













































**Austin Convention Enterprises, Inc.**  
(A Component Unit of the City of Austin, Texas)

**Notes to Financial Statements**

---

**Note 3. Deposits and Investments (Continued)**

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

At December 31, 2019, the Company's investments are carried at fair value using the published share price of the funds. The Company's investments in these funds are classified as Level 1 securities. These funds invest in fixed income securities seeking current income while preserving capital and liquidity.

**Credit risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Company's bond indenture does not limit credit risk. As of December 31, 2019 and 2018, the First American Government Obligation money market fund was rated AAAM by S&P Global Rating Services and Aaa-mf by Moody's.

Restricted assets (by bond indenture funds) at December 31, 2019 and 2018, are as follows:

	2019	2018
2017 Available revenue	\$ 69,166	\$ 561
2017 Tax and insurance fund	260,010	189,025
2017 Administrative fee fund	4,922	15,627
2017 Renewal and replacement fund	2,965,147	1,506,190
2017 1st Tier debt service fund	8,541,097	8,185,400
2017 1st Tier debt service reserve fund	13,471,075	13,586,842
2017 2nd Tier debt service fund	4,778,752	4,786,209
2017 2nd Tier debt service reserve fund	6,229,509	6,283,044
2017 Supplemental renewal and replacement fund	3,386,584	12,499,743
2017 Subordinate management fee fund	553,482	544,101
2017 Operating reserve fund	8,008,368	8,077,189
2017 Excess revenue corporate account	2,021,829	2,021,099
2017 Excess revenue prepayment account	13,073,816	9,333,664
Total investments	<u>\$ 63,363,757</u>	<u>\$ 67,028,694</u>

**Austin Convention Enterprises, Inc.**  
(A Component Unit of the City of Austin, Texas)

**Notes to Financial Statements**

**Note 4. Capital Assets**

Major classifications of capital assets for the year ended December 31, 2019, are as follows:

	December 31, 2018	Additions	Disposals	December 31, 2019
Capital assets not being depreciated:				
Land	\$ 7,498,163	\$ -	\$ -	\$ 7,498,163
Construction in progress	2,335,898	16,821,179	(16,645,181)	2,511,896
Total capital assets not being depreciated	<u>9,834,061</u>	<u>16,821,179</u>	<u>(16,645,181)</u>	<u>10,010,059</u>
Capital assets being depreciated:				
Buildings	209,030,555	1,005,099	-	210,035,654
Furniture, fixtures and equipment	46,614,147	15,690,534	(1,804,015)	60,500,666
	<u>255,644,702</u>	<u>16,695,633</u>	<u>(1,804,015)</u>	<u>270,536,320</u>
Less accumulated depreciation for:				
Buildings	(71,186,087)	(5,336,709)	-	(76,522,796)
Furniture, fixtures and equipment	(21,754,645)	(5,996,576)	1,804,015	(25,947,206)
Total accumulated depreciation	<u>(92,940,732)</u>	<u>(11,333,285)</u>	<u>1,804,015</u>	<u>(102,470,002)</u>
Total capital assets being depreciated	<u>162,703,970</u>	<u>5,362,348</u>	<u>-</u>	<u>168,066,318</u>
Net capital assets	<u>\$ 172,538,031</u>	<u>\$ 22,183,527</u>	<u>\$ (16,645,181)</u>	<u>\$ 178,076,377</u>

Depreciation expense for the year ended December 31, 2019 was \$11,333,285.

Major classifications of capital assets for the year ended December 31, 2018, are as follows:

	December 31, 2017	Additions	Disposals	December 31, 2018
Capital assets not being depreciated:				
Land	\$ 7,498,163	\$ -	\$ -	\$ 7,498,163
Construction in progress	4,527,205	8,337,164	(10,528,471)	2,335,898
Total capital assets not being depreciated	<u>12,025,368</u>	<u>8,337,164</u>	<u>(10,528,471)</u>	<u>9,834,061</u>
Capital assets being depreciated:				
Buildings	201,023,891	8,006,664	-	209,030,555
Furniture, fixtures and equipment	44,084,217	3,069,050	(539,120)	46,614,147
	<u>245,108,108</u>	<u>11,075,714</u>	<u>(539,120)</u>	<u>255,644,702</u>
Less accumulated depreciation for:				
Buildings	(66,078,999)	(5,107,088)	-	(71,186,087)
Furniture, fixtures and equipment	(16,729,020)	(5,513,110)	487,485	(21,754,645)
Total accumulated depreciation	<u>(82,808,019)</u>	<u>(10,620,198)</u>	<u>487,485</u>	<u>(92,940,732)</u>
Total capital assets being depreciated	<u>162,300,089</u>	<u>455,516</u>	<u>(51,635)</u>	<u>162,703,970</u>
Net capital assets	<u>\$ 174,325,457</u>	<u>\$ 8,792,680</u>	<u>\$ (10,580,106)</u>	<u>\$ 172,538,031</u>

Depreciation expense for the year ended December 31, 2018, was \$10,620,198.

