

APPENDIX A

General Information Regarding the City

The following information has been presented for informational purposes only.

AUSTIN'S GOVERNMENT, ECONOMY AND OUTLOOK

The City of Austin, chartered in 1839, has a Council-Manager form of government with a Mayor and six Councilmembers. The Mayor and Councilmembers are elected at large for three-year staggered terms with a maximum of two consecutive terms. A petition signed by a minimum 5 percent of voters waives the term limit for a Councilmember. 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.

Austin, the capital of Texas, is the fourth largest city in the State (behind Houston, Dallas, and San Antonio), with a population of 714,237 in 2006. Over the past ten years, Austin's population has increased by approximately 153,298 residents, an increase of 21.5 percent. Geographically, Austin consists of approximately 296 square miles. The current estimated median household income and per capita income for the Austin-Round Rock Metropolitan Statistical Area (MSA) is \$40,888 and \$35,413, respectively.

Austin is frequently recognized as a great place to live, work, and play, with one of the most recent commendations in Forbes Magazine, which listed Austin as one of its "top ten places for business" in 2005 and this year as a great place to retire. Austin was featured in Expansion Management magazine's list of "America's 50 hottest cities", citing factors that include business climate, workforce quality, operating costs, incentive programs, and the ease of working with local political and economic development officials. Expansion Management also named Austin the top metro for future business locations. Business Week ranked Austin fourth in the U.S. for projected job growth among metropolitan areas with at least 1 million residents and has forecasted 24.7 percent job growth from 2005 to 2015. SustainLane.com ranked Austin in the top five "smart places to live" based on its cost of living, housing market, access to quality health care and a strong economy. Men's Journal ranked Austin second among America's healthiest cities, citing Mayor Will Wynn's efforts to make Austin the fittest city in the U.S. by 2010.

Austin has long attracted a variety of people and the reasons that draw people to the City are varied. The area has a natural beauty and a first-rate parks department that administers a number of public outdoor recreational facilities, including neighborhood parks, greenbelts, athletic fields, golf courses, tennis courts, a veloway for bicyclists and in-line skaters, miles of hike and bike trails and striped bike lanes, a youth entertainment complex, and swimming pools. The long-awaited second phase of Town Lake Park and the Mexican American Cultural Center were completed during the summer of 2007.

Residents of Austin enjoy many outdoor events, including art, music, and food and wine festivals, races and bicycle rides, and the nightly flights of the world's largest urban bat colony. Indoor events vary from music to museums to ice hockey, art galleries, and include an opera facility and a wide variety of restaurants and clubs. Long recognized as the "live music capital of the world", Austin boasts more than 120 live music venues, and is home to the annual South by Southwest (SXSW) music, film and interactive festivals each spring, as well as the Austin City Limits Festival each fall. Pollstar named the Austin City Limits Festival "festival of the year" during its annual concert industry awards in 2006.

The educational opportunities in Austin have long drawn people to the city. Among U.S. cities with a population over 250,000, Austin is one of the most highly educated cities, with approximately 44.1 percent of adults twenty-five years or older, holding a bachelor's or advanced degree. With its seven institutions of higher learning and more than 119,202 students, education is a significant aspect of life in the Austin area. The University of Texas at Austin (UT), the largest public university in the nation, is known as a world-class center of education and research.

Since 1990, over 345,000 jobs were created in Austin. Following September 11, 2001, Austin and the Central Texas area faced a significant economic downturn, resulting in a significant number of job layoffs and high unemployment rates. Over the past few years, the Austin economy has sustained a robust growth trend, with low unemployment, a strong housing market, and business expansion throughout the area.

The average annual unemployment rate was 4.3 percent in 2005 and 3.2 percent in 2006. The statewide average

unemployment rate for Texas was 5.3 percent in 2005 and 4.1 percent in 2006. Samsung Electronics Co., Ltd., the world's second largest chipmaker, announced in April 2006 that the company will invest \$3.5 billion in a new 300mm wafer fab and create nearly 900 new jobs in Austin. Samsung's announcement is the largest single investment by a foreign company in the United States. This is the first 300mm wafer fab in Central Texas with only six in existence or under construction in the United States. Hewlett-Packard has indicated plans to build two data centers in the Austin area and Advanced Micro Devices, a manufacturer of semiconductor chips, is building a new campus in southwest Austin. The City of Austin is also a corporate partner in Opportunity Austin, a five-year initiative of the Greater Austin Chamber of Commerce aimed at creating 72,000 jobs and a \$2.9 billion increase in payroll to the surrounding five-county area by the end of 2008. Since the inception of the program in 2004, the employment base has expanded by 51,000 jobs.

Sales tax revenue showed steady improvement in fiscal years 2004 and 2005, followed by significant growth in fiscal year 2006. Sales tax revenue grew an average of 6.6 percent in fiscal year 2004, 5.0 percent in fiscal year 2005, and 12.6 percent in fiscal year 2006, compared to prior years. Growth in revenue has continued each quarter since the fourth quarter of fiscal year 2003. The 2006 growth rate is the third highest among major Texas cities. As a sign of sustained improvement, initial sales tax revenue for the first four months of fiscal year 2007 grew 13.9 percent over fiscal year 2006.

Single-family residential building permits increased by approximately 3,219 permits from fiscal year 2005, representing an approximate 20.5 percent increase over the previous year. Assessed taxable property valuation within the City increased approximately \$2.6 billion, or 5.3 percent from the prior year. Property tax revenue increased by \$15.8 million or 7.2 percent compared to the previous year. Property taxes for 2006 and subsequent years may be negatively impacted by lawsuits filed against the appraisal district; the suits challenge the appraisal district's property valuations for many businesses. If the challenges are successful, they could result in decreased tax revenue in future years for the local taxing jurisdictions, including the City.

Total passenger traffic for the City's airport increased by 7.5 percent in calendar year 2006 compared to the previous year. Over 8.2 million passengers traveled through Austin-Bergstrom International Airport in 2006, both a milestone and a record year for the facility. In 2005, JetBlue Airways announced its plans to provide service to Central Texas, making Austin the only city in the state to offer air service by JetBlue. Beginning in January 2006, the long sought after discount airline began operating out of Austin, with nonstop service to New York's John F. Kennedy International Airport and Boston Logan International Airport. Aeromexico, Mexico's largest airline began offering the only international non-stop service from Austin with flights to Mexico City starting in December 2006, providing Central Texas access to all of Mexico's great destinations. Other positive indicators in 2006 included an increase of 24.9 percent in hotel occupancy taxes compared to fiscal year 2005 and an increase of 16.8 percent in vehicle rental taxes earned in fiscal year 2006.

Throughout the downturn in 2002 through 2005, City management implemented cost savings while maintaining a structurally balanced budget. Emphasis was placed on permanent reductions rather than one-time reductions that would have to be re-addressed in the future and revenue initiatives were implemented to bring fees more in line with cost of service and to adjust them for inflation. Other budgetary accomplishments include maintaining the effective tax rate during the downturn, ensuring that no public facilities closed, maintaining utility transfer rates in conformity with the City's financial policies, and placing no reliance on "one-time" funds to be utilized as revenue funding sources. In fiscal year 2006, City staff continued the policy of presenting a budget to the City Council that is both sound and balanced, and also began strategically reinvesting in the City's workforce and rebuilding the services provided to the community.

Economic indicators indicate that the conditions are good for the continuing economic growth in Austin and surrounding areas. The revenue recovery that began in 2005 has continued unabated in 2006 and was reflected in the projections developed for the fiscal year 2007 budget, which was adopted by the City Council in September 2006. For the future, Austin's strengths continue to be the ones that led to growth in the past: a highly capable workforce, innovation and entrepreneurship, the presence of a world-class research university and several other institutions of higher learning, strong community assets and a superior quality of life.

MAJOR INITIATIVES AND ACHIEVEMENTS

The City has a number of significant initiatives underway or recently completed, as described below. These initiatives should have a positive effect on the City's economic health and services to residents and businesses.

General Obligation Bond Election

A successful general obligation bond election on November 7, 2006, was the culmination of a long journey and much hard work that began in 2005 when staff presented a comprehensive analysis of the City's debt capacity and infrastructure needs to the City Council. The November election date gave Austinites a chance to decide the fate of seven bond propositions aimed at providing quality public services and responding to Central Texas' growth. They responded overwhelmingly in support of \$567.4 million in funding for projects that include transportation, drainage and water quality protection, parks facilities and parkland, community and cultural facilities, affordable housing, a new central library, and public safety facilities.

This past year, staff worked hard to support Council's appointed Bond Election Advisory Committee (BEAC) to review and make recommendations on proposed bond projects. The BEAC presented its recommendations in February 2006. In May, two public hearings provided an opportunity for the City Council to receive feedback about the upcoming Bond Election. Councilmembers used the BEAC recommendations, staff briefings, and public input to determine the bond program that voters would be asked to consider in November.

The November bond election marked the largest general obligation bond election in the City's history, yet Moody's Investor Services noted that the City continues to maintain a manageable debt position. Moody's announced in August 2006 that the City of Austin's general obligation bond rating has been upgraded from an Aa2 rating to an Aa1 rating. In upgrading Austin's bond rating, Moody's indicated confidence that the City has the financial capacity to carry out the \$567.4 million bond program and stated it "believes additional debt can be layered in without significant upward pressure on the debt position." Moody's acknowledged that the City has an "aggressive capital plan." Moody's also cited Austin's economic recovery, robust tax base, and prudent management of cash reserves as key factors contributing to the upgrade. A quote from Moody's credit analysis in August 2006: "Considering the City's ample reserve levels, conservative budgeting practices, strengthening of reserve policies, continued property and sales tax revenue growth, proactive actions in regards to its pension liability, and management's proven ability to guide the City through a significant economic downturn, Moody's believes the City's financial operations are consistent with the high level Aa1 rating category."

Additionally, the City Council's inclusive approach of involving community leaders in the bond election process, combined with staff's consistent support and management of the process, have paid off, providing the City with the funding to help meet the capital needs of Austin for the next seven years. As the Austin Chronicle noted in its retrospective of the top ten local stories in 2006: "The least controversial, yet most likely to improve the common quality of life, were the seven municipal bond propositions passed overwhelmingly in November, underwriting everything from basic infrastructure to affordable housing to open space, central library to film studio. As triumphant as the bonds themselves, was the public winnowing process – a nearly two-year process involving a broad cross section of the entire city. Kudos to everybody!"

