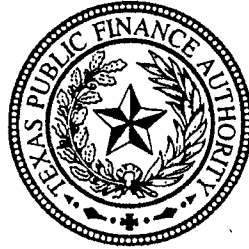


Texas Public Finance Authority

Board of Directors:

H.L. Bert Mijares, Jr., Chairman
Ruth C. Schiermeyer, Secretary
Carin M. Barth
R. David Kelly
Linda McKenna
D. Joseph Meister
Robert T. Roddy, Jr.



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Post Office Box 12906
Austin, Texas 78711-2906

Physical Address:
300 West 15th Street, Suite 411
Austin, Texas 78701

Kimberly K. Edwards
Executive Director

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE TEXAS PUBLIC FINANCE AUTHORITY

Telephone: 512/463-5544
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September 6, 2007

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 10:00 a.m., Thursday, September 6, 2007, Capitol Extension Hearing Room E2.028, Austin, Texas. Present were: Mr. David Kelly, Chairman, Mr. Bert Mijares, Vice-Chairman, Ms. Carin Barth, Member and Mr. Joe Meister, Member.

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

Present in their designated capacities were the following persons: Debi Jones, Morgan Keegan; Dale Lehman, Piper Jaffray; Mark Nitcholas, Banc of America Securities; Jerry Kyle, Greg Shields, Andrews & Kurth; Bob Kinney, UBS; Chris Halaska, JP Morgan; Mario Carrasco, AG Edwards; Becky Villasenor, Ramirez & Co.; Tim Kelley, Coastal Securities; and Jody Wright, Legislative Budget Board.

Item 1. Call to order.

Mr. Kelly called the meeting to order at 10:12 a.m.

Item 2. Confirm meeting posting compliance with the Open Meetings Act.

Mr. Kelly confirmed the meeting had been duly posted in compliance with the Open Meetings Act.

Item 3. Excuse board member absences.

Mr. Mijares moved to excuse board member absences. Ms. Barth seconded. The motion passed unanimously.

Item 4. Approval of minutes of the August 2, 2007 Board meeting.

Mr. Kelly asked if there were any corrections or additions to the minutes of the Board meeting August 2. Mr. Mijares noted he was mistakenly identified as opening the meeting instead of Mr. Kelly. Mr. Kelly asked that a global search and replacement be done so his last name would be spelled correctly. No further corrections were required and the minutes were approved as amended.

Item 5. Consider the adoption of a Resolution and approval of the Preliminary Official Statement for the Texas Department of Criminal Justice Building Revenue Bonds, Series 2007 in the approximate amount of \$45,460,000.

Ms. Edwards stated this item was the current refunding of revenue bonds issued in 1998 to refinance certain leases of the Texas Department of Criminal Justice. The 1998 Bonds were standard lease revenue bonds with a ten-year par call, making the call date February 1, 2008. The refunding bonds are scheduled to price in October and close in November to meet the tax requirements for a current refunding. Ms. Edwards informed the Board that Grigsby Browne & Co. had withdrawn from the syndicate selected in June because they are not actively underwriting municipal securities at this time.

Mr. Tim Kelley, Coastal Securities, discussed the current refunding, and the recent turmoil in the municipal market, noting however, that the market seems to be stabilizing this week. As of today, the analysis indicates a 3% present value savings, which is well above the 2% present value savings target the Board discussed for current refundings. The bond resolution that the Board is considering today specifies an overall present value savings of \$900,000, or about 2%. These bonds are scheduled to price October 10 or the following week.

Ms. Edwards also stated that AG Edwards, the senior manager, is being acquired by Wachovia. Mr. Carrasco of AG Edwards informed the Board that the merger will be completed by October 1. The pricing is scheduled to be in St. Louis at the offices of Wachovia Securities, the former AG Edwards' desk. The Official Statement will be printed using the name Wachovia Securities as the underwriter. Ms. Edwards also clarified staff's recommendation for the Bond Resolution to specify a maximum final maturity of February 1, 2015 and a maximum true interest cost of 5%.

The Board designated the pricing committee to include David Kelly, Carin Barth, and Bert Mijares. The alternate members are Ruth Schiermeyer and Joe Meister.

Ms. Barth moved to adopt the Bond Resolution, including the designated pricing committee stated above, the savings parameters and terms of the bonds recommended by staff, and approving the Preliminary Official Statement. Mr. Mijares seconded. The motion passed unanimously.

Item 6. Discussion of the Status of pending general obligation issues, including reconsideration of the method of sale of new money issues, and take any necessary action related thereto.

