

**MINUTES OF THE MEETING OF THE
BOARD OF DIRECTORS OF THE
TEXAS PUBLIC FINANCE AUTHORITY
July 17, 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 1:00 P.M., Thursday, July 17, 2003, William P. Clements Building, Room 103, Austin, Texas. Present were: Mr. David Kelly, Chairman, Mr. Bert Mijares, Vice Chairman, Ms. Helen Huey, Member and Mr. Barry T. Smitherman, Member.

Representing the Authority's staff were: Ms. Kimberly Edwards, Executive Director, Mr. John Hernandez, Deputy Director, Ms. Paula Hatfield and Ms. Donna Richardson. Also present was Gabriela Klein.

Present in their designated capacities were the following persons: Don Henderson, JP Morgan; Keith Richard, Lehman Brothers; Clarence Watson, US Bancorp Piper Jaffray; Ricardo D. Villasenor, AG Edwards & Sons, Al Rodriguez, Merrill Lynch; Frank Reed, JP Morgan; Jodie Jiles, David Potter, First Albany; Anthony Haley, George K. Baum & Co.; Curt Shelmire, Ajay Thomas, Morgan Stanley; Kerry Rudy, Goldman Sachs; Inc.; Ed Jefferson, Duncan Williams; Karin Werness, Banc One Capital Markets; Laura Powell, UBS Financial Services; Jerry Kyle, Andrews & Kurth; Richard Donoghue, McCall, Parkhurst & Horton.

Item 1. Call to order.

Mr. Kelly called the meeting to order at 1:32 P.M.

Item 2. Approval of minutes of the June 17, 2003 and July 8, 2003 Board meetings.

Mr. Kelly asked if there were any corrections or additions to the minutes of the Board meeting of June 17, 2003. There being none, Mr. Mijares moved to approve the minutes of the Board Meeting as presented. Ms. Huey seconded the motion. The motion passed unanimously.

Item 3. Consider the adoption of a resolution authorizing the issuance of approximately \$12,000,000 of tuition revenue bonds for Midwestern State University, designating a pricing committee, and resolving other matters related to the issuance and sale of the bonds.

Ms. Edwards stated that the bond resolution authorizing the issuance of the bonds for Midwestern State University needed to be adopted and that in adopting the resolution, the Board would also be approving the final draft of the Preliminary Official Statement. These bonds include a new money component or additional bonds under the Master Resolution adopted in 1998, which pledges all available revenues of the University, and a refunding component of all the maturities of the Series 1996 bonds, which will release the entire 1996 reserve fund. Since the Series 1996 bonds were issued under a different bond resolution, the refunding allows all the bonds to be under one set of legal documents and free up the reserve fund.

Mark Nitcholas, RBC Dain Rauscher, thanked the Board and staff for allowing his firm to participate in this transaction and reported the market has been very volatile this past month. Ms. Edwards noted that normally the Pricing Committee is given a percentage savings guideline for refundings in the Bond Resolution, but on this transaction the guideline is a gross dollar savings because that increase is less volatile.

Mr. Kelly asked if there were a price implication by permitting amendments without bondholders' consent. Mr. Richard Donoghue, McCall Parkhurst & Horton LLP, explained it was standard practice to provide the ability to modify the administrative terms without consent. Ms. Edwards explained that the bond insurer serves as the bondholder of record, which provides one corporate entity to negotiate with as opposed to many bondholders. She also said there was no coverage requirement. The bonds will be rated by Moody's and Fitch, who will factor in the University's off-the-balance sheet financings such as a privatized dormitory and other obligations whether or not legally pledged. Mr. Kelly also questioned the language in the bond counsel opinion to the effect that the Service is likely to treat the Authority as the taxpayer, since the bonds are being issued by the University backed up by the University's revenue stream. Mr. Donoghue replied that the bonds are actually issued by the Authority even though the credit flows to and from the University. Mr. Smitherman asked whether the bonds would be insured. Mr. Nitcholas said the dialogue was still ongoing until the bonds are marketed. Mr. Smitherman also questioned whether the number runs and bond insurance premium numbers could improve and Mr. Nitcholas indicated the numbers were very conservative and could improve. Mr. Smitherman asked about the cost of issuance numbers and Ms. Edwards said all those numbers were firm. Mr. Smitherman asked about the discount and Mr. Nitcholas referred the Board to the takedown numbers on page 8 of the materials in the Board packet.

The pricing is scheduled to be on August 13, 2003, in Dallas. Members of the pricing committee are David Kelly, Dan Serna and Bert Mijares (by telephone); Helen Huey volunteered to serve as the alternate (by telephone).

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

Item 4. Update the status of the Texas Workforce Commission Unemployment Obligation Assessment Revenue Bonds, Series 2003A, and take necessary action, if any, in connection with the issuance and sale of the bonds.

Ms. Edwards reported that the first kick-off meeting was held last week. The working group divided into subcommittees for the official statement, rating agency presentation, and the financial structure. The structuring subcommittee produced a memo of twelve questions that need to be answered before a structure can be proposed and the working group had a conference call to review the memo. Ideas being considered include a combination of fixed and variable rate, with some mechanism that allows prepayment of the bonds and the ability to “ramp-up” additional principal. The team is working well together. Goldman Sachs suggested the working group set up bi-weekly conference calls, Mondays and Thursdays, 10 a.m. and 11 a.m. respectively, to be time-efficient.

Mr. Kelly requested that the Board be given a distribution list of all members of the working group, a calendar of key dates, and a copy of the structuring memo. He also volunteered to be present when the Workforce Commission is briefed on July 29.

**Item 5. Other Business/Staff Report.
Review Legislation of Interest to TPGA.**

No other business was discussed.

Item 6. Executive Session to consider personnel matters in accordance with Texas Government Code §551.074.

Mr. Kelly adjourned the open meeting at 2:00 p.m. in order for the Board to meet in Executive Session to consider personnel matters in accordance with Texas Government Code §551.074.

Mr. Kelly reconvened the open meeting at 2:42 p.m. and stated no action had been taken.

Item 7. Adjourn.

The meeting adjourned at 2:45 P.M.

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

Vaughn Brock
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit "A"