issued for enterprise funds and general fund departments which transfer-in from Operating Budget.

(3) Estimated Collections as of June 30, 2014 based on the July 2013 Certified Tax Roll tax levy.

(4) Certified taxable value for the 2014 tax year.

(5) Projected. Includes the Obligations.

Tax Rate, Levy and Collection History

Fiscal Year Ended	Total Tax	Distribution			% Current	% Total
9-30	Rate	General Fund	Interest and Sinking Fund	Tax Levy	Collections	Collections
2006	\$0.4430	\$0.2841	\$0.1589	\$231,908,915	99.55%	99.85%
2007	0.4126	0.2760	0.1366	249,673,869	99.61%	99.83%
2008	0.4034	0.2730	0.1304	277,284,215	99.14%	99.70%
2009	0.4012	0.2749	0.1263	307,929,055	99.03%	99.57%
2010	0.4209	0.2950	0.1259	340,762,917	98.97%	99.22%
2011	0.4571	0.3262	0.1309	354,798,046	99.13%	99.42%
2012	0.4811	0.3551	0.1260	381,126,366	99.27%	99.27%
2013	0.5029	0.3821	0.1208	418,888,224	99.36%	99.36%
2014	0.5027	0.3856	0.1171	445,133,656	99.27% (1)	99.78% (1)
2015 (2)	0.4798	0.3680	0.1118	473,720,321	N/A	N/A

(1) Estimated collections as of June 30, 2014 based on the July 2013 Certified Tax Roll tax levy.

(2) Preliminary, subject to change pending adoption of the tax rate, expected to occur on or about September 10, 2014.

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Ten Largest Taxpayers

<u>Name of Taxpayer</u>	<u>Nature of Property</u>	<u>January 1, 2013 Taxable Assessed Valuation</u>	<u>% of Total Taxable Assessed Valuation</u>
Samsung Semiconductor LLC	Manufacturing	\$2,478,991,304	2.51%
Parkway Properties LLC	Commercial	747,257,757	0.76%
Columbia/St Davids Healthcare	Commercial	455,730,685	0.46%
Circuit of the Americas LLC	Commercial	289,137,087	0.29%
IBM Corporation	Manufacturing	245,745,471	0.25%
IMP Capital II Riata LP	Commercial	236,598,167	0.24%
Finley Company	Commercial	217,426,375	0.22%
Riata Holdings LP	Commercial	201,136,903	0.20%
HEB Grocery Company	Commercial	196,985,175	0.20%
G&I VII Barton Skyway LP	Commercial	195,691,483	0.20%
TOTAL		<u>\$5,264,700,407</u>	<u>5.33%</u>

Source: Travis Central Appraisal District.

Property Tax Rate Distribution

	<u>Fiscal Year Ended September 30</u>				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015 (1)</u>
General Fund	\$.3262	\$.3551	\$.3821	\$.3856	\$.3680
Interest and Sinking Fund	<u>.1309</u>	<u>.1260</u>	<u>.1208</u>	<u>.1171</u>	<u>.1118</u>
Total Tax Rate	\$.4571	\$.4811	\$.5029	\$.5027	\$.4798

- (1) Preliminary, subject to change pending adoption of the tax rate, expected to occur on or about September 10, 2014.

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Net Taxable Assessed Valuations, Tax Levies and Collections

Fiscal Year Ended	Valuation	Real Property		Personal Property		Net Taxable	Total	% Current	% Total
<u>9-30</u>	<u>Date</u>	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>% of Total</u>	<u>Assessed Valuation</u>	<u>Tax Levy</u>	<u>Collections</u>	<u>Collections</u>
2006	1-1-05	\$46,492,828,677	88.81%	\$5,856,813,620	11.19%	\$52,349,642,297	\$231,908,915	99.55%	99.85%
2007	1-1-06	53,724,137,471	88.78%	6,788,191,418	11.22%	60,512,328,889	249,673,869	99.61%	99.83%
2008	1-1-07	61,455,307,904	89.41%	7,281,483,022	10.59%	68,736,790,926	277,284,215	99.14%	99.70%
2009	1-1-08	68,790,111,385	89.63%	7,961,896,352	10.37%	76,752,007,737	307,929,055	99.03%	99.57%
2010	1-1-09	72,029,659,502	94.21%	8,147,372,223	10.66%	80,960,540,976	340,762,917	98.97%	99.22%
2011	1-1-10	70,024,297,956	90.83%	7,072,966,278	9.17%	77,619,349,384	354,798,046	99.13%	99.42%
2012	1-1-11	70,283,821,626	88.72%	8,935,959,253	11.28%	79,219,780,879	381,126,366	99.27%	99.27%
2013	1-1-12	73,663,555,699	88.44%	9,630,980,794	11.56%	83,294,536,493	418,888,224	99.36%	99.36%
2014	1-1-13	79,198,359,444	89.44%	9,350,209,529	10.56%	88,548,568,973	445,133,656	99.27% (1)	99.78% (1)
2015	1-1-14	88,957,781,717	90.10%	9,775,090,610	9.90%	98,732,872,327	473,720,321 (2)	N/A	N/A

(1) Estimated collections through June 30, 2014 based on the July 2013 Certified Tax Roll tax levy.

(2) Preliminary, subject to change pending adoption of the tax rate, expected to occur on or about September 10, 2014.

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Tax Rate Limitation

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 assessed valuation for all City purposes. The City operates under a Home Rule Charter, which also limits the City's ad valorem tax rate to \$2.50 per \$100 assessed valuation for all City purposes. Within such Charter limitation, the total tax which may be levied annually by the City for municipal general operating purposes may not exceed \$1.00 per \$100 assessed valuation.

By each September 1 or as soon thereafter as practicable, the City Council adopts a tax rate per \$100 taxable value for the upcoming fiscal year beginning October 1. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Section 26.05 of the Property Tax Code provides that the governing body of a taxing unit is required to adopt the annual tax rate for the unit before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the taxing unit, and a failure to adopt a tax rate by such required date will result in the tax rate for the taxing unit for the tax year to be the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the taxing unit for the preceding tax year. Furthermore, Section 26.05 provides the City Council may not adopt a tax rate that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings are held on the proposed tax rate following a notice of such public hearing (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate, the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

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DEBT INFORMATION (a)

Debt Service Requirements

Fiscal Year Ending 09/30	Public Improvement Bonds	Certificates of Obligation	Contractual Obligations	Assumed NW Austin MUD #1	The Bonds, The Certificates and The Contractual Obligations	The Taxable Bonds and The Taxable Certificates	Grand Total Requirements	Less Self-Supporting Requirements (b)	Net Total Requirements
2015	\$99,154,488	\$11,439,313	\$26,760,254	\$1,115,998	\$7,820,366	\$1,096,396	\$147,386,814	\$41,005,275	\$106,381,539
2016	99,448,076	12,298,110	24,094,614	1,135,590	7,373,866	1,045,724	145,395,979	40,088,729	105,307,250
2017	96,804,522	12,346,847	20,925,259	1,008,319	7,900,506	1,113,617	140,099,068	36,181,664	103,917,405
2018	93,056,549	12,412,113	18,650,854	1,012,938	9,456,302	1,048,717	135,637,471	33,129,367	102,508,105
2019	91,590,986	12,470,978	14,881,256	1,030,083	9,457,774	1,057,469	130,488,545	30,048,745	100,439,801
2020	89,276,893	12,456,057	9,963,725	1,033,498	10,940,938	1,224,461	124,895,571	26,406,818	98,488,754
2021	91,587,271	12,528,280	3,251,169	1,046,118	10,155,382	1,146,105	119,714,323	22,460,629	97,253,695
2022	89,940,794	12,604,126		1,036,678	8,493,875	1,142,884	113,218,356	18,324,634	94,893,722
2023	79,957,890	12,676,844		1,041,188	9,179,771	1,363,106	104,218,798	15,188,525	89,030,273
2024	77,829,428	12,740,635		1,038,575	8,544,950	1,295,912	101,449,499	15,228,722	86,220,777
2025	73,017,238	12,806,722		1,044,475	10,485,166	1,503,727	98,857,327	13,429,402	85,427,925
2026	70,350,100	12,272,960		943,463	10,657,342	1,522,982	95,746,846	13,055,294	82,691,552
2027	67,187,752	10,359,965			8,332,934	1,284,333	87,164,983	10,356,655	76,808,328
2028	57,381,564	10,090,000			10,774,921	1,546,193	79,792,678	10,294,935	69,497,743
2029	47,492,939	9,240,764			10,851,359	1,557,095	69,142,156	10,313,593	58,828,563
2030	39,930,418	8,942,789			10,928,469	1,565,323	61,366,998	10,030,613	51,336,385
2031	28,063,145	7,195,109			11,006,279	1,580,797	47,845,329	9,061,514	38,783,815
2032	15,597,595	5,902,024			16,684,875	2,182,938	40,367,431	8,367,949	31,999,482
2033	12,636,750	4,632,369			17,550,530	2,280,382	37,100,030	7,808,215	29,291,815
2034		4,607,203			19,611,406	2,506,046	26,724,654	7,805,497	18,919,157
2035		4,600,313					4,600,313	4,600,313	
2036		4,600,263					4,600,263	4,600,263	
2037		4,593,169					4,593,169	4,593,169	
2038		4,262,138					4,262,138	4,262,138	
2039		2,699,838					2,699,838	2,699,838	
2040		2,315,513					2,315,513	2,315,513	
2041		2,329,988					2,329,988	2,329,988	
2042									

(a) As of September 30, 2014

(b) Includes principal and interest on all self-supporting debt (see "Statement of Debt", p. 10).

Estimated Direct and Overlapping Funded Debt Payable From Ad Valorem Taxes (As of 9-30-13) (in 000's)

Expenditures of the various taxing bodies within the territory of the City are paid out of ad valorem taxes levied by these taxing bodies on properties within the City. These political taxing bodies are independent of the City and may incur borrowings to finance their expenditures. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the date stated above, and such entities may have programs requiring the issuance of substantial amounts of additional bonds the amount of which cannot be determined. The following table reflects the estimated share of overlapping funded debt of the major taxing bodies in the area.

<u>Taxing Jurisdiction</u>	<u>Total Funded Debt</u>	<u>Estimated % Applicable</u>	<u>Overlapping Funded Debt</u>
Austin, City of (1)	\$1,113,392	100.00%	\$1,113,392
Austin Community College	85,259	68.34%	58,266
Austin Independent School District	772,691	94.37%	729,188
Northwest Travis County Road District #3	600	99.84%	599
Round Rock Independent School District	664,400	33.49%	222,508
Travis County	632,325	70.76%	447,433
Del Valle Independent School District	222,135	70.71%	157,072
Eanes Independent School District	136,275	31.80%	43,335
Leander Independent School District	1,334,709	11.58%	154,559
Manor Independent School District	188,815	75.07%	141,743
Pflugerville Independent School District	306,575	37.17%	113,954
Williamson County	794,002	10.95%	<u>86,943</u>

TOTAL DIRECT AND OVERLAPPING FUNDED DEBT \$3,268,992

Ratio of Direct and Overlapping Funded Debt to Taxable Assessed Valuation (2) 3.69%

Per Capita Overlapping Funded Debt (3) \$3,832.26

(1) Includes the Obligations and Taxable Obligations. Excludes general obligation debt reported in proprietary funds. Preliminary, subject to change. See also "DEBT INFORMATION - Concurrent Issuance of General Obligation Debt."

(2) Based on assessed valuation of \$88,548,568,973 provided by the Travis Central Appraisal District, Williamson County Appraisal District and Hays Central Appraisal District.

(3) Based on 2014 estimated population of 853,020.

Source: 2013 City of Austin Comprehensive Annual Financial Report ("CAFR").

Note: Overlapping governments are those that coincide, as least in part, with the geographic boundaries of the City. This schedule estimated the portion of the outstanding debt of those overlapping governments that is borne by the City residents and businesses. This process recognized that, when considering the City's ability to issue and repay long-term debt, the entire debt borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

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Authorized General Obligation Bonds

<u>Purpose</u>	<u>Date</u> <u>Authorized</u>	<u>Amount</u> <u>Authorized</u>	<u>Amount</u> <u>Previously</u> <u>Issued</u>	<u>Bonds Being</u> <u>Issued (1)</u>	<u>Unissued</u> <u>Balance</u>
Brackenridge 2000	10-22-83	\$ 50,000,000	\$ 40,785,000	\$ -	\$ 9,215,000
Park Improvements	09-08-84	9,975,000	9,648,000	-	327,000
Cultural Arts	01-19-85	20,285,000	14,890,000	-	5,395,000
Transportation	11-07-06	103,100,000	103,100,000	-	-
Drainage Improvements	11-07-06	145,000,000	145,000,000	-	-
Park Improvements	11-07-06	84,700,000	83,700,000	1,000,000	-
Cultural Arts	11-07-06	31,500,000	27,500,000	-	4,000,000
Affordable Housing	11-07-06	55,000,000	55,000,000	-	-
Central Library	11-07-06	90,000,000	26,800,000	20,000,000	43,200,000
Public Safety Facility	11-07-06	58,100,000	53,100,000	-	5,000,000
Mobility Transportation	11-02-10	90,000,000	75,305,000	14,695,000	-
Mobility Transportation	11-06-12	143,299,000	11,895,000	40,210,000	91,194,000
Open Space	11-06-12	30,000,000	20,000,000	10,000,000	-
Parks & Recreation	11-06-12	77,680,000	550,000	7,310,000	69,820,000
Public Safety Facility	11-06-12	31,079,000	1,500,000	6,720,000	22,859,000
Health & Human Service Facility	11-06-12	11,148,000	235,000	1,705,000	9,208,000
Cultural Arts	11-06-12	13,442,000	820,000	2,980,000	9,642,000
Affordable Housing	11-05-13	<u>65,000,000</u>	<u>-</u>	<u>10,000,000</u>	<u>55,000,000</u>
		\$1,044,308,000	\$669,828,000	\$114,620,000	\$324,860,000

(1) The City authorized the sale of the bonds on August 28, 2014, and anticipates their delivery on October 2, 2014.