Ms. Edwards stated this discussion includes an update on the general obligation refunding and the new requests for financing for approximately \$50 million each from Texas Department of Criminal Justice and Texas Building and Procurement Commission, which the Board approved at the August meeting to finance through the commercial paper program. Subsequently TPFA staff met with the agencies and reviewed their projects. Both agencies need to try to maximize interest earnings on their project funds. TDCJ has to pay employee benefits associated with the salaries out of the bond funds, and TBPC has to complete additional critical repairs to state facilities that were identified after the Legislative session. If these bonds are issued as fixed rate bonds, the agencies would be able to earn more interest earnings on the project funds. The Board is asked to reconsider the method of sale, to finance the projects with a fixed rate bond issue.

With respect to the refunding, Mr. Tim Kelley, Coastal Securities, provided an update on the market. In particular, the relationship between treasuries and municipal bonds is skewed. The muni market had slowed down with buyers moving out of the market over the past month but this week there is a consensus that some of the buyers have returned and stability has improved. Currently, the anticipated savings are at the same levels presented at the last Board meeting. However, the spreads for the forward premium are still under discussion.

Ms. Edwards explained that one of the other components is the timing. For a forward you need to print the POS further in advance of pricing, at least 7-10 days. Since the Federal Reserve Open Market Committee meeting on September 18 is still creating some uncertainty in the market, we may want to wait until the Fed meeting to print the POS. We also need to finalize negotiations on the Bond Purchase Agreement prior to printing the BPA. It seems the best possible pricing dates are between September 19 and 25.

Mr. Bob Kinney, UBS, stated retail buyers were the ones returning to the market because the yields spiked up. Since this deal is a forward, retail does not play in this market. Forward buyers, those hedging a bond that is not going to deliver for four months, are typically a hedge fund or an arbitrage fund that looks at relationships between treasury, taxable and tax-exempt yields.

Ms. Barth asked if it was possible to price next week. Ms. Edwards responded it would not be because the POS could not be printed until Monday at the earliest. The Chair commented that we should wait and asked Mr. Kelley's opinion on holding this transaction through September. Mr. Kelley stated that with the current market and estimated forward premium, proceeding with the forward seems to be the best course, but if the forward is not possible, the bonds will be issued as a regular current refunding.

Ms. Edwards discussed the new money transaction and the implication it would have on the current refunding. Discussion ensued. Based on current market rates, a new money transaction would have a true interest cost of 4.50 to 4.70%, which is in the range where TPFA would consider fixing out commercial paper. Ms. Edwards concluded that she believes it is in Authority's best interest to issue the new money bonds as a completely separate bond issue, with a separate syndicate, rather than trying to include it in the refunding issue. The action for the Board is to reconsider its previous decision to finance the TDCJ and TBPC projects with commercial paper and authorize a stand-alone fixed rate bond issue instead, and select a financing team.

Mr. Mijares moved to approve the new money financing as a stand-alone fixed rate bond issue. Mr. Meister seconded. The motion passed unanimously.

Ms. Edwards then recommended that Coastal Securities and Vinson Elkins serve as Financial Advisor and Bond Counsel, respectively, and the underwriting team consist of Citigroup as the senior underwriter, with Estrada Hinojosa, Lehman Brothers, Merrill Lynch, RBC Capital Markets and Siebert Brandford Shank as co-managers. The schedule will be to get the BRB approval in September and price in mid-October.

Ms. Barth moved to accept Ms. Edwards' recommendations. Mr. Meister seconded. The motion passed unanimously.

Item 7. Consideration and possible action regarding the Executive Director's compensation.

Mr. Mijares moved to increase the Executive Director's salary to the maximum cap established in the General Appropriations Act approved by the 80th Legislature. Ms. Barth seconded. The motion passed unanimously.

Item 8. Consideration, discussion, and possible action to select bond counsel for FY08-09.

Ms. Edwards stated Request for Proposals for Bond Counsel were issued as required by the Attorney General's office. Ms. Edwards thanked Ms. Porras for her review of the proposals. Staff recommended using a pool of bond counsel firms.

The Board questioned the numbers of responses and the quality of the answers submitted. Ms. Porras stated that all firms did not provide the requested information in the same manner, and they were asked to submit a supplement that could be evaluated on the same basis. Mr. Kelly commented on Winstead not listing a tax attorney for their firm, and Mr. Mijares questioned the fact that no HUB firm was included in staff's recommended pool. Ms. Edwards offered to continue the process to include other firms, but Msrs. Meister and Mijares stated that if firms chose not to respond to the Request for Proposal that rather limited the Authority's options. Mr. Mijares also pointed out that the

composition of the firms with respect to the percentages of women and minorities appear to be worse than in previous years. The Board further discussed this issue, possible causes, and alternative procedures for selecting bond counsel.