Economic Growth and Planning Initiatives

Downtown Austin has virtually undergone a development renaissance, and offers a vibrant and diverse array of shops, restaurants, live music venues, museums, and theater for its residents and visitors. This vitality also shows up in the City's citizen survey results, which reflect a higher level of satisfaction than last year. The Second Street Retail District continues to show strong results, with 73 percent of the available retail spaces open for business and 100 percent either leased or in development. The district eventually will have 200,000 square feet of space to shop and dine along Second between Colorado and San Antonio streets. The first shops opened in the district in June 2005. At the northwest corner of Second and Guadalupe, AMLI has begun constructing another building. This new 18-story structure will contain 231 apartments bringing more customers to the Second Street area. The building also will have 40,000 square feet of ground-floor retail space. The opening of Austin Java in City Hall completed the City Hall construction project.

Other planned projects, including continued redevelopment on Second Street, will enable Austin to realize its potential as a downtown residential market. The development of "Block 21", City-owned land located directly across the street from City Hall, will be a major mixed-use development with street-level retail store fronts and a hotel. The project creates an opportunity for Austin City Limits to relocate to the heart of the warehouse district. In December 2006, the City completed the sale of "Block 21" to Stratus Properties, which will pave the way for development to begin. In 2005, the City also created a decommissioning plan for the Green Water Treatment Plant, located on the shores of Town Lake, including identification of alternative sites for a new treatment plant and creation of a redevelopment plan for the

existing site. In February 2006, the City Council passed a resolution designating the site as the location of the new central library approved for bond funding by voters in November 2006. The City also negotiated with a developer for redevelopment of the circa 1950 Art Deco Seaholm Power Plant and adjacent property, to create a high quality, mixed-use cultural attraction.

Following a successful referendum on its long-range transit plan in November 2004, the Capital Metropolitan Transportation Authority (Capital Metro) will be implementing new transit services, including urban commuter rail in 2008 and rapid bus service. In May 2005, the City Council adopted a Transit-Oriented Development Ordinance (TOD) designed to specifically support transit and increase use of publicly funded transit investments. Key features of the ordinance include moderate to high density, pedestrian orientation, mixed use, strong transit connection, public and private partnerships and market responsive development. A station area technical advisory group has been assembled, which includes representatives from Capital Metro, to help guide the visioning process that will enable preferred station area concepts to emerge. Finalization of the initial three station area plans is expected in the fall of 2007.

The redevelopment of Robert Mueller Municipal Airport is underway. In December 2004, the City completed and approved the Master Development Agreement (MDA), with a master developer to convert the old airport site into a vibrant mixed-use community. The MDA calls for the development of a full range of land use in order to promote a viable transit-oriented community for residents and employers. The City has established goals in order to achieve community-based values in a number of areas including affordable housing, green building, and publicly accessible greenways and parks. Major development milestones reached in the last year include:

- The first major project, a new Children's Hospital, opened in the summer of 2007.
- In 2006, the City negotiated a ground lease with the University of Texas for development of the Dell Pediatric Research Institute, which has begun construction.
- Construction of the retail center will occur in phases, with the first phase opening in the spring of 2007. Ultimately, the retail center will draw customers throughout the region upon its planned completion in 2008.
- The developer, Catellus Austin, has announced homebuilders for the first phase of the Mueller community. The range of new home choices at Mueller includes single-family yard houses and row houses, live-work "shop houses" and multi-family "Mueller Houses," and mixed-use apartment and townhouses. The first Mueller homes are expected to be complete in late 2007.

Environment and Quality of Life

Many of the City's accomplishments in 2006 assist in the achievement of the City's vision of being the most livable city in the country.

Austin is ranked the fourth safest city in the nation for its low violent crime rate – behind Honolulu, San Jose and El Paso. The violent crime rate reported by the Austin Police Department in 2006 was 5.2 per 1,000 population. Changes in enforcement to reduce the number of traffic fatalities yielded positive results in 2006. The number of traffic fatalities decreased by approximately 9.8 percent, from 71 in 2005 to 64 in 2006. It was the third lowest total in ten years. During 2006, the Austin Police Department implemented a traffic incident management plan that promotes the removal of collisions from major roadways, which helped to decrease the number of traffic fatalities. In 2006, the Austin Police Department also implemented on-line public access to crime reports by neighborhood.

Preserving and protecting Austin's environment contributes to the quality of life that the City's residents value. In November 2005, the City Council voted unanimously to ban the sale and use of pollution-causing coal tar containing pavement sealants, a first in the nation response to this environmental risk. The proposed ban is based on two years of research by City biologists and other environmental scientists and became effective in January 2006. Pavement sealants are protective surface finishes typically used for parking lots and driveways. The Watershed Protection and Development Review Department has also begun developing technical criteria to enable the development community to receive credit for innovative water quality controls, such as biofiltration and rainwater harvesting, as well as completing a number of in-house erosion designs that protect threatened property while enhancing the natural creek setting around the properties. The Solid Waste Services Department has begun to address the long-range solid waste planning needs of Central Texas in conjunction with the Long-Range Solid Waste Planning Task Force which represents a broad spectrum of multi-stakeholder interests and complements the work undertaken by the City of Austin Solid Waste Advisory Commission and other central Texas solid waste planning efforts.

Other initiatives, such as the adoption of affordable housing goals in the University Neighborhood Overlay and creating strategies to help mitigate gentrification under the Community Preservation and Revitalization program, add to the quality of life. In April 2005, on the 5th Anniversary of the City's S M A R T Housing™ policy, the International City/County Managers' Association named it a best practice. Five years ago, the City of Austin established the S M A R T Housing™ (Safe, Mixed Income, Accessible, Reasonably Priced, and Transit Oriented) initiative to stimulate the creation of reasonably priced homes within the city limits of Austin. This initiative provides development fee waivers and other benefits for projects that meet all S M A R T Housing™ standards, including at least 10 percent of the units meeting the "reasonably priced" standard by serving families at or below 80 percent of the Austin area median family income. In 2006, the Housing Smarts housing counseling program was established and offered free, three-part homebuyer education courses to City of Austin residents. The course teaches about the basics of money management, mortgages, realtors, and preventing foreclosure.

The Citywide Information Center Project has expanded the use of 3-1-1 from a public safety non-emergency number to one that can be utilized for all City services. The 3-1-1 Citywide Information Center continues to grow and supports sixteen divisions within five different departments. Customer Service Representatives field an average of 1800 calls per day resulting in a daily average of over 400 service requests issued to participating departments. The center has been successfully relocated to the Rutherford Lane Campus and has begun to answer the 3-1-1 calls that were previously routed to APD.

First Workers was featured as a model program on National Public Radio. This past fiscal year the Day Labor Program showed a significant increase in placements with more than 70 percent of workers compared to less than 50 percent average last year. Safety training was provided in March for First Workers' clients in collaboration with the Hispanic Contractor's Association, Home Depot, and Newmark Homes.

Utility Projects and Initiatives

Austin Energy is implementing a Quality Management System based on the ISO 9001 2000 Standard established by the International Organization for Standardization (ISO). Austin Energy will seek ISO registration in December 2007. ISO registration certifies that an organization conforms to the ISO 9001 2000 Standard for a quality management system. The quality management system and ISO registration will enhance AE's ability to meet its customer requirements for improved power quality and reliability and customer satisfaction. Registration is significant because AE will be the first utility in the country to obtain ISO 9001 2000 Registration of transmission and distribution processes.

By improving the energy efficiency of homes and businesses, Austin Energy over the past year reduced peak demand on generating plants by 57 megawatts (MW). This represents the largest peak energy savings ever in the 24-year history of the programs — saving electricity sufficient to power 37,000 homes. The amount of power generated at Decker Power Plant during the peak demand months was more than 20 percent greater than the previous year, but the NO₂ emission rate was reduced by almost the same percentage keeping emissions almost the same as last year. A campaign to persuade automakers to manufacture plug-in hybrid electric vehicles (PHEVs) by demonstrating a nationwide market began in January 2006 and has since signed up more than 500 partners nationwide, including more than half of the 50 largest cities in the nation and partners in 41 states. Plug-in hybrid vehicles were mentioned in the 2006 President's State of the Union Address and recent federal legislation.

The Austin Water Utility launched the Austin Clean Water Program in 2001 because of an Administrative Order from the U.S. Environmental Protection Agency to eliminate overflows from its wastewater collection system by the end of June 2009. The Utility remains on schedule to complete the necessary requirements that are currently estimated to cost \$400 million, with over 48 percent of total improvements installed. In other initiatives during the past year, the Austin Water Utility rehabilitated over fifteen miles of wastewater pipelines with minimal impact on traffic and neighborhoods by avoiding open cut construction.

Additionally, both utility systems received upgrades to their bond ratings. In November, 2006, the Austin Water Utility received upgrades from two rating agencies. Moody's Investor Services and Standard & Poor's. Moody's upgraded the City of Austin utility's debt from A1 to Aa3 and S&P upgraded the Austin Water Utility to A+. The improved ratings will allow the utility to issue debt at a lower interest rate in the future. Both rating agencies cited the utility's growing customer base and favorable economic trends in the utility's service area. Moody's cited its belief that the Austin Water Utility "will continue to pursue prudent financial management" and that City officials "are committed to the fiscal health of the (water/wastewater) system." In May 2006, Moody's moved Austin Energy up two notches from A3 to A1, citing

the utility's continued sound competitive position and diverse power supply, its close relationship to the City of Austin, its satisfactory financial record including strong debt service coverage, and a moderate debt position

Type	Fitch	Moody's	S&P
Combined Utility System			
Prior lien	AA-	A1	AA-
Subordinate lien	AA-	A1	A+
Electric			
Separate lien	AA-	A1	A+
Water and Wastewater			
Separate lien	AA-	Aa3	A+

Status of City Services

The vision of the City of Austin is to be the most livable community in the country. To achieve this vision, the governing leaders of the City invite citizens to participate in the Citizen Satisfaction Survey. The City has conducted the survey yearly since 1997.

Austin residents assign a very high level of importance to public safety services, including 9-1-1, EMS, Fire, and Police. Generally, satisfaction with most public safety services continues to be high and 2006 survey results improved over 2005. Although neighborhood policing and traffic enforcement rank low as compared to other public safety services, neighborhood policing showed the most improvement from 2005, notably in police cooperation with neighborhoods. Satisfaction with emergency medical services (EMS) among people who have used these services within the last 12 months has dropped compared to last year's survey result with the primary factor cited as timeliness. This statistic is consistent with the rising call volumes that EMS has experienced. The fiscal year 2007 budget, approved by the City Council in September 2006, included the addition of a peak load unit to rove during times and in areas of the city where call volumes are high. Additionally, two new EMS stations were opened in 2007.

