

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

TSAHC Offices
2200 East Martin Luther King, Jr. Blvd.
Austin, Texas 78702

Thursday,
June 11, 2015
10:31 a.m.

BOARD MEMBERS:

ROBERT "BOB" JONES, Chair

WILLIAM H. DIETZ, JR., Vice Chair

GERRY EVENWEL

ALEJANDRO "ALEX" MEADE (absent)

JERRY ROMERO

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1
2 MR. DIETZ: It is 10:31, and so the meeting of
3 the Texas State Affordable Housing Corporation is called
4 to order, so let's start with roll call.

5 Bob Jones is running late today. He's over at
6 the Governor's Mansion for a bill signing.

7 Bill Dietz, I'm here.

8 Gerry Evenwel?

9 MR. EVENWEL: Present.

10 MR. DIETZ: Alex Meade is not here.

11 And Jerry Romero?

12 MR. ROMERO: Here.

13 MR. DIETZ: We do have a quorum.

14 To start with, is there any public comment?

15 (No response.)

16 MR. DIETZ: Hearing none, we'll move on
17 straight to the president's report. Mr. Long

18 MR. LONG: Thank you, Mr. Chairman, members.

19 As always, the program and financial reports
20 are listed under the front tabs of the board book, A
21 through D. This month we have our quarterly compliance
22 and resident services report in there as well. If you
23 have any questions, James and Celina are here if you need
24 to have questions answered on that. I would note that
25 there's no outstanding findings in that report and there

1 aren't any exceptional items that I would bring to your
2 attention on any other reports either.

3 A couple of other quick updates, after the
4 Board gave us approval to move forward with the Rollins-
5 Martin Apartment complex acquisition, I just wanted to
6 give you a quick update on that. After the Board's
7 approval last month, the Corporation and staff have been
8 working to get our ownership transfer application which
9 has to be submitted via the seller to TDHCA. That has
10 been submitted. We've also completed an inspection of the
11 property. We're working through just kind of the timing
12 of things to get the applications and response back from
13 TDHCA, so pending any additional followup from them.

14 I'd like to note that Liz and Celina and James
15 have done a lot on that getting that together, and I
16 really appreciate all the work they've done in putting
17 stuff together.

18 The Corporation, under one of the tab items
19 today, the Board will be considering a \$500,000 --
20 actually, ratifying acceptance of a \$500,000 equity
21 investment from Texas Community Bank in support of our ACT
22 program. We have received those funds, and we wanted the
23 Board to just be aware of it and give you a chance to
24 ratify the acceptance of those funds. But I wanted to let
25 you know that's a really big opportunity for us to enhance

1 our ACT program, and I want to thank Janie and Katie,
2 specifically, for all the work they did in making sure
3 that happened. There was a lot of hand-holding that went
4 on with Texas Community Bank to make sure that was done in
5 the proper way.

6 As a reminder, later this month, on June 29,
7 the Corporation will be holding its Mortgage Free Monday
8 in honor of National Homeownership Month which is June,
9 this month. We are going to select five homeowners that
10 close on their loans between April 1 and June 26 and we'll
11 pay one month of their mortgage for them.

12 Foundations Fund application cycle for 2015,
13 those applications were due last Friday, the 5th, and we
14 received a total of 37 applications. In the review of
15 those applications, we did receive at least two from each
16 of the regions, and the total request of funds that we
17 received is about three times the allocation available to
18 us. We had 20 applications for critical repair and 17
19 that were for supportive services, and staff has already
20 begun the review process on that and will be working with
21 the Advisory Council over the next couple of months to
22 ensure that we have the recommendations for the Board at
23 the September board meeting.

24 Single Family, Sarah just got back from a
25 meeting in San Antonio, conducting our latest round of the

1 Texas Statewide Homebuyer Education Program, and that was
2 done in partnership with the Federal Reserve Bank of
3 Dallas out of their San Antonio office, and RAISE Texas.
4 Twenty-eight counselors, representing 20 organizations and
5 eleven cities from across the state, completed the
6 training.

7 In addition, I just want to make a quick note
8 because they have so much on their plate, they're going to
9 also be attending meetings and/or functions that they've
10 done since the last Board meeting, as well as upcoming:
11 El Paso Mortgage Bankers Association, BCL Homebuyer Fair
12 in Irving, Texas, Texas Association of Realtors region
13 meeting, Houston Black Real Estate Association meeting,
14 Alliance for Economic Inclusion in Houston, San Antonio
15 Board of Realtors, Affordable Homes of South Texas
16 Homebuyer Fair, and Wells Fargo Homebuyer Fair. All of
17 that is either being done or has been done or is on their
18 plate coming up between now and the end of this month, so
19 they're really busy.

20 Also, just obviously, I want to remind you that
21 the 84th Legislative Session ended the 1st of June. I
22 don't have a report for you today because the Governor's
23 Office has until 30 days after to go through all the bills
24 and decide what they want to do and sign off on, and so we
25 thought we would give you a more thorough report at the

1 July Board meeting.

2 One final thing that we've been working on, as
3 you know, we bought the building up the street, 1910 East
4 MLK. Construction activity on that has begun. More than
5 happy to give you the opportunity to take you over there
6 and have you look at it if you would like, but we are very
7 pleased to have construction activities underway. It was
8 a 100-day contract and we hope to have everything done by
9 either August or September, but we will certainly keep you
10 informed on the progress that we're making on that.

11 As always, I like to mention that we have our
12 professionals in the audience today: Katie Van Dyk with
13 Greenberg Traurig, our general counsel firm; Linda
14 Patterson is here with Patterson & Associates -- she'll
15 actually be making a presentation later to you on the
16 investment policy; Chris Spelbring with Raymond James; and
17 Tim Nelson with First Southwest Company, and Tim will also
18 be up here making a presentation on a couple of tab items.

