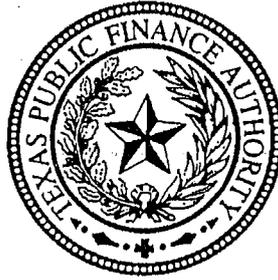


Texas Public Finance Authority

Board of Directors:

D. Joseph Meister, Chair
Ruth C. Schiermeyer, Vice Chair
Gerald Alley, Secretary
Billy M. Atkinson, Jr.
Mark W. Eidman
Rodney K. Moore
Robert T. Roddy, Jr.



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Susan K. Durso
Interim Executive Director

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

July 7, 2011

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 10:30 a.m., Thursday, July 7, 2011, Capitol Extension Hearing Room E2.028, Austin, Texas. Present were: Mr. Joe Meister, Chair; Ms. Ruth Schiermeyer, Vice Chair; Mr. Gerald Alley, Secretary; Mr. Rodney Moore, Member; and Tom Roddy, Member.

Representing the Authority's staff was: Ms. Susan K. Durso, General Counsel; Mr. John Hernandez, Deputy Director; Ms. Pamela Scivicque, Business Manager; Ms. Gabriela Klein and Ms. Paula Hatfield.

Present in their designated capacities were the following persons: Dalton Smith, Curt Shelmire, Kathaleen Ford Smith, Bank of America, Merrill Lynch; Levi H. Davis, Art Morales, Siebert Brandford Shank; Mark Ellis, Tilghman Naylor, Jefferies & Co.; Clarence Grier, Jodie Jiles, RBC; Curtis V. Flowers, Loop Capital Markets; Tim Peterson, Heath Barber, JP Morgan; Patrick Scott, Barclays Capital; Keith Richard, Morgan Stanley; Mario Carrasco, Citi; Robin Redford, Stifel Nicolaus; Paul Jack, Estrada Hinojosa; Jerry Kyle, Andrews & Kurth; Liz Prado, LBB; Debi Jones, Morgan Keegan; Chris Allen, Mike Bartolotta, First Southwest Co.; Jorge Rodriguez, Daniel Rodriguez, Coastal Securities; Jana Edwards, McCall, Parkhurst & Horton; Cristy Edwards, Vinson & Elkins, LLP.

Mr. Meister called the meeting to order at 10:30 a.m.

Item 1. Confirm meeting posting compliance with the Open Meetings Act.

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

Item 2. Excuse absences of board members.

Mr. Roddy moved to excuse the absences of Messrs. Atkinson and Eidman. Ms. Schiermeyer seconded. The motion passed unanimously.

Item 3. Approve the minutes of the June 2, 2011, Board meeting.

Mr. Meister asked if there were any corrections or additions to the minutes of the Board meeting of June 2, 2011. Ms. Schiermeyer moved to approve the minutes as presented. Mr. Roddy seconded. The motion passed unanimously.

Item 4. Consideration, discussion and possible action on TPFA Policy regarding underwriter contact with Board and staff and Board Underwriting Policy.

This item was postponed.

Item 5. Consideration and possible action on staff's recommendations resulting from staff's evaluation of responses to RFP for Liquidity Provider Services.

Ms. Durso stated that staff had received responses from its RFP issued to obtain quotes for private liquidity. She stated the Comptroller's office had not yet been able to determine whether it can continue to provide liquidity for TPFA's commercial paper programs. The evaluation of responses indicated that Bank of America Merrill Lynch had the lowest rate and the most comprehensive response to all the programs. The 2002 A&B commercial paper programs are very small and little authorization remains for those programs. There is a significant difference in the cost of liquidity if Comptroller provides liquidity at 12 bps compared to the quoted 34-50 bps range from private providers. These fees are paid from debt service appropriations.