Residents have generally expressed satisfaction with the services provided by the Parks and Recreation Department from year to year. In 2006, satisfaction has declined slightly and the survey results appear to focus on the condition of our facilities, notably the appearance of park facilities and grounds and the availability of parks and preserves. Our successful bond election in November 2006 included \$20 million for parkland acquisition and \$64.7 million for park facilities, targeted primarily at major rehabilitation of our existing facilities. Of the \$64.7 million for park facilities, the bond package will include \$53 million to renovate our buildings and facilities, pools, and park infrastructure. About 60 percent of all residents use library services during the year. The overall rating of library services has increased compared to 2005, with satisfaction related to availability of materials showing the most improvement.

Survey results continue to show that Austin citizens consider the environment as one of their top priorities. Residents are most satisfied with the quality of drinking water, consistent with 2005 findings. In 2006, satisfaction with almost all service areas has improved over 2005. The preservation of green space slipped somewhat compared to the 2005 survey results, but was still higher than the results for 2003 and 2004. The November bond package included \$50 million funding for acquisition of land, including fee title and conservation easements in the Barton Springs contributing and recharge zones and should favorably impact ratings in the future. For the first time, survey responses indicate that citizens see significant improvement in the road conditions in Austin. About 70 percent of respondents view road conditions as "good" or "mostly good" compared to 62 percent in 2005. Satisfaction with the traffic flow and traffic signal timing on city streets has also increased compared to 2005 survey results, yet citizens still remain dissatisfied with road conditions and traffic flow overall. Both of these categories remained in the top 10 citizen issues in 2006.

The top issues of importance to Austin residents, listed in rank order, are

- Road conditions and new roads
- Growth management
- Cost of living

Other issues that citizens considered important, also in rank order:

- Tax-related issues (including rates, fees and charges)
- Mass transit

- Pollution-related issues
- Quality of life (more green space, arts, etc.)
- Public education issues
- Water quality and supply
- Management of budget

The City is committed to incorporating the public's preferences into its strategic planning and using the public's expression of satisfaction as a criterion of accountability

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Employment by Industry in the Austin Metropolitan Area (a)

Employment Characteristics

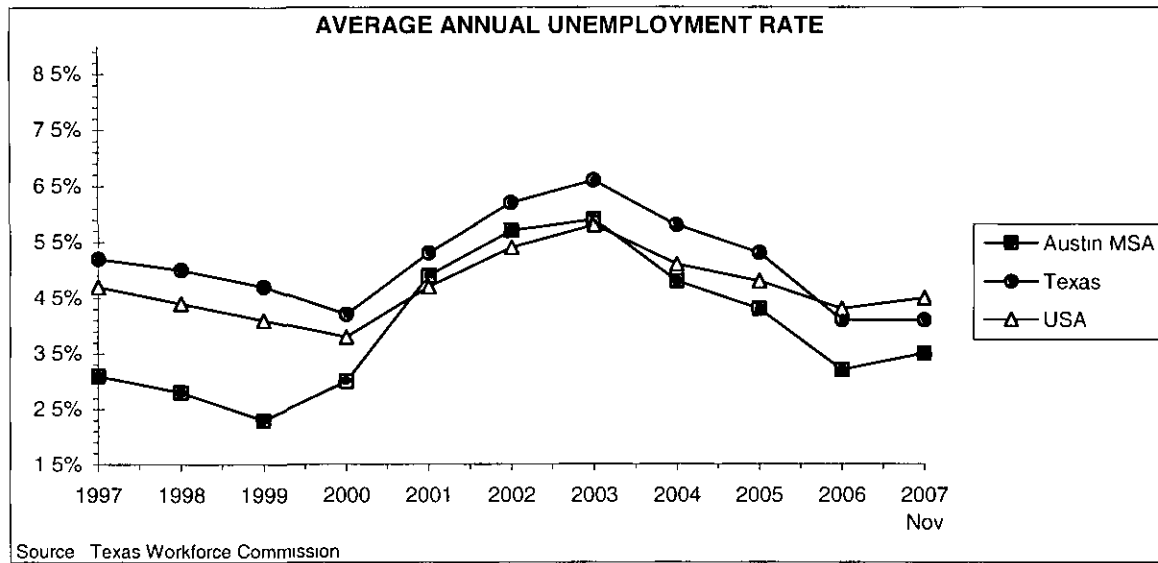
<u>Industrial Classification</u>	<u>1990</u>	<u>% of</u> <u>Total</u>	<u>2000</u>	<u>% of</u> <u>Total</u>	<u>2005</u>	<u>% of</u> <u>Total</u>	<u>2006</u>	<u>% of</u> <u>Total</u>	<u>November 2007</u> <u>% of</u> <u>Total</u>	
Manufacturing	48,200	12.2%	84,000	12.3%	57,500	8.4%	57,400	7.9%	59,900	7.9%
Government	112,700	28.5%	137,100	20.1%	146,800	21.5%	156,600	21.5%	160,800	21.1%
Trade, transportation & utilities	60,400	15.3%	116,000	17.0%	118,600	17.3%	151,400	20.8%	156,900	20.6%
Services and miscellaneous	136,100	34.4%	267,100	39.1%	281,300	41.1%	275,800	37.9%	289,500	38.0%
Finance, insurance and real estate	24,700	6.2%	35,400	5.2%	40,200	5.9%	42,500	5.8%	45,000	5.9%
Natural resources, mining & construction	13,600	3.4%	42,700	6.3%	39,800	5.8%	44,600	6.1%	49,100	6.5%
Total	395,700	100.0%	682,300	100.0%	684,200	100.0%	728,300	100.0%	761,200	100.0%

(a) Austin-Round Rock MSA includes Travis, Bastrop, Caldwell, Hays and Williamson Counties. Information is updated periodically, data contained herein is the latest provided.

Source: Texas Labor Market Review, December 2007, Texas Workforce Commission

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Average Annual Unemployment Rate



	<u>Austin MSA</u>	<u>Texas</u>	<u>U.S.</u>
1997	3.1%	5.2%	4.7%
1998	2.8%	5.0%	4.4%
1999	2.3%	4.7%	4.1%
2000	3.0%	4.2%	3.8%
2001	4.9%	5.3%	4.7%
2002	5.7%	6.2%	5.4%
2003	5.9%	6.6%	5.8%
2004	4.8%	5.8%	5.1%
2005	4.3%	5.3%	4.8%
2006	3.2%	4.1%	4.3%
2007 Nov	3.5%	4.1%	4.5%

Note: Information is updated periodically, data contained herein is latest provided

Source: Texas Labor Market Review, December 2007, 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>
1-1-03	\$ 8,249	1-1-04	\$ 8,883	1-1-05	\$ 9,076	1-1-06	\$10,334	1-1-07	\$11,422
2-1-03	11,463	2-1-04	12,382	2-1-05	13,171	2-1-06	14,818	2-1-07	16,371
3-1-03	8,218	3-1-04	8,693	3-1-05	9,049	3-1-06	10,051	3-1-07	11,080
4-1-03	7,981	4-1-04	8,534	4-1-05	8,660	4-1-06	9,930	4-1-07	11,414
5-1-03	10,644	5-1-04	10,867	5-1-05	11,795	5-1-06	12,950	5-1-07	14,611
6-1-03	8,519	6-1-04	9,384	6-1-05	9,718	6-1-06	10,725	6-1-07	11,748
7-1-03	7,908	7-1-04	8,980	7-1-05	8,936	7-1-06	11,981	7-1-07	12,011
8-1-03	10,414	8-1-04	11,474	8-1-05	12,004	8-1-06	11,880	8-1-07	14,101
9-1-03	8,510	9-1-04	9,157	9-1-05	9,938	9-1-06	11,152	9-1-07	11,883
10-1-03	8,832	10-1-04	9,214	10-1-05	10,182	10-1-06	11,535	10-1-07	12,257
11-1-03	10,686	11-1-04	11,340	11-1-05	11,735	11-1-06	13,401	11-1-07	14,774
12-1-03	8,817	12-1-04	9,354	12-1-05	10,532	12-1-06	11,525	12-1-07	12,365

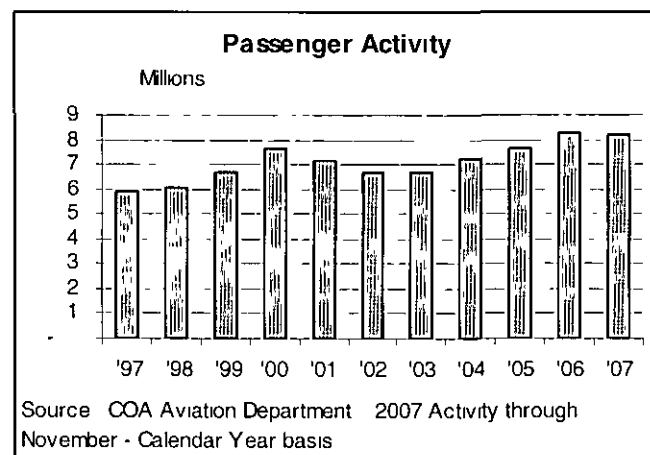
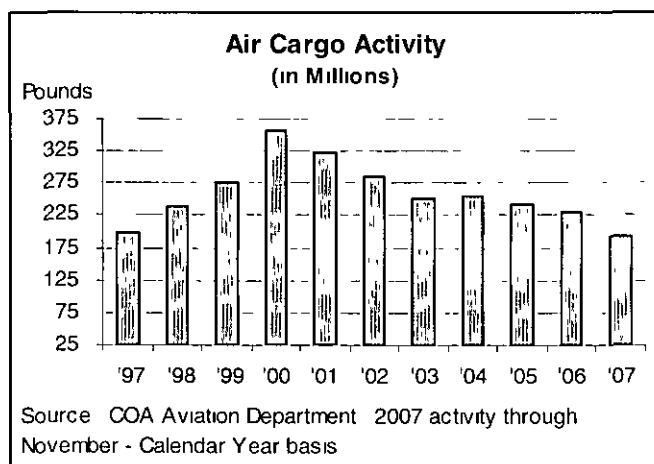
Source: City of Austin, Budget Office

Ten Largest Employers (As of September 30, 2006)

<u>Employer</u>	<u>Product or Service</u>	<u>Employees</u>
State Government	State Government	36,216
The University of Texas at Austin	Education	22,450
Dell Computer Corporation	Computers	17,000
City of Austin	City Government	11,425
Federal Government	Federal Government	10,624
Austin Independent School District	Education	10,617
Seton Healthcare Network	Healthcare	7,538
IBM Corporation	Computers	6,200
St David's Healthcare Partnership	Healthcare	5,712
Wal-Mart	Retail	5,648

Source 2006 Comprehensive Annual Financial Report

Transportation



Austin-Bergstrom International Airport

Prior to May 23, 1999 all passenger activity was out of Robert Mueller Municipal Airport

The City of Austin's Austin-Bergstrom International Airport, which opened for passenger service on May 23, 1999, is served by 12 major airlines with scheduled air service. Aeromexico, American, Continental, Delta, ExpressJet, Frontier, JetBlue, Midwest, Northwest, Southwest, United, and US Airways. Non-stop service is available to 44 U.S. destinations and 1 international destination.