19 And with that, Mr. Chairman, unless you have
20 any questions, I will conclude my remarks.

21 MR. DIETZ: Questions, Jerry or Gerry?

22 MR. ROMERO: No.

23 MR. EVENWEL: No. Good job.

24 MR. LONG: Thank you.

25 MR. EVENWEL: Does anybody else work if you're

1 all out traveling?

2 MR. LONG: We have a lot going on, so we stay
3 busy, to say the least.

4 MR. DIETZ: Moving on to tab item 1:
5 Presentation, discussion and possible approval of the
6 minutes of the Board Meeting held on April 16, 2015.
7 Review the minutes and then would entertain a motion to
8 approve.

9 MR. EVENWEL: I move to approve the minutes as
10 written.

11 MR. DIETZ: Is there a second?

12 MR. ROMERO: I second.

13 MR. DIETZ: Is there any public comment?

14 (No response.)

15 MR. DIETZ: Hearing none, all in favor?

16 (A chorus of ayes.)

17 MR. DIETZ: The minutes are approved.

18 Tab item 2: Presentation, discussion and
19 possible approval of the Texas State Affordable Housing
20 Corporation's 2015 Investment Policy.

21 MS. SMITH: Good morning. Melinda Smith.

22 First, we had invited Linda Patterson here to
23 answer questions for you when we present the investment
24 policy, but we had asked her to give you just a brief
25 update on the market, so I'd like to begin with that.

1 Linda.

2 MS. PATTERSON: With the market right now, as
3 with the economy, I could talk for days about what's going
4 on. There are so many variables hitting the market. Of
5 course, the biggest thing in the first quarter of this
6 year was that we had a negative GDP, not a totally unusual
7 situation, the last several years it's been a negative or
8 a significantly decreased GDP. But that is just a
9 revision, so there might be another revision coming, might
10 take it a little bit lower, a little bit higher.

11 A lot of the things that are weighing on the
12 economy right now are ones that you know: the oil, the
13 strength of the dollar which diminishes our exports, which
14 slows down our manufacturing, which then stops the
15 manufacturers from hiring or adding additional hours of
16 work. That's been a major force, and unfortunately, that
17 also cascades down and affects the consumer. So the
18 consumer was seriously absent during the first quarter,
19 and that was another big reason why we had a negative GDP.

20 However, we're looking for a much better GDP in
21 the second quarter. We've had a great employment number
22 at the beginning of this month, very strong, our
23 unemployment claims are holding steady but we can say it's
24 good if it just holds steady and they don't increase
25 significantly. And then this morning we had really good

1 news because the retail sales are up and that means
2 confidence is back a little bit. And what we need is that
3 confidence from the consumer, from the individuals saying
4 I have a feeling we're at least going in the right
5 direction. Cars, big ticket items were up on that, and
6 that's going to help us a lot in the second quarter.

7 I think you probably know that the FOMC, or the
8 Federal Open Market Committee, is meeting this month. For
9 a long time we thought they might be able to move, and
10 think about raising rates this month. I think that's
11 effectively off the table now, it's not going to happen.
12 Of course, that's been compounded because of Ms. Lagarde
13 from the IMF saying we really don't need to raise rates
14 because we need to help all the emerging countries and
15 make sure that we don't hurt their economies by us going
16 up.

17 I remain in the camp, slightly smaller camp
18 now, but I do remain in the camp that in September, or if
19 not September in the fourth quarter, we will see a rise in
20 rates. We almost have to do it because we have a lot of
21 strength in the economy. We do have the employment except
22 we don't have very much inflation but it's there, and
23 those are their target amounts.

24 Another reason that I think that they are
25 thinking about raising the rates is because we need some

1 flexibility, we need to be off zero in case there's
2 another shock to the system so that we can pull back down
3 again. Right now they have no arrows in their quiver, and
4 in fact, probably the biggest problem for them right now
5 is how exactly am I going to raise the rates so that it's
6 not a shock to the system.

7 So going forward, the market has reacted to
8 this, they know the same variables, and rates are
9 definitely starting to rise out to the two- to five-year
10 area. In fact, I'm kind of in the camp where we're going
11 to get a little bell curve there for a while because we've
12 already seen it going up, and there's a lot more
13 opportunity for the portfolios.

14 Right now on the mortgage side the rates are
15 still low, out to the 30-year, 10-year area, and that's
16 basically because we're following the lead of the German
17 Bond, and it has been very, very low, we've had negative
18 yields in the five-year area which is insane, but as those
19 move up, all of the other bond markets and sovereign
20 markets are saying we're going to keep along with this.
21 But even though the bond was so low in the 10- and 30-year
22 area, it made our 2 percent look huge, so we still have a
23 lot of the money flowing into the highest credit quality
24 in the world, and chasing that set supply, as the
25 government moves back to shorter term and kind of equal

1 distribution to new paper now, so that might keep the
2 mortgage rates a little bit low for a little bit longer,
3 which would be great for homeowners, which then helps the
4 economy.

5 So we do have a nice strong economy building in
6 there, we've got a long way to go. There's at least equal
7 positives to negatives, and that's why the market is
8 acting the way it is. In your portfolio, for instance,
9 we're looking at about a half a percent now, which doesn't
10 sound too exciting, but your benchmark is 17 basis points,
11 but even the 17 is higher than we've seen for a while.
12 You're up almost to the two-year level and that's where
13 the rates are going, so we're trying to reinvest that and
14 move into those higher rates as we go along.

