

**MINUTES OF THE MEETING OF THE
BOARD OF DIRECTORS OF THE
TEXAS PUBLIC FINANCE AUTHORITY
February 18, 2004**

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., Wednesday, February 18, 2004, Capitol Extension Hearing Room E2.010, Austin, Texas. Present were: Mr. Bert Mijares, Vice- Chairman, Mr. Dan Serna, Member, Ms. Helen Huey, Member and Mr. Barry Smitherman, Member.

Representing the Authority's staff were: Ms. Kimberly Edwards, Executive Director, Mr. John Hernandez, Deputy Director, Ms. Judith Porras, General Counsel, Ms. Pamela Scivicque, Business Manager and Ms. Paula Hatfield.

Present in their designated capacities were the following persons: Christine Cupina, Ginger McGuire, The Siegal Group; Mike Brasovan, TAG Energy & Tech Solutions; Curtis V. Flowers, Loop Capital Markets; Andy Bynam, Citigroup; Carmen Best, Jackson Securities; Barry Adair, Morgan Stanley; Jeanna Maugman, Pam Price, Albert Sevlar, Texas State Technical College; David Potter, First Albany Capital; Chris W. Allen, PFM; Mark Nitcholas, RBC Dain Rauscher, Inc.; Yava Scott, Siebert Brandford Shank & Co., LLC; Carlos Sharpless, Ramirez & Co., Inc.; Heather Barber, Banc One; Keith Richard, Lehman Brothers; Dale Lehman, Piper Jaffray; Kathaleen Smith, Bank of America; Laura Powell, UBS; Al Rodriguez; Merrill Lynch; Richard Acosta, Ramirez & Co.; Renee Brooks, Law Office of R. Higginbotham-Brooks; Richard Donoghue, McCall, Parkhurst & Horton; Barron Wallace, Vinson & Elkins; Nancy Hagquist, Winstead, Sechrest & Minick; Paul Braden, Delgado Acosta Braden & Jones; Tim Kelley, Coastal Securities; Timothy Peterson, First Southwest Co.; Kay Watson, CKW Financial Group; and Jody Wright, Legislative Budget Board.

Item 1. Call to order.

Mr. Mijares called the meeting to order at 2:08 P.M.

Item 2. Approval of minutes of the January 20, 2004 Board meeting.

Mr. Mijares asked if there were any corrections or additions to the minutes of the Board meeting of January 20, 2004. There being none, Mr. Serna moved to approve the minutes as presented. Mr. Smitherman seconded the motion. The motion passed unanimously.

Item 3. Select winning bid and adopt a resolution authorizing the issuance of approximately \$26,000,000 Texas Public Finance Authority Stephen F. Austin State University Revenue Financing System Revenue Bonds, Series 2004, the execution of documents in connection therewith, and other related actions to effect the sale and delivery of the bonds and resolve related matters.

Ms. Edwards explained that bids for the \$26,030,000 Stephen F. Austin Revenue Financing System Revenue Bonds, Series 2004, were received at 10:30 a.m. through Parity electronic bidding system, which allows underwriters to submit bids through an Internet website. No bids were submitted via hand delivery. The bids were verified by the Authority's financial advisors, Chris Allen, Public Financial Management and Kay Watson, CKW Financial Group, Inc. First Albany Capital Inc. submitted a bid of 3.972800, but did not provide a signed bid as required and was disqualified. The compliant bids were: Piper Jaffray, 3.987684%; Banc of America Securities, 3.989992%; Merrill Lynch, 3.997157%; ABN AMRO Financial Services, Inc., 4.009841%; UBS Financial Services Inc., 4.032577%; AG Edwards & Sons, Inc., 4.062651%; Citigroup Global Markets Inc., 4.082307%; and Southwest Securities, Inc., 4.143437%. Mr. Smitherman moved to accept the lowest compliant bid, awarding the bonds to Piper Jaffray and approve the Resolution. Ms. Huey seconded. The motion passed unanimously.

Item 4. Select winning bid and adopt a resolution authorizing the issuance of approximately \$15,000,000 Texas Public Finance Authority (Texas Military Facilities Commission) Armory Improvement Revenue Bonds, Series 2004, the execution of documents in connection therewith, and other related actions to effect the sale and delivery of the bonds and resolve related matters.

