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Dear Client:

**Are there Chinese and Russian spies in Austin? Preying on Austin tech interests. According to one report, the FBI's Austin office may think so. It is believed Austin may be the target for cybersecurity espionage due to its concentration of tech companies that could harbor important data worth stealing. Further, there is concern that some Austin tech operations are unprepared to deal with this espionage.**

Buried in the next-to-last paragraph of a very lengthy and starkly detailed July 27, 2018 report in *Politico* magazine is the reference that grabbed our attention. After recounting what was called **“a full-on epidemic of espionage on the West Coast” by China and Russia, aimed at science and technology companies**, the report said *mid-sized cities with thriving tech industries* will likely see an uptick in counterintelligence cases. Then, came this quote:

**“One former intelligence official noted that the FBI’s office in Austin, Texas, has built up its counterintelligence capacities.”** There you have it. Of course, the FBI is not talking for obvious security reasons. But it makes sense. And it’s not because of the logical big targets in Austin like Dell, Apple, Google, etc., but also **tech start-ups that are especially vulnerable.**

“Russian and Chinese operatives have an easier time infiltrating organizations without any security systems or hierarchies in place,” noted the report. **“These services like penetrating young companies and start-ups ... because ‘it’s always better to get in on the ground floor’ when seeking to pilfer valuable information or technology.”**

The espionage efforts by the Chinese and Russians are diverse and complicated. For example, here in Austin there is a **treasure trove of data at UTAustin where research is conducted on vital topics, such as energy and computer technology – not to mention defense contracts.** UTAustin probably has massive precautions in place.

Now with the **all-important Army Futures Command establishing its headquarters in Austin, it’s entirely possible Russian and Chinese espionage efforts will ramp up in Austin exponentially.** The Army, too, will have extensive safeguards. But remember: spies don’t just concentrate on hacking, etc., **spies also compromise individuals who may have access to what they want.** Get ready: espionage will expand in Austin.

**Frost Bank's longtime landmark high-rise in downtown Austin is being eclipsed by flashier, taller, architecturally-impressive sky scrapers that seem to rise overnight. But, the success of the bank itself was recently described by *American Banker* magazine with the phrase "hip to be square." And it explained "why one of Texas' oldest banks is also one of its most admired."**

"Frost Bank has a reputation for never wavering from its mission of **building long-term relationships**," noted the national publication. "It achieves this goal by providing top-notch service, putting principles before profits and giving customers a fair deal." Many banks say they put their customers' needs first, but "Frost demonstrates this better than most."

"**Its strategy of emphasizing relationships**," the magazine continued, "not compromising its principles to make quarterly numbers and putting a high premium on convenience is apparent in its actions." Then it ticked off a number of examples, like those that led to its ability to **weather severe economic downturns**.

Frost famously refused to accept funds from the government's Troubled Asset Relief Program at the onset of the financial crisis in 2008 because it didn't need the money. "**Many people in Texas remember that it was the only one of the state's 10 largest banks to survive the oil and real estate busts of the late 1980s and early 1990s**," *American Banker* pointed out.

**Curtis Carpenter**, managing director of Sheshunoff Investment Banking in Austin, **said what happened in the '80s and '90s might not be significant to millennials, but it matters to older generations** who want to know their bank is not making risky bets with their money.

"**A lot of gold-star banks went down in the '80s and Frost is the only one that didn't**," said Carpenter. "**For people in their mid-50s or older, that is still very much a thing.**"

**Frost's ability to retain customers in some of the nation's most desirable and competitive markets, such as Austin, is unmatched.** "One of the things Frost is known for is its tremendous customer loyalty," said Carpenter, who has been following the Texas banking scene for 35 years. "**Most bankers around the state will tell you that it's just really hard to steal a Frost customer.**"

Throughout the article, it kept coming back to the theme of *building relationships* as being key to Frost's success. **Its chair/CEO Phil Green gave an example:**

"We got out of the mortgage business (in the early 2000s) not because we saw trouble ahead – we weren't that smart – but because **it wasn't based on a relationship, it was based on price.**" Then this enlightening statement from Green: "**If you are dealing with someone just on the basis of price, that's not going to be a quality relationship.**"