15 MS. SMITH: Thank you, Linda, so much.

16 The Corporation is required by the Public Funds
17 Investment Act to annually approve its investment policy,
18 and there was a copy in your board book but I've provided
19 a new copy for each of you at your places.

20 We've made several changes and they are pretty
21 much all the same. The Corporation is contemplating the
22 early redemption of some bonds in September, and at which
23 time we would keep some of the mortgage-backed securities,
24 and Tim Nelson is going to explain that for us later, but
25 I think we're planning to sell the securities, pay off the

1 bonds, and there will be some securities left over that
2 the Corporation would keep. And so we've modified the
3 investment policy to allow for that because we a three-
4 year weighted average maturity for our investments and so
5 now we've established a separate portfolio for these funds
6 that will have a much longer weighted average maturity
7 because those mortgage-backed securities will have at
8 least 20 years of life left on them.

9 So each of the changes that you see in the
10 investment policy, whether in the investment strategy --
11 and we can go over each one, if you'd like -- but the
12 majority of these or all of these changes are intended to
13 allow for that 20-year weighted average maturity,
14 basically. And so we're asking the Board to approve the
15 investment policy with those changes.

16 MR. DIETZ: Are all the changes reflected as
17 surplus funds?

18 MS. SMITH: Yes.

19 MR. ROMERO: What is the rationale behind the
20 20 years? Is there going to be a higher yield to the
21 Corporation over the long term?

22 MS. SMITH: Yes.

23 MS. PATTERSON: Well, part of the thought
24 process is that these securities already exist, it's
25 moving in and they would be unauthorized under your

1 current policy, but these funds, setting them up as a sub-
2 portfolio allows you to protect that principal -- that was
3 the thought process behind surplus funds -- protect that
4 principal and only use the interest coming off of them.
5 If you're protecting the principal, you don't need to
6 spend that principal and it makes more sense to have the
7 ability to go out longer, and that's why we put the 20-
8 year maximum maturity on it.

9 And the other changes are, for instance, that
10 you'll see the 10-year on the CMOs, or the collateralized
11 mortgage obligations, that's because of state law, you
12 can't to longer on a CMO. But on the pass-throughs, with
13 taking it out to 20 years, and we also put in that you
14 could take out to 20 years if at some point you wanted to
15 add to that municipal debt, so state and local debt.

16 MR. ROMERO: And what is your definition of
17 surplus?

18 MS. SMITH: The funds left over.

19 MR. ROMERO: Just the bond issues?

20 MS. SMITH: Yes, from the redemption of the
21 bonds.

22 MR. EVENWEL: So it's like a reinvestment plan?

23 MS. SMITH: Yes, exactly.

24 MS. PATTERSON: In fact, the change in the
25 policy refers specifically to the funds which were

1 received on a certain date in 2015. It's not just surplus
2 excess.

3 MR. EVENWEL: What page?

4 MS. SMITH: Page 2 under Scope, in the second
5 sentence, and I apologize I didn't highlight that in red,
6 but in the second sentence there is: The second portfolio
7 was created for surplus bond funds.

8 MR. EVENWEL: So it's limited only to that one
9 area.

10 MS. SMITH: Right.

11 MR. EVENWEL: There won't be anything else
12 going in there except what's designated.

13 MS. SMITH: Or something like it, yes.

14 MR. LONG: Let me add this. The Corporation,
15 depending on the opportunity, can consider, if the Board
16 so directs, that additional reserves we might have, and I
17 don't know if that is something -- when we talked about
18 it, that is something. Right now we're proposing the
19 excess proceeds out of any one individual bond early
20 redemption, if we elected, the investment would be
21 something that would generate a better return on
22 investment for us and other excess proceeds in addition to
23 excess revenues we might have on hand for reserves, we
24 could invest in that as well. So we have the ability to
25 buy, instead of a million dollars of the MBSs left over

1 and we wanted to buy two million dollars, we could do
2 that.

3 So we're proposing that the investment policy
4 gives us the option to buy the excess MBSs with a 20-year
5 maturity that's left on the bond transaction, but we could
6 come back to the Board and ask you for permission prior to
7 the date where we make the investment, we would ask for
8 additional funds be allowed by the Board to be used to
9 invest in that structure as well.

10 Did I say that right, Melinda?

11 MS. SMITH: And the primary thing on the
12 investment policy is to just separate out for purposes of
13 the weighted average maturity so that you have a portfolio
14 that we can have at that longer term, but the rest of the
15 portfolio would be at the shorter term.

16 MS. PATTERSON: One way to retain the safety
17 factors in the other funds where you don't want somebody
18 taking operating funds out in ten or 15 years.

19 MR. ROMERO: Are we going to hear some
20 projected numbers as far as return yields on these
21 specific to our bonds? Is he going to talk about that?

22 MS. SMITH: Yes, I believe Tim is going to
23 discuss that.

24 MR. DIETZ: Is there a motion?

25 MR. ROMERO: I'll make a motion to approve the

1 investment policy as presented with the changes
2 recommended.

3 MR. EVENWEL: I have a comment. On page 15
4 where it says adoption of the policy, it says in the last
5 sentence there the Board shall adopt by written
6 resolution, which I haven't seen. A statement that we
7 have reviewed the investment policies and strategies,
8 which we did, but should we have a written resolution? I
9 mean, right now we don't have a written resolution, we
10 have something in the agenda.

11 MS. PATTERSON: The law actually says that you
12 must pass it by resolution. Most people, if there's not a
13 written resolution presented to the governing body, they
14 assume that the writing is in the recording of the
15 minutes.