Ms. Edwards explained that bids for the \$13,595,000 Texas Public Finance Authority (Texas Military Facilities Commission) Armory Improvement Revenue Bonds, Series 2004, were received at 11:00 a.m. through Parity electronic bidding system, which allows underwriters to submit bids through an Internet website. No bids were submitted via hand delivery. The bids were verified by the Authority's financial advisors, Tim Kelley, Coastal Securities and Kay Watson, CKW Financial Group, Inc. The compliant bids were: RBC Dain Rauscher, 3.996060%; Southwest Securities, 3.996877%; Banc of America Securities, 3.999757%; UBS Financial Services Inc. 4.010463%; Merrill Lynch & Co., 4.012389%; Piper Jaffray, 4.017232%; ABN AMRO Financial Services, 4.035855%; and Citigroup Global Markets Inc., 4.096715%. Ms. Huey moved to accept the lowest compliant bid, awarding the bonds to RBC Dain Rauscher and adopt the Resolution. Mr. Smitherman seconded. The motion passed unanimously.

Item 5. Consider the adoption of an amendment to the Resolution for the Authority's Texas State Technical College System Building Revenue and Refunding Bonds, Series 1992, and authorize other necessary action in connection with the release of Waco Campus Housing, and designate bond counsel and financial advisor for this matter.

Ms. Edwards explained that in 1992, the Authority issued bonds on behalf of the Texas State Technical College to finance new facilities and refund approximately \$9.5 million of existing debt. The 1992 Bond Resolution pledged net housing revenues, a building use fee and a special use fee to the bonds, rather than the gross revenues pledge that is now more typically used by University systems. TSTC is interested in building some new housing and would like to amend the 1992 bond resolution to remove the portion of net housing revenues attributable to certain housing units at the Waco campus from the definition of pledged revenues on the 1992 bonds. Pursuant to the bond resolution, such an amendment requires bondholder consent, unless an opinion of bond counsel is provided that the amendment would not adversely affect the current bondholders.

Pam Price, the Chief Financial Officer from Texas State Technical College explained that the University would like the net housing revenues from the Waco facilities to be removed from the pledge so that the current housing can be demolished and replaced with new housing. Ms. Price provided pictures of the current housing which was inherited from the James Connelly Air Force Base in the 60s. The campus is located north of Waco just off of IH-35. The maintenance is extremely expensive. There are safety issues and the housing is detrimental to TSTC's recruiting and retention efforts. Ms. Price reviewed the financial summary showing that removing the Waco housing revenues would not impact the security for the bonds. She pointed out that basically, the housing revenues do not service the debt; the revenues from the building use and special use fees service the debt.

Mr. Mijares asked if environmental issues needed to be considered, and Ms. Price indicated that asbestos and mold issues were present, and that students currently occupied this housing. Some of the housing is uninhabitable, but about 50% is student occupied. Ms. Huey asked how many units were actually able to be occupied. Ms. Price said various factors, such as heat, rain, etc., impact the occupancy from time to time, but in general approximately 240 of the 800 units are not inhabitable. Ms. Edwards asked for clarification that the Waco campus is just one campus and the system has campuses in Harlingen, Sweetwater and Marshall, in addition to Waco. Only the Waco housing is being replaced. The new housing will be self-supporting. Mr. Smitherman asked whether there was a covenant in the 1992 bond issue to maintain the property in a condition that is habitable. Ms. Price stated the covenant requires maintaining the property in a sound and fiscal manner, and the College has attempted to do that. The housing was inherited in a state of disrepair. Ms. Huey questioned whether plans included wastewater and storm water drainage issues and Ms. Price answered that they do. Ms. Price stated there was a housing study underway to determine how many units should be built. Mr. Mijares inquired about the amount of revenue generated from this housing. Ms. Price responded over \$2 million per year and no estimates have been made on future revenues because the number of units has not been determined.

Staff recommended that Vinson & Elkins be retained to review the bond resolution. Barron Wallace, Vinson & Elkins, explained the resolution could be amended three ways, and responded to initial questions. Ms. Huey moved that Vinson & Elkins be retained as bond counsel and that First Southwest Co. serve as Financial Advisor. Mr. Smitherman seconded. The motion passed unanimously.

Item 6. Other Business/Staff Report.

Comments were made about the Board meetings being held on Wednesdays. Mr. Serna expressed his desire for a standing item to be on the Board's Agenda for an Executive Session and requested that the Authority's General Counsel provide advice to the Board at its next meeting.

Item 7. Adjourn.

The meeting adjourned at 2:44 P.M.

The foregoing minutes were approved and passed by the Board of Directors on March __, 2004.

Vaughn Brock
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit "A"