Staff recommended that the Board delegate authority to staff to negotiate and execute private liquidity agreements as discussed with Bank of America/Merrill Lynch for the MLPP, CPRIT and 2008 GOCP programs and Wells Fargo for the 2002A&B CP programs, for the next biennium, if needed, and to engage First Southwest Company as financial advisor, and Fulbright and Jaworski as bond counsel to advise staff in those negotiations. Ms. Schiermeyer moved to accept staff's recommendation. Mr. Moore seconded. The motion passed unanimously.

Item 6. Consideration and possible action on staff's recommendations resulting from staff's evaluation of responses to RFP for Monitoring and Compliance Services.

Ms. Durso stated that the Authority had received responses from its RFP for monitoring and compliance services. These services will help staff address some recent changes by

the IRS and SEC regarding their auditing practices especially as it relates to municipal bond issuance. Only one of the qualified responses submitted met the requirements for the \$25,000 bid cap. Avant Strategic Partners, LLC is a San Antonio firm and Rick Ballard, a bond attorney with Ballard Spahr, a Washington, D.C., law firm. This firm has the qualifications and ability to assist the Authority. In reviewing the other responses it became apparent that the responses included objectives greater than those actually needed by the agency at this time. Avant's approach, which is more like an audit undertaking, aligned more closely with the Authority's expectations. If it is determined that more assistance is needed, the task can be revisited. However, staff would like to have the manuals requested before launching its statutorily required client training. There are funds remaining in the general appropriation budget to fund this work.

Mr. Meister asked if the responses indicated the firms had experience with Texas issuers or other state issuers. Ms. Durso indicated very few gave any Texas issuers as resources, but Avant offered references from other experiences including work for the Alaska Industrial Development and Export Authority, Sallie Mae, NelNet Corporation and the University of Utah. Mr. Meister asked why only one firm responded within the fee cap. Ms. Durso stated she believed that with the exception of Avant, all the other respondents received copies of the RFP from a staff mailing list. Therefore, it is probable that they did not also view the RFP requirements on the State Electronic Business Daily, which displayed the not-to-exceed cap. Ms. Durso explained that after a couple of responses were received before the deadline with quoted fees in excess of the cap, she asked staff to send a notice the distribution list reminding them of the closing date and the fee cap. The respondents did not update their proposals after the information was mailed.

Mr. Alley asked if staff thought the other respondents had backgrounds more along the lines of what was needed for the task and the cost range submitted. Ms. Durso said the fees seemed to be more along the lines of hourly rates that law firms typically charge.

Mr. Meister asked if Avant was in Texas. Ms. Durso replied that it was out of San Antonio. Ms. Schiermeyer asked about the \$500 hourly fee cap submitted by one of the firms and Ms. Durso said the law firm did not provide a total fee, only the hourly rate.

Mr. Meister asked if the firms had the opportunity to refine their responses. Ms. Durso stated that when she realized how high the responses were that she checked the Marketplace posting to see if the cap was included. Mr. Roddy asked how long Avant had been in practice. Ms. Durso stated that the principals had been in the business since 1988, but the current firm was co-formed in 2009. Ms. Schiermeyer asked if the firm was low balling and would request a higher fee the following year. Ms. Durso explained that when she negotiates the contract certain performance measures and benchmarks would be included for the quoted fee.

Staff recommended that the Board delegate authority to negotiate and execute a contract with Avant Strategic Partners, LLC for monitoring and compliance services, as discussed.

Mr. Roddy moved to accept staff's recommendation. Mr. Moore seconded. The motion passed unanimously.

Item 7. Consideration and action with respect to "A Resolution Authorizing the Issuance of Bonds to Finance Authorized Costs of the Cancer Prevention and Research Institute of Texas and to Refinance Certain Outstanding General Obligation Notes; Authorizing a Pricing Committee of the Board to Approve the Amount, the Interest Rates, the Date, Payment Dates, Redemption Price, Obligations to be Refunded and Certain Other Terms of the Bonds; Approving the Preliminary Official Statement and Authorizing Distribution Thereof; Approving the Preparation and Distribution of A Final Official Statement; Authorizing the Refunding, Defeasance, Final Payment and Discharge of Such Outstanding General Obligation Notes; Authorizing the Execution and Delivery of an Escrow Agreement or Instructions to the Escrow Agent in Order to Provide for the Payment and Discharge of Certain Outstanding General Obligation Notes; and Authorizing the Execution and Delivery of Documents in Connection Therewith and the Taking of Action to Effect the Sale and Delivery of the Bonds and Resolving Related Matters.