The City Council has called a bond election, to be held November 4, 2014, seeking the authority to issue up to \$600 million of general obligation bonds to finance the planning and construction of a City-owned fixed rail transit system, which is expected to be operated by Capital Metropolitan Transportation Authority. If approved by voters, issuance of these general obligation bonds for the construction of a fixed rail transit system is conditioned on the City providing funding in the amount of at least \$400 million for roadway improvement projects, which is expected to be provided in the form of additional general obligation indebtedness.

The City may also incur non-voted debts payable from or secured by its collection of ad valorem taxes and other sources of revenue, including certificates of obligation, tax notes, public property finance contractual obligations and leases for various purposes.

Anticipated Issuance of General Obligation Bonds

The City anticipates the issuance of additional general obligation bonds in October 2015. The City continues to review opportunities for refunding certain previously issued general obligation bonds and assumed debt.

Funded Debt Limitation

No direct funded debt limitation is imposed on the City under current State law or the City's Home Rule Charter. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 assessed valuation for all City purposes. The City operates under a Home Rule Charter which adopts the constitutional provisions and also contains a limitation that the total tax which may be levied annually by the City for municipal general operating purposes may not exceed \$1.00 per \$100 assessed valuation.

INVESTMENTS

The City invests its available funds, and causes the funds to be invested, in investments authorized by State law, particularly the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA"), in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

Legal Investments

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by a combination of cash and the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits or (ii) that are invested by the City through a depository institution that has its main office or a branch office in the State of Texas and that otherwise meets the requirements of the PFIA; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent; and (13) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Act) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than "AAA", "AAA-m" or at an equivalent rating by at least one nationally recognized rating service. The City may also invest bond proceeds in guaranteed investment contracts that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

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

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

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

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

Investment Policies

Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield and maturity; and also that address the quality and capability of investment personnel. The policy includes a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement must describe the investment objectives for the particular fund using the following priorities: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

The City's investment policy authorizes the City to invest its funds and funds under its control in all of the eligible investments described above under "Legal Investments", except those investments described in clauses (3) and (6).

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

Additional Provisions

Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (3) require the registered representative of firms seeking to sell securities to the City to (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; and (5) provide specific investment training for the Chief Financial Officer of the City, Treasurer and Investment Officers.

Current Investments

As of June 30, 2014, the City's investable funds were invested in the following categories.

<u>Type of Investment</u>	<u>Percentage</u>
U. S. Treasuries	10%
U. S. Agencies	50%
Money Market Funds	3%
Local Government Investment Pools	37%

The dollar weighted average maturity for the combined City investment portfolios is 330 days. The City prices the portfolios weekly utilizing a market pricing service.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the Corporation has made the following agreement for the benefit of the Holders and beneficial owners of the Bonds. The Corporation is required to observe the agreement for so long as the Corporation or the City remains obligated to advance funds to pay the Bonds. Under the agreement, the Corporation will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access ("EMMA") system, where such information will be available to the general public, free of charge, through an internet website at www.emma.msrb.org.

Annual Reports

The Bond Resolution obligates the Corporation to provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data of the general type included in this Official Statement under the subheadings "Historical Assessed Valuation Applicable to the Zone" and "Top Ten Taxpayers in the Zone (Certified Tax Roll)" under the heading "SECURITY AND SOURCE OF PAYMENT"; the heading "GENERAL FUND REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCE"; the subheadings "Municipal Sales Tax" and "Transfers from Utility Funds" under the heading "CERTAIN GENERAL FUND RECEIPTS OTHER THAN AD VALOREM TAXES"; the subheadings "Tax Valuation" (with respect to the appraised value as of January 1 during the fiscal year as to which such information relates), "Valuation and Funded Debt History", "Tax Rate, Levy and Collection History", "Ten Largest Taxpayers" and "Property Tax Rate Distribution" under the heading "TAX INFORMATION"; the subheading "Current Investments" under the heading "INVESTMENTS"; and APPENDIX B. The Corporation will update and provide this information as of the end of each fiscal year ending in or after 2014 within six months after the end of each fiscal year. The Corporation's current fiscal year is October 1 to September 30. Accordingly, it must provide updated information by March 31 of each year unless the Corporation changes its fiscal year. If the Corporation changes its fiscal year, it will notify the MSRB of the change.

Any financial statements of the City so to be provided will be (i) prepared in accordance with the accounting principles described in APPENDIX B, or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation, and (ii) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not completed within such period, then the Corporation will provide unaudited financial statements of the City by the required time and will provide audited financial statements of the City for the applicable fiscal year to the MSRB, when and if the audit report on such statements become available. The updated information also will include audited financial statements of the Corporation, if the Corporation commissions an audit and it is completed by the required time. If audited financial statements of the Corporation are not available by the required time, the Corporation will provide such audited financial statements to the MSRB when and if they become available. Any such audited financial statements will be prepared in accordance with generally accepted accounting principles, or such other accounting principles as the Corporation may be required to employ from time to time pursuant to State law or regulation.

The Corporation may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 (the "Rule"), promulgated by the United States Securities and Exchange Commission (the "SEC").

Disclosure Event Notices

The Corporation shall notify the MSRB, in a timely manner not in excess of ten Business Days after the occurrence of the event, of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (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 holders of the Bonds, if material; (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 Corporation; (13) the consummation of a merger, consolidation, or acquisition involving the Corporation or the sale of all or substantially all of the assets of the Corporation, 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; and (14) appointment of a successor Paying Agent/Registrar or change in the name of the Paying Agent/Registrar, if material. (Neither the Bonds nor the Indenture make any provision for debt service reserves or liquidity enhancement.) The Corporation shall notify the MSRB, in a timely manner, of any failure by the Corporation to provide financial information or operating data by the time required by the Indenture.

As used in clause 12 above, the phrase “bankruptcy, insolvency, receivership or similar event” means the appointment of a receiver, fiscal agent or similar officer for the Corporation in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Corporation, or if jurisdiction has been assumed by leaving the governing body and official or officers of the Corporation in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Corporation. The term “Business Day” means a day other than a Saturday, Sunday, a legal holiday, or a day on which banking institutions are authorized by law or executive order to close in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located.

Availability of Information

In connection with its continuing disclosure agreement entered into with respect to the Bonds, the Corporation will file all required information and documentation with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

Limitations and Amendments

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

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

Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Undertakings

The Corporation became obligated to make annual disclosure of certain financial information and operating data in connection with its previously issued Series 2006 Bonds and its Series 2009 Bonds. Due to an administrative oversight, the Corporation did not file annual audited financial statements of the City with the State Information Depository (the “SID”) for the fiscal years ending in 2007 through 2010, with each Nationally Recognized Municipal Securities Information Repository (“NRMSIR”) for the fiscal years ending in 2007 and 2008 and with the MSRB (now the only NRMSIR) for the fiscal years ending in 2009 through 2011. Additionally, the Corporation did not file certain annual financial information and operating data with the SID for the fiscal years ending in 2007 through 2011, with each NRMSIR for the fiscal years ending in 2007 and 2008 and with the MSRB for the fiscal years ending in 2009 through 2011. The Corporation has since filed all of the required information with the MSRB through its EMMA system and with the SID. The Corporation has implemented procedures to insure timely filing of all future financial information.

As a blended component unit of the City, the Corporation’s financial statements are contained in the City’s audited financial statements, which have been timely filed by the City in each of the fiscal years ending in 2007 through 2010 in connection with separate continuing disclosure undertakings entered into by the City with respect to certain other indebtedness issued by the City. In addition, all of the annual financial information and operating data relating to the City required to be filed by the Corporation has been timely filed by the City in each of the fiscal years ending in 2007 through 2010 in connection with such separate continuing disclosure undertakings. The City did not file its unaudited or audited financial statements for the fiscal year ending September 30, 2011 by the required deadline of March 31, 2012. The audited financial statements of the City for such fiscal year were filed on April 2, 2012. Annual financial information and operating data of the City were filed by the required time in accordance with the City’s continuing disclosure agreements in the above-cited year in which the audited financial statements were filed after March 31. The City has filed an event notice in connection with the late filing. In addition, multiple rating changes occurred with respect to certain obligations of the City between 2009 and 2013, and the City did not file event notices with respect to certain of such rating changes. The City has filed event notices with respect to the current ratings of certain of its outstanding obligations. Also, the City inadvertently omitted several tables from the annual financial information and operating data filing for the March 31, 2013 continuing disclosure report relating to certain obligations of the City. The City filed the omitted information on May 14, 2014. The City has implemented procedures to ensure timely filing of all future financial statements and event notices.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date hereof (“Existing Law”), (1) interest on the Bonds for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Bonds will not be treated as “specified private activity bonds”, the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See APPENDIX C - Form of Bond Counsel’s Opinion.

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the Corporation, including information and representations contained in the Corporation’s federal tax certificate, and (b) covenants of the Corporation contained in the documents authorizing the Bonds relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed therewith. Although it is expected that the Bonds will qualify as tax-exempt obligations for federal income tax purposes as of the date of issuance, the tax-exempt status of the Bonds could be affected by future events. However, future events beyond the control of the Corporation, as well as the failure to observe the aforementioned representations or covenants, could cause the interest on any series of the Bonds to become taxable retroactively to the date of issuance.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the Corporation with respect to the Bonds or the projects financed with the proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the owners of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Corporation as the taxpayer and the owners of the Bonds may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds (referred to herein as the "Original Issue Discount Bonds"), may be less than the principal amount thereof or one or more periods for the payment of interest on of the Bonds may not be equal to the accrual period or be in excess of one year. In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds, less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSIONS CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT BONDS BEFORE DETERMINING WHETHER TO PURCHASE ANY OF THE BONDS.

Interest on the Bonds will be includable as an adjustment for “adjusted current earnings” to calculate the alternative minimum tax imposed on corporations by section 55 of the Code. Section 55 of the Code imposes a tax equal to 20 percent for corporations, or 26 percent for noncorporate taxpayers (28 percent for taxable income exceeding \$175,000), of the taxpayer’s “alternative minimum taxable income,” if the amount of such alternative minimum tax is greater than the taxpayer’s regular income tax for the taxable year.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a “market discount” and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to “market discount bonds” to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A “market discount bond” is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of the Bonds under federal or state law, and could affect the market price or marketability of the Bonds. Any of the foregoing could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any of the foregoing becoming effective cannot be predicted. Prospective purchasers of the Bonds should consult with their own tax advisors regarding the foregoing matters.

OTHER RELEVANT INFORMATION

Ratings

The Bonds have received a rating of “AA+” by Standard & Poor’s Rating Services, a Standard & Poor’s Financial Services LLC business (“S&P”). The presently outstanding tax-supported debt of the City is rated “AAA” by S&P, “AAA” by Fitch Ratings and “Aaa” by Moody’s Investors Service, Inc. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and neither the Corporation nor the City makes any representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating companies, if in the judgment of one or all such companies, circumstances so warrant. Any such downward revision or withdrawal of such ratings, or by any one of them, may have an adverse effect on the market price of the Bonds. Except as described under “CONTINUING DISCLOSURE OF INFORMATION – Disclosure Event Notices”, neither the Corporation nor the City will undertake any responsibility to notify the owners of the Bonds of any such revisions or withdrawal of ratings.

Litigation

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the Corporation that would have a material adverse financial impact upon the Corporation or its operations.

Registration and Qualification

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

Legal Investments and Eligibility to Secure Public Funds in Texas

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Bonds are (i) negotiable instruments, (ii) investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (iii) legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the PFIA, the Bonds may have to be assigned a rating of at least “A” or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Legal Opinions and No-Litigation Certificate

The Corporation will furnish complete transcripts of proceedings had incident to the authorization and issuance of the Bonds including the unqualified approving legal opinion of the Attorney General of the State of Texas approving the Bonds and to the effect that the Bonds are valid and legally binding obligations of the Corporation, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the

effect that the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under “TAX MATTERS” in this Official Statement. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds or which would affect the provision made for their payment or security or in any manner questioning the validity of the Bonds will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions “SECURITY AND SOURCE OF PAYMENT” (exclusive of the subcaptions “Historical Assessed Valuation Applicable to the Zone”, “Top Ten Taxpayers in the Zone (Certified Tax Roll)” and “Projected Revenue Adequacy for the Bonds”), “BOND INFORMATION” (exclusive of the subcaptions “Book-Entry-Only System”, “Bondholder Remedies” and “Marketability of the Bonds”), the subcaptions “The Corporation” and “Reinvestment Zone Sixteen” under the caption “THE CORPORATION AND THE ZONE”, “CONTINUING DISCLOSURE OF INFORMATION” (exclusive of the subcaption “Compliance with Prior Undertakings”), “TAX MATTERS”, and the subcaptions “Registration and Qualification,” “Legal Investments and Eligibility to Secure Public Funds in Texas” and “Legal Opinions and No-Litigation Certificate” under the caption “OTHER RELEVANT INFORMATION” and “APPENDIX D – Summary of Certain Provisions of the Indenture” in the Official Statement and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues purported to be addressed therein and, with respect to the Bonds, such information conforms to the Bond Resolution and the Indenture. The legal opinions will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Haynes & Boone, LLP, Houston, Texas. In addition, Fulbright & Jaworski L.L.P., as disclosure counsel for the Corporation (“Disclosure Counsel”), will pass upon certain legal matters for the Corporation. The fees to be paid to Bond Counsel, counsel for the Underwriters and Disclosure Counsel are contingent on the sale and delivery of the Bonds. In connection with the transactions described in this Official Statement, Bond Counsel represents only the Corporation and the City.