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 Kenville 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.

Wealth Indicators

The Austin-Round Rock MSA has experienced growth not only in population, but also in median household income and per capita personal income, while maintaining a low unemployment rate.

Demographic and Economic Statistics Last Ten Fiscal Years

<u>Year</u>	<u>City of Austin Population (1)</u>	<u>Area of Incorporation (Sq. Miles) (1)</u>	<u>Population MSA (2)(3)</u>	<u>Income (MSA) (Thousand of Dollars) (2)</u>	<u>Median Household Income MSA (2)</u>	<u>Capita Income MSA (2)</u>	<u>Unemployment Rate (MSA) (3)</u>
1997	560,939	232	1,111,264	28,191,969	31,362	25,369	3.1
1998	608,214	254	1,155,579	33,116,579	33,690	28,658	2.9
1999	619,038	252	1,205,898	37,408,615	36,532	31,021	2.3
2000	628,667	265	1,249,763	41,157,290	36,321	32,548	3.0
2001	661,639	266	1,319,000	42,489,015	39,811	32,213	4.9
2002	671,044	273	1,346,332	41,908,425	47,089	31,128	5.7
2003	674,719	276	1,376,005	43,142,172	41,909	31,353	5.9
2004	683,551	291	1,411,199	45,854,868	39,227	32,494	4.7
2005	695,881	294	1,452,529	49,394,000	40,335	34,005	4.3
2006	714,237	296	1,533,308 (4)	53,024,459 (4)	40,888 (4)	35,413	3.9
1997-2006 Change	21.46%	21.49%	27.53%	46.83%	23.30%	28.36%	

(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.

(3) Source: Bureau of Labor Statistics, Texas A&M University.

(4) Data not available for 2006. Figures are estimated.

Growth Indicators

Austin has experienced considerable growth as evidenced by the following utility connection and building permit statistics:

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Connections and Permits

Year	Utility Connections			Building Permits		Total
	Electric	Water	Gas	Taxable	Federal, State and Municipal	
1991	281,926	142,721	131,713	\$ 327,777,503	\$33,619,419	\$ 361,396,922
1992	286,413	141,210	139,529	435,053,697	5,162,800	440,216,497
1993	291,896	146,396	143,088	607,717,144	70,976,449	678,693,593
1994	298,662	148,148	142,373	840,043,119	19,643,501	859,686,620
1995	306,670	149,867	147,023	870,446,315	11,087,831	881,534,146
1996	319,518	151,757	148,124	1,246,232,619	89,945,847	1,336,178,466
1997	326,816	156,397	156,752	1,023,114,762	2,574,539	1,025,689,301
1998	342,263	168,907	165,274	1,434,660,615	46,722,845	1,481,383,460
1999	348,721	173,038	173,150	1,501,435,229	54,399,189	1,555,834,418
2000	344,134	176,096	172,063	1,797,039,075	34,334,286	1,831,373,361
2001	349,671	178,608	172,177	1,625,508,854	71,189,116	1,696,697,970
2002	359,358	182,977	193,278	1,261,868,130	38,727,017	1,300,595,147
2003	363,377	184,659	199,042	1,189,489,091	17,084,652	1,206,573,743
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

Source 2006 Comprehensive Annual Financial Report

Housing Units

The average two-bedroom apartment in the Austin MSA was \$799 per month, with an occupancy rate of 93.0% for the second quarter 2007.

Residential Sales Data

Year	Number of Sales	Total Volume	Average Price
1996	12,597	1,672,441,903	132,765
1997	12,439	1,762,198,574	141,667
1998	15,583	2,334,200,698	149,791
1999	18,135	2,963,915,274	163,436
2000	18,621	3,561,039,919	191,238
2001	18,392	3,556,546,121	193,375
2002	18,716	3,695,947,381	197,475
2003	19,793	3,899,018,519	196,990
2004	22,567	4,487,464,528	198,851
2005	26,905	5,660,934,916	210,405
2006	30,278	6,960,536,304	229,888
2007 Oct	24,342	5,998,821,020	246,439

Note Information is updated periodically, data contained herein is latest provided

Source Real Estate Center at Texas A&M University

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City-Wide Austin Office Occupancy Rate

<u>Year</u>	<u>Occupancy Rate</u>
1998	93.4%
1999	92.8%
2000	96.0%
2001	81.2%
2002	77.1%
2003	76.5%
2004	76.7%
2005	83.1%
2006	87.5%
2007	85.6%

Source: Oxford Commercial

Education

The Austin Independent School District had an enrollment of 82,145 for the 2007 school year. This reflects an increase of 3.0% in enrollment from the end of the 2006 school year. The District includes 110 campus buildings.

<u>School Year</u>	<u>Average Daily Membership</u>	<u>Average Daily Attendance</u>
1996/97	74,315	70,361
1997/98	75,693	71,241
1998/99	75,915	71,491
1999/00	76,268	71,583
2000/01	76,447	71,518
2001/02	76,347	71,638
2002/03	77,009	72,494
2003/04	77,313	73,085
2004/05	77,937	73,572
2005/06	79,500	74,860
2006/07	82,145	76,821
2007/08	Not available	Not available

Source: Austin Independent School District (Data for the 2007/08 school year has not yet been released.)

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

The University of Texas at Austin had a preliminary enrollment of 50,201 for the fall semester of 2007 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. Total travel expenditures in the Austin-Round Rock MSA were \$3.377 billion in 2005. There are more than 253 hotels available within the Austin Metropolitan Area, as of the first quarter of 2007, with a hotel occupancy rate of nearly 73 percent.

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 new 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 and the Austin Music Hall. The Texas Exposition and Heritage Center offers 6,000 seat arena seating 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.

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APPENDIX B

Excerpts From the Annual Financial Report

APPENDIX C

Form of Bond Counsel's Opinion

APPENDIX D

Summary of Refunded Obligations

Form of Escrow Agreement

ESCROW AGREEMENT

CITY OF AUSTIN, TEXAS,
PUBLIC IMPROVEMENT REFUNDING BONDS 2008 ESCROW

THIS ESCROW AGREEMENT, dated as of _____, 2008 (herein, together with any amendments or supplements hereto, called the "Agreement") is entered into by and between the City of Austin, Texas (herein called the "Issuer") and U.S. Bank National Association, as escrow agent (herein, together with any successor in such capacity, called the "Escrow Agent"). The addresses of the Issuer and the Escrow Agent are shown on Exhibit "A" attached hereto and made a part hereof.

W I T N E S S E T H:

WHEREAS, the Issuer heretofore issued and there presently remain outstanding the obligations (the "Refunded Obligations") described in the Verification Report of The Arbitrage Group, a true and correct copy of which is attached hereto as Exhibit "B" and made a part hereof (the "Report"), relating to the Refunded Obligations; and

WHEREAS, the Refunded Obligations are scheduled to mature on such dates, bear interest at such rates, and be payable at such times and in such amounts as are set forth in the Report; and

WHEREAS, when firm banking arrangements have been made for the payment of principal and interest to the maturity or redemption date of the Refunded Obligations, then the Refunded Obligations shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for such purpose; and

WHEREAS, Chapter 1207, Texas Government Code ("Chapter 1207"), authorizes the Issuer to issue refunding bonds and to deposit the proceeds from the sale thereof, and any other available funds or resources, directly with any place of

payment (paying agent) for any of the Refunded Obligations, or a trust company or commercial bank other than any place of payment for any of the Refunded Obligations that does not act as a depository for the Issuer, and such deposit, if made before such payment dates and in sufficient amounts, shall constitute the making of firm banking and financial arrangements for the discharge and final payment of the Refunded Obligations; and

WHEREAS, Chapter 1207 further authorizes the Issuer to enter into an escrow agreement with any such paying agent for any of the Refunded Obligations with respect to the safekeeping, investment, administration and disposition of any such deposit, upon such terms and conditions as the Issuer and such paying agent may agree, provided that such deposits may be invested only in direct obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, and which may be in book entry form, and which shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment of principal and interest on the Refunded Obligations when due; and

WHEREAS, the Escrow Agent does not act as a depository for the Issuer, and this Agreement constitutes an escrow agreement of the kind authorized and required by Chapter 1207; and

WHEREAS, Chapter 1207 makes it the duty of the Escrow Agent to comply with the terms of this Agreement and timely make available the amounts required to provide for the payment of the principal of and interest on such obligations when due, and in accordance with their terms, but solely from the funds, in the manner, and to the extent provided in this Agreement; and

WHEREAS, the issuance, sale, and delivery of the City of Austin, Texas Public Improvement Refunding Bonds, Series 2008 (the "Refunding Obligations") have been issued, sold and delivered for the purpose, among others, of obtaining the funds required to provide for the payment of the principal of the Refunded Obligations at their maturity or date of redemption and the interest thereon to such dates; and

WHEREAS, the Issuer desires that, concurrently with the delivery of the Refunding Obligations to the purchasers thereof, certain proceeds of the Refunding Obligations, together with certain other available funds of the Issuer, if applicable, shall be applied to purchase certain obligations described in Chapter 1207,

hereinafter defined as the "Escrowed Securities", for deposit to the credit of the Escrow Fund created pursuant to the terms of this Agreement and to establish a beginning cash balance (if needed) in such Escrow Fund; and

WHEREAS, the Escrowed Securities shall mature and the interest thereon shall be payable at such times and in such amounts so as to provide moneys which, together with cash balances from time to time on deposit in the Escrow Fund, will be sufficient to pay interest on the Refunded Obligations as it accrues and becomes payable and the principal of the Refunded Obligations on their maturity or date of redemption; and

WHEREAS, to facilitate the receipt and transfer of proceeds of the Escrowed Securities, particularly those in book entry form, the Issuer desires to establish the Escrow Fund at the designated corporate trust office of the Escrow Agent.