16 MS. VAN DYK: We can also -- this is Katie Van
17 Dyk -- approve it today by the Board, approve the changes
18 to the policy and then at the next meeting if you want to
19 pass a written resolution formally approving the revised
20 investment policy, we can do that too.

21 MR. EVENWEL: I mean, I was not trying to hold
22 it up.

23 MS. SMITH: No. That's a very good point.

24 MR. EVENWEL: I'm asked to do it and that's not
25 the way it's happening.

1 MS. VAN DYK: I agree with you 100 percent, so
2 I'm glad to clean that up.

3 MS. SMITH: I do too.

4 MR. DIETZ: So we ought to either have a
5 resolution or modify the policy with a statement
6 resolution, one or the other.

7 MS. VAN DYK: Right. We could include it on
8 the policy or have a separate one, a separate resolution.

9 MR. ROMERO: But since that's not a recommended
10 change now, we're beyond that point. Right?

11 MS. VAN DYK: Today we're considering the
12 revisions that are presented to you that Melinda has
13 provided.

14 MR. EVENWEL: So all we're adopting today are
15 the changes from last year's policy.

16 MS. VAN DYK: Last year's policy.

17 MR. EVENWEL: Okay. Thank you.

18 MR. ROMERO: So do you want me to restate my
19 motion?

20 MS. VAN DYK: I think you stated it correct,
21 but you're moving to approve the policy as revised,
22 presented to you today.

23 MR. EVENWEL: Second.

24 MR. DIETZ: Is there any public comment?

25 (No response.)

1 MR. DIETZ: Hearing none, all in favor of the
2 approval of the Texas State Affordable Housing
3 Corporation's 2015 Investment Policy as revised?

4 (A chorus of ayes.)

5 MR. DIETZ: It passes, so the policy is
6 approved. It sounds like we're going to next month have
7 that written resolution confirming our approval of that
8 policy.

9 MS. SMITH: Thank you very much.

10 MR. DIETZ: Sure. Thank you

11 Tab 3 which is the Presentation, discussion and
12 possible approval of the Texas State Affordable Housing
13 Corporation's 2015 broker listing.

14 MS. SMITH: Along with the investment policy,
15 we are also required to ask the Board to approve our
16 broker listing which is the list of brokers that Patterson
17 & Associates uses when they purchase investments on our
18 behalf, and we have added two companies to the same:
19 Piper Jaffray and RBC Capital, and we did not delete any
20 of the brokers from the list, so we're just adding those
21 two, so that's what we're asking the Board to approve.

22 MR. ROMERO: Question of legal counsel.

23 MS. VAN DYK: Yes.

24 MR. ROMERO: So Wells Fargo is on here and I
25 was going to abstain from the vote, but there's only three

1 members, would it still be valid?

2 MS. VAN DYK: No.

3 MR. EVENWEL: We have a quorum for the meeting,
4 whether he abstains or not.

5 MR. ROMERO: So as chair, you would have to
6 either motion or second it.

7 MS. VAN DYK: Okay. That's fine.

8 MR. ROMERO: I wasn't sure because normally the
9 chair doesn't make a motion or second.

10 MR. DIETZ: Let me look to the broker listing.

11 MR. LONG: If I may Mr. Chairman. In the past
12 what we have done is you've actually taken the opportunity
13 to make two votes on this: you vote one on the policy
14 minus Wells Fargo and then everybody can vote on that, and
15 then when it came to the Wells Fargo vote, Mr. Romero has
16 abstained and you voted solely on Wells Fargo. I guess
17 you could do it either way if you wanted to abstain, Mr.
18 Romero.

19 MR. ROMERO: I'm just saying because the last
20 time we had four Board members so it wasn't an issue.

21 MR. LONG: I understand.

22 MR. DIETZ: I also would need to abstain,
23 Raymond James is on the list.

24 MR. LONG: That I'll have to lean on counsel
25 for that.

1 MR. ROMERO: Can I make a suggestion? Can we
2 move the item to the end of the agenda so it would give an
3 opportunity for Bob to show up?

4 MR. DIETZ: He should be here at some point in
5 time.

6 MR. LONG: That's fine with me.

7 MR. ROMERO: That way we could take action at
8 that point and we'll be able to both abstain, the way we
9 did last time.

10 MS. VAN DYK: There's been a recommendation
11 that we just change the motion to approve the additions to
12 the list, if either of the firms being added pose a
13 conflict or would require abstention.

14 MR. DIETZ: Is that acceptable, or do we need
15 to approve the whole list every year?

16 MR. ROMERO: The motion states we're approving
17 the list.

18 MR. LONG: I was going to say the motion, the
19 way it's written, is to approve the list for 2015, so I
20 think you would have to approve the whole list the way
21 it's drafted. And again, I'm very comfortable moving it
22 to the back of the agenda and if we receive Mr. Jones as
23 an addition to the Board makeup, we could consider it at
24 that time.

25 MR. DIETZ: Counsel, that would work, you have

1 two abstentions and two votes?

2 MS. VAN DYK: Yes, that would be fine, so we
3 can table it till the end.

4 MR. DIETZ: Let's do that, let's just table
5 this agenda item until the end, and then we'll address it
6 at that point.