**Austin Convention Enterprises, Inc.**  
(A Component Unit of the City of Austin, Texas)

**Notes to Financial Statements**

**Note 5. Bonds Payable**

Bonds payable consists of the following at December 31, 2019 and 2018:

	2019	2018
\$135,340,000 Convention Center Hotel First Tier Revenue Refunding Bonds, Series 2017A; 5.00% interest due semi-annually on January 1 and July 1, beginning July 1, 2017; secured by total net revenues of the Company, amount held by the trustee	\$ 128,930,000	\$ 133,725,000
\$59,315,000 Convention Center Hotel Second Tier Revenue Refunding Bonds, Series 2017B; 5.00% interest due semi-annually on January 1 and July 1, beginning July 1, 2017; secured by total net revenues of the Company except for deposits to the First Tier Debt Service account and certain other amounts held by the trustee	54,845,000	58,160,000
Premiums on Series 2017A bonds payable, net	183,775,000	191,885,000
Premiums on Series 2017B bonds payable, net	13,866,303	15,496,798
Bonds payable, net	4,519,145	5,116,680
Less amounts due in one year	202,160,448	212,498,478
Bonds payable, noncurrent, net	(8,520,000)	(8,110,000)
	<u>\$ 193,640,448</u>	<u>\$ 204,388,478</u>

**First and Second Tier Revenue Refunding Bonds, Series 2017A and 2017B:** On May 9, 2017, the Company issued \$135,340,000 of Convention Center Hotel First Tier Revenue Refunding Bonds, Series 2017A (Series 2017A Bonds) and \$59,315,000 of Convention Center Hotel Second Tier Revenue Refunding Bonds, Series 2017B (Series 2017B Bonds), (collectively, the Series 2017 Bonds). The bond proceeds were used to 1) refund all of the previously outstanding Series 2006 Bonds, 2) fund separate reserve funds for the Series 2017 Bonds, 3) fund certain reserves for the Hotel and 4) pay certain costs of issuance of the Series 2017 Bonds. This refunding accomplished a net present value savings to the Company of more than \$28 million.

Events of Default by the Company are defined in the bond indenture as the following, subject to certain caveats:

- Failure to make due and punctual payments of principal and interest
- Failure to perform or observe covenants, agreements or conditions of the indenture
- Commencement of proceedings by or against the Company in bankruptcy
- Discovery that representations made by Company in the indenture are incorrect in any material aspect
- Failure to retain a Hotel Consultant
- Termination of the Management Agreement
- Acquisition or development by the City or Company of another hotel in the Austin Central Business District
- Designation by the City or Company of any hotel within the City of Austin as one of the City's convention center headquarters hotels
- Disproportionate levies, taxes or fee against the Hotel that is disproportionate to those charged to any other hotel within the Austin Central Business District
- Closure of the City's current convention center if such closure has a material adverse effect on the Hotel
- Determination that any bond transaction document ceases to be enforceable
- Failure by Company or Hilton to comply with cash management provisions of the bond indenture or cash management agreement

**Austin Convention Enterprises, Inc.**  
(A Component Unit of the City of Austin, Texas)

**Notes to Financial Statements**

---

**Note 5. Bonds Payable (Continued)**

Specific remedies to Events of Default are to be directed and controlled by the bond trustee at the direction of bondholders. Specific remedies, subject to certain caveats, include:

- Acceleration of the Bonds
- Filing suit against the Company including the requirement of Company to account as if it were the trustee of an express trust for the bondholders
- Prohibiting Company from withdrawing moneys from certain funds
- Requesting the court to appoint a receiver
- Commencement of foreclosure
- Transfer of certain reserve account funds to the first tier debt service account
- Make arrangements to retain the current manager of the hotel
- Enforce all rights of the Company under the management agreement
- File suit on behalf of bondholders to enforce the terms of agreements related to the hotel
- Exercise rights of the Company to provide consents or notices

U.S. Bank National Association is the trustee. The bonds were issued pursuant to an indenture of trust between the Company and U.S. Bank National Association, Trustee.