NOW, THEREFORE, in consideration of the mutual undertakings, promises and agreements herein contained, the sufficiency of which hereby are acknowledged, and to secure the full and timely payment of principal of and the interest on the Refunded Obligations, the Issuer and the Escrow Agent mutually undertake, promise, and agree for themselves and their respective representatives and successors, as follows:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 1.01. Definitions. Unless the context clearly indicates otherwise, the following terms shall have the meanings assigned to them below when they are used in this Agreement:

"Code" means the Internal Revenue Code of 1986, as amended, or to the extent applicable the Internal Revenue Code of 1954, together with any other applicable provisions of any successor federal income tax laws.

"Escrow Fund" means the fund created by this Agreement to be administered by the Escrow Agent pursuant to the provisions of this Agreement.

"Escrowed Securities" means the obligations described in the Report or cash or other direct obligations of the United States of America substituted therefor pursuant to Article IV of this Agreement.

Section 1.02. Other Definitions. The terms "Agreement", "Issuer", "Escrow Agent", "Refunded Obligations", "Refunding Obligations", "Report" and "Paying Agent", when they are used in this Agreement, shall have the meanings assigned to them in the preamble to this Agreement.

Section 1.03. Interpretations. The titles and headings of the articles and sections of this Agreement have been inserted for convenience and reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms hereof. This Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding of the Refunded Obligations in accordance with applicable law. The recitals contained in the preamble to this Agreement are hereby incorporated into the body of this Agreement.

ARTICLE II

DEPOSIT OF FUNDS AND ESCROWED SECURITIES

Concurrently with the sale and delivery of the Refunding Obligations the Issuer shall deposit, or cause to be deposited, with the Escrow Agent, for deposit in the Escrow Fund, the funds and Escrowed Securities described in the Report, and the Escrow Agent shall, upon the receipt thereof, acknowledge such receipt to the Issuer in writing. The Issuer hereby represents that all of the Escrowed Securities are eligible under the provisions of Chapter 1207 to be deposited in the Escrow Fund, as further dedicated to the payment of the Refunded Obligations as described in the Report.

ARTICLE III

CREATION AND OPERATION OF ESCROW FUND

Section 3.01. Escrow Fund. The Escrow Agent has created on its books a special trust fund and irrevocable escrow to be known as the City of Austin, Texas Public Improvement Refunding Bonds Series 2008 Escrow Fund (the "Escrow Fund"). The Escrow Agent hereby agrees that upon receipt thereof it will

irrevocably deposit to the credit of the Escrow Fund the funds and the Escrowed Securities described in the Report. Such deposit, all proceeds therefrom, and all cash balances from time to time on deposit therein (a) shall be the property of the Escrow Fund, (b) shall be applied only in strict conformity with the terms and conditions of this Agreement, and (c) are hereby irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations, which payment shall be made by timely transfers of such amounts at such times as are provided for in Section 3.02 hereof. When the final transfers have been made for the payment of such principal of and interest on the Refunded Obligations, any balance then remaining in the Escrow Fund shall be transferred to the Issuer, and the Escrow Agent shall thereupon be discharged from any further duties hereunder.

Section 3.02. Payment of Principal and Interest. The Escrow Agent is hereby irrevocably instructed to transfer from the cash balances from time to time on deposit in the Escrow Fund, the amounts required to pay the principal of the Refunded Obligations and interest thereon in the amounts and on the date shown in the Report.

Section 3.03. Sufficiency of Escrow Fund. The Issuer represents that the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balance on deposit from time to time in the Escrow Fund will be at all times sufficient to provide moneys for transfer to the Paying Agent at the times and in the amounts required to pay the interest on the Refunded Obligations as such interest comes due and the principal of the Refunded Obligations as the Refunded Obligations mature, all as more fully set forth in the Report. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund shall be insufficient to transfer the amounts required by each place of payment (paying agent) for the Refunded Obligations to make the payments set forth in Section 3.02 hereof, the Issuer shall timely deposit in the Escrow Fund, from any funds that are lawfully available therefor, additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be given as promptly as practicable as hereinafter provided, but the Escrow Agent shall not in any manner be responsible for any insufficiency of funds in the Escrow Fund or the Issuer's failure to make additional deposits thereto.

Section 3.04. Trust Fund. The Escrow Agent shall hold at all times the Escrow Fund, the Escrowed Securities and all other assets of the Escrow Fund, wholly segregated from all other funds and securities on deposit with the Escrow Agent; it shall never allow the Escrowed Securities or any other assets of the Escrow Fund to be commingled with any other funds or securities of the Escrow

Agent; and it shall hold and dispose of the assets of the Escrow Fund only as set forth herein. The Escrowed Securities and other assets of the Escrow Fund shall always be maintained by the Escrow Agent as trust funds for the benefit of the owners of the Refunded Obligations; and a special account thereof shall at all times be maintained on the books of the Escrow Agent. The owners of the Refunded Obligations shall be entitled to the same preferred claim and first lien upon the Escrowed Securities, the proceeds thereof, and all other assets of the Escrow Fund to which they are entitled as owners of the Refunded Obligations. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the Issuer, and the Escrow Agent shall have no right to title with respect thereto except as a constructive trustee and Escrow Agent under the terms of this Agreement. The amounts received by the Escrow Agent under this Agreement shall not be subject to warrants, drafts or checks drawn by the Issuer or, except to the extent expressly herein provided, by the Paying Agent.

Section 3.05. Security for Cash Balances. Cash balances from time to time on deposit in the Escrow Fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a pledge of direct obligations of, or obligations unconditionally guaranteed by, the United States of America, having a market value at least equal to such cash balances.

ARTICLE IV

LIMITATION ON INVESTMENTS

Section 4.01. Duty of Escrow Agent to Investment Funds. Except as provided in Sections 3.02, 4.02, 4.03 and 4.04 hereof, the Escrow Agent shall not have any power or duty to invest or reinvest any money held hereunder, or to make substitutions of the Escrowed Securities, or to sell, transfer or otherwise dispose of the Escrowed Securities.

Section 4.02. Reinvestment of Certain Cash Balances in Escrow by Escrow Agent. In addition to the Escrowed Securities listed in the Report, the Escrow Agent shall reinvest cash balances shown in the Report in United States Treasury Obligations - State and Local Government Series with an interest rate equal to zero percent (0%) to the extent (i) such Treasury Obligations are available from the Department of the Treasury and (ii) such reinvestments are called for in the Report. All such reinvestments shall be made, if and to the extent so required, only from the portion of cash balances derived from the maturing principal of and interest on

Escrowed Securities that are United States Treasury Certificates of Indebtedness, Notes or Bonds - State and Local Government Series. All such reinvestments shall be acquired on and shall mature on the dates shown on the Report.

Section 4.03. Substitutions and Reinvestments. At the direction of the Issuer, the Escrow Agent shall reinvest cash balances representing receipts from the Escrowed Securities, make substitutions of the Escrowed Securities or redeem the Escrowed Securities and reinvest the proceeds thereof or hold such proceeds as cash, together with other moneys or securities held in the Escrow Fund, provided that the Issuer delivers to the Escrow Agent the following:

(1) an opinion by an independent certified public accountant that after such substitution or reinvestment the principal amount of the securities in the Escrow Fund, together with the interest thereon and other available moneys, will be sufficient to pay, without further investment or reinvestment, as the same become due in accordance with the Report, the principal of, interest on and premium, if any, on the Refunded Obligations which have not previously been paid, and

(2) an unqualified opinion of nationally recognized municipal bond counsel to the effect that (a) such substitution or reinvestment will not cause the Refunded Obligations to be "arbitrage bonds" within the meaning of Section 103 of the Code or the regulations thereunder in effect on the date of such substitution or reinvestment, or otherwise make the interest on the Refunded Obligations subject to federal income taxation, and (b) such substitution or reinvestment complies with the Constitution and laws of the State of Texas and with all relevant documents relating to the issuance of the Refunded Obligations.

The Escrow Agent shall have no responsibility or liability for loss or otherwise with respect to investments made at the direction of the Issuer.

Section 4.04. Substitution for Escrowed Securities. Concurrently with the initial deposit by the Issuer with the Escrow Agent, but not thereafter, the Issuer, at its option, may substitute cash or non-interest bearing direct noncallable, non-prepayable obligations of the United States Treasury (i.e., Treasury obligations which mature and are payable in a stated amount on the maturity date thereof, and for which there are no payments other than the payment made on the maturity date) (the "Substitute Obligations") for non-interest bearing Escrowed Securities, if any, but only if such Substitute Obligations

- (a) are in an amount, and/or mature in an amount, which is equal to or greater than the amount payable on the maturity date of the obligation listed in the Report for which such Substitute Obligation is substituted,
- (b) mature on or before the maturity date of the obligation listed in the Report for which such Substitute Obligation is substituted, and
- (c) produce the amount necessary to pay the interest on and principal of the Refunded Obligations, as set forth in the Report, as verified by a certified public accountant or a firm of certified public accountants.

If, concurrently with the initial deposit by the Issuer with the Escrow Agent, any such Substitute Obligations are so substituted for any Escrowed Securities, the Issuer may, at any time thereafter, substitute for such Substitute Obligations the same Escrowed Securities for which such Substitute Obligations originally were substituted.

Section 4.05. Arbitrage. The Issuer hereby covenants and agrees that it shall never request the Escrow Agent to exercise any power hereunder or permit any part of the money in the Escrow Fund or proceeds from the sale of Escrowed Securities to be used directly or indirectly to acquire any securities or obligations if the exercise of such power or the acquisition of such securities or obligations would cause any Refunding Obligations or Refunded Obligations to be an "arbitrage bond" within the meaning of the Code.

ARTICLE V

APPLICATION OF CASH BALANCES

Except as provided in Sections 3.01, 3.02, 4.02, 4.03 and 4.04 hereof, no withdrawals, transfers, or reinvestment shall be made of cash balances in the Escrow Fund.

ARTICLE VI

RECORDS AND REPORTS

Section 6.01. Records. The Escrow Agent will keep books of record and account in which complete and correct entries shall be made of all transactions

relating to the receipts, disbursements, allocations and application of the money and Escrowed Securities deposited to the Escrow Fund and all proceeds thereof, and such books shall be available for inspection at reasonable hours and under reasonable conditions by the Issuer and the owners of the Refunded Obligations.

