

Texas Public Finance Authority

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Kimberly K. Edwards
Executive Director

MINUTES OF THE MEETING OF THE TEXAS PUBLIC FINANCE AUTHORITY CHARTER SCHOOL FINANCE BOARD MEETING

August 17, 2006

The Board of Directors (the "Board") of the Texas Public Finance Authority Charter School Finance Corporation (the "CSFC") 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., Thursday, August 17, 2006, Capitol Extension Hearing Room E2.026, Austin, Texas. Present were: Mr. Bob Schulman, President, Ms. Marina Walne, Vice President and Mr. Omar Garcia, Secretary. Representing TPFA's staff were: Ms. Kimberly Edwards, Executive Director, Ms. Judith Porras, General Counsel, and Paula Hatfield.

Present in their designated capacities were the following persons: Lewis Wilkes, Coastal Securities; Tom Sage, Vinson & Elkins; Paul Braden, Delgado Acosta Braden & Jones; Mark C. Kim, First Albany Capital; Michael Walker, Morgan Keegan; Jim Niederle, Estrada Hinojosa; Andy Bynam, Citigroup; and Jody Wright, Legislative Budget Board.

Item 1. Call to order.

Mr. Schulman called the meeting to order at 10:44 A.M.

Item 2. Approval of minutes of the August 17, 2006 Board meeting.

Mr. Schulman asked if there were any corrections or additions to the minutes of the Board meeting of January 31, 2006. Ms. Walne moved to approve the minutes. Mr. Garcia seconded. The motion passed unanimously.

Item 3. Consideration, discussion, and possible action on a Request for Financing from KIPP, Inc, Houston, including action to adopt and approve a trust indenture, loan agreement, and other necessary related matters for the issuance of the KIPP, Inc. Education Revenue Bonds, Series 2006A and 2006B.

Ms. Edwards stated that the KIPP bonds were priced yesterday and that representatives from Coastal Securities, financial advisor, and Vinson & Elkins, bond counsel, were available to report to the Board.

Mr. Wilkes stated the bond's total par amount of \$35,415,000 consists of a tax-exempt Series A and taxable Series B (\$525,000). A syndicate consisting of co-senior managers, RBC Capital Markets and UBS Investment Bank and three co-managers, Citigroup, Morgan Keegan and Morgan Stanley underwrote the bonds. The bonds received an investment grade rating of BBB- from Standard & Poors. American Capital Access insured the bonds and provided a commitment letter that helped to broaden the search for investors and improved the credit rating to A.

The schools will use the bond proceeds to buy two new pieces of land for two new campuses, KIPP Liberation and KIPP Spirit. The money will be used to improve those sites by moving portables or modular buildings on the site. KIPP will also complete the construction of a Shine Building and pay off two loans with the Bank totaling about \$10.5 million. A debt service reserve fund was created in the amount of maximum annual debt service. Cost of issuance, underwriters' discount, the insurance premium and some management consultants' fees have been rolled into the transaction.

The bonds have a true interest cost of 5.32%, and an all in TIC, which reflects the reserve funds, costs of issuance, and insurance of 5.46% for the 30 year financing. The debt service schedule will become final upon the Board's approval. The underwriting syndicate received strong investor demand for the bonds. The bonds were significantly over-subscribed, allowing the yields to be lowered so the school received a better interest rate. The KIPP Board approved the transaction at their meeting last night.

Ms. Edwards asked Mr. Wilkes to explain the bond insurance policy for the Board's benefit. Mr. Wilkes stated the bond insurance provides investors an irrevocable payment of the bond debt service. In case of a default by the school, the insurance company would pay the debt service to investors, and then seek recourse against the school. Ms. Edwards pointed out that the insurance company can also represent the bondholders for purposes such as modifying any of the bond documents in the future. The insurance premium was \$1.2 million, and a financial analysis is conducted to determine if the cost of the insurance is offset by the lower interest rates and wider investor base it provides.

Ms. Walne asked if there was a document reflecting KIPP Board approval. Ms. Edwards indicated a certificate would be included in the closing documents.

Mr. Sage stated all the legal documents, including the trust indenture, loan agreements as well as the resolution were prepared for consideration. The resolution authorizes the transaction to go forward and authorizes the execution of all necessary documents for filing with the State Attorney General. The transaction is scheduled to close on September 20. Ms. Edwards stated the Bond Purchase Agreement is also provided.

Mr. Schulman asked if any analysis had been made concerning the interest the State may have in the charter school's property. Mr. Sage responded that this issue had been reviewed in depth with the conclusion that the State does have an unperfected, unrecorded security interest in the properties.

Ms. Schulman disclosed that he has previously represented several of the KIPP entities and had questioned whether this posed a conflict of interest. Ms. Porras stated she had reviewed applicable statutes and concluded there was not a conflict requiring Mr. Schulman's recusal on the matter. Mr. Schulman stated he had reviewed the matter independently and was in agreement with that conclusion. Ms. Walne also disclosed that she had been on the KIPP Academy advisory board five years ago, but has had no recent involvement with that board.

Mr. Garcia moved to approve the financing request and adopt the resolution, and approve the trust agreement, and loan agreement. Ms. Walne seconded. The motion passed unanimously.

Item 4. Adjourn.

The meeting adjourned at 11:14 A.M.

The foregoing minutes were approved and passed by the Board of Directors on September 19, 2006.



Omar Garcia
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit A



Open Meeting Submission

Success!

Row inserted

TRD: 2006007130
Date Posted: 08/09/2006
Status: Accepted
Agency Id: 0113
Date of Submission: 08/09/2006
Agency Name: Texas Public Finance Authority
Board: Texas Public Finance Authority Charter School Finance Corporation
Liaison Id: 3
Date of Meeting: 08/17/2006
Time of Meeting: 10:30 AM (##:## AM Local Time)
Street Location: Capitol Extension Hearing Room E2.206
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
 CHARTER SCHOOL FINANCE CORPORATION
 THURSDAY, AUGUST 17, 2006 10:30 A.M.
 CAPITOL EXTENSION HEARING ROOM E2.026
 AUSTIN, TEXAS 78701

1. Call to order.

Agenda:

2. Approval of minutes of the April 24, 2006 Board meeting.

3. Consideration, discussion, and possible action on a Request for Financing from Kipp, Inc, Houston, including action to adopt and approve a trust indenture, loan agreement, and other necessary related matters for the issuance of the Kipp, Inc. Education Revenue Bonds, Series 2006A and 2006B.

4. 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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