Interest on the Series 2017A Bonds is payable semiannually in January and July. The bonds' maturity dates and interest rates are as follows:

Maturity Date	Principal Amount	Interest Rate
January 1, 2020	5,175,000	5.00%
January 1, 2021	5,560,000	5.00%
January 1, 2022	5,975,000	5.00%
January 1, 2023	6,405,000	5.00%
January 1, 2024	6,860,000	5.00%
January 1, 2025	7,340,000	5.00%
January 1, 2026	7,850,000	5.00%
January 1, 2027	8,380,000	5.00%
January 1, 2028	8,945,000	5.00%
January 1, 2029	9,535,000	5.00%
January 1, 2030	10,155,000	5.00%
January 1, 2031	10,805,000	5.00%
January 1, 2032	11,505,000	5.00%
January 1, 2033	12,235,000	5.00%
January 1, 2034	12,205,000	5.00%
Total	<u><u>\$ 128,930,000</u></u>	



**Austin Convention Enterprises, Inc.**  
(A Component Unit of the City of Austin, Texas)

**Notes to Financial Statements**

**Note 5. Bonds Payable (Continued)**

Interest on the Series 2017B Bonds is payable semiannually in January and July. The bonds' maturity dates and interest rates are as follows:

Maturity Date	Principal Amount	Interest Rate
January 1, 2020	3,345,000	5.00%
January 1, 2021	3,380,000	5.00%
January 1, 2022	3,415,000	5.00%
January 1, 2023	3,455,000	5.00%
January 1, 2024	3,490,000	5.00%
January 1, 2025	3,530,000	5.00%
January 1, 2026	3,565,000	5.00%
January 1, 2027	3,600,000	5.00%
January 1, 2028	3,640,000	5.00%
January 1, 2029	3,675,000	5.00%
January 1, 2030	3,720,000	5.00%
January 1, 2032	7,550,000	5.00%
January 1, 2034	8,480,000	5.00%
Total	<u>\$ 54,845,000</u>	

The Series 2017B Bonds maturing January 1, 2032, are subject to mandatory redemption at a price of 100%, plus accrued interest in January in each year as set forth below:

	Redemption Amount
Years ending January 1:	
2031	\$ 3,760,000
2032	3,790,000
Total	<u>\$ 7,550,000</u>

The Series 2017B Bonds maturing January 1, 2034, are subject to mandatory redemption at a price of 100%, plus accrued interest in January in each year as set forth below:

	Redemption Amount
Years ending January 1:	
2033	\$ 3,825,000
2034	4,655,000
Total	<u>\$ 8,480,000</u>

**Austin Convention Enterprises, Inc.**  
(A Component Unit of the City of Austin, Texas)

**Notes to Financial Statements**

**Note 5. Bonds Payable (Continued)**

A summary of changes in bonds payable relating to the Company's activities for the years ended December 31, 2019 and 2018, are as follows:

Description	Amounts Original Issue	Amounts Outstanding 12/31/18	Increases	Decreases	Amounts Outstanding 12/31/19	Amounts Due Within One Year
Series 2017A Bonds	\$ 135,340,000	\$ 133,725,000	\$ -	\$ (4,795,000)	\$ 128,930,000	\$ 5,175,000
Series 2017B Bonds	59,315,000	58,160,000	-	(3,315,000)	54,845,000	3,345,000
	<u>\$ 194,655,000</u>	<u>\$ 191,885,000</u>	<u>\$ -</u>	<u>\$ (8,110,000)</u>	<u>\$ 183,775,000</u>	<u>\$ 8,520,000</u>

Description	Amounts Original Issue	Amounts Outstanding 12/31/17	Increases	Decreases	Amounts Outstanding 12/31/18	Amounts Due Within One Year
Series 2017A Bonds	\$ 135,340,000	\$ 135,340,000	\$ -	\$ (1,615,000)	\$ 133,725,000	\$ 4,795,000
Series 2017B Bonds	59,315,000	59,315,000	-	(1,155,000)	58,160,000	3,315,000
	<u>\$ 194,655,000</u>	<u>\$ 194,655,000</u>	<u>\$ -</u>	<u>\$ (2,770,000)</u>	<u>\$ 191,885,000</u>	<u>\$ 8,110,000</u>