Section 6.02. Reports. While this Agreement remains in effect, the Escrow Agent annually shall prepare and send to the Issuer a written report summarizing all transactions relating to the Escrow Fund during the preceding year, including, without limitation, credits to the Escrow Fund as a result of interest payments on or maturities of the Escrowed Securities and transfers from the Escrow Fund for payments on the Refunded Obligations or otherwise, together with a detailed statement of all Escrowed Securities and the cash balance on deposit in the Escrow Fund as of the end of such period.

ARTICLE VII

CONCERNING THE PAYING AGENTS AND ESCROW AGENT

Section 7.01. Representations. The Escrow Agent hereby represents that it has all necessary power and authority to enter into this Agreement and undertake the obligations and responsibilities imposed upon it herein, and that it will carry out all of its obligations hereunder.

Section 7.02. Limitation on Liability. The liability of the Escrow Agent to transfer funds for the payment of the principal of and interest on the Refunded Obligations shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Escrow Fund. Notwithstanding any provision contained herein to the contrary, neither the Escrow Agent nor the Paying Agent shall have any liability whatsoever for the insufficiency of funds from time to time in the Escrow Fund or any failure of the obligors of the Escrowed Securities to make timely payment thereon, except for the obligation to notify the Issuer as promptly as practicable of any such occurrence.

The recitals herein and in the proceedings authorizing the Refunding Obligations shall be taken as the statements of the Issuer and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent. The Escrow Agent is not a party to the proceedings authorizing the Refunding Obligations or the Refunded Obligations and is not responsible for nor bound by any of the provisions thereof (except as a place of payment and paying agent and/or a Paying Agent/Registrar therefor). In its capacity as Escrow Agent,

it is agreed that the Escrow Agent need look only to the terms and provisions of this Agreement.

The Escrow Agent makes no representations as to the value, conditions or sufficiency of the Escrow Fund, or any part thereof, or as to the title of the Issuer thereto, or as to the security afforded thereby or hereby, and the Escrow Agent shall not incur any liability or responsibility in respect to any of such matters.

It is the intention of the parties hereto that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for its own action, neglect or default, nor for any loss unless the same shall have been through its negligence or willful misconduct.

Unless it is specifically otherwise provided herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the Issuer with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Escrow Fund, to dispose of and deliver the same in accordance with this Agreement.

Section 7.03. Compensation.

(a) Concurrently with the sale and delivery of the Refunding Obligations, the Issuer shall pay to the Escrow Agent, as a fee for performing the services hereunder and for all expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement, the sum of \$_____, the sufficiency of which is hereby acknowledged by the Escrow Agent. In addition, _____, acts as Paying Agent for certain of the Refunded Obligations, and concurrently with the sale and delivery of the Refunding Obligations, the Issuer shall pay to _____ the sum of \$_____ for all future

paying agency services as Paying Agent for the Refunded Obligations. In the event that the Escrow Agent is requested to perform any extraordinary services hereunder, the Issuer hereby agrees to pay reasonable fees to the Escrow Agent for such extraordinary services and to reimburse the Escrow Agent for all expenses incurred by the Escrow Agent in performing such extraordinary services, and the Escrow Agent hereby agrees to look only to the Issuer for the payment of such fees and reimbursement of such expenses. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against the Escrow Fund for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses. The Escrow Agent's right to compensation and reimbursement of its costs and expenses shall survive its resignation or removal as Escrow Agent and the termination of this Agreement.

(b) Upon receipt of the aforesaid specific sums stated in subsection (a) of this Section 7.03 for Escrow Agent and paying agency fees, expenses, and services, the Escrow Agent shall acknowledge such receipt to the Issuer in writing.

Section 7.04. Successor Escrow Agents. If at any time the Escrow Agent or its legal successor or successors should become unable, through operation or law or otherwise, to act as escrow agent hereunder, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder. In such event the Issuer, by appropriate action, promptly shall appoint an Escrow Agent to fill such vacancy. If no successor Escrow Agent shall have been appointed by the Issuer within 60 days, a successor may be appointed by the owners of a majority in principal amount of the Refunded Obligations then outstanding by an instrument or instruments in writing filed with the Issuer, signed by such owners or by their duly authorized attorneys-in-fact. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this section within three months after a vacancy shall have occurred, the owner of any Refunded Obligation may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

Any successor Escrow Agent shall be a corporation organized and doing business under the laws of the United States or the State of Texas, authorized under such laws to exercise corporate trust powers, authorized under Texas law to act as an escrow agent, having its principal office and place of business in the State of Texas, having a combined capital and surplus of at least \$5,000,000 and subject to the supervision or examination by Federal or State authority.

Any successor Escrow Agent shall execute, acknowledge and deliver to the Issuer and the Escrow Agent an instrument accepting such appointment hereunder, and the Escrow Agent shall execute and deliver an instrument transferring to such successor Escrow Agent, subject to the terms of this Agreement, all the rights, powers and trusts of the Escrow Agent hereunder. Upon the request of any such successor Escrow Agent, the Issuer shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Escrow Agent all such rights, powers and duties.

The Escrow Agent at the time acting hereunder may at any time resign and be discharged from the trust hereby created by giving not less than sixty (60) days' written notice to the Issuer and publishing notice thereof, specifying the date when such resignation will take effect, in a newspaper printed in the English language and with general circulation in New York, New York, such publication to be made once at least three (3) weeks prior to the date when the resignation is to take effect. No such resignation shall take effect unless a successor Escrow Agent shall have been appointed by the owners of the Refunded Obligations or by the Issuer as herein provided and such successor Escrow Agent shall be a paying agent for the Refunded Obligations and shall have accepted such appointment, in which event such resignation shall take effect immediately upon the appointment and acceptance of a successor Escrow Agent.

Under any circumstances, the Escrow Agent shall pay over to its successor Escrow Agent proportional parts of the Escrow Agent's fee and, if applicable, its Paying Agent's fee hereunder.

Section 7.05. Indemnification. To the extent permitted by the laws of the State of Texas, the Issuer agrees to indemnify the Escrow Agent for, and hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on the part of the Escrow Agent arising out of or in connection with the exercise or performance of any of its powers or duties under this Agreement. The foregoing provision shall survive the resignation or substitution of the Escrow Agent or the termination of this Agreement.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Notice. Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed to the Issuer or the Escrow Agent at the address shown on Exhibit "A" attached hereto. The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Any party hereto may change the address to which notices are to be delivered by giving to the other parties not less than ten (10) days prior notice thereof. Prior written notice of any amendment to this Agreement contemplated pursuant to Section 8.08 and immediate written notice of any incidence of a severance pursuant to Section 8.04 shall be sent to Moody's Investors Service, Attn: Public Finance Rating Desk/Refunded Bonds, 99 Church Street, New York, New York 10007 and Standard & Poor's Corporation, Attn: Municipal Bond Department, 25 Broadway, New York, New York 10004.

Section 8.02. Termination of Responsibilities. Upon the taking of all the actions as described herein by the Escrow Agent, the Escrow Agent shall have no further obligations or responsibilities hereunder to the Issuer, the owners of the Refunded Obligations or to any other person or persons in connection with this Agreement.

Section 8.03. Binding Agreement. This Agreement shall be binding upon the Issuer and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the benefit of the owners of the Refunded Obligations, the Issuer, the Escrow Agent and their respective successors and legal representatives.

Section 8.04. Severability. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

Section 8.05. Texas Law Governs. This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Texas.

Section 8.06. Time of the Essence. Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

Section 8.07. Effective Date of Agreement. This Agreement shall be effective upon receipt by the Escrow Agent of the funds described in the Report and the Escrowed Securities, together with the specific sums stated in subsections (a) and (b) of Section 7.03 for Escrow Agent and paying agency fees, expenses, and services.

Section 8.08. Amendments. This Agreement shall not be amended except to cure any ambiguity or formal defect or omission in this Agreement. No amendment shall be effective unless the same shall be in writing and signed by the parties thereto. No such amendment shall adversely affect the rights of the holders of the Refunded Obligations.

Section 8.09. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same instrument.

EXECUTED as of the date first written above.

CITY OF AUSTIN, TEXAS

By: _____
City Manager

ATTEST:

City Clerk

(SEAL)

APPROVED AS TO FORM:

City Attorney

U.S. BANK NATIONAL ASSOCIATION

By: _____
Title: _____

ATTEST:

By: _____
Title: _____

(SEAL)

Form of Paying Agent/Registrar Agreement

PAYING AGENT/REGISTRAR AGREEMENT

THIS PAYING AGENT/REGISTRAR AGREEMENT (the "Agreement"), dated as of the 10th day of January, 2008, is by and between the City of Austin, Texas (the "City") and U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America (together with any successor, the "Bank");

W I T N E S S E T H:

WHEREAS, the City is authorized to issue the series of obligations described in Exhibit A hereto (the "Bonds") in accordance with the ordinance adopted by the City on January 10, 2008, and incorporated herein for all purposes (the "Bond Resolution");

WHEREAS, the City desires that the Bonds be issued in fully registered form with privileges of transfer and exchange as herein provided, and as authorized in the Bond Resolution;

WHEREAS, the City has authorized the issuance of the Bonds subject to the terms of the Bond Resolution and, to provide for registration, payment, transfer, exchange, and replacement of the Bonds, the City has authorized the execution and delivery of this Agreement;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants herein contained, and subject to the conditions herein set forth, the City and the Bank agree as follows:

ARTICLE ONE

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICATION

SECTION 1.01. Definitions.

The terms defined in this Article shall have the meaning set out below unless the context requires a different meaning:

"Agreement" means this agreement as originally executed or as it may from time to time be supplemented, modified, or amended.

"Bank" means the entity named as the "Bank" in the first paragraph of this Agreement or a successor Bank selected in accordance with the applicable provisions of this Agreement.

"Bond Register" has the meaning stated in Section 5.01.

"Bond Resolution" means the ordinance authorizing the issuance of the Bonds, adopted by the City on January 10, 2008, and incorporated herein for all purposes.

"Bonds" means the obligations issued by the City that are to be governed by this Agreement, as described in Exhibit A attached hereto.

"City" means the City of Austin, Texas.

"City Request" and "City Order" means a written request or order signed in the name of the City by the Mayor, City Manager, any Assistant City Manager, the Chief Financial Officer, any Deputy Chief Financial Officer or the City Clerk, any one or more of said officials, and delivered to the Bank.

"Code" means the Internal Revenue Code of 1986, as amended.