Financial Advisor

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

Independent Auditors

The financial data listed as fiscal year 2014 has been derived from the unaudited internal records of the City. The City’s independent auditors have not reviewed, examined, or performed any procedures with respect to the unaudited financial information, nor have they expressed any opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with the unaudited financial information. The unaudited information is preliminary and is subject to change as a result of the audit and may differ from the audited financial statements when they are released.

The financial statements of the City included in APPENDIX B to this Official Statement have been audited by Deloitte & Touche LLP, independent auditors, to the extent and for the period indicated in their report.

Underwriting

RBC Capital Markets, as representative of the Underwriters, has agreed, subject to certain customary conditions to delivery, to purchase the Bonds from the Corporation at the initial prices indicated on the cover page hereof, less an underwriting discount of _____, plus accrued interest. The Underwriters will be obligated to purchase all the Bonds if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such initial public offering prices, which may be changed from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors

under federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Authenticity of Financial Data and Other Information

The financial data and other information contained in this Official Statement 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 will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. 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 has been authorized by the Bond Resolution and approved by the resolution adopted by the City Council of the City on August 28, 2014.

/s/

President

Mueller Local Government Corporation

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY

The following information has been presented for informational purposes only.

General Information

The City of Austin, chartered in 1839, has a Council-Manager form of government with a Mayor and six Councilmembers. Currently, the Mayor and Councilmembers are elected at large for three-year staggered terms with a maximum of two consecutive terms. The City Manager, appointed by the City Council, is responsible to them for the management of all City employees and the administration of all City affairs.

With the passage of amendments to the City Charter at an election held on November 6, 2012, several changes to the City Council will take place beginning with the November 4, 2014 election. The City Council will expand from 7 to 11 members (10 who are residents of specific geographic districts, with the mayor elected citywide); elections will move from May to November in even-numbered years; and Council terms will lengthen from 3 years to 4. The City Auditor oversaw the process which resulted in selection of a 14-member Independent Citizens Redistricting Commission (the "Commission"). The Commission received extensive public input before certifying the final redistricting plan and delivering it to City Council in November 2013. Additional information may be found at <http://www.austintexas.gov/news/city-launches-website-assist-residents-single-member-districts> and http://www.austinredistricting.org/wp-content/uploads/2013/11/Austin_Final-Plan.pdf.

Austin, the capital of Texas, is the fourth largest city in the state (behind Houston, Dallas, and San Antonio) and the eleventh largest in the nation with a September 2013 population of 841,649, according to the City's estimates. Over the past ten years, Austin's population has increased by approximately 23.1% or 158,098 residents. Geographically, Austin consists of approximately 321 square miles. The current estimated median household income for Austin residents is \$49,227 according to Claritas, a Nielsen company. Austin's per capita income is estimated to be \$45,581 based on analysis of the Bureau of Economic Analysis information.

Austin is nationally recognized as a great place to live due in part to its diverse and eclectic population, as well as its promotion of a year-round outdoor active lifestyle. Austin draws its special character from its physical setting along the Balcones Escarpment, a city wedged between coastal plains and dramatic cliffs, canyons and juniper-carpeted rolling hills; it sits on the edge of the Chihuahuan desert existing as a physical and cultural oasis where talented, entrepreneurial, hard-working people are drawn from all over the world. Austin's quality of life has become its biggest economic development engine, and the City's diverse demographic structure serves to support and enrich its quality of life.

The City of Austin is fortunate to offer a host of broad-ranged educational opportunities for those individuals with a desire to learn. Austin is a highly educated city, with approximately 45% of adults 25 years of age or older holding a bachelor's or advanced degree, compared to 28.5% for the U.S. as a whole. Higher education is a significant aspect of life in the Austin area, which is host to six universities, a robust community college system, and numerous other institutions of higher learning. The University of Texas at Austin (UT), the fifth largest public university in the nation, is known as a world-class center of education and research and was ranked 46th nationally and 16th among public universities in the 2014 U.S. News and World Report survey of undergraduate programs.

THE ECONOMIC OUTLOOK AND MAJOR INITIATIVES

Local Economy

The Austin metropolitan area is consistently recognized among the most inventive, creative, wired, educated, fit, and loved cities in which to live and work. In February 2014, Forbes confirmed Austin's popularity as the City topped its list of America's Fastest-Growing Cities for the fourth year in a row. The City's demographer estimates that about 110 people move to the Austin metro area every day. The Austin metropolitan area is booming and the trends reflect it. From job growth to population growth to real estate, the trends are positive and are expected to continue in this manner into the near future.

In 2013, the Austin metropolitan area ranked number 1 in the Milken Institute Best-Performing Cities Index, which ranks U.S. metropolitan areas by how well they are creating and sustaining jobs and economic growth. The index “was designed to measure objectively which U.S. metropolitan areas are promoting economic vitality based on job creation and retention, the quality of new jobs, and other criteria.”

The Texas economy continues to be strong. In September 2013, Forbes listed Texas as #2 in the list of Best States for Job Growth. Forbes has indicated that Texas is the only state “that ranks in the top five for both current economic climate and growth prospects.” Moody’s Analytics economic research firm expects employment to expand 3% annually through 2017 as Texas attracts businesses because of its regulatory environment, low taxes, and skilled workforce.

Employment - Virtually all Texas metro areas had more jobs in December 2013 than in December 2012. Texas’ employment growth at 2.3% continues to outpace the nation at 1.6%, and the Austin metro area is growing faster than both, at 2.8%. Austin’s unemployment rate was at 4.5% in December 2013, down from 5.0% in December 2012. The State and National unemployment rates in December 2013 were 6.0% and 6.7%, respectively.

Over the last four years, the Austin metro area has created more than 105,000 new jobs. This growth has been shared by all levels of wage earners. In 2013 and 2014 Forbes listed the area at or near the top of several lists including: “Best U.S. Cities for Future Job Growth”; “Cities Creating the Most Tech Jobs” (over 41% 2001 – 2013); “Cities Creating the Most Middle Class Jobs” (7.6% since 2007); and “Blue Collar Hot Spots” (10% since 2010).

This growth is expected to continue through 2017, according to “America’s Job Outlook”, published by CareerBuilder and Examination Management Services, Inc. This report projects total job growth of 9.7% in the Austin metro area, well ahead of the national level of 4.4% for the period 2013 through 2017. In addition, high-wage jobs are expected to grow at a rate of 9.4%, the second highest level in the nation. The report states, “Austin’s position as one of the strongest markets for high-wage job growth, and job growth overall, has been fueled by its diverse industry mix.”

Economic Development - The City’s economic development efforts have greatly contributed to job growth. In 2013, the City executed economic development contracts with National Instruments and Visa, Inc., resulting in 1,794 new full-time jobs and capital investment of \$107.3 million. In early 2014, City Council approved additional agreements which will result in 1,247 new full-time jobs. The combined economic impact of such agreements since the beginning of 2012 is over 7,700 direct jobs and \$476 million in capital investment.

Over the next several years a new medical school will be constructed at the University of Texas at Austin. The Board of Regents for the University of Texas System approved the creation of the Dell Medical School and pledged funds for its construction as well as for faculty recruitment and continuing support. The University is partnering with the Seton Healthcare Family, who will build a new teaching hospital that will replace University Medical Center Brackenridge, and Central Health (the Travis County Healthcare District) who will purchase services from the medical school for the population it serves. The plan is supported by a broad cross-section of the community including the voters who in November 2012 approved a proposition for Central Health to increase property taxes by \$.05 per \$100 of assessed value to help fund these initiatives. In January, the first Dean of the medical school was selected and the school is scheduled to accept its first class in 2016. An economic analysis by TXP, Inc. estimates the economic impact of the school to be almost \$1 billion in direct annual spending and 6,900 direct jobs.

Tourism - Austin continues to be a destination for both business and recreational activities. Austin is known around the world as the “Live Music Capital of the World” with over 250 live music venues. In March 2014, South by Southwest (SXSW) hosted its 27th annual festival, conference, and trade show, providing a unique convergence of original music, independent films, and emerging technologies. According to an economic impact analysis prepared by Greyhill Advisors, SXSW was responsible for injecting more than \$218 million into the Austin economy. In October 2013, the Austin City Limits Music Festival expanded to two weekends, increasing opportunities for attendance and compounding the economic impact which was estimated at \$102 million for the prior year.

The region’s tourism industry got a boost in the fall of 2012 with the completion of the Circuit Of The Americas™ (COTA) complex and Austin’s first ever United States Formula One™ Grand Prix race (F1). Three-day attendance for the F1 races in 2012 and 2013 exceeded 265,000 and 250,000, respectively. The COTA site is a state-of-the-art motorsports and entertainment venue constructed in southeast Travis County. In addition to being the first purpose-built Grand Prix facility in the United States, the complex houses a 40,000 square foot conference/media center, a 5,500 square foot medical center, and an amphitheater with 17,000 seating capacity. The facility operates throughout the year,

showcasing events such as F1, Australian V8 Supercars, MotoGP, American LeMans series, Motocross, motorsport clubs, concerts, and foot and bicycle races. In 2013, despite stiff competition from several other cities, the COTA facility in Austin competed for and was chosen as the location of ESPN's summer X Games. Austin will host this extreme sports and concert event for four years beginning in the summer of 2014. The COTA site was annexed by the City in 2013, resulting in an increase in the City's property tax base, sales tax revenues, and mixed beverage taxes.

The growing local economy in Austin relies on quality air service to foster business, government, and leisure travel. During 2013, Austin Bergstrom International Airport ("ABIA") set a new record for annual traffic for the third consecutive year, a 6% increase over the previous year's record. For the first time, over 10 million passengers passed through ABIA, enjoying over 1,100 live music performances and 59 tons of brisket. Three new carriers inaugurated services at ABIA during the year; and in March 2014, British Airways offered the first transatlantic air service between London and Austin, facilitating connections with over 70 countries throughout Europe, Africa, the Middle East and Asia. To accommodate this growth, City Council recently approved the first step of a seven gate expansion project at ABIA.

Hotel occupancy is strong with 2013 city-wide occupancy rates at 72.5% and with downtown rates at 77%. As a result, hotel motel tax revenues continue to grow and in 2013 were 20% greater than the previous year. High occupancy rates have also spurred construction of new hotels in Austin, including JW Marriott, Westin, and Hotel Van Zandt, which will add in excess of 1,600 rooms downtown, an increase of over 25%. In addition the Fairmont Austin is in the final stages of permitting and is planned to have over 1,000 rooms.

Real Estate - All sectors of the real estate market are performing well. In 2013, building inspections almost doubled over 2012. Austin area home sales for 2013 were up 19% over 2012 and as of the end of December the market featured 2.0 months of housing, a historical low. As a result, the median price for a single family home is up about 9% over the previous year from \$205,000 to \$223,890. However, according to the National Association of Home Builders, Austin is in the mid-range of the major Texas cities when looking at overall housing affordability, which factors median family income into the equation. Multifamily occupancy rates are near 97%, rents per square foot are at an all-time high of \$1.21, and absorption over the year was almost 4,600 units. Occupancy is expected to remain stable in the 95% to 96% range despite the more than 9,000 new units scheduled for delivery in 2014. The office market is also strong with an average occupancy rate of almost 89% at the end of 2013. Further evidence of the strength of the office market is the sale of over six million square feet of office space in the second half of 2013.

Sales Taxes - Sales tax revenue has shown positive growth over the past four fiscal years. Fiscal year 2013 experienced a robust 7.3% increase over fiscal year 2012, which was an 8.6% increase over 2011.

Recognition - In addition to the rankings mentioned above, Austin has ranked at the top of lists such as Bloomberg, NerdWallet, and others in regards to career choice, recreation opportunities, income, and business opportunities:

America's Top Boomtown <i>Bloomberg</i> – April 2013	#1 Top 10 Cities to be a Moviemaker <i>MovieMaker</i> – March 2013	#1 Top 15 Aspirational Cities <i>The Daily Beast</i> – July 2013
#1 Best Cities for Job-seekers <i>NerdWallet</i> – January 2014	#1 Hottest U.S. Startup Scene <i>GoodApril.com</i> – July 2013	# 8 Best Run Cities in America <i>24/7 Wall St.</i> - January 2014
#7 World's 20 Most Dynamic Cities <i>City Momentum Index</i> Jones Lang LaSalle - January 2014	#1 Metro Areas with Most Economic Momentum Going Into 2014 <i>Forbes</i> – December 2013	#4 Best Big Cities for Women in the Workforce <i>NerdWallet</i> – May 2013
10 Up and Coming Cities for Entrepreneurs (International) <i>Forbes</i> – September 2013	Holiday Hotspots: Where to go in 2014 (International) <i>The Guardian</i> – January 2014	#1 2013 Small Business Friendliness Survey <i>Thumbtack.com</i> – June 2013

Major Initiatives

The City of Austin's vision is to be the most livable City in the country. The following policy priorities were adopted in April 2007 by the Austin City Council and amended in 2009:

- Rich Social and Cultural Community
- Vibrant Urban Fabric
- Healthy, Family-Friendly, Safe City
- Sustainable Economic Development and Financial Health

Best Managed City - To achieve our vision of making Austin the most livable city in the country and to support City Council's policies and initiatives, the employees of the City – whether they be executives, managers, or front-line service providers – have the singular mission of making the City of Austin the best managed city in the country. We implement this mission through transparent business practices, excellence in public service, innovative leadership, and providing services that are reliable, safe, efficient, and above national standards.

City staff is committed to creating a work environment that fosters creative thinking and innovation throughout the organization, thereby better positioning the workforce to more effectively respond to new challenges as well as new opportunities. City employees take enormous pride in their work. PRIDE reflects the City's core values of public service and how employees relate to customers and each other. The elements of PRIDE include: Public Service & Engagement; Responsibility & Accountability; Innovation & Sustainability; Diversity & Inclusion; and Ethics & Integrity.