Future debt service payments under all bonds payable as of December 31, 2019, are as follow:

	Interest	Principal
Years ending December 31:		
2020	8,975,750	8,520,000
2021	8,539,250	8,940,000
2022	8,081,000	9,390,000
2023	7,599,750	9,860,000
2024	7,094,500	10,350,000
2025-2029	26,963,750	60,060,000
2030-2034	9,955,125	76,655,000
Total	<u>\$ 77,209,125</u>	<u>\$ 183,775,000</u>

Interest expense for the years ended December 31, 2019 and 2018 were \$10,119,234 and \$10,524,734, respectively.

There are a number of limitations and restrictions contained in the Company's bond indenture, including a debt service coverage ratio requirement of 1.20. The Company's management believes it is in compliance with all significant limitations and restrictions at December 31, 2019 and 2018.

The bond ratings at December 31, 2019 are as follows:

Debt	S&P Global Ratings Services
First Tier Refunding Bonds, 2017A	BBB+
Second Tier Refunding Bonds, 2017B	BBB-

Subsequent to December 31, 2019, the Series 2017A and 2017B Bonds were downgraded to BBB- and BB, respectively, by S&P Global Ratings Services.

**Notes to Financial Statements**

---

**Note 6. Management Fees and Operating Expenses per Operating Agreement**

In June 2001, the Company and Hilton entered into an agreement naming Hilton as the hotel manager. The first amendment to the hotel operating agreement was made in December 2006 and became effective on December 6, 2006. The Company's agreement with Hilton expires on December 6, 2021. The agreement is intended to constitute a qualified management agreement under Section 141 of the Internal Revenue Code and IRS Revenue Procedure 9713.

In accordance with the hotel operating agreement, Hilton is paid the following: a management fee, group services fees and charges and reimbursable expenses. The Company and Hilton agree that, except for the management fee, additional management fees, group services fees and charges and reimbursable expenses, Hilton shall not be entitled directly or indirectly to any other fees or compensation in connection with the delivery of services which Hilton is required to provide to the Hotel pursuant to this agreement. All such fees shall be treated as operating expenses except the subordinate management fee which, so long as any bonds remain outstanding under the Indenture, shall be subordinate to payment of debt service on all outstanding bonds and payable solely from amounts rightfully on deposit in the subordinate management fee fund held by the trustee under the Indenture.

Commencing with the first full calendar year ending December 31, 2007, and continuing for each operating year thereafter, the Company shall pay a management fee, to be divided between a base management fee equal to 66.67% of such amount and a subordinate management fee equal to 33.33% of such amount, of \$2,666,300, provided that the management fee payable for the second 12-month period and each succeeding 12-month period shall be increased or decreased, as applicable, by a percentage equal to the percentage change in the consumer price index (index) from the last month of the preceding 12-month period as compared to the last month of the 12-month period immediately preceding such preceding 12-month period; provided that any such decrease shall not exceed 3% per annum regardless of the percentage decrease in the index for such period. The base management fee and subordinate management fee paid to Hilton for the year ended December 31, 2019 was \$2,213,069 and \$1,106,369, respectively. The base management fee and subordinate management fee paid to Hilton for the year ended December 31, 2018, was \$2,171,588 and \$1,085,631, respectively.

In addition to the management fee, commencing with the year ending December 31, 2007, and continuing for each operating year thereafter during the operating term, Hilton shall be paid an additional annual management fee of \$227,000, provided that such additional management fee for each operating year after the operating year ending December 31, 2007, shall be increased by a percentage equal to the percentage change in the index for the last month of the operating year for which such additional management fee is payable as compared to the last month of the operating year immediately preceding the operating year for which such additional management fee is payable.

In the event Hilton awards bonuses to eligible employees during an operating year and the bonuses exceed the additional management fee for such operating year, then the additional management fee for such operating year will be increased by the amount by which the awarded bonuses exceed the additional management fee for such operating year, but in no event will such increase exceed an amount equal to 5% of the total management fee payable for the 12-month period that immediately preceded the date on which Hilton delivers to the Company the applicable Schedule of Bonuses.

In the event the bonuses are less than the additional management fee for such operating year, then the additional management fee for such operating year will be decreased by the amount by which the additional management fee exceeds the awarded bonuses, but in no event will such decrease exceed an amount equal to 5% of the total management fee payable for the 12-month period that immediately preceded the date on which Hilton delivers to the Company the applicable Schedule of Bonuses.