**Charlie Betts, a native Austin businessman and civic leader, who prior to his retirement a couple of years ago, was the executive head of the Downtown Austin Alliance. He stepped back into the downtown debate this week when he took issue with Mike Levy's criticisms (Charlie called it a "rant") about downtown Austin in our last two editions.**

He ticked off his reaction to some of Levy's comments. As follows:

*"Mike decries the lack of free parking downtown."* "Everyone knows it costs to park downtown and it has **OBVIOUSLY NOT (his caps) had a negative impact on economic growth downtown. There are 71,500 total parking spaces downtown**, approximately 7,000 on street (pay) and approximately 64,000 in garages (pay)."

*"Mike says 'without free and easy parking, retail ain't ever going to happen.'"* "Please!" says Charlie. "**There is plenty of retail growth in downtown:** 115 retail stores, 200 full service restaurants and 105 retail services are all open and operating. The primary market comes from 15,000 residents downtown and 91,000 workers."

*"Then you have his criticism of changing one-way to two-way streets, wider sidewalks and trees for pedestrians, dedicated lanes for public transit and bike lanes as well."* "Not only have those changes NOT (again, his caps) resulted in the long-feared congestion catastrophe but **improved the whole downtown experience for downtown residents, workers and visitors,**" Charlie retorted.

*"Mike decries the conversion of a few Congress Avenue parking spaces to 'sidewalk dining' venues."* "Well," rebuts Charlie, "those sidewalk dining areas add a lot to the pedestrian experience, **adding interest and pedestrian traffic to our Congress Avenue, a really good result.**"

*"Mike mentions that some downtown retail customers are going to the Domain and Arboretum to shop because of the free parking."* "That's not a problem for downtown," claims Charlie. "It is appropriate for there to be 'regional' mixed use developments around the city. **And the interesting thing is the Domain emulates downtown Austin in most ways** – wide and shady sidewalks, narrow two-way streets, an interesting mix of retail and restaurants and offices and residential as well. They are successful."

Charlie's closing pitch: "**There is only one downtown Austin and that's where you find it all. It's where you find our history and culture, entertainment, government, business, education and recreation** (Lady Bird Lake and Roy and Ann Butler Hike and Bike Trail, Waller Creek, Shoal Creek and more). And I might add, the State Capital complex and University of Texas are not going anywhere else."

**Unless you have ridden the bus on MetroRapid Routes 801 or 803, you may not have noticed the latest examples of Austin's public art. You know those utility boxes beside each of the bus stops? Well, many of them have been painted by local artists. It's not just any old paint job. Fourteen boxes have been painted or wrapped by 12 practicing artists. Each box contains a specific scene that is supposedly reflective of the character of each neighborhood.**

**Want a feel-good story? How about this one. It started out as a potential problem for kids with police. But then it ended with kids and the police sharing a good experience. It happened in the small Central Texas town of Burleson. Here's how it unfolded.**

The police got a call a little after midnight that more than 20 youths and young adults were squaring off in the Walmart parking lot. **It looked like there was going to be a rumble, a fight of huge proportions.**

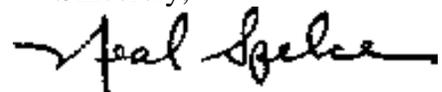
Police rushed to the scene. The kids thought the cops were going to run them off – or even run them in. But, the cops found a showdown of a different kind. **The kids were gathered for a touch football game in the cool of the evening during this horribly-hot summer.**

The cops were pleased to see such a wholesome activity. So they decided to help. **They lined their patrol cars up and turned on their lights so the kids could better see to play their game in the after-midnight dark.**

One of the kids, a young girl, was quoted as saying she teared up a little bit **“just knowing I live in a town with officers like that, that's awesome.”**

Following the death this week of Austin war hero/civic giant Frank Denius at the age of 93, **Dr. Louis Overholster** said Austin attorney John Selman told him one of the highest compliments he ever received was when a City Council member referred to him as “the poor man's Frank Denius.”

Sincerely,



Editor/Publisher