

**MINUTES OF THE MEETING OF THE
BOARD OF DIRECTORS OF THE
TEXAS PUBLIC FINANCE AUTHORITY
November 19, 2002**

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 11:00 A.M., Tuesday, November 19, 2002, Capitol Extension Hearing Room E2.030, Austin, Texas. Present were: Mr. John Kerr, Chairman, Mr. Dan Serna, Board Member, Mr. David Kelly, Board Member, and Mr. Bert Mijares, 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.

Present in their designated capacities were the following persons: John Daniel, Lehman Brothers; Mark Nitcholas, RBC Dain Rauscher; Karin Werness, Banc One Capital Markets; Robbi J. Jones, SBK Brooks; Curtis Flowers, Loop Capital Markets; Chris Allen, Adam Kirland, Public Financial Management; David Holland, Coastal Securities; Dale Lehman, US Bancorp Piper Jaffray; Bruce S. Henderson, Dr. Linda Britton, Ginger McKeal, School of Excellence; Paul Braden, Delgado, Acosta, Braden & Jones, P.C.; Nancy Hagquist, Todd Brewer, Winstead, Sechrest & Minick, P.C.; Tom Sage, Barron F. Wallace, Vinson & Elkins, P.C.; Timothy Peterson, First Southwest Co.; Kay Watson, CKW Financial.

Item 1. Call to order.

Mr. Kerr called the meeting to order at 11:26 A.M.

Item 2. Approval of minutes of the October 15, 2002 Board meeting.

Mr. Kerr asked if there were any corrections or additions to the minutes of the Board meeting of October 15, 2002. There being none, Mr. Serna moved to approve the minutes of the Board Meeting as presented. Mr. Kelly seconded the motion. The motion passed unanimously.

Item 3. Report on the sale of the Authority's Revenue Refunding Bonds, Series 2002.

Ms. Edwards reported that \$35,240,000 of bonds were priced on Monday, November 4, via a conference call with members of the Pricing Committee, Mr. Brock, Mr. Mijares and Mr. Serna. The sale produced a savings of \$1.2 million. Dale Lehman, US Bancorp Piper Jaffray, provided an explanation of the post-sale analysis.

Item 4. Reconsideration and discussion of parameters for the sale of general obligation bonds (Series 2002B) due to market condition changes.

Ms. Edwards reported the market continued to be volatile and that although market conditions had come very close to meeting the 4.25% interest rate target several times, rates had never actually fallen below that target to provide some cushion against rates rising slightly during the pricing. Therefore, staff and the financial advisors recommended modifying the savings parameters to provide more flexibility. Discussion ensued. Staff recommended substituting 6% for the 4.25% maximum interest rate parameter set forth in section 2.02(c) of the Resolution and that Mr. Serna be designated to serve as an alternate on the pricing committee. Mr. Serna moved to accept staff recommendation. Mr. Mijares seconded. The motion passed unanimously.

Item 5. Consider and approve the Resolution for the sale of the Authority's \$1,320,000 Stephen F. Austin State University Revenue Financing System Revenue Bonds, Series 2002A.

Chris Allen, Public Financial Management, provided an overview of the private placement bonds with Zion First National Bank, Dallas, Texas. A private placement had been selected due to the size and structure of the transaction. Paul Braden, Delgado, Acosta, Braden & Jones, discussed minor language changes to the Resolution and Investment Letter. Mr. Mijares moved that the Resolution be adopted. Mr. Brock seconded. The motion passed unanimously.

Item 6. Consider and approve the Resolution to increase the authorized amount of the Master Lease Purchase Program to \$150,000,000, from the current \$100,000,000, discontinue the 1992B Series and replace it with Series 2003.

Ms. Edwards reviewed the proposed transaction to increase the size of the Master Lease Purchase Program (MLPP.) The Resolution establishes the Series 2003 revenue commercial paper notes, replacing the Series 1992B notes, and increases the maximum amount of the program to \$150,000,000. All of the program documents were reviewed and updated as necessary to conform to the Authority's current MLPP administrative requirements and industry standards and, where possible, to make them

consistent with procedures of the Authority's recently established general obligation commercial paper programs. The two important administration changes concern the costs of issuance fees and the timing of lease payments. Under the 1992B program, TPFA was authorized to charge client agencies an administrative fee for on-going costs and a cost of issuance fee for up-front costs, up to a maximum of 1.2%. The cost of issuance fee was discontinued about 4 years ago because revenue and expenditures were out of line and the fee is not necessary; therefore, it is deleted in the new program. Additionally, to improve efficiency in administering the program, lease payments will be made annually instead of semi-annually. The administrative charge of .5% to cover on-going costs will be continued.

All of the outstanding leases between the Authority and client agencies will be continued and transferred to the Series 2003 program. The Dealer Agreement, with Goldman Sachs, and the Issuing and Paying Agency Agreement, with US Bank, were not changed significantly, but timing of actions required to complete note transactions were modified. The Liquidity Agreement with the Comptroller's office was changed to increase the amount from \$100,000,000 to \$150,000,000, and to extend it to August 31, 2004. Mr. Todd Brewer, Bond Counsel with Winstead Sechrest, stated the documents had been brought current and improved from a tax standpoint. Ms. Edwards stated that commercial paper is being more widely used and that means it is also more closely scrutinized both by the IRS and the SEC, and generally, measures were taken to meet the new level of scrutiny.

Mr. Mijares moved to approve the Master Lease Purchase Program Resolution. Mr. Serna seconded. The motion passed unanimously.

Item 7. Consider a Request for Financing from the School of Excellence, an open-enrollment charter school, for the acquisition and renovation of facilities in the amount of approximately \$3,400,000 through the issuance of revenue bonds, select a method of sale, and take other necessary related action.

Ms. Edwards introduced the Authority's first request for financing for a charter school, submitted by the School of Excellence in Education. The school is an open-enrollment charter school located in San Antonio. The purpose of the request for financing is two-fold: (1) to refinance a loan and (2) to make further renovations to the facility.

Dr. Linda Britton, Superintendent of the School, and Mr. Bruce Henderson, a School Trustee, presented the request. Dr. Britton stated that the school was in its fifth year as a charter school. The school is currently functioning at three locations: 5810 Blanco, 802 Oblique and 5703 Blanco. Dr. Britton introduced Ms. Ginger McKael, an architect representing the school. Ms. McKael explained that proposed modifications to the existing building will make it ADA compliant. Other proposed changes are primarily cosmetic to improve the functioning of classrooms. Discussion ensued about the status of renovations already made, the plan for additional renovations and what was necessary for financing approval. Staff recommended that financial advisors and bond counsel be appointed to assist with the financing utilizing a private placement. Ms. Porras asked that bond counsel also be approved to serve as special issuer's counsel.

Mr. Mijares moved to approve staff's recommendation for Vinson & Elkins to serve as bond counsel and for Public Financial Management to serve as financial advisor. Mr. Serna seconded. The motion passed unanimously.

Item 8. Discuss Legislative agenda.

Ms. Edwards reported she had not received any comments from underwriters or board members regarding legislation. She mentioned the possibility of working with the Bond Review Board in order to change their rules regarding the approval process of refundings so market opportunities are not missed in the future.

Item 9. Other Business/Staff Report.

No other business was discussed.

Item 10. Adjourn.

The meeting adjourned at 1:32 P.M.

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

Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit "A"