Ms. Durso offered that this transaction would fix-out taxable commercial paper issued for the grant program funded by the Cancer Prevention and Research Institute. She explained that there is a Series A and B for the CPRIT Commercial Paper Program, and that Series B is a small tax-exempt piece of approximately \$3.6 million that will be paid off and Series A is the taxable remainder. The Series A will be fixed-out. There also will be a new money piece in the amount of approximately \$51 million for authorized grants. As a part of the Authority's Sunset bill, TPFPA is authorized to issue for CPRIT on an as needed basis.

Ms. Durso also stated that she had asked the lead underwriter and financial advisor to move up the issuance timeline given the debate over the federal debt ceiling limit extension. The pricing is scheduled to occur in New York at Jefferies & Co. offices on Monday, July 25 and Tuesday, July 26. The par amount of bonds to be issued would be an amount not to exceed \$450 million and for not greater than 6% for a period no longer than 20 years.

The Board appointed a pricing committee comprised of Ms. Schiermeyer, attending in person, Mr. Moore and Mr. Alley, participating by telephone, and Messrs. Meister and Roddy serving as alternate members.

Staff recommended that the Board adopt a resolution authorizing the issuance of bonds to finance authorized costs of the Cancer Prevention and Research Institute of Texas and to refinance certain outstanding general obligation notes; authorize a pricing committee of the Board to approve the amount, the interest rates, the date, payment dates, redemption

price, obligations to be refunded and certain other terms of the bonds; approve the Preliminary Official Statement and authorize distribution thereof; approve the preparation and distribution of a final Official Statement; authorize the refunding, defeasance, final payment and discharge of such outstanding general obligation notes; authorizing the execution and delivery of an escrow agreement or instructions to the escrow agent in order to provide for the payment and discharge of certain outstanding general obligation notes; and authorize the execution and delivery of documents in connection therewith and the taking of action to effect the sale and delivery of the bonds and resolving related matters. Ms. Schiermeyer moved to accept staff's recommendation. Mr. Alley seconded. The motion passed unanimously.

Item 8. Consideration, discussion, and possible action to select a Pricing Committee(s), adopt a Resolution and approve the Preliminary Official Statement, for the Texas Public Finance Authority General Obligation and Refunding Bonds, Series 2011, and such series and subseries as may be designated, and take other necessary action.

Ms. Durso stated that the bonds to be issued will include current appropriations for four state agencies for on-going projects and a refunding component. The true interest cost estimate is 3-1/2%, but will not be greater than 5%. The refunding portion of the transaction will reduce the Authority's debt service requirements for the upcoming biennium. The pricing is scheduled for July 18 in the Oakland, California, offices of Siebert, Brandford & Shank. Bond counsel is in the process of pre-filing the transcript for approval by the Office of Attorney General and scheduled to close on July 28th.

The Board appointed a pricing committee comprised of Mr. Meister, attending in person, Mr. Alley and Mr. Moore, participating by telephone, with Ms. Schiermeyer serving as an alternate member.

Staff recommends that the Board adopt a resolution authorizing the issuance of bonds to finance authorized projects and to refinance certain outstanding general obligation notes; authorize a pricing committee of the Board to approve the amount, the interest rates, the date, payment dates, redemption price, obligations to be refunded and certain other terms of the bonds; approve the Preliminary Official Statement and authorize distribution thereof; approve the preparation and distribution of a final Official Statement; authorize the refunding, defeasance, final payment and discharge of such outstanding general obligation notes; authorizing the execution and delivery of an escrow agreement or instructions to the escrow agent in order to provide for the payment and discharge of certain outstanding general obligation notes; and authorize the execution and delivery of documents in connection therewith and the taking of action to effect the sale and delivery of the bonds and resolving related matters. Mr. Roddy moved to accept staff's recommendation. Mr. Alley seconded. The motion passed unanimously.