Being “best managed” means everyone in the organization is providing the best service possible to the community. The City is launching a city-wide customer service initiative, one of the City Manager's top priorities for the organization, to ensure that the provision of City services results in a positive customer experience for our citizens in addition to their service requests being met.

Imagine Austin - Austin residents share a sense of community pride and a determination that the City's vision is not just a slogan, but a reality for everyone who lives here. In 2012, after an extensive public process, the City Council unanimously voted to adopt Imagine Austin, the City's comprehensive plan for Austin's future. The plan defines where the City is today and where we want to go, setting a context to guide decision-makers for the next 30 years. The resulting plan adheres to 6 core principles established by our citizens:

- Grow as a compact, connected city
- Integrate nature into the city
- Provide paths to prosperity for all
- Develop as an affordable and healthy community
- Sustainably manage water, energy, and other environmental resources
- Think creatively and work together

Implementing this vision will take many incremental steps over time. Cross-departmental and cross-jurisdictional action teams have been created for these areas and the 2014 budget and capital plan included funding to support these principles. Further, a number of the initiatives discussed below also directly support Imagine Austin.

Development – In addition to its economic development efforts, the City has been committed to the redevelopment of a number of its downtown properties. Beginning with the development of six blocks in the warehouse district in the early 2000's, Austin's participation in joint public/private partnerships continues to contribute to a vibrant downtown and an enhanced tax base. Current downtown redevelopment focused in the Seaholm District includes:

- Groundbreaking for the construction of a new 198,000 square-foot central library in May 2013. This “library for the future” will have advanced sustainable features and is expected to be completed in 2016;
- Extensive improvements to Shoal Creek in the Seaholm area to improve streambank stabilization, and complete the gap in the existing trail, facilitating bicycle and pedestrian use;
- Construction of a mixed-used development that will involve renovation and reuse of the historical and

- architecturally-significant Seaholm power plant. The offices of athenahealth, with whom the City recently executed an economic development incentive agreement, will be located in this development.
- Kick-off of the redevelopment of the Green Water Treatment Plant site with the sale and transfer of the first portion of the site to the development team who will construct a 38-floor mixed-use tower, including affordable living units. The first phase of this project also includes completion of the street grid in the district to enhance connectivity to Seaholm.

In 2014, the City will finalize construction of the Waller Creek Tunnel Project on the eastern edge of downtown. This mile-long stormwater bypass tunnel will address problems of flooding, erosion, and water pollution along lower Waller Creek. By taking nearly 28 acres of downtown land out of the 100-year floodplain, the project is expected to spur redevelopment and revitalization in the area. In addition, the City partnered with the Waller Creek Conservancy to create the Waller Creek District, a mile and a half long, 28 acre masterpiece park, along Waller Creek which spans from the mouth of Lady Bird Lake north to the University of Texas. The District, with construction now in progress, will include walking and bicycle paths, a 7,000 seat iconic event structure, specialized children's areas, meditation gardens and lattice bridges that provide connectivity across a creek which will now be turned into a healthy ecosystem.

Several miles from downtown, the City continues its public/private partnership to redevelop the site of the previous airport, Mueller. This 700 acre, vibrant, mixed-use urban village includes residential neighborhoods, retail, and office spaces, extensive parks, and trails. The development, which is sustainable, transit-oriented, and offers affordable housing opportunities, is about one-third complete and has a current assessed value of over \$450 million. Demand for housing at Mueller has been high due to its proximity to downtown and many amenities.

Transparency – The City's ongoing commitment to transparency of financial transactions and processes is exemplified by Austin Finance Online (AFO). Since its inception in 2011, AFO has been recognized by the Texas State Comptroller for achieving the highest standards in financial transparency online by awarding the City's website with its Gold Level Leadership Circle Award. AFO provides a one-stop web-based portal containing an extensive library of budget and financial documents, an online contract catalog, payment register information, and other City financial information.

In 2013, Austin received a perfect score for its online transparency of economic development subsidies according to Good Jobs First, a Washington D.C.-based non-profit research center on economic development accountability. Last fall the City's government broadcasting channel was one of four nationally that received the "Excellence in Programming" award, from The National Association of Telecommunications Officers and Advisors "for actively supporting community programming's role in building stronger, more connected communities."

Innovation - In September 2013, the City's website, AustinTexas.gov was selected by Government Technology and the Center for Digital Government to receive a "Best of the Web" award in the city portal category. The first place award was given based on innovation, functionality, productivity, and performance and for having "...demonstrated the ability to adapt to the changing technology landscape, while creating first-class public and business services." The City also received a 2013 Driving Digital Government Award for the Austin Infrastructure Management, Mapping, Planning and Coordination Tool which provides key coordination of the mapping of infrastructure projects to identify possible conflicts and opportunities for collaboration reducing the City's infrastructure repair and rehabilitation costs.

Climate Protection - The City of Austin has long been a national leader in the climate protection arena through the efforts of City leaders, the city-owned electric utility, (Austin Energy), and the participation of customers from residential to other governmental entities and private businesses. As a result of these efforts and partnerships, Austin Energy led all public power utilities in the country for sales of renewable energy in 2012. In 2012, Austin became the first large city in America to power all of its city-owned buildings 100% with renewable energy, a goal set five years earlier. As a result, Austin received an EPA 2013 Climate Leadership Award for its achievement of this goal. The award recognizes high-quality leadership in response to climate change. Austin Energy also received the EPA's 2013 Energy Star Partner of the year Award for Sustained Excellence for outstanding contributions to energy efficiency for the ninth year in a row and was cited as having saved a combined 25 million kilowatt-hours of electricity annually through its energy efficiency programs. Finally Austin Energy won the International City/County Management Association, (ICMA) 2013 Program Excellence Award for Community Sustainability (for a large city) for its Green Building Program that promotes construction of more sustainable and eco-friendly homes and buildings.

FINANCIAL INFORMATION

Internal Controls

City management is responsible for establishing, implementing, and maintaining a framework of internal controls designed to ensure that City assets are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The system of internal controls is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management.

Financial Policies

The City has adopted a comprehensive set of Financial Policies to ensure that the City's financial resources are managed in a prudent manner and to provide a foundation for financial sustainability. These policies dictate that current revenue will be sufficient to support current expenditures (defined as "structural balance"). Assigned and unassigned fund balances in excess of what is required shall normally be used to fund capital items in the operating and capital budgets. The City maintains the goal of a structurally balanced budget to achieve long-term financial stability for the Austin community. Compliance with these policies is reviewed annually as part of the budget process. The policies and results of the review are published in the Approved Budget document.

Long-term Financial Planning

Austin leaders are continually looking towards and planning for the future. The Austin approach of balancing the budget by not relying on one-time solutions, while at the same time making key investments in our community, our infrastructure, our economy, our sustainability, and our employees is providing a 21st century "best-managed" model for cities all around the country. A key City financial policy requires annual preparation of a five-year financial forecast projecting revenues and expenditures for all operating funds. This forecast is used as a planning tool to develop the following year's operating budget. As directed by the financial policies, the City's budgeting approach emphasizes fiscal responsibility by limiting spending in a given year to projected revenue collections.

In addition, the City annually prepares a five-year Capital Improvement Project (CIP) Plan that outlines all capital projects in progress, those that will be implemented in the five-year horizon, and related funding sources. The City is currently developing a ten-year CIP Strategic Plan to look further into the future than the annual process. This plan, which should be complete within the next year, will focus on implementing Imagine Austin as well as other intersecting City initiatives and priorities through capital projects, and will improve the transparency of the City's long-term infrastructure plans.

On November 6, 2012, Austin voters approved a \$307 million general obligation bond program that includes transportation and mobility projects, as well as projects for open space and watershed protection, parks and recreation, public safety, health and human services, and library, museum and cultural arts facilities. This bond program will be overseen by the Council-appointed Bond Oversight Committee, which is charged with ensuring efficiency, equity, timeliness, and accountability in the implementation of the program. Additionally on November 5, 2013, voters approved \$65 million in general obligation debt for affordable rental and ownership housing as well as preservation of existing affordable housing stock.

Maintaining sound financial and economic development policies within the City organization allows for a high level of services to the community. Because of our consistent adherence to our financial policies, the City's bond ratings for General Obligation bonds continue to be "AAA" for all three bond rating agencies, Moody's (Aaa), Standard & Poor's and Fitch Investors. In November 2012, Austin Energy improved its Standard & Poor's credit rating from A+ to AA-, a reflection of the recent rate increase and the utility's diverse portfolio, as well as Austin's robust economy.

Budgetary Control

The annual operating budget is proposed by the City Manager and approved by the City Council after public discussion. Annual budgets are legally required for the General Fund, debt service funds, and certain special revenue funds. While not legally required, annual budgets are also adopted for the enterprise and internal service funds. Annual updates to the

Capital Improvements Program budgets follow a similar process. Multi-year budgets are adopted for capital projects and grant funds.

Throughout the year, primary responsibility for fiscal analysis of budget to actual expense or revenue and overall program fiscal standing rests with the department operating the program. The City Manager is authorized to transfer appropriation balances within a fund and department of the City. The City Council must approve amendments to the budget and transfers of appropriations from one fund and department to another. As demonstrated by the statements and schedules included in the City's 2013 CAFR, the City continues to meet its responsibility for sound financial management. See "APPENDIX B – AUDITED FINANCIAL STATEMENTS".

Budgetary Information

The 2014 Budget was developed in a manner true to the City's unwavering commitment to openness, transparency, and public engagement. The City's Budget is organized around activities and services. The budget development process integrates the City's finances with business planning, performance measurement, and resident input, thereby elevating budget discussions to meaningful conversations about outcomes that impact our residents. Input was gathered and evaluated to address the many issues, concerns, and priorities identified by Austin's citizens, employees, and Councilmembers. The result was a budget built around the ideals of livability, affordability and inclusivity that dictate the operations of our City government and form the basis of the budget.

The structurally balanced fiscal year 2014 Approved Budget totals \$3.3 billion and includes \$799.8 million for the General Fund, providing for the continuation of high-quality public safety, health, library, parks, water, energy, infrastructure, development, and other services to the citizens of Austin. The 2014 budget was approved with a decrease to the property tax rate of .02 cents, from 50.29 to 50.27 cents per \$100 of taxable value. The approved tax rate balances the tax impact to property owners with the need to invest in our community and continue providing the outstanding services Austinites have come to expect.

Included in the approved budget are moderate pay increases for non-sworn employees and police officers of 1.5%. In addition non-sworn employees will receive an annual salary adjustment at mid-year of \$750. The budget also includes increases associated with step and longevity pay for sworn police personnel as required in the approved terms of the labor contract executed in June 2013. Labor contract negotiations with the firefighters are ongoing and adjustments to the budget may be required once the contract is completed; however, as agreed to in the expiring contract, funding was included to support a 1% annual increase to their retirement system. In November 2012, the citizens of Austin approved adoption of the Emergency Medical Services Personnel Civil Service Law. The first contract under this new law was finalized in September 2013 and is effective for the 2014 fiscal year. The approved contract provides for a pay increase of 1.5% as well as the costs associated with the creation of a step pay system for emergency medical services personnel.

The City's largest enterprise department, Austin Energy, is the eighth largest municipal-owned electric utility in the United States in terms of customers served. Austin Energy serves more than 420,000 customers within a service territory of approximately 437 square miles in the Greater Austin area. The approved budget for fiscal year 2014 is \$1.36 billion in annual revenues, including transfers. The utility has a diverse generation mix that includes nuclear, coal, natural gas, and an increasing portfolio of renewable energy sources to meet the City Council goal of 35% renewable resources by 2020.

The City's second largest enterprise activity is the Austin Water Utility, which provides water and wastewater services to almost 218,000 customers within Austin and surrounding areas. The fiscal year 2014 budget projects revenues of \$544.9 million. Growth in revenue is the result of projected customer growth as well as a combined system-wide rate increase of 4.9% in consideration of mandatory restrictions as a result of the continued drought.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awards a Certificate of Achievement for Excellence in Financial Reporting to a governmental unit that publishes a Comprehensive Annual Financial Report that meets the GFOA program standards. The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its 2012 CAFR. The City has received this award for 6 consecutive

years. The certificate is valid for a period of one year only. City management believes that this 2013 CAFR conforms to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA for review.

The City also received the GFOA Distinguished Budget Presentation award for the 2013 budget as well as a 2013 Certificate of Excellence in Performance Measurement from the ICMA.

