

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.

Robert P. Coalter
Executive Director



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

June 7, 2012

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, June 7, 2012, Capitol Extension Hearing Room E2.028, Austin, Texas. Present were: Mr. Joe Meister, Chair; Mr. Gerald Alley, Secretary; Mr. Rodney Moore, Member; Mr. Tom Roddy, Member; Mr. Billy Atkinson, Member; and Mark W. Eidman, Member.

Representing the Authority's staff were: Robert P. Coalter, Executive Director; Susan K. Durso, General Counsel; John Hernandez, Deputy Director; Pamela Scivicque, Business Manager; and Paula Hatfield.

Present in their designated capacities were the following persons: Dalton Smith, Bank of America Merrill Lynch; Stephanie Henning, RBC Capital Markets; Becky Villasenor, Cabrera Capital Markets Inc.; Cheryl Allen, Southwest Securities; Mark Ellis, Tilghman Naylor, Jefferies & Co.; Art Morales, Siebert Brandford Shank & Co.; Debi Jones, Raymond James; Jim Niederle, Hutchison Shockey Erley & Co.; Keith Richard, Morgan Stanley; Andy Bynam, Mesirow Financial; George Pedranza, Wells Fargo Securities; Tim Peterson, JP Morgan; Kim Edwards, Fidelity; Tim Kelley, Piper Jaffray; Robin Redford, Ramirez & Co.; Patrick Scott, Barclays Co.; Chris Allen, First Southwest Co.; Valarie Maxwell, Midwestern State University; Pete Gise, Jim Murphy, Texas Windstorm Insurance Association; Kathryn Garner, Haynes & Boone; Barron Wallace, Bracewell & Giuliani; Paul Martin, Winstead; and Jerry Kyle, Andrews Kurth.

Mr. Meister called the meeting to order at 10:32 a.m. Mr. Meister introduced the new Executive Director, Robert Coalter, and welcomed him to TPFA.

Item 2. Excuse absences of board members.

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

Item 3. Approve the minutes of the February 8, 2012, Board meeting.

Mr. Meister asked if there were any corrections or additions to the minutes of the Board meeting of February 8, 2012. Mr. Atkinson moved to approve the minutes. Mr. Eidman seconded. The motion passed unanimously.

Item 4. Consideration, discussion, and possible action to approve a request for financing to issue Class 1, Class 2 and Class 3 public securities for the Texas Windstorm Insurance Association, including issuance of a Class 1 pre-event bond anticipation note in an amount not to exceed \$500 million, and the adoption of one or more resolutions relating thereto and delegating certain matters to an authorized official of the Authority, appoint outside consultants, and take other action as necessary.

Mr. Coalter stated that during the 82nd Legislative First Called Session, the Legislature modified Chapter 2210 of the Texas Insurance Code to allow the Authority to issue public securities on behalf of the Association to fund claims should a catastrophe event or series of event happen on the Gulf Coast of Texas. There are three classes of securities that have three different revenue streams. The first is Class 1 and it should be paid from premiums. The second is for up to \$1 billion where 30% comes from assessments on Texas Windstorm Insurance Association (“TWIA”) insurers and 70% come from premium surcharges on coastal property and casualty insurance policyholders. The third class is up to \$500 million to be repaid by the assessments of the members of TWIA that are property and casualty insurance companies. During 2011, there was a legislative change that allowed the issuance of pre-event debt in addition to the post event debt. In December 2011, TPFA staff met, along with its advisors, with the TWIA Board and presented a \$300 million pre-event Class 1 option which at that point in time, the TWIA Board did not consider.

In March 2012, TPFA staff brainstormed with its advisors to explore options to fund losses in the 2012 hurricane season and as a result of that meeting and other efforts members of the Authority’s underwriting pool were asked to submit funding offers. Three offers were received. Bank of America Merrill Lynch (BAML) submitted a privately placed Bond Anticipation Note that provided the Association with liquidity and very good terms. A copy of that confidential offer was provided to the Board.

At TWIA’s Board meeting on May 15, 2012, TPFA staff presented the BAML offer and explained that for TPFA to move forward the TWIA Board would need to approve and submit a request for financing and that request would require approval of the Insurance Commissioner. The approval from the Insurance Commissioner arrived June 7, 2012, along with the resolution and request for financing from TWIA’s Board.

