MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE TEXAS PUBLIC FINANCE AUTHORITY
March 19, 2002

The Board of Directors (the "Board") of the Texas Public Finance Authority (the "Authority") convened in open meeting, notice duly posted pursuant to law (a copy of which notice is attached hereto as Exhibit "A") at 2:07 P.M.,Tuesday, March 19, 2002, Capitol Extension, Hearing Room E2.030, Austin, Texas. Present were: Mr. John Kerr, Chairman, Mr. H.L. Bert Mijares, Board Member, Mr. David Kelly, Board Member, Ms. Cynthia Meyer, Board Member, and Mr. Vaughn Brock, Board Member.

Representing the Authority's staff were: Ms. Kimberly Edwards, Executive Director; Ms. Judith Porras, General Counsel; John Hernandez, Deputy Director; Ms. Paula Hatfield and Ms. Donna Richardson.

Present in their designated capacities were the following persons: Craig A. Brast, UBS PaineWebber; Suewan Johnson, Vinson & Elkins, LLP; Robbi J. Jones, SBK-Brooks; Dale Lehman, US Bancorp Piper Jaffray; Karin R. Werness, Banc One Capital Markets, Inc.; Catherine Brei, Mike Bartolotta, First Southwest Company; Jerry Kyle, Jr., Andrews & Kurth; John Malpiede, Salomon Smith Barney; Kelly Casto, JP Morgan; J. McCartt, Vince Matrone, Goldman Sachs; Kay Watson, CKW Financial Group; Chris W. Allen, PFM; and Keith Richard, Siebert, Brandford Shank.

Item 1. Call to order.

Mr. Kerr called the meeting to order at 2:07 P.M.

Item 2. Approval of minutes of the February 19, 2002 Board meeting.

Mr. Kerr asked if there were any corrections or additions to the minutes of the Board meeting of February 19, 2002. There being none, Mr. Brock moved to approve the minutes as presented. Mr. Mijares seconded the motion. The motion passed unanimously.

Item 3. Election of Officers.

Ms. Meyer nominated Mr. Mijares to serve as Vice Chairman. Mr. Kelly seconded. The nomination passed unanimously. Mr. Mijares nominated Ms. Meyer to continue serving as Secretary. Mr. Brock seconded. The nomination passed unanimously.

Item 4. Consider the adoption of a Resolution authorizing the issuance of $49.5 million tuition revenue bonds for Texas Southern University, the designation of a pricing committee, and resolving other matters related to the sale and delivery of such bonds.

Ms. Edwards reviewed the Resolution, Preliminary Official Statement and financial analysis for the bonds. The bonds are parity bonds issued under the Master Resolution originally adopted in 1998. Part of the 1998 bonds and these bonds are tuition revenue bonds, which means that although the University legally pledges its own revenues to repay the bonds, it expects to receive legislative appropriations of general revenue to reimburse the debt service expenditures. Moody's is reviewing the transaction to provide an underlying rating, and after that rating is received, we expect to apply for bond insurance, including a surety policy to fund the debt service reserve fund. As was required for the 1998 bonds, the 2002 bonds will be required to have a debt service reserve fund in an amount equal to the maximum annual debt service, or about $3.6 million. Ms. Edwards also noted the financial analysis prepared by Salomon Smith Barney estimates a true interest cost of 4.9%, with an underwriters' discount equal to slightly over $6.00 per bond.

Mr. Bartolotta commented on the structure of the issue, noting that if a surety policy cannot be obtained and the reserve fund has to be funded with cash, the University will have about $3.6 million less in proceeds to use for project costs. Mr. Bartolotta explained that we expect the underlying rating to be at least Baa3, which is the minimum investment grade rating and the underlying rating on the Series 1998 Bonds. The rating with bond insurance would be AAA. In response to Mr. Kelly's question, Mr. Bartolotta estimated that the trading differential without insurance would be around 40 to 50 basis points in interest over the life of the debt, whereas the insurance policy is estimated to cost about 50 basis points, a one-time, up front cost. Ms. Edwards suggested that the Board could consider approving the Resolution conditioned upon the attainment of an investment grade credit rating and insurance, in the same manner that the 1998 Master Resolution was approved. Mr. Kerr noted that the form of the Preliminary Official Statement that the Board was approving with the resolution indicated that the bonds would be insured.