Employment by Industry in the Austin Metropolitan Area (a)

Employment Characteristics

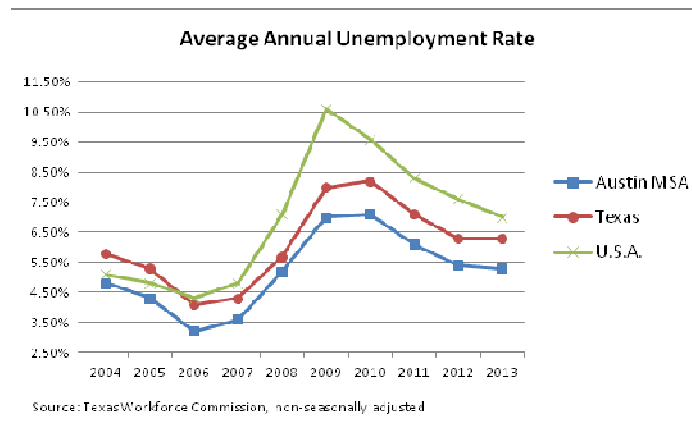
	<u>2009</u>		<u>2010</u>		<u>2011</u>		<u>2012</u>		<u>2013</u>	
<u>Industrial Classification</u>		<u>% of Total</u>		<u>% of Total</u>		<u>% of Total</u>		<u>% of Total</u>		<u>% of Total</u>
Manufacturing	49,500	6.5%	47,300	6.2%	49,500	6.5%	47,300	6.2%	51,200	6.0%
Government	167,900	22.1%	170,500	22.2%	167,900	22.1%	170,500	22.2%	164,100	19.3%
Trade, transportation & utilities	152,500	20.1%	134,200	17.5%	152,500	20.1%	134,200	17.5%	151,500	17.8%
Services and miscellaneous	304,000	40.0%	333,200	43.5%	304,000	40.0%	333,200	43.5%	394,000	46.2%
Finance, insurance and real estate	43,900	5.8%	42,300	5.5%	43,900	5.8%	42,300	5.5%	45,400	5.3%
Natural resources, mining & construction	<u>42,000</u>	<u>5.5%</u>	<u>39,000</u>	<u>5.1%</u>	<u>42,000</u>	<u>5.5%</u>	<u>39,000</u>	<u>5.1%</u>	<u>46,100</u>	<u>5.4%</u>
Total	<u>759,800</u>	<u>100.0%</u>	<u>766,500</u>	<u>100.00%</u>	<u>759,800</u>	<u>100.0%</u>	<u>766,500</u>	<u>100.00%</u>	<u>852,300</u>	<u>100.00%</u>

(a) Austin-Round Rock MSA includes Travis, Bastrop, Caldwell, Hays and Williamson Counties. Information is updated periodically; data contained in this document is the latest provided. Based on calendar year.

Source: Texas Labor Market Review, November 2013, Texas Workforce Commission.

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Average Annual Unemployment Rate



	<u>Austin MSA</u>	<u>Texas</u>	<u>U.S.A.</u>
2004	4.8%	5.8%	5.1%
2005	4.3%	5.3%	4.8%
2006	3.2%	4.1%	4.3%
2007	3.6%	4.3%	4.8%
2008	5.2%	5.7%	7.1%
2009	7.0%	8.0%	10.6%
2010	7.1%	8.2%	9.6%
2011	6.1%	7.1%	8.3%
2012	5.4%	6.3%	7.6%
2013	5.3%	6.3%	7.0%

Note: Information is updated periodically; data contained in this document is latest provided.

Source: Texas Labor Market Review, November 2013, Texas Workforce Commission.

City Sales Tax Collections (In Millions)

<u>Period</u>	<u>Amount</u>	<u>Period</u>	<u>Amount</u>	<u>Period</u>	<u>Amount</u>	<u>Period</u>	<u>Amount</u>	<u>Period</u>	<u>Amount</u>	<u>Period</u>	<u>Amount</u>
1-1-09	\$10.864	1-1-10	\$10.215	1-1-11	\$11.492	1-1-12	\$12.189	1-1-13	\$13.126	1-1-14	\$15.123
2-1-09	14.289	2-1-10	15.921	2-1-11	16.149	2-1-12	16.923	2-1-13	18.079	2-1-14	19.112
3-1-09	10.528	3-1-10	10.736	3-1-11	11.117	3-1-12	11.762	3-1-13	13.324	3-1-14	13.782
4-1-09	9.724	4-1-10	10.290	4-1-11	10.312	4-1-12	11.838	4-1-13	12.727	4-1-14	13.803
5-1-09	12.612	5-1-10	14.145	5-1-11	14.022	5-1-12	15.239	5-1-13	15.962		
6-1-09	11.213	6-1-10	11.533	6-1-11	11.941	6-1-12	12.949	6-1-13	12.869		
7-1-09	10.752	7-1-10	11.569	7-1-11	11.924	7-1-12	13.168	7-1-13	14.699		
8-1-09	13.495	8-1-10	12.799	8-1-11	14.387	8-1-12	15.371	8-1-13	16.088		
9-1-09	10.673	9-1-10	11.427	9-1-11	11.307	9-1-12	14.220	9-1-13	14.119		
10-1-09	11.037	10-1-10	11.562	10-1-11	13.385	10-1-12	13.960	10-1-13	14.644		
11-1-09	12.419	11-1-10	13.347	11-1-11	13.873	11-1-12	14.570	11-1-13	16.187		
12-1-09	11.165	12-1-10	11.216	12-1-11	12.004	12-1-12	14.373	12-1-13	14.192		

(1) Collections for 2-1-10 reflect a \$1.5 million one-time sales tax correction.

(2) Collections for 10-1-11 reflect an increase of \$1,162,541 in future period and audit collection adjustments from the prior year. Sales taxes are not pledged to the payment of the Bonds.

Source: City of Austin, Budget Office.

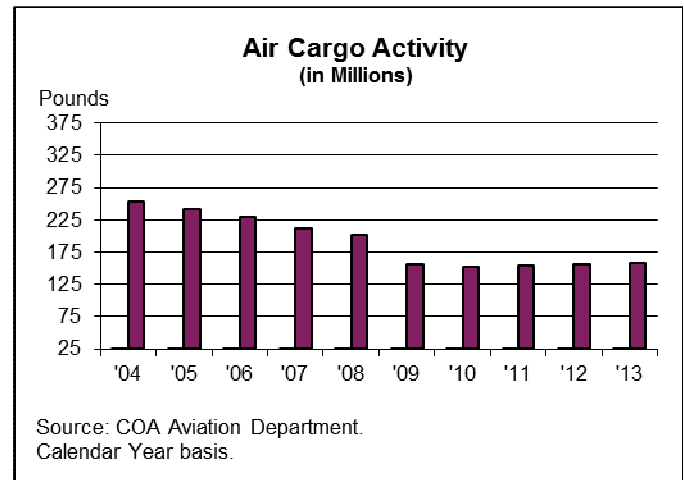
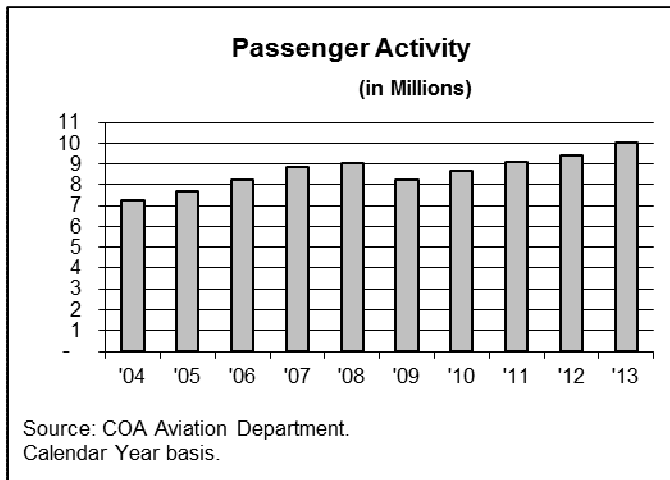
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Ten Largest Employers (As of September 30, 2013)

<u>Employer</u>	<u>Product or Service</u>	<u>Employees</u>
State Government	State Government	36,948
The University of Texas at Austin	Education	24,183
Dell Computer Corporation	Computers	14,000
Seton Healthcare Network	Healthcare	12,609
City of Austin	City Government	12,372
Austin Independent School District	Education	11,465
HEB Grocery	Grocery/Retail	11,277
Federal Government	Government	10,500
St. David's Healthcare Partnership	Healthcare	7,950
IBM Corporation	Computers	6,500

Source: 2013 Comprehensive Annual Financial Report.

Transportation



Austin-Bergstrom International Airport

ABIA, which opened for passenger service on May 23, 1999 and replaced the Robert Mueller Municipal Airport as the City's commercial passenger service airport, is served by seven signatory airlines: American Airlines, Delta, Frontier, JetBlue, Southwest, United and US Airways. Non-stop service is available to 34 U.S. destinations. On March 3, 2014, British Airways began non-stop service to London Heathrow Airport.

On February 21, 2013, the City issued \$143,770,000 of its Rental Car Special Facility Revenue Bonds, Taxable Series 2013, to finance a state-of-the-art rental car facility within walking distance of the Airport terminal. Ground breaking for the facility occurred in April 2013, construction is underway and completion of the facility is expected to occur in September 2015.

Other Forms of Transit

Rail facilities are furnished by Union Pacific and Longhorn Railway Company. Amtrak brought passenger trains back to the City in January 1973, as one of the infrequent stops on the Mexico City-Kansas City route. Bus service is provided by Greyhound and Kerrville Bus-Coach USA.

On January 19, 1985, the citizens of Austin and several surrounding areas approved the creation of a metropolitan transit authority ("Capital Metro") and adopted an additional one percent sales tax to finance a transit system for the area, which was later reduced to three quarters of a percent, effective April 1, 1989. On June 12, 1995, the Capital Metro board approved a one quarter percent increase in the sales tax, thus returning to one percent effective October 1, 1995.

Demographic and Economic Statistics - Last Ten Years

<u>Year</u>	City of Austin <u>Population</u> (1)	Area of Incorporation (<u>Square Miles</u>) (1)	Population MSA (2)	Income (MSA) (thousands of dollars) (2)	Median Household Income MSA (3)	Capita Personal Income MSA (2)	Unemployment Rate (MSA) (4)
2004	683,551	291	1,423,161	\$46,134,871	\$39,227	\$32,417	5.1%
2005	695,881	294	1,464,563	51,058,588	40,335	34,863	4.5%
2006	714,237	296	1,528,958	56,105,872	40,888	36,695	4.2%
2007	732,381	297	1,577,856	59,924,200	42,263	37,978	3.7%
2008	746,105	298	1,633,870	65,153,669	46,340	39,877	4.4%
2009	770,296	302	1,682,338	64,383,075	47,520	38,270	6.8%
2010	778,560	306	1,727,661	67,582,224	48,460	39,118	7.1%
2011	805,662	308	1,780,708	74,168,909	46,689	41,651	6.8%
2012	821,012	319	1,834,303	78,695,523	46,436	42,902	5.8%
2013	841,649	321	1,912,746 (6)	84,931,866 (5)	49,227	44,403 (5)	5.3%
2004-2013 Change	23.13%	10.31%	34.40%	84.09%	25.49%	36.97%	

Note: Prior year statistics are subject to change as more precise numbers become available.

- (1) Source: City Demographer, City of Austin, Neighborhood Planning and Zoning Department based on full purpose area as of September 30.
- (2) Source: Bureau of Economic Analysis for all years except 2013 which will not be available until after first quarter 2014.
- (3) Source: Claritas, a Nielson Company.
- (4) Source: Bureau of Labor Statistics; United States Department of Labor as of September 30.
- (5) Data not available for 2013. Figures are estimated.
- (6) Source: PFM CBK – CBSA 2013.

Connections and Permits

<u>Year</u>	<u>Utility Connections</u>			<u>Building Permits</u>		
	<u>Electric</u>	<u>Water</u>	<u>Gas</u>	<u>Taxable</u>	<u>Federal, State and Municipal</u>	<u>Total</u>
2004	369,458	188,441	203,966	1,280,385,298	20,533,975	1,300,919,273
2005	372,735	192,511	207,686	1,405,871,887	40,484,950	1,446,356,837
2006	380,696	197,511	213,009	2,353,171,746	16,526,040	2,369,697,786
2007	388,626	199,671	188,101	2,529,648,915	14,272,851	2,543,921,766
2008	396,791	206,695	198,718	1,468,699,801	4,099,000	1,472,798,801
2009	407,926	209,994	208,232	834,498,480	6,988,999	841,487,479
2010	419,355	210,901	204,823	1,413,989,503	4,252,978	1,418,242,481
2011	418,968	212,754	213,365	745,909,589	2,812,350	748,721,939
2012	412,552	214,971	217,170	1,088,133,995	23,788,268	1,111,922,263
2013	430,582	217,070	216,688	1,456,541,504	-	1,456,541,504

Source: Various, including the City of Austin, Texas Gas Services, Atmos Energy and Centerpoint Energy.

Housing Units

The average rent for a two-bedroom apartment in the Austin area was \$1,190 per month, with an occupancy rate of 96.9% in December 2013, per Capitol Market Research.

Residential Sales Data

<u>Year</u>	<u>Number of Sales</u>	<u>Total Volume</u>	<u>Average Price</u>
2004	22,567	\$4,487,464,528	\$198,900
2005	26,905	5,660,934,916	210,400
2006	30,284	6,961,725,607	229,900
2007	28,048	6,910,962,480	246,400
2008	22,440	5,470,518,171	243,800
2009	20,747	4,924,240,373	237,300
2010	19,872	4,906,445,110	246,900
2011	21,208	5,336,642,011	251,600
2012	25,521	6,786,966,004	266,000
2013	30,419	8,714,544,439	286,500

Note: Information is updated periodically, data contained in this document is latest provided.

Source: Real Estate Center at Texas A&M University.

City-Wide Austin Office Occupancy Rate

<u>Year</u>	<u>Occupancy Rate</u>
2004	80.8%
2005	84.2%
2006	87.5%
2007	85.6%
2008	80.6%
2009	77.7%
2010	80.0%
2011	82.7%
2012	86.8%
2013	89.2%

Source: Oxford Commercial.

Education

The Austin Independent School District had an enrollment of 85,363 for the 2013/2014 school year. The District includes 128 campus buildings.

<u>School Year</u>	<u>Average Daily Membership</u>	<u>Average Daily Attendance</u>
2004/05	77,937	73,572
2005/06	79,500	74,860
2006/07	82,063	74,212
2007/08	82,739	74,622
2008/09	83,730	75,606
2009/10	84,996	76,658
2010/11	85,273	80,198
2011/12	86,724	79,087
2012/13	86,732	79,460
2013/14	85,363	77,928

Source: Austin Independent School District.

The following institutions of higher education are located in the City: The University of Texas, St. Edward's University, Huston Tillotson University, Concordia University of Texas, Austin Presbyterian Theological Seminary, Episcopal Theological Seminary of the Southwest and Austin Community College.