Staff recommends accepting the term sheet offered by BAML to purchase a Bond Anticipation Note as a Class 1 Pre-Event Security issued on behalf of the Association and delegating authority to staff to prepare and negotiate the Note Purchase Agreement and other transaction documents with the assistance of the Authority's financial advisor, bond counsel and underwriting syndicate to issue the debt of Pre-Event Class 1, Post Event Class 1, Class 2 and Class 3 public securities on behalf of TWIA. In addition, based part on the BAML offer and that BAML has offered to purchase this \$500 million BAN, which is a difficult credit, staff recommends that BAML be moved to the book-running senior manager position for the post-event sale of Class 1 Post-event securities should those securities need to be issued to retire the BAN and obtain a greater amount of liquidity for the Association for the 2012 hurricane season. Other members of the syndicate remain the same for this transaction: JP Morgan will move to co-senior manager for the Class 1 sale. No additional changes are being recommended for Class 2 or Class 3 public securities syndicate for those sales.

Chris Allen, First Southwest Co., Paul Martin, Winstead, and Jim Murphy and Pete Gise, TWIA, Mike Perkins, an attorney for TWIA are available to answer any questions.

Mr. Eidman moved to approve the TWIA request for financing to issue Class 1 Pre-event Public Securities pursuant to Texas Insurance Code ch. 2210, and accept the Term Sheet offered for the purchase of a Bond Anticipation Note by Merrill Lynch, Pierce, Fenner & Smith, Inc., as a Class 1 Pre-event Public Security, in an amount not to exceed \$500 million, inclusive of costs of issuance, and to delegate authority to the Executive Director and staff to negotiate the final terms of the Note Purchase Agreement, prepare other transaction documents and take other necessary action to implement the Board's decision. Mr. Moore seconded. The motion passed unanimously.

Mr. Eidman moved to accept staff's recommendation to approve the TWIA's request for financing to issue Class 1, 2 and 3 Post-event Public Securities, in a total aggregate amount not to exceed \$2.5 billion, less any amount of Class 1 pre-event debt issued in 2012, inclusive of the amounts necessary to pay costs of issuance, to fund capitalized interest, and to fund a debt service reserve fund or funds, for terms not to exceed 14 years, 10 years and 10 years, for Class 1, 2, and 3 public securities, respectively, in accordance with Texas Insurance Code chapter 2210 requirements and delegate authority to the Executive Director to take other action in cooperation with the Association and Department as necessary to implement the Board's decision. Mr. Moore seconded. The motion passed unanimously.

Mr. Eidman moved to affirm the use of First Southwest Company as Financial Advisor, Winstead as bond Counsel and Shelton Valadez as Co-Bond Counsel, for these transactions, and accept staff's recommendation to revise the underwriting syndicate for issuance of any post-event Class 1 Public Securities if issued in 2012 by naming Bank of America Merrill Lynch as book runner, JP Morgan as co-senior underwriter, and with Citi Group, Jefferies, Raymond James, RBC Capital Markets, and Siebert Brandford Shank continuing to serve as co-managers. Mr. Atkinson seconded. The motion passed unanimously.

Item 5. Consideration, discussion, and possible action to approve a request from Midwestern State University to refund revenue financing system revenue bonds, adopt a resolution relating thereto, appoint outside consultants, and take other action as necessary.

Mr. Coalter stated that the Authority in cooperation with Midwestern State University always looks for opportunities to refinance existing long-term debt for interest rate savings on a routine basis. The bonds in question are revenue financing system revenue bonds Series 2002 tuition revenue bonds and Series 2003 non-tuition revenue bonds. Except for the cost of issuance, there will be no new debt issued in this transaction.

There is a refunding analysis in your Board packet that indicates approximately \$8M of bonds. As you know the minimum requirement for refunding is a 3% present value savings and this alternative is well in excess of 3%. Staff recommends the request for refunding which creates a blended savings well in excess of 3%. Staff also recommends that the Board approve a negotiated sale, the financial advisor being First Southwest Co., bond counsel being Andrews Kurth and the syndicate being Southwest Securities as the bookrunner and RBC Capital Markets as the co-manager of this sale.

Chris Allen, First Southwest Co., and Valarie Maxwell, Midwestern State University are available to answers questions.

Mr. Atkinson moved to approve Midwestern State University's request to refund all or a portion of the University's outstanding revenue financing system revenue bonds to achieve a present value savings of at least 3% overall, pursuant to Gov't Code ch. 1232, and Education ch. 55, in a negotiated sale; and to appoint Andrews Kurth as bond counsel, First Southwest Co. as financial advisor, and an underwriting syndicate comprised of Southwest Securities serving as Senior Manager, with RBC Capital Markets as co-manager. Mr. Moore seconded. The motion passed unanimously.