7 MR. EVENWEL: I have some additional questions,
8 but go ahead. I'm sorry.

9 MR. DIETZ: No, that's fine. Go ahead.

10 MR. EVENWEL: On the page we're talking about,
11 it's referring to broker-dealers in the second paragraph,
12 but on the page before on the policy we talk about
13 Attachment A --

14 MR. LONG: What page is that, Mr. Evenwel?

15 MR. EVENWEL: A-1, just over the number at the
16 very end of the policy.

17 MR. ROMERO: I think that's the end, isn't it,
18 Melinda, Attachment A?

19 MR. LONG: Attachment A-1, that one?

20 MR. EVENWEL: No. Attachment A.

21 MR. ROMERO: Yes, that's the one. Page A-1 is
22 the page.

23 MR. LONG: Oh, A-1 is the page number?

24 MR. EVENWEL: It's after page 15. It's got
25 words like firm and stuff like that, and then it says

1 broker, but it never uses the word dealer on this page,
2 and I'm just wondering. I mean, I know the difference
3 between those, but I just want to be sure if someone
4 reading them.

5 MS. PATTERSON: This is Linda Patterson. The
6 A-1 page is your certification, that's the policy that we
7 send out, and the reason we use the word firm in there is
8 because it goes to anyone who endeavors to sell an
9 investment transaction to you, so that could include banks
10 and pools, and not just brokers or dealers. And then the
11 list is brokers and dealers, and I think your question is
12 why do we put in here the broker covering the account.

13 MR. EVENWEL: I just want to be consistent in
14 the language.

15 MS. PATTERSON: Well, no, but if it's an
16 individual, that individual is a broker, whether he works
17 for a brokerage firm or a dealer, but you couldn't be an
18 individual and be a dealer. A dealer is a firm that has
19 an individual working. So I think it's consistent.

20 MR. EVENWEL: And then the thing that we're
21 talking about right now does not talk about Section 8(a)
22 of the preceding policy which is the section that talks
23 about this. It talks about government stuff and stuff
24 like that, but it never references back to the investment
25 policy.

1 MS. PATTERSON: It does in the last sentence of
2 the first paragraph. Attachment A of the policy is the
3 certification form used for this purpose, and Attachment A
4 is page A-1 and on the top Attachment A.

5 MR. EVENWEL: But neither of them refer back to
6 the investment policy section that talks about this, or it
7 doesn't have to?

8 MS. SMITH: When you put it together, it's all
9 one document and we just separate it for purposes of
10 approving them.

11 MS. PATTERSON: It references back to the
12 policy in that we're assuring compliance with that policy
13 and the way to ensure compliance with the policy is the
14 certification form which is Attachment A which will go to
15 these firms which you have listed.

16 MR. ROMERO: I think that Mr. Evenwel's
17 question, I think the last sentence actually covers that
18 which is: When any material changes are made to the
19 Investment Policy, the new policy is sent out for
20 re-certification. But I understand what he's saying, I
21 think if you can just put some consistency in there where
22 you have a broker-dealer regardless. I mean, it's not
23 going to make a difference, but you're going to have
24 language consistent both in the investment policy and the
25 certification and then the authorized broker-dealers.

1 MR. LONG: So are you suggesting then, Mr.
2 Romero, that we make an additional change to this, or are
3 you saying that it's acceptable the way it is?

4 MR. ROMERO: I think it's acceptable the way it
5 is. I'm just saying for purposes going forward that we
6 just make sure that we maintain the same language in the
7 certification as well as the documents. The investment
8 policy, the certification, and then the broker-dealer.

9 MS. PATTERSON: That's fine. And I might also
10 add that under the Act the certification is not a specific
11 language, it's the language that is approved by both
12 parties, so this particular certification is what's sent
13 out, very often it comes back with additions to the
14 certification.

15 MR. ROMERO: The certification is for the
16 people who want to participate with our investment funds
17 saying they acknowledge we've read the policy, we
18 understand it, we're going to abide by it.

19 MS. PATTERSON: Right.

20 MR. EVENWEL: And a layman will understand.

21 MR. DIETZ: So are we comfortable with that
22 approach?

23 MR. EVENWEL: It's fine. Do we want to vote on
24 delaying it?

25 MR. ROMERO: I think we should table this until

1 the end of the agenda.

2 MR. DIETZ: We probably should just table it
3 till the end. So we're tabling tab item 3 until after we
4 complete the other tab items.

5 So let's move on to tab item 4 which is the
6 Presentation, discussion and possible approval of a
7 resolution relating to the sale of mortgage-backed
8 certificates relating to the Texas State Affordable
9 Housing Corporation's Single Family Mortgage Revenue
10 Bonds, Series 2005B and the redemption in full of such
11 bonds, and all matters related thereto.

12 MR. LONG: Thank you, Mr. Chairman.

13 What we have before you today, and tab items 4
14 and 5 are very similar, the explanation that Mr. Nelson
15 will give will be covering both of those, so I would ask
16 for your consideration as to whether or not you want him
17 to make a presentation that kind of encompasses both at
18 the same time and you can vote on them independently since
19 they are two separate transactions, or do you want him to
20 make the presentation for each one? Do you want the
21 explanation and then you can vote on the individual items?

22 MR. ROMERO: We'll have both with the same
23 explanation?

24 MR. LONG: Exactly. And then the other thing I
25 would do is just bring to your attention, this is going to

1 be a very similar resolution for both tab items 4 and 5 to
2 what we did that the Board authorized, I think it was in
3 February for the 2005A Single Family transaction that we
4 took early redemption on. So as we consider these, I just
5 wanted you to be aware of the fact that this is something
6 that we were authorized before but we want to bring to
7 your attention some additional options that Linda
8 previously mentioned and Mr. Nelson is going to go through
9 more thoroughly right now.

10 With that, Tim.

11 MR. NELSON: Thank you. Tim Nelson with First
12 Southwest Company. I'm the Corporation's financial
13 advisor.

14 And as David pointed out, this is a transaction
15 type selling MBSs that the Corporation has undertaken on
16 many occasions before, most recently in the spring of this
17 year. So what I want to do is give you just a brief
18 overview of the two transactions and what we're talking
19 about, and if we look first at the 2005B transaction, that
20 was closed in October of 2005, a \$20 million transaction.