Ms. Barth stated she was inclined to go forward, but the process should be evaluated over the next three to six months as opposed to starting again. She also suggested the pool be selected for one year, rather than two.

Ms. Barth moved to approve the bond counsel pool of Andrews & Kurth, Fulbright & Jaworski, McCall Parkhurst and Horton and Vinson & Elkins for a one-year term. Mr. Meister seconded. The motion passed unanimously.

Mr. Kelly asked that the Board be given an update on other agencies' processes and experience in 90 days or a few months. Ms. Barth requested a matrix of fees awarded for the last three years.

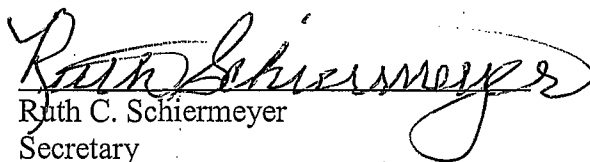
**Item 9. Other Business/Staff Report.
TPFA FY07 and FY08-09 Operating Budget.**

Ms. Edwards updated the Board on the budget. The Authority ended FY07 with a \$8,593 surplus that will lapse back to the State's general fund. For FY08-09, the Legislature fully funded the Authority's exceptional item requests. In addition, the budget does not reflect the revenues that will be received from the Charter School Finance Corporation for issuer fees, which is about \$17,000. The Authority also has an interagency contract with the Texas Bond Review Board for IT support, which will provide additional revenue.

Item 10. Adjourn.

The meeting adjourned at 11:32 a.m.

The foregoing minutes were approved and passed by the Board of Directors on October 4, 2007.


Ruth C. Schiermeyer
Secretary

Attachment: Posting Notice – Exhibit “A”



Open Meeting Submission

Success!
Row inserted

TRD: 2007007418
Date Posted: 08/29/2007
Status: Accepted
Agency Id: 0113
Date of Submission: 08/29/2007
Agency Name: Texas Public Finance Authority
Board: Texas Public Finance Authority
Liaison Id: 3
Date of Meeting: 09/06/2007
Time of Meeting: 10:00 AM (###:## AM Local Time)
Street Location: Capitol Extension Hearing Room E2.028
City Location: Austin
State Location: TX
Liaison Name: Paula Hatfield
Additional Information Obtained From: If you need any additional information contact Paula Hatfield, 512/463-5544, 300 W. 15th Street, Suite 411, Austin, Texas 78701.

TEXAS PUBLIC FINANCE AUTHORITY
 THURSDAY, SEPTEMBER 6, 2007 10:00 A.M.
 CAPITOL EXTENSION HEARING ROOM E2.028
 AUSTIN, TEXAS 78701

- 1. Call to order.
- Agenda:** 2. Confirm meeting posting compliance with the Open Meetings Act.
- 3. Excuse board member absences.
- 4. Approve the minutes of the August 2, 2007 Board meeting.
- 5. Consider the adoption of a Resolution and approval of the Preliminary Official Statement for the Texas Department of Criminal Justice Building Revenue

Bonds, Series 2007 in the approximate amount of \$45,460,000.

6. Discussion of the status of pending general obligation issues, including reconsideration of the method of sale of new money issues, and take any necessary action related thereto.

7. Consideration and possible action regarding the Executive Director's compensation.

8. Consideration, discussion, and possible action to select bond counsel for FY 08-09.

9. Other Business/Staff Report.
TPFA FY07 and FY08-09 Operating Budget.

Closed Meeting

10. Pursuant to Texas Government 551.071(2), the Board may convene in closed session at any time during this meeting to obtain legal advice from its counsel concerning any matter, listed on this agenda, in which the duty of its attorney under the Texas Disciplinary Rules of Professional Conduct conflict with Texas Government Code, chapter 551.

Reconvene Open Meeting

11. The open meeting will be reconvened for final action of the Board concerning matters deliberated in the Closed Meeting, if such action is required.

12. Adjourn.

Persons with disabilities, who have special communication or other needs, who are planning to attend the meeting should contact Paula Hatfield or Donna Richardson at 512/463-5544. Requests should be made as far in advance as possible.

Certification: I certify that I have reviewed this document and that it conforms to all applicable Texas Register filing requirements. Kimberly K. Edwards, Executive Director, Certifying Official; Paula Hatfield, Agency Liaison.

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