- Item 9. Staff Report (No Action Items) –**
- 1. Legislative Update**
 - 2. Pricing Committee Policy and Procedure as adopted in May
(For your Information Only)**
 - 3. Information provided by Morgan Keegan regarding post-regulatory
settlement changes (For Your Information Only)**

Ms. Durso directed the Board's attention to a black-lined copy of the Pricing Committee Policy reflecting the Board's update to the procedure and a recent press release information about Morgan Keegan.

Item 10. The Board recessed for Executive Session at 11 a.m.

Item 11. The Board reconvened at 11:55 a.m.

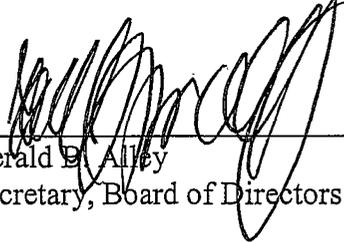
Item 12. As a result of the Executive Session, the Board appointed Susan Durso to serve as Interim Executive Director. The Board instructed staff to issue a Request for Proposals for an Executive Search firm.

Item 13. The next meeting will be on August 4.

Item 14. Adjournment.

The meeting adjourned at 12:09 p.m.

The foregoing minutes were approved and adopted by the Board of Directors on August 4, 2011.



Gerald B. Alley
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit A



Open Meeting Submission

Success!
Row inserted

TRD: 2011004550
Date Posted: 06/29/2011
Status: Accepted
Agency Id: 0113
Date of Submission: 06/29/2011
Agency Name: Texas Public Finance Authority
Board: Texas Public Finance Authority
Liaison Id: 3
Date of Meeting: 07/07/2011
Time of Meeting: 10:30 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, TX 78701.

TEXAS PUBLIC FINANCE AUTHORITY
 THURSDAY, JULY 7, 2011, 10:30 A.M.
 Capitol Extension Hearing Room E2.028
 AUSTIN, TEXAS 78701

AGENDA

1. Confirm meeting posting compliance with the Open Meetings Act.
2. Excuse absences of board members, if necessary.
3. Approve the minutes of the June 2, 2011, Board meeting.
4. Consideration, discussion and possible action on TPFPA Policy regarding underwriter contact with Board and staff and Board Underwriting Policy.
5. Consideration and possible action on staff's recommendations resulting from staff's evaluation of responses to RFP for Liquidity Provider Services.
6. Consideration and possible action on staff's recommendations resulting from staff's

Agenda:

evaluation of responses to RFP for Monitoring and Compliance Services.

7. Consideration, discussion, and possible action to select a Pricing Committee(s), adopt a Resolution and approve the Preliminary Official Statement, for the Texas Public Finance Authority General Obligation and Refunding Bonds (Cancer Prevention and Research Institute of Texas), Taxable Series 2011, and take other necessary action.

8. Consideration, discussion, and possible action to select a Pricing Committee(s), adopt a Resolution and approve the Preliminary Official Statement, for the Texas Public Finance Authority General Obligation and Refunding Bonds, Series 2011, and such series and subseries as may be necessary, and take other necessary action.

9. Staff Report (No Action Items) i

- Legislative Update

- Pricing Committee Policy and Procedure as adopted in May

10. Executive Session:

a. Pursuant to Texas Government section 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 conflicts with Texas Government Code, chapter 551.

b. Pursuant to Texas Government section 551.074, the Board may convene in closed session at any time during this meeting to deliberate personnel issues, including the duties and performance of the Executive Director, General Counsel or other staff.

11. Reconvene Open Meeting:

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

13. Discussion and selection of August meeting date.

14. Adjourn.

Persons with disabilities, who have special communication or other needs, who are planning to attend the meeting should contact Paula Hatfield 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. Susan K. Durso, General Counsel, Certifying Official; Paula Hatfield, Agency Liaison.

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