"Designated Payment/Transfer Office" means the corporate trust office of the Paying Agent/ Registrar designated as the place of payment, transfer and exchange of the Bonds, initially, the corporate trust office of the Paying Agent/Registrar in Houston, Texas.

"Holder" when used with respect to any Bond, means the Person in whose name such Bond is registered in the Bond Register.

"Interest Payment Date" means the Stated Maturity of an installment of interest on any Bonds.

"Maturity" when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein provided, whether at the Stated Maturity or by call for redemption or otherwise.

"Person" means any entity, individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any governmental agency or political subdivision.

"Predecessor Bonds" of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond, and, for purposes of this definition, any Bond authenticated and delivered under Section 5.02 in lieu of a mutilated, lost, destroyed or stolen Bond shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Bond.

"Record Date" for the interest payable on an Interest Payment Date means the 15th day (whether or not a business day) of the calendar month next preceding such Interest Payment Date.

"Redemption Date" when used with respect to any Bond to be redeemed means the date fixed for such redemption pursuant to the terms thereof, the Bond Resolution and this Agreement.

"Redemption Price" when used with respect to any Bond to be redeemed means the price at which it is to be redeemed pursuant to terms thereof and the Bond Resolution, excluding installments of interest whose Stated Maturity is on or before the Redemption Date.

"Stated Maturity" when used with respect to any Bond or any installment of interest thereon means the date specified in such Bond as the fixed date on which the principal of such Bond or such installment of interest is due and payable.

SECTION 1.02. Written Communication.

Any request, demand, authorization, direction, notice, consent, waiver, or other written communication provided or permitted by this Agreement to be made upon, given or furnished to, or filed with

A. the City, shall be sufficient for every purpose hereunder if in writing and mailed, first-class, postage prepaid, to the City addressed to it at City Hall, 301

West Second Street, Austin, Texas 78701, or at any other address previously furnished to the Bank in writing by the City, and

B. the Bank, shall be sufficient for every purpose hereunder if in writing and mailed, first-class, postage prepaid (and properly referred to this Agreement or the Bonds), to the Bank addressed to it at 5555 San Felipe, 11th Floor, Houston, Texas 77056, or at any other address previously furnished to the City in writing by the Bank.

SECTION 1.03. Notice to Holders; Waiver.

Where this Agreement provides for notice to Holders of any event, such notice shall be sufficiently given (unless otherwise expressly provided herein) if in writing and mailed, first-class, postage prepaid, to each Holder, at the address of such Holder as it appears in the Bond Register.

In any case where notice to Holders is given by mail, neither the failure to mail such notice nor any defect in any notice so mailed, to any particular Holder shall affect the sufficiency of such notice with respect to all other Holders. Where this Agreement provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders shall be filed with the Bank, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 1.04. Effect of Headings.

The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

SECTION 1.05. Successors and Assigns.

All covenants and agreements in this Agreement by the City or the Bank shall bind its successors and assigns.

SECTION 1.06. Severability Clause.

In case any provision of this Agreement, the Bond Resolution, or the Bonds or any application thereof shall be invalid, illegal or unenforceable, the validity,

legality and enforceability of the remaining provisions and applications of this Agreement shall not in any way be affected or impaired thereby.

SECTION 1.07. Amendment.

This Agreement may be amended only by an agreement in writing by both of the parties hereto.

SECTION 1.08. Benefits of Agreement.

Nothing in this Agreement or in the Bonds, expressed or implied, shall give to any Person other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim under this Agreement.

SECTION 1.09. Governing Law.

This Agreement shall be construed in accordance with and governed by the laws of the State of Texas.

ARTICLE TWO

THE BONDS

SECTION 2.01. Forms Generally.

The Bonds, Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Authentication Certificate, and the Assignment to be printed on each of the Bonds, shall be substantially in the forms set forth in the Bond Resolution with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by the Bond Resolution and this Agreement and may have such letters, numbers, or other marks of identification and the Bonds may have such legends and endorsements thereon (including any reproduction of an opinion of counsel) as may, consistently herewith, be established by the Bond Resolution or determined by the officers executing such Bonds as evidenced by their execution of such Bonds.

SECTION 2.02. Execution, Registration, Delivery, and Dating.

The Bonds shall be executed on behalf of the City as provided in the Bond Resolution.

No Bond shall be entitled to any right or benefit under this Agreement or the Bond Resolution, or be valid or obligatory for any purpose, unless there appears on such Bond either a certificate of registration substantially in the form provided in the Bond Resolution, executed by the Comptroller of Public Accounts of the State of Texas or his duly authorized agent, by manual signature, or an authentication certificate substantially in the form provided in the Bond Resolution, executed by the Bank, by manual signature, and either such certificate upon any Bond shall be conclusive evidence, and the only evidence, that such Bond has been duly certified or registered or delivered.

SECTION 2.03. Cancellation.

All Bonds surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Bank, shall be promptly cancelled by it and, if surrendered to the City, shall be delivered to the Bank and, if not already cancelled, shall be promptly cancelled by the Bank. The City may at any time deliver to the Bank for cancellation any Bonds previously certified or registered and delivered which the City may have acquired in any manner whatsoever and all Bonds so delivered shall be promptly cancelled by the Bank. No Bond shall be registered in lieu of or in exchange for any Bond cancelled as provided by this Agreement. All cancelled Bonds held by the Bank shall be disposed of as directed by City Request.

SECTION 2.04. Persons Deemed Owners.

The City, the Bank, and any agent of the City or the Bank may treat the Person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of the principal (and Redemption Price, if applicable) of and interest on such Bond and for all other purposes whatsoever whether or not such Bond be overdue, and, to the extent permitted by law, none of the City, the Bank, and any such agent shall be affected by notice to the contrary.

ARTICLE THREE

PAYMENT OF BONDS

SECTION 3.01. Payment of Interest.

Interest on any Bond of any series which is payable on any Interest Payment Date shall be paid to the Holder of such Bond as determined at the close of business on the Record Date.

Such interest shall be paid by the Bank by check mailed to the Holder at the address of such Holder as it appears on the Bond Register, or by such other customary banking arrangements to which the Holder and the Bank may agree, but solely from funds collected from the City for such purpose.

Each Bond delivered under this Agreement upon transfer or in exchange for or in lieu of any other Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond and each such Bond shall bear interest from such date so that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

SECTION 3.02. Payment of Principal and Redemption Price.

Principal (and the Redemption Price, if applicable) of each Bond shall be paid by the Bank to the Holder at the Maturity thereof, but solely from funds collected from the City for such purpose, upon presentation and surrender of such Bond to the Bank for cancellation. All Bonds presented and surrendered for payment shall be delivered to the Designated Payment/Transfer Office.

SECTION 3.03. City to Deposit Funds.

The City will duly and punctually deposit with the Bank, at its principal payment office in Charlotte, North Carolina, on or before each Stated Maturity of interest on Bonds and each Maturity of Bonds, money sufficient to pay the principal (and Redemption Price, if applicable) of and interest on the Bonds when due.

ARTICLE FOUR

REDEMPTION OF BONDS

SECTION 4.01. General Applicability of Article.

If the Bonds are to be redeemed before their Stated Maturity, they shall be redeemed in accordance with their terms and the Bond Resolution.

SECTION 4.02. Election to Redeem; Notice to Bank.

The exercise by the City of its option to redeem any Bonds shall be evidenced by City action consistent with the provisions of the Bond Resolution. In case of any redemption at the election of the City of less than all of the outstanding Bonds, the City shall, at least 45 days prior to the Redemption Date (unless a shorter notice shall be satisfactory to the Bank), notify the Bank of such . Redemption Date and of the principal amount of Bonds of each Stated Maturity to be redeemed, and the Redemption Price to be paid to the Holders.

SECTION 4.03. Notice of Redemption.

Notice of redemption shall be given by the Bank in the name and at the expense of the City, prior to the Redemption Date, to each Person entitled to receive notice of such redemption at the times and in the manner required by the Bond Resolution.

All notices of redemption shall contain a description of the Bonds to be redeemed including the complete name of the Bonds, the Series, the date of issue, the interest rate, the Maturity, the CUSIP number, if any, the Bond numbers, the amounts called of each Bond, the publication and mailing date for the notice, the date of redemption, the redemption price, the name of the Bank and the address at which the Bond may be redeemed including a contact person and telephone number.

ARTICLE FIVE

REGISTRATION, TRANSFER, EXCHANGE, AND REPLACEMENT OF BONDS

SECTION 5.01. Registration, Transfer, and Exchange.

The Bank shall keep at the Designated Payment/Transfer Office a register (herein referred to as the "Bond Register") in which, subject to such reasonable regulations as the City or the Bank may prescribe, the Bank shall provide for the registration of the Bonds and registration of transfers of the Bonds as herein provided.

Upon surrender for transfer or exchange of any Bond at the Designated Payment/Transfer Office of the Bank, the Bank shall register and deliver, in the

name of the designated transferee or transferees, one or more new fully registered Bonds of the same maturity, of any authorized denominations, and of a like aggregate principal amount in accordance with the terms of the Bond Resolution.

Every Bond presented or surrendered for transfer or exchange shall be duly endorsed (if so required by the Bank) or be accompanied by a written instrument of transfer in form satisfactory to the Bank duly executed by the Holder or the attorney thereof duly authorized in writing.

Neither the City nor the Bank shall be required (i) to issue, transfer, or exchange any Bond subject to redemption during a period beginning at the opening of business thirty (30) 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 Bond after it is so selected for redemption, in whole or in part, prior to the redemption date; except that at the option of the Holder of at least \$1,000,000 in principal amount of a series of Bonds, the Bank is required to transfer or exchange any such Bond which has been selected in whole or in part for redemption upon the surrender thereof.

In the event that the use of book-entry transfers for the Bonds is discontinued, the City shall provide an adequate inventory of Bond certificates to facilitate transfers and exchanges. The Bank covenants that it will maintain Bond certificates in safekeeping and will use reasonable care in maintaining such condition in safekeeping, which shall be not less than the care it maintains for debt securities of other governments or corporations for which it serves as registrar, or which it maintains for its own securities.

The Bank as Registrar will maintain the records of the Bond Register in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain the Bond Register in any form other than those which the Bank has currently available and currently utilizes at the time.

The Bond Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

SECTION 5.02. Mutilated, Destroyed, Lost, and Stolen Bonds.

