

**MINUTES OF THE MEETING OF THE
BOARD OF DIRECTORS OF THE
TEXAS PUBLIC FINANCE AUTHORITY
February 18, 2003**

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 2:00 P.M., Tuesday, February 18, 2003, William P. Clements Building, Room 103, Austin, Texas. Present were: Mr. David Kelly, Chairman, Mr. Bert Mijares, Vice Chairman, Mr. Vaughn Brock, Secretary, and Mr. John Kerr, Member.

Representing the Authority's staff were: Ms. Kimberly Edwards, Executive Director; Ms. Judith Porras, General Counsel; Mr. John Hernandez, Deputy Director; Ms. Paula Hatfield and Ms. Donna Richardson. Also present were Gabriela Klein, Ricky Horne and Ophelia Guerrero.

Present in their designated capacities were the following persons: Keith Richard, Erlinda Cortez Dinias, Siebert Brandford Shank; Andy Bynam, Salomon Smith Barney; Dale Lehman, US Bancorp Piper Jaffray; Art Morales, Banc of America Securities; Greg Tijerina, Banc One Capital Markets; William Beckham, Quintin Wiggins, Texas Southern University; Bob Estrada, Estrada Hinojosa & Co.; Courtney Knight, George K. Baum & Co.; Kelly Cash, JP Morgan; Curtis V. Flowers, Loop Capital Markets; Greg Shields, Andrews & Kurth; Barron F. Wallace, Vinson & Elkins, P.C.; Mike Bartolotta, Tim Peterson, First Southwest Co., Richard Donoghue, McCall, Parkhurst & Horton; Paul Braden, Delgado, Acosta, Braden & Jones, PC; Chris W. Allen, Paul Jack, Public Financial Management; Tim Kelley, Coastal Securities; Kay Watson, CKW Financial Group.

Item 1. Call to order.

Mr. Kelly called the meeting to order at 2:13 P.M.

Item 2. Approval of minutes of the January 28, 2002 Board meeting.

Mr. Kelly asked if there were any corrections or additions to the minutes of the Board meeting of January 28, 2003. There being none, Mr. Brock moved to approve the minutes of the Board Meeting as presented. Mr. Mijares seconded the motion. The motion passed unanimously.

Item 3. Consider a Request for Financing from the Texas Southern University for the construction, repair and renovation of buildings and facilities in the amount of approximately \$30 million through the issuance of tuition revenue bonds, select a method of sale, financial advisor(s) and bond counsel, and take other necessary related action.

Ms. Edwards stated this request for financing was for the remainder of the tuition revenue bonds authorized by HB658 during the 77th Legislature in 2001. The bonds would be issued as additional bonds under the Master Resolution adopted in 1998, when TPFA first issued bonds on behalf of the University; however, since the bonds are tuition revenue bonds, the University will be reimbursed for the debt service from an appropriation by the Legislature. Quintin Wiggins from TSU provided an overview of the project and answered questions regarding project descriptions and project budgets.

Staff recommended the bonds be sold through a negotiated financing with the underwriting syndicate consisting of SBK Brooks Co., Siebert Brandford Shank, Banc of America, RBC Dain Rauscher and Salomon Smith Barney. SBK Brooks Co. will serve as the co-senior manager and book runner and Siebert Brandford Shank will serve as a co-senior manager. First Southwest Company and CKW Financial were recommended to serve as financial advisors, and Winstead Sechrest & Minick was recommended to serve as bond counsel.

Mr. Mijares moved to accept staff's recommendations. Mr. Kerr seconded. The motion passed unanimously.

Item 4. Consideration and possible action to form a non-profit corporation pursuant to Texas Education Code, §53.351 and discussion of a proposed financing for the School of Excellence in Education of San Antonio.

Ms. Edwards reminded the Board that this item had been carried over from the January meeting. Staff provided a copy of the resolution to establish the corporation, which included the Articles of Incorporation and the Corporation Bylaws as exhibits. Staff also provided a draft of proposed rules for the Corporation and the request for financing process. Bond counsel had prepared a memo to address the issues raised at that meeting. Barron F. Wallace was available to answer questions regarding the proposed documents.

Discussion ensued about the appropriate make-up of the Corporation's board, insurance, liability concerns, immunity and due diligence issues. The time frame needed for creation of a corporation was determined to be approximately five weeks prior to any closing. Mr. Brock offered a suggestion that the Texas Education Association appoint all the members of the Corporation's board and utilize the TPFA staff

for advice. The Board requested TPFA staff to pursue this approach with TEA and the authors of the legislation.

Mr. Brock moved to table this issue until the following board meeting. Mr. Mijares seconded. The motion passed unanimously.

Item 5. Consider the adoption of Resolution authorizing issuance of State of Texas General Obligation Bonds, Series 2003A, designate a pricing committee, and resolving other matters related to the sale and delivery of such bonds.

Ms. Edwards stated that the Resolution, Preliminary Official Statement and numerical analysis for the general obligation bonds approved last month for the Texas Department of Criminal Justice were proposed for review. She called attention to Section 2.02 of the resolution setting forth the provisions regarding the target interest rate. Andy Bynam, Salomon Smith Barney, provided a quick update that the market had been stable and flat. Ms. Edwards explained that Bond Review Board approval was still needed and that there was a chance that the Bond Review Board might approve a smaller par amount, due to budget constraints, making the use of commercial paper an option.

Discussion ensued about the possible dates of a sale in New York occurring the week of March 4-5 or the possibility of moving the date back or forward a week. Members of the pricing committee are Dan Serna, Helen Heley, and Bert Mijares; John Kerr volunteered to serve as the alternate.

Mr. Kerr moved to adopt the resolution. Mr. Mijares seconded. The motion passed unanimously.

Item 6. Other Business/Staff Report.
Discuss Legislation of Interest to TPFA.

Ms. Edwards reported that she and Mr. Kelly had attended the legislative hearings on the FY04-05 budget. She also reported that no major bond authorization bill was before the Legislature and that staff was monitoring other proposed legislation.

Item 7. Adjourn.

The meeting adjourned at 3:13 P.M.

The foregoing minutes were approved and passed by the Board of Directors on April __, 2003.

Vaughn Brock
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit "A"