**Austin Convention Enterprises, Inc.**  
(A Component Unit of the City of Austin, Texas)

**Notes to Financial Statements**

---

**Note 6. Management Fees and Operating Expenses per Operating Agreement (Continued)**

Bonuses to eligible employees will be payable solely from the additional management fee and, to the extent the additional management fee is insufficient, such insufficiency will be an obligation of Hilton payable solely from its own funds and not directly or indirectly from any gross revenues of the Hotel. The additional management fee paid to Hilton for the years ended December 31, 2019 and 2018 was \$448,578 and \$439,181, respectively.

**Note 7. Risk Management**

The Company is exposed to employee-related risks for health benefits and workers' compensation, as well as various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters and job related injuries or illnesses to employees for which the Company carries insurance. The Company does not participate in a risk pool, but purchases commercial insurance coverage for these risks of loss. There have been no significant reductions in insurance coverage for these risks of loss since the prior year, and there have been no settlements in excess of the insurance coverage for any of the past three years.

**Note 8. Related-Party Transactions**

During the years ended December 31, 2019 and 2018, the Company paid \$2,000,000 each year to the City of Austin, Texas, in accordance with the flow of funds included in the indenture of trust.

The Company is a member of the Austin Convention Condominium Association, Inc. (Association). For the years ended December 31, 2019 and 2018, the Company paid assessments of \$884,517 and \$660,266, respectively.

The Association relies on the Company for efficiencies in negotiating vendor contracts. The Company maintains a significant portion of the Association's contracts and pays balances in full, on behalf of the Association, when they come due. Such expenses paid for by the Company on behalf of the Association include, but are not limited to, trash removal, exterior maintenance costs, plumbing, roof repairs and window washing. The Association reimbursed the Company \$236,253 and \$261,573 for expenses paid on its behalf for the years ended December 31, 2019 and 2018, respectively, for the amounts paid by the Company in excess of its member share of the Association.

**Note 9. Subsequent Events**

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had, and are expected to continue to have, an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Company operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Company, to date, the Company is expecting to experience declining revenue; labor and supply shortages; discontinued operations; difficulty meeting debt covenants; and significant changes in the fair value of assets or liabilities. The concentrations due to a high volume of business within the travel industry make it reasonably possible that the Company is vulnerable to the risk of a near-term severe impact.

**Austin Convention Enterprises, Inc.**  
(A Component Unit of the City of Austin, Texas)

**Notes to Financial Statements**

---

**Note 9. Subsequent Events (Continued)**

The Hotel remains open with a greatly reduced staff. Occupancy projections for April are less than 5%, consisting mainly of airline crews, though airlines continue to reduce flights during the COVID-19 restriction period. Very little transient traffic exists and no group activities are expected to occur through the end of the second quarter.

The Company submitted a draw from the Operating Reserve Account of \$2,700,000 to cover projected operating cash flow deficits through the end of June, 2020. The Company also did an analysis to determine the adequacy of the remaining Excess Revenue, Operating and Debt Service Reserve balances in the event of an extending market interruption due to the pandemic. This analysis concluded that the current balances in those reserves are sufficient to fund all 2020 operating cash flow requirements in the event of continued material impact to the hotel from the pandemic and no improvement in operations through the end of 2020. They are also adequate to fund the July 2020 and January 2021 debt service payments with sufficient remaining projected reserves balances at January 2, 2021.