If (i) any mutilated Bond is surrendered to the Bank, or the City and the Bank receive evidence to their satisfaction of the destruction, loss or theft of any

Bond, and (ii) there is delivered to the City and the Bank such security or indemnity as may be required by them to save each of them harmless, then, the City shall execute and upon its request the Bank shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond (but only upon surrender of such Bond if such Bond is mutilated), a new Bond of the same series and maturity and of like tenor and principal amount, bearing a number not contemporaneously outstanding, in accordance with the Bond Resolution.

In case any such mutilated, destroyed, lost or stolen Bond shall have matured and no default has occurred which is then continuing in the payment of the principal of, redemption premium, if any, or interest on the Bonds, the City in its discretion may by City Request have the Bank pay such Bond instead of issuing a new Bond, provided security or indemnity is furnished to the City and the Bank as may be required by them to save each of them harmless from any loss or damage with respect thereto, all in accordance with the Bond Resolution.

SECTION 5.03. List of Holders.

The Bank will provide the City at any time requested by the City, upon payment of the agreed upon fee, a copy of the information contained in the Bond Register. The City may also inspect the information in the Bond Register at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form.

The Bank will not release or disclose the content of the Bond Register to any Person other than pursuant to a City Request or other than to an authorized officer or employee of the City, except upon receipt of a subpoena or court order or as otherwise required by law. Upon receipt of a subpoena or court order the Bank will notify the City so that the City may contest the subpoena or court order.

SECTION 5.04. Surety Bond.

The City hereby accepts the Bank's current blanket bond for lost, stolen or destroyed Bonds (and any future substitute blanket bond for lost, stolen or destroyed Bonds that the Bank may arrange with sufficient coverage to protect the City in the opinion of the Bank) and agrees that the coverage under any such blanket bond is acceptable to it and meets the City's requirements as to security or indemnity. The Bank need not notify the City of any changes in the security or other company giving such bond or the terms of any such bond. The blanket bond

then utilized for the purpose of lost, stolen, or destroyed certificates by the Bank is available for inspection by the City on request.

SECTION 5.05. Transaction Information to City.

The Bank will, within a reasonable time after receipt of written request from the City, furnish the City information as to the Bonds it has paid, Bonds it has delivered upon the transfer or exchange of any Bond, and Bonds it has delivered in exchange for or in lieu of mutilated, destroyed, lost or stolen Bonds.

ARTICLE SIX

RIGHTS AND OBLIGATIONS OF BANK

SECTION 6.01. Certain Duties and Responsibilities.

A. The Bank:

1. shall perform the duties imposed on the Bank under the Bond Resolution.
2. shall exercise reasonable care in the performance of its duties as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Bank; and
3. in the absence of bad faith on its part, may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Bank and conforming to the requirements of this Agreement, but in the case of any opinions which by any provision hereof are specifically required to be furnished to the Bank, shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Agreement.

B. No provision of this Agreement shall be construed to relieve the Bank from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct except that:

1. this Subsection shall not be construed to limit the effect of Subsection A of this Section; and

2. the Bank shall not be liable for any error of judgment made in good faith by any officer thereof, unless it shall be proved that the Bank was negligent in ascertaining the pertinent facts.

C. Whether or not therein expressly so provided, every provision of this Agreement relating to the conduct or affecting the liability of or affording protection to the Bank shall be subject to the provisions of this Section.

D. By executing this Agreement, the Bank hereby represents that it has received certified copies of the Bond Resolution.

SECTION 6.02. Certain Rights of Bank.

Except as otherwise provided in Section 6.01 hereof:

A. the Bank may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, coupon or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties;

B. the Bank may consult with legal counsel and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken, suffered, or omitted by the Bank hereunder in good faith and in reliance thereon;

C. the Bank shall not be bound to make any investigation into the facts of matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, coupon or other paper or document, but the Bank, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Bank shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records, and premises of the City, personally or by agent or attorney; and

D. the Bank may execute any of the trusts or powers hereunder or perform any of the duties hereunder either directly or by or through agents or attorneys, and the Bank shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed hereunder with due care by it.

SECTION 6.03. Not Responsible for Recitals.

The recitals contained in the Bonds, except any authentication certificate signed by the Bank on the Bonds, shall be taken as the statements of the City, and the Bank assumes no responsibility for their correctness.

SECTION 6.04. May Hold Bonds.

The Bank, in its individual or any other capacity, may become the owner or pledgee of Bonds and otherwise deal with the City with the same rights it would have if it were not serving as paying agent, transfer agent, bond registrar, authenticating agent, or in any other capacity hereunder.

SECTION 6.05. Money Deposited with Bank.

Money deposited by the City with the Bank for payment of principal (or Redemption Price, if applicable) of or interest on any Bonds shall be segregated from other funds of the Bank and the City and shall be held in trust for the benefit of the Holders of such Bonds.

All money deposited with the Bank hereunder shall be secured in the manner and to the fullest extent required by law for the security of funds of the City.

Amounts held by the Bank which represent principal of and interest on the Bonds remaining unclaimed by the owner after the expiration of three (3) years from the date such amounts have become due and payable shall be reported and disposed of by the Bank in accordance with the provisions of Texas law including, to the extent applicable, Title 6 of the Texas Property Code, as amended.

The Bank shall be under no liability for interest on any money received by it hereunder.

This Agreement relates solely to money deposited for the purposes described herein, and the parties agree that the Bank may serve as depository for other funds of the City, act as trustee under indentures authorizing other bond transactions, or act in any other capacity not in conflict with its duties hereunder.

SECTION 6.06. Compensation and Reimbursement.

The City agrees:

A. to pay to the Bank from time to time reasonable compensation for all services rendered by it hereunder, which compensation shall be established initially for the Bonds in accordance with the schedule attached as Exhibit B, which is made a part hereof for all purposes;

B. except as otherwise expressly provided herein, to reimburse the Bank upon its request for all reasonable expenses, disbursements, and advances incurred or made by the Bank in accordance with any provisions of this Agreement, except to the extent (i) covered by the compensation established pursuant to Subsection A of this Section or (ii) any such expense, disbursement, or advance as may be attributable to the negligence or bad faith of the Bank; and

C. to the extent permitted by law, to indemnify the Bank for, and to hold it harmless against, any loss, liability, or expense incurred without negligence or bad faith on its part, arising out of or in connection with the administration or performance of its duties and obligations hereunder, including the costs and expenses of defending itself (including counsel fees) against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder.

SECTION 6.07. Resignation and Removal.

The Bank may resign from its duties hereunder at any time by giving not less than sixty (60) days written notice thereof to the City, with such resignation effective upon the appointment of a successor thereto.

The Bank may be removed from its duties hereunder at any time with or without cause by the City designating a successor upon not less than sixty (60) days written notice; provided, however, that no such removal shall become effective until such successor shall have accepted the duties of the Bank hereunder by written instrument.

Upon the effective date of such resignation or removal (or any earlier date designated by the City in case of resignation) the Bank shall, upon payment of all its fees, charges, and expenses then due, transfer and deliver to, or upon the order of, the City all funds, records, and Bonds held by it (except any Bonds owned by the Bank as Holder or pledgee), under this Agreement.

If the Bank shall resign or be removed, the City shall promptly appoint and engage a successor to act in the place of the Bank hereunder, which appointment

shall be effective as of the effective date of the resignation or removal of the Bank. Such successor shall immediately give notice of its substitution hereunder in the name of the City to the Holders, including the name of the successor to the Bank and the address of its principal office and office of payment as provided in the Bond Resolution.

SECTION 6.08. Merger, Conversion, Consolidation, or Succession.

Any corporation into which the Bank may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion, or consolidation to which the Bank shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Bank shall be the successor of the Bank hereunder without the execution or filing of any paper or any further acts on the part of either of the parties hereto. In case any Bond shall have been registered, but not delivered, by the Bank then in office, any successor by merger, conversion, or consolidation to such authenticating Bank may adopt such registration and deliver the Bond so registered with the same effect as if such successor Bank had itself registered such Bonds.

SECTION 6.09. Bank Not a Trustee.

This Agreement shall not be construed to require the Bank to enforce any remedy which any Holder may have against the City during any default or event of default under any agreement between any Holder and the City, including the Bond Resolution, or to act as trustee for such Holder.

SECTION 6.10. Bank Not Responsible for Bonds.

The Bank shall not be accountable for the use of any Bonds or for the use on application of the proceeds thereof.

SECTION 6.11. Adjudication and Interpleader.

The City and the Bank agree that the Bank may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in either a Federal or State District Court located in the State of Texas and the County where either the Bank Office or the administrative offices of the City is located, and agree that service of process by certified or registered mail, return receipt requested, to the address referred to in Section 1.02 of this Agreement shall constitute adequate service. The City and the Bank further agree that the Bank has

the right to file a Bill of Interpleader in any court of competent jurisdiction within the State of Texas to determine the rights of any Person claiming any interest herein.

SECTION 6.12. Bank's Funds Not Used.

No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

The Bank shall in no event be liable to the City, any Holder, or any other Person for any amount due on any Bond from its own funds.

SECTION 6.13. Depository Trust Company Services.

It is hereby represented and warranted that, in the event the Bonds are otherwise qualified and accepted for The Depository Trust Company services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the operational arrangements which establishes requirements for securities to be eligible for such type depository trust services, including, but not limited to, requirements for the timeliness of payments and funds availability, transfer turnaround time and notification of redemptions and calls.

SECTION 6.14. Reporting Requirements.

To the extent required by the Code or the Treasury Regulations, the Bank shall report the amount of interest paid or the amount treated as interest accrued on the Bonds which is required to be reported by the Holders on their returns of federal income tax, or assure that such a report is made, to the Holders and the Internal Revenue Service.

SECTION 6.15. Entire Agreement.

This Agreement and the Bond Resolution constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar and if any conflict exists between this Agreement and the Bond Resolution, the Bond Resolution shall govern.

SECTION 6.16. Counterparts.

This Agreement may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed, and their respective seals to be hereunto affixed and attested, all as of the day and year first above written.

CITY OF AUSTIN, TEXAS

By: _____
City Manager

ATTEST:

City Clerk

(SEAL)

U.S. BANK NATIONAL ASSOCIATION

By: _____
Title: _____

Attention: Corporate Trust Group

EXHIBIT A

CITY OF AUSTIN, TEXAS PUBLIC IMPROVEMENT REFUNDING BONDS,
SERIES 2008, DATED _____, 2008, ISSUED IN THE
AGGREGATE PRINCIPAL AMOUNT OF \$_____.

EXHIBIT B

FEE SCHEDULE

BOND REGISTRAR, TRANSFER AGENT, AND PAYING AGENT