Ms. Meyer moved to adopt the resolution subject to the requirement to obtain an investment grade credit rating and availability of bond insurance; that the price to be paid for the Series 2002 Bonds shall not be less than 95% of the aggregate original principal amount of the Series 2002 Bonds; and that the Series 2002 Bonds shall have a true interest cost of not greater than 8%; and that the final maturity be not later than 2022. Pricing Committee members selected are David Kelly, J. Vaughn Brock, and John Kerr, with Cynthia Meyer serving as the alternate. Mr. Kelly seconded. The motion passed unanimously.

Item 5. Consider the designation of Co-Financial Adviser for the General Obligation Commercial Paper Program, Series 2002A and the General Obligation Commercial Paper Program (Colonias Roadway Projects) Series 2002B.

Ms. Edwards noted that at the February meeting the Board had adopted a policy that members of the Financial Advisor Pool are not allowed to serve as underwriters on any TPFA transaction. Estrada Hinojosa had been recommended to serve as co-financial advisor along with Coastal Securities on two commercial paper programs. A representative from Estrada Hinojosa had contacted the Authority stating their wish to withdraw from the Financial Advisor Pool because the firm could best serve the Authority in the capacity as an underwriter. Staff recommended that CKW Financial Group, Inc. be named to replace Estrada Hinojosa as co-financial advisor for both programs. Ms. Edwards noted that Kay Watson is quite familiar with the Authority and would help to provide some continuity and additional staff support to the transaction.

Mr. Mijares moved that CKW Financial Group, Inc. serve as Co-Financial Advisor for the General Obligation Commercial Paper Program, Series 2002A and the General Obligation Commercial Paper Program (Colonias Roadway Projects) Series 2002B. Mr. Brock seconded. The motion passed unanimously.

Item 6. Consider and authorize appropriate action to increase the maximum authorization of the Texas Public Finance Authority Tax Exempt Revenue Commercial Paper Program Series 1992B (the Master Lease Purchase Program), including the designation of Bond Counsel and Financial Advisor as may be necessary.

Ms. Edwards stated that in 1992 the Board established the Master Lease Purchase Program to finance equipment purchases for state agencies. The program has been used for software, telephones, computers, vehicles and more recently some energy retrofit projects. It is funded with commercial paper so it is a very cost-effective financing mechanism. Agencies are required to go through normal equipment acquisition procedures including obtaining legislative authorization and complying with any applicable purchasing law. The agency then enters into a lease agreement with the Authority under which the Authority pays the vendor, takes title to the equipment, and leases it back to the agency. Currently, about $55 million of commercial paper notes are outstanding under the Program. The initial resolution authorized the issuance of up to $75 million of commercial paper notes, and provided that the Board could increase the size of the program up to $300 million by adopting a supplementary resolution.

In 1994, the maximum amount of the program was increased to $100 million. Staff recommended the Board increase the program to $150 million to accommodate an expected increased in the volume of leases. Staff noted that the offering memorandum, the dealer agreement and the liquidity agreement will need to be updated also. Staff recommended that the Authority use its supplemental contract with First Southwest for any necessary financial advisory work, and retain Winstead, Sechrest & Minick to provide any necessary legal services.

Mr. Kelly asked if restructuring the MLPP debt as a tax-exempt leveraged lease might be considered. Mr. Bartolotta responded that there probably is not a sufficient volume of freely transferable assets to make this worthwhile, but he agreed to examine the possibility further for the Board.

Mr. Mijares moved to approve increasing the program to $150 million, and to hire Winstead, Sechrest & Minick to serve as bond counsel. Mr. Brock seconded. The motion passed unanimously.

Item 7. Consider appointment of an Internal Auditor.

Ms. Meyer thanked everyone for submitting proposals, and stated it was the subcommittee's recommendation to select Garza/Gonzales & Associates, CPA to serve as the Authority's Internal Auditor. Ms. Meyer moved to retain Garza/Gonzales for internal auditor services. Mr. Mijares seconded. The motion passed unanimously. Ms. Meyer also noted that an effort be made to negotiate a lower fee structure for the contract.

Item 10. Other Business/Staff Report.

No other business was discussed.

Item 11. Adjourn.

The meeting adjourned at 3:02 P.M.

The foregoing minutes were approved and passed by the Board of Directors on April __, 2002.

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Cynthia L. Meyer
Secretary, Board of Directors

ATTACHMENT
Posting Notice - Exhibit "A"