21 It was under your firefighter and law enforcement,
22 security officer loan program.

23 And as I think the Board is aware -- we've
24 pointed this out in prior transactions -- that typically
25 these deals you do structure at a call rate for the issuer

1 that we get ten years to do the transaction and we have
2 the ability to call those bonds back in if you so desire.

3 That is what we have built into this transaction. There
4 is a 102-1/2 call premium that is associated with that if
5 you exercise that, and that begins on September 1 of this
6 year, which is why we're coming to the Board now to
7 discuss this.

8 The MBSs that underlie this transaction that
9 we're talking about have a 5.49 percent coupon so they
10 were 599 mortgages that were made back then. Obviously,
11 conventional rates have come down, probably a couple
12 hundred basis points in this intervening 10-year period,
13 and just as was the situation on your spring deal, there
14 is a substantial premium that is now in these MBSs, and
15 that's what we're hoping to capture for the Corporation in
16 doing this transaction.

17 The amount of the benefit that we receive, of
18 course, is going to depend on market conditions at the
19 time. You just heard about what the market conditions
20 have been out there recently. In the 10-year treasury,
21 just in the last probably six to seven weeks, we've seen
22 the 10-year treasury increase from probably in the low
23 190s up to I think today it's trading in the mid 240s.
24 Generally as rates go up that does have negative impact on
25 your MBSs, but given a conservative valuation of what we

1 think we can get in the market on these, we think we could
2 probably free up somewhere between a gross amount of \$400-
3 to \$450,000 on this transaction and then once you pay
4 costs, which we're estimating right now to be just under
5 \$60,000 -- which is very similar to what you paid on your
6 '05 A transaction you did earlier this year, that there
7 would be a good amount of cash freed up by being able to
8 undertake this transaction.

9 Briefly on Series 2006A, that deal was closed
10 in February of '06, \$23,809,000 made available for first
11 time homebuyers. That was under your professional
12 educators home loan program. Similar to the '05B deal,
13 there is an optional call right on this deal. I will
14 point out to the Board that this call right was actually
15 built in for nine years which doesn't seem like much, but
16 I will tell you given the value that is in this
17 transaction out in the marketplace now, I can tell you
18 you're picking up that one year stub period and the
19 Corporation is probably going to be a \$200- to \$300,000
20 benefit by being able to exercise that option today rather
21 than having to wait another year if we had built in a
22 typical 10-year call option. But that's still at the
23 102-1/2 that we had talked about related to the '05B and
24 that's also exercisable beginning September 1 of '15.

25 These mortgage-backed securities have the same

1 5.49 underlying coupon. That seems kind of odd but we did
2 do a couple of transactions during that time period that
3 had the same mortgage rates, so you've got all of the same
4 underlying MBS coupons which will be a benefit when we go
5 to market, these that you don't have multiple coupons that
6 people have to analyze.

7 The growth revenues that we would expect, again
8 based upon market conditions -- and we've put a
9 conservative valuation on this -- we think can free up a
10 gross amount of \$450- to \$500,000. You would have the
11 same costs of a little under \$60,000 associated with
12 executing that transaction, so sum total on all of this
13 we're looking at freeing up somewhere in the neighborhood
14 of a million dollars to make available for the
15 Corporation.

16 If the Corporation were to approve the
17 transaction today, these two transactions, we would look
18 at preparing a bid package and distributing that to 30 to
19 40 active investors in mortgage-backed securities. We
20 would expect to receive out of that three to six bids,
21 typically, and would hope to be able to select among those
22 three to six bidders. We would expect to bid the pools
23 either in the middle of next month or the middle of
24 August, just depending upon market conditions. We also
25 need to have some discussions with the trustees as to

1 whether or not they want to see the MBSs marketed before a
2 condition call notice goes out. But it will be within the
3 next 60 days, and the pools would settle, in either case,
4 at the end of August and we would have a redemption on the
5 bonds on September 1.

6 So this is all, again, very same story I think
7 that you heard in the earlier deal that we did in the
8 spring. The wrinkle that we have in this transaction that
9 David and Melinda talked about a little bit is that we've
10 proposed that the Corporation -- and that's the reason why
11 there needed to be some adjustments made to your
12 investment policy -- rather than selling all for the MBSs
13 out in the market and then we would turn around and hand
14 you a million dollars cash, that you would then turn
15 around and say put in TexPool at five basis points today,
16 or perhaps go out and get into some CDs that are 25 to 40
17 basis points, let's say, depending upon what maturity you
18 go with, is that the Corporation could just agree to sell
19 fewer of the MBSs, and so rather than taking cash, you
20 would just take some of the MBSs back as part of the
21 transaction.

22 And the primary benefit to the Corporation of
23 doing that is, first of all, those are your program assets
24 and so that's good that you're retaining some investment
25 in those, but from a financial standpoint, you're looking

1 at something that's probably going to have a return say in
2 the 10 percent type neighborhood as opposed to something
3 that's in five to say 40 basis point range. There's a
4 much greater return possibility for the Corporation in
5 doing this rather than taking the cash.

6 And as David and Melinda pointed out, this is
7 something that we would just be looking at in terms of
8 retaining MBSs out of these structured Single Family
9 deals. We're not suggesting that the Corporation go out
10 and just buy MBSs out on the free market because we think
11 that's a great investment. They are a great investment
12 but we think that you should have that targeted toward
13 these that, again, are involving your program.