Item 6. Consideration, discussion, and possible approval of the Authority's Strategic Plan for FY 2013-2017.

Ms. Scivicque stated that the strategic planning process covers 5 years for agencies to establish guidelines for agency operations. The materials provided include the core elements and are folded into the framework that is set forth by the Governor's Office Budget, Planning and Policy and the Legislative Budget Board. It serves as a foundation for state agencies and universities to align their Strategic Plan. Staff does not anticipate significant changes beyond updating the data. The document will be finalized in accordance with the instructions provided by the general budget offices and is due July 6, 2012, and the Board is requested to approve it.

Mr. Atkinson asked if there are changes in scope versus what has been done in the past. Ms. Scivicque answered the materials reflect an updated organization structure and the agency did submit a minute change to its performance measure that was approved by the Joint budget offices to clarify the performance measure. Mr. Atkinson stated that other than minor tweaks in performance measure the overall scope of the agency is not changing and Ms. Scivicque stated

that was correct. Mr. Alley asked about whether the HUB goals are consistent with, in excess or below goals of other agencies. Ms. Scivicque stated that the HUB goals prepared and included in the materials are consistent with the Comptroller's goals for statewide operations of HUB expenditures.

Chairman Meister inquired about the status of the vacant positions at the agency. Mr. Coalter responded the positions were vacant, but staff had in mind the qualifications necessary for an individual to fill the vacant positions.

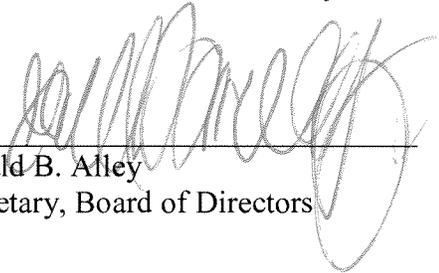
Mr. Eidman moved to approve the Authority's Strategic Plan for 2013-2017 as presented for submission to the Legislative Budget Board and the Governor's Office of Budget, Policy and Planning. Mr. Atkinson seconded. The motion passed unanimously.

Item 7. Staff Report (no action required).

Mr. Coalter briefly reviewed the staff report and commercial paper activity.

The meeting adjourned at 10:50 a.m.

The foregoing minutes were approved and passed by the Board of Directors on July 9, 2012.



Gerald B. Alley
Secretary, Board of Directors

ATTACHMENT: Posting Notice - Exhibit A



Current Meeting Notices

Agency Name: Texas Public Finance Authority

Date of Meeting: 06/07/2012

Time of Meeting: 10:30 AM (Local Time)

Board: Texas Public Finance Authority

Status: Active

Street Location: Capitol Extension Hearing Room E2.028

City Location: Austin

Meeting State: TX

TRD ID: 2012003741

Submit Date: 05/30/2012

Emergency Meeting?: No

Additional Information: If you need any additional information contact Paula Hatfield, 512/463-5544, 300 W. 15th Street, Suite 411, Austin, TX 78701.

Obtained From:

Agenda: TEXAS PUBLIC FINANCE AUTHORITY
THURSDAY, June 7, 2012, 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 February 8, 2012, Board meeting.
4. Consideration, discussion, and possible action to approve a request for financing to issue Class

1, Class 2 and Class 3 public securities for the Texas Windstorm Insurance Association, including issuance of a Class 1 pre-event bond anticipation note in an amount not to exceed \$500 million, and the adoption of one or more resolutions relating thereto and delegating certain matters to an authorized official of the Authority, appoint outside consultants, and take other action as necessary.

5. Consideration, discussion, and possible action to approve a request from Midwestern State University to refund revenue financing system revenue bonds, adopt a resolution relating thereto, appoint outside consultants, and take other action as necessary.

6. Consideration, discussion, and possible approval of the Authority's Strategic Plan for FY 2013-2017.

7. Staff Report (no action required).

8. 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, responsibilities and performance of the Executive Director and the duties and responsibilities and performance of other staff.

Reconvene Open Meeting:

The open meeting will be reconvened, and any final action required concerning matters deliberated in the Closed Meeting must be taken at this time.

9. Discussion of future meeting dates and times.

10. 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.

For comments and or questions about this website please contact *Texas Register*
register@sos.state.tx.us