The University of Texas at Austin had a total enrollment of 52,059 for the fall semester of 2013 and is a major research university with many nationally ranked academic programs at the graduate level. It is also known for its library collections and research resources. The present site has expanded more than 300 acres since classes began on the original 40 acres near downtown Austin. Additionally, University-owned property located in other areas of Austin includes the Pickle Research Center and the Brackenridge Tract, partially used for married student housing. The McDonald Observatory on Mount Locke in West Texas, the Marine Science Institute at Port Aransas and the Institute for Geophysics (Galveston) on the Gulf Coast operate as specialized research units of The University of Texas at Austin.

Tourism

The impact of tourism on the Austin economy is significant. There are more than 271 hotels available within the Austin Metropolitan Area and year-to-date occupancy through February 2014 is 66.6%.

Existing City convention and meeting facilities include a Convention Center, which is supported by hotel/motel occupancy tax collections and revenues of the facility, and the Lester E. Palmer Events Center with 70,000 square feet of exhibit space. Other facilities in Austin include the Frank Erwin Center, a 17,000-seat arena at The University of Texas, the Texas Exposition and Heritage Center, the Austin Music Hall, and The Long Center for the Performing Arts. The Texas Exposition and Heritage Center offers a 6,000 seat arena and 20,000 square feet of banquet/exhibit hall facilities. The Austin Music Hall has a concert seating capacity of 3,000 and 32,000 square feet of exhibit space. The Long Center for the Performing Arts, a \$77 million venue, opened in March 2008. The Center contains two theaters: the 2,300-seat Michael and Susan Dell Hall and the flexible 240-seat Debra and Kevin Rollins Studio Theater. This venue belongs to the City, while a private nonprofit entity operates the building. The Austin City Limits Live at The Moody Theater is a state-of-the-art, 2,700+ person capacity live music venue that also serves as the home of the KLRU-TV produced PBS program Austin City Limits, the longest running music series in American television history. The venue hosts 60-100 concerts a year. Additionally, the University of Texas Darrel K. Royal-Texas Memorial Stadium was recently expanded to a seating capacity of 100,119.

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APPENDIX B
ANNUAL FINANCIAL REPORT

APPENDIX C
BOND RESOLUTION

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

Reference is hereby made to the Indenture for a complete description of the terms and conditions set forth therein. A copy of the Indenture can be obtained from the representative of the City shown in the Official Statement.

Section 1.01. Definitions. Unless otherwise expressly provided or unless the context clearly requires otherwise, the following terms shall have the respective meanings specified below or in the Bond Resolutions for all purposes of the Indenture:

“Accounting Principles” shall mean the accounting principles described in the notes to the Audit as such principles may be changed from time to time to comply with State laws or regulations.

“Act” shall mean Chapter 431, Texas Transportation Code.

“Additional Parity Bonds” shall mean the additional parity Tax Increment Contract Revenue Bonds permitted to be issued by the Corporation pursuant to Section 3.02 of the Indenture.

“Annual Debt Service” shall mean for any annual period (any Fiscal Year or any other twelve (12) consecutive calendar month period), while Bonds are Outstanding, an amount equal to the sum of (i) all interest on such Bonds which is due during such period, plus (ii) that portion of the Principal Installment or Installments of such Bonds which is due during such period, as limited and calculated in the following manner:

(a) Except as modified below, (i) for any twelve (12) consecutive calendar month period other than the calendar year, whether or not such period constitutes the Corporation’s current Fiscal Year or any future Corporation Fiscal Year, the aggregate amount of interest on and Principal Installment of the Bonds which was paid or redeemed or is scheduled to accrue and be paid or redeemed during such twelve (12) consecutive month period; and (ii) for any Fiscal Year while the Corporation’s Fiscal Year is the same as the calendar year, the aggregate amount of interest on and Principal Installment of the Bonds which was paid or redeemed or is scheduled to accrue and be paid or redeemed after a Principal Installment Payment Date within such Fiscal Year and on or before the next following Principal Installment Payment Date; and

(b) As to any annual period prior to the date of any calculation, such requirements shall be calculated solely on the basis of Bonds which were Outstanding as of the first (1st) day of such period; and as to any future year such requirements shall be calculated solely on the basis of Bonds Outstanding as of the date of calculation; and

(c) Notwithstanding the foregoing, all amounts which have been or are expected to be realized as interest and investment earnings on amounts on deposit in the Debt Service Fund (other than those amounts which are to be deposited into the Rebate Fund pursuant to Section 4.05 of the Indenture) and which are used or scheduled to be used to pay interest on or Principal Installments of Bonds during any annual period, shall be deemed to reduce the Annual Debt Service for any such annual period to the extent of such deposits; and the amount of such deposits shall be excluded from and shall not constitute Annual Debt Service for any such annual period.

“Authorized Representative” shall mean the President or any Vice President of the Corporation, the Treasurer of the Corporation, or any other person designated to perform a specified act, to sign a specified document or to act generally on behalf of the Corporation by a written instrument furnished to the Trustee.

“Average Annual Debt Service” shall mean the total Debt Service (as of the date of the calculation) divided by the remaining number of years until the final maturity of the Bonds. The Average Annual Debt Service calculated under the Indenture shall remain in effect until the next date when such calculation is required under the Indenture. For the purposes of calculating the Average Annual Debt Service, any fractional year shall be included in the calculation as a full year.

“Board” shall mean the Board of Directors of the Corporation.

“Bond Counsel” shall mean such nationally recognized firm expert in matters relating to public finance law and

the federal income tax laws relating to the issuance of municipal bonds engaged by the Corporation.

“Bond Resolutions” shall mean the resolutions from time to time adopted by the Corporation authorizing the Tax Increment Contract Revenue Bonds.

“Bonds” or “Tax Increment Contract Revenue Bonds” shall mean one or more Series of bonds issued by the Corporation pursuant to the Indenture and the Bond Resolutions.

“Business Day” shall mean any day which is not a Saturday, Sunday, a day on which banking institutions in the city where the Designated Payment/Transfer Office (as defined in a Bond Resolution) of the Paying Agent/Registrar is located are authorized by law or executive order to close, or a legal holiday.

“Captured Appraised Value” shall mean the total appraised value of all real property taxable by a Taxing Unit and located in TIRZ Sixteen less the Tax Increment Base of the Taxing Unit.

“Chapter 380 Program” shall mean the economic development grant program the City Council adopted pursuant to Chapter 380 of the Texas Local Government Code.

“City” shall mean the City of Austin, Texas.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the applicable provisions of any future federal income tax laws.

“Contract Tax Increments” shall mean Tax Increments from time to time required to be deposited by the Participants into the Tax Increment Fund pursuant to the TIRZ Act and the Participant Contracts and payable to the Corporation pursuant to the Tri-Party Agreement.

“Corporation” shall mean the Mueller Local Government Corporation.

“Costs of Issuance” shall mean all charges, costs and expenses of the Corporation incurred in connection with the authorization, issuance, sale and delivery of Tax Increment Contract Revenue Bonds including, but not limited to, legal fees, financial advisory fees, bond insurance premiums, fiscal or escrow agent fees, printing fees, accounting fees, consultant fees, verification fees, travel expenses, rating agency fees, fees of the Trustee and its counsel and Attorney General fees.

“Creation Ordinance” shall mean the ordinance adopted by the City creating TIRZ Sixteen.

“Debt Service” shall mean the Principal Installments and interest on the Bonds.

“Debt Service Fund” shall mean the fund so designated and created pursuant to Article IV of the Indenture.

“Eligible Investments” shall mean any investments which the City is permitted to make under the laws of the State of Texas, including the Public Funds Investment Act, Chapter 2256, Texas Government Code, as described in the City’s investment policy approved by the City Council.

“Event of Default” shall mean any Event of Default described in Section 6.01 of the Indenture.

“Exempt Securities” shall mean bonds or other evidences of obligations, the interest on which is exempt from federal income taxation under Section 103(a) of the Code.

“Fair Market Value shall mean as of any particular date:

(a) as to Eligible Investments the bid and asked prices of which are published on a regular basis in a financial journal or publication of general circulation in the United States of America, the bid price for such Eligible Investments so published on, or most recently prior to, the date of valuation by the Trustee, or, in the alternative, the bid price for such Eligible Investments as provided by a pricing service selected by the Trustee, or

(b) as to Eligible Investments the bid and asked prices of which are not published on a regular basis in a financial journal or publication of general circulation in the United States of America, the average bid price on such Eligible Investments at the date of valuation by the Trustee, as reported to the Trustee by any two nationally recognized dealers (in the opinion of the Trustee) in such Eligible Investments.

“Fiscal Year” shall mean the twelve (12) month period commencing on October 1 of a calendar year and ending September 30 of the next succeeding calendar year, or such other consecutive twelve (12) month period as determined by the Corporation.

“Fund” shall mean any one or more, as the case may be, of the separate special Funds created and established or required to be maintained pursuant to the Indenture.

“Grant Agreement” shall mean the Grant Agreement between the City and the Corporation.

“Grant Payments” shall mean payments granted to the Corporation by the City pursuant to the Chapter 380 Program in accordance with the terms and provisions of the Grant Agreement.

“Interest Account” shall mean the account so designated and created within the Debt Service Fund pursuant to Article IV of the Indenture.

“Interest Payment Date” shall mean March 1 and September 1 in such years as shall be determined in accordance with the terms of the Bond Resolution governing the issuance of the Series of Bonds.

“Mandatory Redemption 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 to the mandatory redemption (including any mandatory redemption premium, if any) of Bonds in any Fiscal Year prior to maturity pursuant to the Indenture or any Bond Resolution, as such Mandatory Redemption Installment shall have been previously reduced by the principal amount of any Bonds of such Series of the maturity with respect to which such Mandatory Redemption Installment is payable which are purchased or redeemed by the Trustee in accordance with the provisions of the Indenture or of any Bond Resolution, other than a Mandatory Redemption Installment redemption or purchase.

“Master Development Agreement” shall mean the Master Development Agreement with Catellus Austin, LLC, effective as of December 2, 2004.

“Maximum Annual Debt Service” shall mean the greatest amount of the Annual Debt Service calculated for any future Fiscal Year, taking into account any Mandatory Redemption Installments scheduled to be payable on any Series of Bonds.

“Other Revenues” shall mean any monies deposited to the credit of the Pledged Revenue Fund that are designated by the Corporation to be pledged as a Pledged Revenue including, without limitation, any Grant Payments.

“Outstanding” when used with reference to Bonds, shall mean, as of a particular date, all Bonds theretofore and thereupon delivered except: (a) any Bond cancelled by or on behalf of the Corporation or delivered to the Registrar for cancellation at or before said date, (b) any Bond defeased or no longer considered Outstanding pursuant to the provisions of the Resolution or otherwise defeased as permitted by applicable law, and (c) any such Bond in lieu of or in substitution for which another Bond shall have been delivered pursuant to the Resolution.

“Owner” or “Registered Owner”, when used with respect to any Bond shall mean the person or entity in whose name such Bond is registered in the Register. Any reference to a particular percentage or proportion of the Owners shall mean the Owners at a particular time of the specified percentage or proportion in aggregate principal amount of all Bonds then Outstanding under the Resolution.

“Parity Bonds” shall mean the Bonds and each Series of Additional Parity Bonds from time to time hereafter issued, but only to the extent such Parity Bonds remain Outstanding.

“Participant Agreements” shall mean, collectively, the Tri-Party Agreement, and any other contracts from time to time hereafter entered into between the Corporation or the City and the Participants, containing provisions with

respect to the payment by the Participants of their respective Tax Increments.

“Participants” shall mean, initially, the City, and shall include any other Taxing Unit which may hereafter execute a Participant Agreement, pursuant to which the Participant is obligated to pay all or part of its Tax Increments to the Tax Increment Fund.

“Paying Agent/Registrar” shall mean the bank or trust company so designated in the Bond Resolutions.

“Pledged Revenue Fund” shall mean the fund so designated and created pursuant to Article IV of the Indenture.

“Pledged Revenue Fund Balance” shall mean, as of any Transfer Date, \$100,000.

“Pledged Revenues” shall have the meaning assigned to that term in Article II of the Indenture.

“Principal Account” shall mean the account so designated and created within the Debt Service Fund pursuant to Article IV of the Indenture.

“Principal Installment” shall mean, as of any particular date of computation, an amount of money equal to the aggregate of (a) the principal amount of Outstanding Bonds of a Series which mature on a single future date, reduced by the aggregate principal amount of such Outstanding Bonds of such Series which would at or before said future date be retired as a result of Mandatory Redemption Installments applied in accordance with the Indenture plus (b) the amount of any Mandatory Redemption Installment payable on said future date for the retirement of any Outstanding Bonds of said Series.

“Principal Installment Payment Date”, when used in connection with any Bond, shall mean September 1 in each year such Bonds are scheduled to mature, as determined in accordance with the terms of the Bond Resolution governing the issuance of the Series of such Bonds.

“Project and Financing Plan” shall mean the final Project Plan and Financing Plan of TIRZ Sixteen adopted by the Board and approved by the City, and as amended from time to time.

“Project Costs” shall mean the Public Finance Reimbursable Project Costs as defined in the Master Agreement, and as further described in a Bond Resolution.

“Public Improvements Fund” shall mean the fund so designated and created pursuant to Article IV of the Indenture.

“Rebate Fund” shall mean the fund so designated and created pursuant to Article IV of the Indenture.

“Register” or “Bond Register” shall mean the books of registration kept by the Registrar in which are maintained the names and addresses of, and the principal amounts of the Bonds registered to, each Owner.

“Regulations” shall mean the Income Tax Regulations promulgated under the Code.

“Series” shall mean all of the Bonds authenticated and delivered on issuance and pursuant to the Indenture or any Bond Resolution authorizing the issuance of such Bonds as a separate series of Bonds or any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds.