14 Part of the reason for doing that and part of
15 the reason for retaining them is that because these are
16 all backed by first time homebuyer loans -- and I think
17 the Corporation is very familiar with how those have a
18 much different prepaid characteristic than standard MBSs
19 out in the marketplace -- sometime when we go to the
20 marketplace we're not able to attract all of that value.
21 We try to do the best job we can educating investors on
22 how these pools might differ from other pools that they
23 would look at every day, but even in doing that, I think
24 there is some value that's left on the table, whereas,
25 again, I think if the Corporation retains those you're

1 able to attract all of that value out of there.

2 And so with that, I'll stop my comments, I
3 guess, and I'll be glad to address any questions.

4 MR. ROMERO: I have a couple of questions. If
5 we did nothing at all, what kind of return are we going to
6 see on these bonds? What would the Corporation realize
7 over the term?

8 MR. NELSON: It's different from the two deals.
9 The '06A deal is a pass-through and so I think right now
10 there's very little over-collateralization built up in
11 that. You have about \$9,000 of excess assets that would
12 come in over time if you didn't exercise this transaction.

13 So collectively on these, the '05B is a little bit more,
14 I think it's more like \$100,000 because that wasn't a pure
15 pass-through, but you're looking at getting, which is not
16 unusual on these transactions, probably eight to ten times
17 as much value by executing the restructuring as if you
18 were just to wait and let the money kind of come in over
19 time.

20 MR. ROMERO: Okay. So the second question is
21 the first transaction, the prior transaction we did, you
22 also gave us a valuation of approximately \$600,000 that we
23 would get, and we ended up with a much higher number.
24 There's still that potential?

25 MR. NELSON: There's still that potential.

1 MR. ROMERO: So it could be \$2 million.

2 MR. NELSON: Probably not going to see that big
3 of a movement, it might go to \$1.2- or something like
4 that.

5 MR. ROMERO: That would be for both combined.

6 MR. NELSON: Right.

7 MR. ROMERO: So what would you recommend the
8 structure be if we only took a portion of that and kept
9 some of the MBSs for ourselves under the program but do
10 the long term investment?

11 MR. LONG: I'm not sure I understand.

12 MR. ROMERO: So are you saying we wouldn't take
13 any money at all?

14 MR. NELSON: I think the proposal would be that
15 you take all of what you would have taken in cash, take it
16 out in MBSs, and then David had mentioned as well that
17 there is the potential that you could retain an amount
18 over and above that, and we're going to have some
19 discussions with staff as to what amount might be
20 appropriate. Obviously, you don't want to take 100
21 percent of your corpus and put it into this type of an
22 investment because it is liquid in that you can go out and
23 sell it, but there's price volatility, and so I think the
24 idea is that you identify a portion.

25 We did these types of transactions at TDHCA,

1 and I think, David, I was telling you that we took
2 something like, I think, 25 percent of our surpluses and
3 went and invested in these MBSs in this manner. I'm not
4 saying that's the one true and correct number but I think
5 for every organization there's a percentage of your corpus
6 that, again, you don't think that you're going to need to
7 access for liquidity reasons, that's ideal to put into
8 this kind of an investment strategy, I think.

9 MR. ROMERO: So maybe I lost something here.
10 So that's what I'm asking you, instead of going out and
11 redeeming these two issues and getting potentially a
12 million dollars for both -- correct me if I'm wrong -- the
13 suggestion is that we would take a portion of what we
14 would actually sell off, get that in cash and the balance
15 we'd keep the securities?

16 MR. LONG: No. Actually, we're not talking
17 about taking any component of it as cash, we're talking
18 about leaving it all in securities. In addition, the
19 Corporation could consider taking some of its capital
20 reserves and buying additional MBSs to achieve a higher
21 rate of return on that investment.

22 MR. ROMERO: But before we take that step of
23 going out to try to buy additional ones, what kind of
24 yield are we looking at over the term and what is that
25 profit?

1 MR. NELSON: Well, you're probably looking at
2 something in the 2 percent.

3 MR. LONG: The coupon is a 5.49.

4 MR. NELSON: It's 5.49 coupon. A market value
5 on it is obviously above par, though we've not talked with
6 the accounting folks as to how this would end up getting
7 booked onto your books.

8 MR. ROMERO: So what type of monetary yield are
9 we talking about?

10 MR. LONG: Say that again.

11 MR. ROMERO: What kind of a monetary yield are
12 we actually going to get? What kind of money, what will
13 the Corporation end up getting?

14 MR. NELSON: I mean, if you're looking at a
15 million dollars, let's say, just to keep the number round,
16 and you've got a 5-1/2 percent coupon base, that's \$55,000
17 worth of cash flow that would come in off of it.

18 MR. ROMERO: That's on a yearly basis?

19 MR. NELSON: Well, it will decline over time.

20 MR. ROMERO: Do we know that average --

21 MR. LONG: PSA is?

22 MR. ROMERO: Yes.

23 MR. NELSON: I think you're probably looking at
24 something -- it's been inching up again, but I would think
25 you'd probably be looking at a five- to seven-year,

1 ultimate time period probably an average life somewhere in
2 the four to five time period.

3 MR. ROMERO: I'm going to try to work some
4 numbers in my head. Go ahead, Bob.

5 MR. JONES: Are you in favor of this deal,
6 David?

7 MR. LONG: I am.

8 MR. JONES: I just want to know why you're in
9 favor of it, plain and simple, cut to the chase.

10 MR. LONG: Well, bottom line is currently the
11 Corporation has an opportunity to take advantage of a
12 higher rate of return on the investment than we would have
13 if we had the cash in hand. From a liquidity standpoint,
14 it's not needed to have this cash in hand, and we can have
15 an investment in our own program assets, these mortgage-
16 backed securities, that we can actually go out and
17 acquire, and as Mr. Nelson pointed out, they have a 5.49
18 coupon on them and our rate of return in the 2 range,
19 versus cash on hand we're earning about 25 to 40 basis
20 points, so it's a significant increase in our rate of
21 return.