Final Draft  
Manager to Tie-Out

**Supplementary Information**

Final Draft  
Manager to Tie-Out

**Austin Convention Enterprises, Inc.**  
(A Component Unit of the City of Austin, Texas)

**Summary of Historical Operating Data**

	2019	2018	2017	2016	2015
<b>Operating History</b>					
Occupancy Rate	74%	80%	81%	81%	81%
Average Daily Rate	\$ 234	\$ 223	\$ 222	\$ 220	\$ 224
Revenue Per Available Room	\$ 174	\$ 179	\$ 178	\$ 177	\$ 181
<b>Computation of Total Net Revenue *</b>					
Gross Operating Revenue	\$ 79,915,020	\$ 83,188,785	\$ 82,286,139	\$ 78,592,225	\$ 80,845,398
Operating Expenses	44,931,346	46,664,399	44,542,045	42,159,851	40,849,097
Gross Operating Profit	34,983,674	36,524,386	37,744,094	36,432,374	39,996,301
Net Operating Income	N/A	N/A	N/A	32,832,960	36,297,862
Administrative Expenses	N/A	N/A	N/A	1,036,250	774,161
Renewal and Replacement Additions	3,196,201	3,327,178	3,291,434	N/A	N/A
<b>Total Net Revenue</b>	<b>\$ 31,787,473</b>	<b>\$ 33,197,208</b>	<b>\$ 34,452,660</b>	<b>\$ 31,796,710</b>	<b>\$ 35,523,701</b>
<b>Debt Service Coverage Ratios</b>					
First Tier Bonds Debt Service	\$ 11,062,533	\$ 8,122,283	\$ 11,211,803	\$ 10,705,000	\$ 10,597,658
First Tier Bonds Debt Service Coverage Ratio	2.87x	4.09x	3.08x	2.97x	3.35x
First and Second Tier Bonds Debt Service	\$ 17,037,022	\$ 12,102,522	\$ 17,134,829	\$ 17,396,810	\$ 17,224,418
Total Debt Service Coverage Ratio	1.87x	2.74x	2.01x	1.83x	2.06x
<b>Principal Balance</b>					
First Tier Bonds	\$128,930,000	\$133,725,000	\$135,340,000	\$143,835,000	\$147,410,000
Second Tier Bonds	\$ 54,845,000	\$ 58,160,000	\$ 59,315,000	\$ 85,565,000	\$ 87,315,000
<b>Fund Balances</b>					
First Tier Debt Service Reserve Fund	\$ 13,471,075	\$ 13,565,062	\$ 13,497,378	\$ 5,886,002	\$ 5,886,032
Second Tier Debt Service Reserve Fund	6,229,509	6,272,972	6,241,672	10,000,001	10,000,051
Operating Reserve Fund	8,008,368	8,064,241	8,024,004	8,000,001	8,000,041
Cash Trap Fund	-	-	-	5,000,000	5,000,026
<b>Total Fund Balance</b>	<b>\$ 27,708,952</b>	<b>\$ 27,902,275</b>	<b>\$ 27,763,054</b>	<b>\$ 28,886,004</b>	<b>\$ 28,886,150</b>

\* The Continuing Disclosure Agreement included in the Series 2017 Bonds indenture of trust requires the Company to include in its annual report, a summary of historical operating data. The computation of total net revenue above is calculated as defined by the indenture of trust.

1 The Series 2006 bonds were fully refunded by the Series 2017 bonds and a new indenture of trust was executed. These amounts include a full year of hotel activity and a full year of debt service (Series 2006 bonds plus Series 2017 bonds).

2 This amount is no longer included in the definition of total net revenues under the 2017 indenture of trust.

**Austin Convention Enterprises, Inc.**  
(A Component Unit of the City of Austin, Texas)

**Hotel's Operating Results vs. Approved Budget—2019**

	Actual	Budget
Operating revenues:		
Rooms	\$ 50,888,988	\$ 52,366,275
Food and beverage	25,357,400	27,206,671
Other	3,658,631	3,873,770
<b>Total operating revenues</b>	<b>79,905,019</b>	<b>83,446,716</b>
Operating expenses:		
Cost of revenue:		
Rooms	10,042,052	10,305,357
Food and beverage	12,706,597	13,880,206
Other	6,708,497	7,016,403
General and administrative	5,263,285	5,325,448
Sales and marketing	6,672,372	6,974,230
Information and technology	877,006	906,461
Taxes and insurance	494,953	476,744
Management fees	3,768,016	3,768,016
<b>Total operating expenses</b>	<b>46,532,778</b>	<b>48,652,865</b>
<b>Operating income</b>	<b>\$ 33,372,241</b>	<b>\$ 34,793,851</b>
Hotel revenue criteria:		
Occupancy	74.4%	77.8%
Average Daily Rate	\$ 234.04	\$ 230.21
RevPar	\$ 174.06	\$ 179.11

The Continuing Disclosure Agreement included in the Series 2017 Bonds indenture of trust requires the Company to include in its annual report, a comparison of the Hotel's actual operating results compared to its approved budget. The budget is prepared on the accrual basis and the accounting practices specified in Section 2.20.1, Books and Records, and Section 2.20.3, Annual Certified Financial Statements, of the hotel operating agreement. The information above includes only the operations of the Hotel.