“State” shall mean the State of Texas.

“Subordinate Lien Obligations” shall mean any bonds, notes or other obligations, including contractual obligations incurred by the Corporation, secured in whole or in part by liens on the Pledged Revenues that are junior and subordinate to the lien on Pledged Revenues securing payment of the Tax Increment Contract Revenue Bonds.

“Tax Increment Base” shall mean the total appraised value of property in TIRZ Sixteen as of January 1, 2004 plus the total appraised value of real property taxable by a Taxing Unit and annexed into TIRZ Sixteen as determined in

the year in which such property was annexed into TIRZ Sixteen.

“Tax Increment Fund” shall mean the City’s TIRZ Sixteen Tax Increment Fund created and maintained in accordance with the Creation Ordinance and the TIRZ Act.

“Taxing Unit” shall mean, in addition to the City, Travis County, a special district or authority (including a junior college district, a hospital district, a navigation district, or other district created by or pursuant to the V.T.C.A., Water Code), or any other political subdivision of the State, whether created by or pursuant to the Texas Constitution or a local, special or general law, that is authorized to impose and is imposing ad valorem taxes on real property in TIRZ Sixteen, even if the governing body of another political unit determines the tax rate for the unit or otherwise governs its affairs.

“TIRZ Act” shall mean Chapter 311, Texas Tax Code, as amended.

“TIRZ Sixteen” shall mean Tax Increment Financing Reinvestment Zone Number Sixteen, City of Austin, Texas.

“Transfer Date” shall mean February 15, 2010, and each August 15 and February 15 thereafter for so long as the Indenture is in effect.

“Tri-Party Agreement” shall mean that certain Agreement by and among the City, TIRZ Sixteen and the Corporation, effective as of August 27, 2009.

“Trustee” shall mean U.S. Bank N.A. (the successor to Deutsche Bank Trust Company Americas), and its successors in that capacity.

Section 2.01. Granting Clauses. In order to secure the payment of the principal of, redemption premium, if any, and interest on all Tax Increment Contract Revenue Bonds as the same are issued and become due and payable, whether at maturity or by prior redemption, and the performance and observance of all of the covenants and conditions herein contained, and in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the purchase and acceptance of the Tax Increment Contract Revenue Bonds by the Owners thereof, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Corporation does hereby GRANT, BARGAIN, CONVEY, ASSIGN and PLEDGE to the Trustee and its successors in trust hereunder, subject to the provisions of the Indenture, all of the Corporation’s right, title and interest in and to the following described properties and interests, direct or indirect, whether now owned or hereafter acquired (collectively, the “Pledged Revenues” or the “Trust Estate”):

- (a) All of the Corporation’s right, title and interest under the Participant Agreements and the Tri-Party Agreement, including the right, title and interest of the Corporation to the Contract Tax Increments the Corporation is entitled to receive thereunder.
- (b) Other Revenues.
- (c) All moneys deposited or required to be deposited in the Pledged Revenue Fund, the Debt Service Fund and the Public Improvements Fund held by the Trustee pursuant to the provisions of the Indenture and all interest earnings and investment income therefrom, other than any amount required to be rebated to the United States under Section 148(f) of the Code and deposited to Rebate Fund pursuant to Section 4.05.
- (d) Any and all property of every kind and nature (including without limitation, cash, obligations or securities) which may from time to time hereafter be conveyed, assigned, hypothecated, endorsed, pledged, mortgaged, granted, or delivered to or deposited with, the Trustee as additional security hereunder by the Corporation, or anyone on behalf of the Corporation, or which pursuant to any of the provisions hereof may come into the possession or control of the Trustee as security hereunder, or of a receiver lawfully appointed hereunder, all of which property the Trustee is authorized to receive, hold and apply according to the terms hereof.

Section 3.01. Authorization of Tax Increment Contract Revenue Bonds. (a) The Tax Increment Contract Revenue Bonds may be authorized from time to time by the Corporation pursuant to Bond Resolutions duly adopted by the Board, which Bond Resolutions shall specify or provide for the dates, denominations, principal amounts, interest rates, maturities, redemption provisions, forms of bonds, manner of payment, provision for execution and authentication, application of proceeds and all other terms and provisions of the Tax Increment Contract Revenue Bonds not otherwise provided herein.

(b) At or prior to the issuance of each series of Tax Increment Contract Revenue Bonds pursuant to any Bond Resolution, the Corporation shall provide to the Trustee the following:

- (1) a certified copy of the Bond Resolution;
- (2) the approving opinion of the Corporation's Bond Counsel with respect to such Series of Tax Increment Contract Revenue Bonds to the effect (i) that the Bonds are valid and binding obligations of the Corporation except to the extent that their enforceability may be limited by applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and except that such enforceability is subject to general principles of equity and the exercise of judicial discretion (regardless of whether such enforceability is considered in a proceeding in law or at equity), and (ii) that the Bonds are issued pursuant to the terms of the Indenture;
- (3) if such Series of Tax Increment Contract Revenue Bonds are being issued to refund any previously issued Tax Increment Contract Revenue Bonds, the identity, redemption date and redemption price of the Tax Increment Contract Revenue Bonds to be refunded; and
- (4) a Debt Service schedule with regard to such Series of Tax Increment Contract Revenue Bonds and all Tax Increment Contract Revenue Bonds that will then be Outstanding after the issuance of such series of Tax Increment Contract Revenue Bonds and refunding of any Tax Increment Contract Revenue Bonds being refunded thereby.

Section 3.02. Additional Parity Bonds. The Corporation reserves the right to issue, for any lawful purpose (including the refunding of any previously issued or incurred Tax Increment Contract Revenue Bonds), one or more series of Additional Parity Bonds payable from and secured by a first lien on the Pledged Revenues, on a parity with the Bonds, and any previously issued Additional Parity Bonds; provided, however, that no Additional Parity Bonds may be issued unless:

(a) The Additional Parity Bonds mature on, and interest is payable on, the Principal Installment Payment Dates and Interest Payment Dates, respectively; and

(b) The Corporation is not in material default with the terms of the Indenture, any Bond Resolution, the Grant Agreement or any other agreement to which it is a party and has so certified.

The foregoing notwithstanding, the aggregate principal amount of Tax Increment Contract Revenue Bonds that may be issued that are secured by a first lien on and pledge of the Trust Estate shall not exceed \$50,000,000.

Section 3.03. Subordinate Lien Obligations. The Corporation reserves the right to issue, for any lawful purpose, Subordinate Lien Obligations secured in whole or in part by liens on the Pledged Revenues that are junior and subordinate to the lien on Pledged Revenues securing payment of the Tax Increment Contract Revenue Bonds. Such Subordinate Lien Obligations may be further secured by any other source of payment lawfully available for such purposes.

Section 4.01. Creation of Funds. There are hereby created the following Funds:

- (A) Pledged Revenue Fund;
- (B) Debt Service Fund;
- (C) Public Improvements Fund; and

(D) Rebate Fund.

Each Fund shall be maintained by the Trustee separate and apart from all other funds of the Corporation. The Pledged Revenue Fund, the Debt Service Fund and the Public Improvements Fund shall constitute trust funds which shall be held in trust by the Trustee solely for the benefit of the Owners of the Tax Increment Contract Revenue Bonds. The Trustee, at its discretion or upon the written direction of the Corporation, may establish accounts within any Fund to enable the more efficient management of the monies on deposit in any such Fund.

Section 4.02. Pledged Revenue Fund. There is hereby created and established with the Trustee a fund to be designated the "Pledged Revenue Fund". Immediately upon receipt thereof, the Corporation shall deposit into the Pledged Revenue Fund all Grant Payments and any Other Revenues. Money in the Pledged Revenue Fund shall be held in trust by the Trustee and, upon receipt of written instructions from an Authorized Representative, shall be applied on each Transfer Date in the following manner and order of priority:

(A) First, to the Interest Account amounts necessary to make the amounts on deposit therein equal to the interest due on the Tax Increment Contract Revenue Bonds on the next succeeding Interest Payment Date;

(B) Second, to the Principal Account amounts necessary to make the amounts on deposit therein equal to one-half of the Principal Installments, and premium, if any, due on the Bonds on the next succeeding Principal Installment Payment Date;

(C) Third, to the payment of the fees and expenses of the Trustee and Paying Agent/Registrar due and owing, for the next six (6) month period;

(D) Fourth, to any fund or account created for the benefit of any Subordinate Lien Obligations issued or incurred by the Corporation; provided that immediately prior to any such transfers the deposits required by Sections 4.02(A) through (C) above have been made or provided for; and

(E) Fifth, as directed by the Corporation, for any lawful purpose as may be approved by the City for the payment of Project Costs; provided that immediately prior to any such transfers the deposits required by Sections 4.02(A) through (D) above have been made or provided for.

The written directions provided by the Corporation shall be delivered to the Trustee on or before each Business Day next preceding a Transfer Date. The Trustee is hereby authorized to rely upon such written directions delivered to it by the Corporation. The foregoing notwithstanding, after the deposits required by Sections 4.02(A) through (D) above have been made or provided for, the Trustee may make deposits as permitted by Section 4.02(E) in accordance with written directions executed by an Authorized Representative and approved by the City, provided that after such deposits and transfers required by Sections 4.02(A) through (D) above have been made, upon transferring funds as permitted by Section 4.02(E) above, there shall be on deposit in the Pledged Revenue Fund moneys not less than the Pledged Revenue Fund Balance.

Section 4.03. Debt Service Fund. There is hereby created and established with the Trustee a fund to be designated the "Debt Service Fund". Within the Debt Service Fund, there are hereby created and established accounts to be designated the "Interest Account" and the "Principal Account". Money in the Debt Service Fund shall be held in trust by the Trustee. The Corporation shall deposit or cause to be deposited into the Debt Service Fund accrued interest on the Tax Increment Contract Revenue Bonds, moneys designated by the Corporation as capitalized interest on the Tax Increment Contract Revenue Bonds, transfers from the Pledged Revenue Fund as provided in Section 4.02, and, to the extent necessary, other Pledged Revenues in such amounts and at such times to provide that amounts necessary to pay interest and Principal Installments due on the Tax Increment Contract Revenue Bonds in the then current Fiscal Year. The Trustee shall transfer on each Interest Payment Date and each Principal Installment Payment Date to the Paying Agent/Registrar such amounts in the Principal Account and the Interest Account to pay, respectively, Principal Installments and interest on the Tax Increment Contract Revenue Bonds as the same becomes due. The Trustee shall make all such transfers such that the Corporation shall be in compliance with the Principal and Interest Guidelines in the Operational Arrangement of The Depository Trust Company, as amended from time to time.

Section 4.04. Public Improvements Fund. There is hereby created and established with the Trustee a fund to be designated the “Public Improvements Fund”. The Trustee, at the direction of the Corporation, may establish and create within the Public Improvements Fund such number of accounts and subaccounts as the Corporation deems appropriate.

The Public Improvements Fund and any accounts or subaccounts thereof shall initially be funded as provided in the Bond Resolutions. The money and securities in the Public Improvements Fund shall be held in trust by the Trustee and applied as provided herein, and until such application, the money and securities in such fund shall be subject to a lien and charge in favor of the Owners of the Bonds.

(A) The Trustee is hereby authorized and directed to make disbursements from the Public Improvements Fund and to issue its checks therefor or otherwise pay upon receipt of a requisition in accordance with Section 4.04(B). The Trustee shall keep and maintain adequate records pertaining to the Public Improvements Fund and all disbursements therefrom.

(B) The Trustee shall use money in the Public Improvements Fund solely to pay or reimburse the Corporation for Project Costs including Costs of Issuance and the repayment of any advances, loans, notes or other obligations used to finance Project Costs. Before any payment shall be made from the Public Improvements Fund, there shall be filed with the Trustee a completed requisition signed by an Authorized Representative of the Corporation. Upon receipt of such requisition, the Trustee shall make payment from the Public Improvements Fund in accordance with such requisition.

Section 4.07. Investments; Earnings. Monies deposited into the Pledged Revenue Fund, the Debt Service Fund, and the Public Improvements Fund shall be invested and reinvested in Eligible Investments as directed in writing to the Trustee by the Corporation; provided that all such Eligible Investments shall be directed by the Corporation in such manner that the money required to be expended from any Fund will be available at the proper time or times.

(A) All investments and any profits realized from or interest accruing on such investments shall belong to the Fund from which the monies for such investments were taken (except as otherwise expressly provided in the Indenture). All losses on investments shall be charged against the Fund to which such investments are credited. The Trustee shall have the right to have sold in the open market a sufficient amount of any such investments at any time that a Fund does not have sufficient uninvested funds on hand to meet the obligations payable out of such Fund. The Trustee shall not be liable or responsible for any loss resulting from any such investment or resulting from the sale of any such investment as herein authorized. The Trustee shall not be responsible for determining whether any Eligible Investments are legal investments under the laws of the State.

(B) At the direction of the Corporation, a portion of the investment income from any Fund may be paid directly to the Rebate Fund, free and clear of the lien and pledge of the Indenture, without regard to the provisions of Section 4.02, for payment to the United States pursuant to Section 4.06 in order to maintain the tax-exempt status of the Bonds.

(C) The Trustee may make any investment through its own investment department. As amounts invested are needed for disbursement from any Funds, the Trustee shall cause a sufficient amount of the investments credited to that Fund to be redeemed or sold and converted into cash to the credit of that Fund. Securities transaction charges incident to any purchase, sale, or redemption of Eligible Investments shall be charged to the Corporation.

(D) The Corporation by its execution of the Indenture covenants to restrict the investment of money in the Funds created under the Indenture in such manner and to such extent, if any, as may be necessary, after taking into account reasonable expectations at the time the Bonds are delivered to their original purchaser, so that the Bonds will not constitute arbitrage bonds under the Code and applicable Regulations, and the Trustee hereby agrees to comply with the Corporation’s instructions with respect to the investment of money in the Funds created under the Indenture.

(E) The Corporation has covenanted to provide the Trustee with written instructions to assure that any amounts that, in accordance with the Code and applicable regulations, are required to be invested at a

restricted yield will be invested either (i) in Exempt Securities or (ii) at a yield that is not materially higher than the yield on the Bonds, determined in accordance with the Code and applicable Regulations, unless in the opinion of Bond Counsel, investment of such at a higher rate will not adversely affect the exclusion from gross income of interest on the Tax Increment Contract Revenue Bonds for federal income tax purposes. For the purpose of applying this Section, amounts on deposit in each Fund shall be accounted for on a first in, first out basis. The Trustee, at the Corporation's direction, is authorized to yield restrict any investment in accordance with Article VIII of the Bond Resolutions.

(F) For the purpose of determining the amount on deposit to the credit of any such Fund, obligations in which money in such Fund shall have been invested shall be valued at the Fair Market Value. The Trustee shall provide a valuation of the Eligible Investments in the Funds established under the Indenture as of the last Business Day of each month and at the time or times withdrawals are made therefrom. If the Corporation shall fail to so direct investments, the Trustee shall invest the affected moneys in a money market mutual fund managed by the Trustee whose underlying assets meet the requirements of Chapter 2256, Texas Government Code, and which is rated in the highest rating category issued by a nationally recognized municipal securities rating agency.

Section 5.01. Payment of Tax Increment Contract Revenue Bonds. The Corporation covenants to promptly pay or cause to be paid the principal of, redemption premium, if any, and interest on the Tax Increment Contract Revenue Bonds as the same become due and payable, whether at maturity or by prior redemption, in accordance with the terms of the Tax Increment Contract Revenue Bonds and the Bond Resolutions; to pay when due all fees, charges and other amounts due to the Trustee and the Paying Agent/Registrar for the discharge of their duties hereunder; and to faithfully keep and perform all of its covenants, undertakings and agreements contained in the Indenture, the Grant Agreement, the Bond Resolutions and the Tax Increment Contract Revenue Bonds.

Section 5.04. Pledged Revenues Not Encumbered. The Pledged Revenues are not in any manner pledged to the payment of any debt or obligation of the Corporation other than the Tax Increment Contract Revenue Bonds. The Corporation covenants that it will not in any manner pledge or further encumber the Pledged Revenues unless such pledge or encumbrance is junior and subordinate to the lien and pledge hereunder securing the Tax Increment Contract Revenue Bonds.

Section 5.05. Collection of Contract Tax Increments. Subject to the provisions of applicable law and the Tri-Party Agreement, the Corporation covenants and agrees to use its best efforts to cause the City to contribute, and for the City to cause each Participant to pay to the City, when due, all Contract Tax Increments to provide for the payment of the principal of and interest on the Tax Increment Contract Revenue Bonds.

Section 5.06. Amendment of Grant Agreement or Tri-Party Agreement. The Corporation covenants not to cause any amendment of the Grant Agreement or the Tri-Party Agreement that will in any manner impair the rights of the Owners of the Tax Increment Contract Revenue Bonds.

Section 6.01. Events of Default. An Event of Default hereunder shall consist of any of the following acts or occurrences:

(A) failure to pay when due Principal Installments or interest on any Tax Increment Contract Revenue Bond; or

(B) failure to deposit to the Debt Service Fund money sufficient for the payment of any Principal Installments or interest payable on the Tax Increment Contract Revenue Bonds by no later than the date when such Principal Installment or interest becomes due and payable; or

(C) failure by the Corporation to observe or perform any other covenant, agreement or obligation on its part to be observed or performed contained in the Indenture or in the Tax Increment Contract Revenue Bonds, which failure shall have continued for a period of thirty (30) days after written notice, either by registered or certified mail, to the Corporation specifying the failure and requiring that it be remedied, which notice may be given by the Trustee in its discretion and shall be given by the Trustee at the written request of the Holders of not less than 25 percent (25%) in aggregate principal amount of the Tax Increment Contract Revenue Bonds then outstanding.

Section 6.04. Remedies in General. If an Event of Default hereunder shall occur and be continuing, then, in addition to all of the other rights and remedies granted to the Trustee hereunder, the Trustee in its discretion, subject to the provisions of the Indenture, may proceed to protect and enforce its rights and the rights of the Owners of Tax Increment Contract Revenue Bonds by suit, action or proceeding in equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in the Indenture, the Bond Resolutions or the Tax Increment Contract Revenue Bonds or in aid of the execution of any power granted in the Indenture or for the enforcement of any other legal, equitable or other remedy, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee or such Owners of the Tax Increment Contract Revenue Bonds, including, without limitation, the right to seek a writ of mandamus issued by a court of competent jurisdiction compelling the members of the Board or other officers of the Corporation or the City to observe and perform such covenant, obligations or conditions of the Indenture, the Tri-Party Agreement or the Grant Agreement.

Section 6.05. Appointment of Receivers. If an Event of Default hereunder shall occur and be continuing, and upon filing of a bill in equity or commencement of other judicial proceedings to enforce the rights of the Trustee and the Owners hereunder, the Trustee shall be entitled as a matter of right, and to the extent permitted by law, to the appointment of a receiver or receivers of the Pledged Revenues and the income, rents, profits and use thereof pending such proceedings, with such powers as the court making such appointment shall confer.

Section 6.06. Trustee May Act Without Possession of Tax Increment Contract Revenue Bonds. All rights of action under the Indenture or under any Tax Increment Contract Revenue Bonds may be enforced by the Trustee without possession of any of the Tax Increment Contract Revenue Bonds or the production thereof on any trial or other proceedings relative thereto, and any such suit or proceedings instituted by the Trustee shall be brought in its name, as Trustee for the ratable benefit of the Owners of the Tax Increment Contract Revenue Bonds, subject to the provisions of the Indenture.

Section 6.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Tax Increment Contract Revenue Bonds, or now or hereafter existing at law or in equity or by statute. Anything to the contrary herein notwithstanding, acceleration shall not be a remedy if an Event of Default occurs and is continuing. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 6.09. Limitation on Suits. All rights of action in respect of the Indenture shall be exercised only by the Trustee, and no Owner of any Bond secured hereunder shall have any right to institute any suit, action or proceeding at law or in equity for the appointment of a receiver or for any other remedy hereunder or by reason hereof, unless and until the Trustee shall have received written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Tax Increment Contract Revenue Bonds then Outstanding and shall have been furnished reasonable indemnity and shall have refused or neglected for ten (10) days thereafter to institute such suit, action or proceedings. The making of such request and the furnishing of such indemnity shall in each and every case be conditions precedent to the execution and enforcement by any Owner of any Bond of the powers and remedies given to the Trustee hereunder and to the institution and maintenance by any such Owner of any action or cause of action for the appointment of a receiver or for any other remedy hereunder, but the Trustee may, in its discretion, and when duly requested in writing by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Tax Increment Contract Revenue Bonds then Outstanding and when furnished indemnity satisfactory to protect it against expenses, charges and liability shall, forthwith, take such appropriate action by judicial proceedings or otherwise in respect of any existing default on the part of the Corporation as the Trustee may deem expedient in the interest of the Owners of the Tax Increment Contract Revenue Bonds.

Nothing contained in this Article, however, shall affect or impair the right of any Owner, which shall be absolute and unconditional, to enforce the payment of the Principal Installments and interest on the Tax Increment Contract Revenue Bonds of such Owner, but only out of the moneys for such payment as herein provided, or the obligation of the Corporation, which shall also be absolute and unconditional, to make payment of the Principal Installments and interest on the Tax Increment Contract Revenue Bonds issued hereunder, but only out of the funds provided herein for such payment, to the respective Owners thereof at the time and place stated in the Tax Increment Contract Revenue Bonds.

Section 6.10. Right of Owners of the Tax Increment Contract Revenue Bonds to Direct Proceedings.

Notwithstanding any provision of the Indenture to the contrary, the Owners of a majority of the aggregate principal amount of the Tax Increment Contract Revenue Bonds then Outstanding shall 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 any remedy available to the Trustee or exercising any trust or power conferred on the Trustee or any other proceedings hereunder; provided, however, that such direction shall not be contrary to law or the provisions of the Indenture, and the Trustee shall have the right to decline to follow any such direction if the Trustee in good faith shall determine that the proceeding so directed would involve it in personal liability or would be unjustly prejudicial to the Owners of the Tax Increment Contract Revenue Bonds not consenting. The Trustee may take any other action which is not inconsistent with the provisions of the Indenture or with any direction under this Section. Anything to the contrary herein notwithstanding, acceleration shall not be a remedy available to the Owners.

Section 7.01. Discharge and Release of Lien. When all Tax Increment Contract Revenue Bonds have been paid in full as to principal and as to interest and premium, if any, or when all Tax Increment Contract Revenue Bonds have become due and payable, whether at maturity or by prior redemption or otherwise, and the Corporation shall have provided for the payment of the whole amount due or to become due on all Tax Increment Contract Revenue Bonds then outstanding, including all interest which has accrued thereon or which may accrue to the date of maturity or redemption by depositing with the Trustee or the Paying Agent/Registrar, for payment of such outstanding Tax Increment Contract Revenue Bonds and the interest thereon and any premium which may be due thereon, the entire amount due or to become due thereon, or amounts and investments sufficient to provide for such payment as provided in the Bond Resolutions, and the Corporation shall also have paid or caused to be paid all sums payable hereunder by the Corporation, including the compensation due or to become due the Trustee, then the Trustee shall, upon receipt of a letter of instructions from the Corporation requesting the same, discharge and release the lien of the Indenture and execute and deliver to the Corporation such releases or other instruments as shall be required to release the lien hereof.

Section 9.01. Supplemental Indentures Not Requiring Consent of Owners of the Tax Increment Contract Revenue Bonds. The Corporation and the Trustee may, without the consent of the Owners of any of the Tax Increment Contract Revenue Bonds, enter into one or more supplemental indentures, which shall form a part hereof, for any one or more of the following purposes:

- (a) to cure any ambiguity, inconsistency or formal defect or omission in the Indenture;
- (b) to grant to or confer upon the Trustee for the benefit of the Owners of the Tax Increment Contract Revenue Bonds any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners of the Tax Increment Contract Revenue Bonds or the Trustee or either of them;
- (c) to subject to the lien of the Indenture additional revenues, properties or collateral;
- (d) to modify, amend or supplement the Indenture or any supplemental indenture in such manner as to provide further assurances that interest on the Tax Increment Contract Revenue Bonds will, to the greatest extent legally possible, be excludable from gross income for federal income tax purposes;
- (e) to obtain bond insurance for any Tax Increment Contract Revenue Bond; and
- (f) to permit the assumption of the Corporation's obligations hereunder by any other entity that may become the legal successor to the Corporation, or by the City;

provided, however, that no provision in such supplemental indenture shall be inconsistent with the Indenture or shall impair in any manner the rights of the Owners of the Tax Increment Contract Revenue Bonds.

The Trustee shall not be obligated to enter into any such supplemental indenture which adversely affects the Trustee's own rights, duties or immunities under the Indenture.

Section 9.02. Supplemental Indentures Requiring Consent of Owners of the Tax Increment Contract Revenue Bonds. Except as otherwise provided in the preceding Section, any modification, change or amendment of the Indenture may be made only by a supplemental indenture adopted and executed by the Corporation and the Trustee

with the consent of the Owners of not less than a majority of the aggregate principal amount of the Tax Increment Contract Revenue Bonds then Outstanding.

Notwithstanding the preceding paragraph of this Section, no modification, change or amendment to the Indenture shall, without the consent of the Owner of each Bond so affected, extend the time of payment of the Principal Installments or interest thereon, or reduce the Principal Installments or premium, if any, thereon, or the rate of interest thereon, or make the Principal Installments or interest thereon payable in any coin or currency other than that hereinbefore provided, or deprive such Owner of the lien hereof on the revenues pledged hereunder. Moreover, without the consent of the Owner of each Bond then Outstanding, no modification, change or amendment to the Indenture shall permit the creation of any lien on the revenues pledged hereunder equal or prior to the lien hereof, or reduce the aggregate principal amount of Tax Increment Contract Revenue Bonds, the Owners of which are required to approve any such modification, change or amendment of the Indenture.

Section 9.03. Consents. Consents required pursuant to this Article shall be valid only if given following the giving of notice by or on behalf of the Corporation requesting such consent, setting forth the substance of the supplemental indenture in respect of which such consent is sought and stating that copies thereof are available at the office of the Trustee for inspection, to the Owners of Tax Increment Contract Revenue Bonds whose consent is required in accordance with the provisions of this Article. Such notice shall be given by sending such notice by United States mail, first class postage prepaid, to the registered Owners of such Tax Increment Contract Revenue Bonds. Any consent or other action by an Owner of any Bond in accordance with this Article shall bind every future owner of the same Bond and the Owner of any Bond issued in exchange therefor or in lieu thereof.

Section 9.04. Delivery of Counsel's Opinion with Respect to Supplemental Indentures. Subject to the provisions of the Indenture relating to the acceptance of the trusts under the Indenture, the Trustee in executing or accepting the additional trusts permitted by this Article or the modifications thereby of the trusts created by the Indenture may rely, and shall be fully protected in relying, on an opinion of counsel acceptable to it stating that (a) the execution of such supplemental indenture is authorized or permitted by the Indenture and (b) all conditions precedent to the execution and delivery of such supplemental indenture have been complied with, and an opinion of Bond Counsel that the execution and performance of such supplemental indenture shall not, in and of itself, adversely affect the federal income tax status of the Tax Increment Contract Revenue Bonds.

APPENDIX E

FORM OF BOND COUNSEL'S OPINION