22 And the other thing is that I think we have a
23 unique opportunity with these deals, given our cash
24 position, to do it now as these deals come up. And what
25 we're asking the Board to do, similar to what we did in

1 the 2005A transaction, is you give us the authority to
2 consider all these options and then we'll make the
3 determination as to whether or not market-wise it's worth
4 taking cash, buying securities, or doing either/or.

5 The other thing I would remind you is that as
6 these deals sit outstanding right now, the Corporation has
7 an issuer fee that we were getting paid on an annualized
8 basis on a declining balance of outstanding bonds, and I
9 think Linda and I talked about that, and that is what kind
10 of amount is that?

11 MS. SMITH: The issuer fees?

12 MR. LONG: Give or take? It's like \$1,800 a
13 year. So you can see just in terms of what Mr. Romero
14 just asked, on an annualized basis the rate of return
15 versus what we have an issuer fee. So the issuer fee that
16 we have, as these transactions stay outstanding, if we
17 weren't to take advantage of the optional redemption,
18 there's nominal return to the Corporation on it. So to me
19 the option is collapsing the transactions, redemption of
20 the bonds, and defeasing the bonds and taking advantage of
21 the structure, whether it be like what we did in the 2005A
22 transaction or investing the program assets, the excess
23 mortgage-backed securities. Either way, we're going to
24 see the same amount of money back, we're just going to
25 either invest it back into the program asset or we're

1 going to take the cash and invest it into other
2 investments that meet Public Funds Investment Act under
3 other structures.

4 MR. JONES: So it frees your hand to act in a
5 timely manner?

6 MR. LONG: Correct.

7 MR. DIETZ: All we're approving, or all you're
8 asking the Board to approve to is the sale.

9 MR. LONG: The actual resolution not only
10 approves the sale but it approves us being able to then
11 make some decisions on what we do based on the investment
12 structure of those assets in terms of liquid assets that
13 come out of the sale. So it's both, but within the
14 resolution it authorizes us to make some decisions on how
15 we would handle the excess cash that would come out of the
16 transactions.

17 MR. DIETZ: Which it doesn't specify that.

18 MR. LONG: That's right. We leave the option
19 to actually buy into the mortgage-backed securities as an
20 asset or retain a portion for it.

21 MR. ROMERO: So I need to be educated because
22 I'm lost here. If we do the transaction like we did the
23 prior one, we're looking at potentially a million dollars
24 that we would get.

25 MR. LONG: Correct.

1 MR. ROMERO: Okay. If we do this other
2 structure, and we talked about this, you're saying
3 approximately \$55,000 a year we'd get back on a declining
4 basis over the next five to seven years. So that's going
5 to generate approximately \$550,000 over a 10-year period
6 at \$55,000, not even declining. So why wouldn't we sell
7 off and get a million and invest a half a million dollars
8 into other securities?

9 MR. NELSON: Well, you're also going to get
10 back the principal. Again, as David said, there's two
11 different decision points. The first one is let's go
12 ahead and collapse the bond issues, and so then you decide
13 you want to go ahead and do that. Now you have a choice:
14 would you rather me give you a million dollars that you
15 can then turn around and invest in TexPool or CDs or
16 whatever, or --

17 MR. DIETZ: A million dollars in excess of the
18 principal value. Right?

19 MR. LONG: No. That would be the total
20 dollars.

21 MR. NELSON: That would be the total amount.

22 MR. LONG: We would be liquidating the entire
23 asset at that time.

24 MR. NELSON: Probably the easier way to look at
25 it would be that let's just say in either case I'm going

1 to give you a million dollars cash and then we're going to
2 give you the choice of would you rather take that money
3 and go invest in TexPool/CDs, or would you rather buy some
4 5.49 pass-through MBSs that are backed by mortgage loans
5 that you guys originated in 2005 and 2006. So that's your
6 choice, and under the --

7 MR. LONG: You're still going to see the
8 million dollars, it's just whether you have the rate of
9 return on it.

10 MR. ROMERO: Well, that's what I'm saying, I
11 don't understand why we wouldn't be able to use half a
12 million dollars of the million dollars to go out and buy
13 some MBSs.

14 MR. NELSON: Well, you don't have to go the
15 full million, you can decide you want to do 50-50 give me
16 \$500,000 in cash and then the other half we'll go invest
17 in these MBSs.

18 MR. LONG: But my question to you, Mr. Romero,
19 would be why would you not want to take advantage or why
20 would you propose that structure versus doing it all in
21 MBS.

22 MR. JONES: It sounds like you're limiting what
23 they can do.

24 MR. ROMERO: I'm just asking the budget
25 information which is going to be the best possible

1 scenario for the return to the Corporation, where are we
2 going to have the biggest bang for our buck.

3 MR. LONG: And I guess if I was to do the math
4 this way, if I was to give you a million dollars right now
5 and you could go invest it at 50 basis points, over the
6 next seven years, that would have some gross value of a
7 million plus, whatever that is, or I can give you a
8 million dollars right now and you can go buy mortgage-
9 backed securities and they're going to spin off that same
10 million dollars plus 2 percent, which would you take?

11 MR. ROMERO: No. I understand that part.

12 MR. LONG: That's why I'm asking why you want
13 to separate the two.

14 MR. ROMERO: Well, I'm not trying to separate,
15 I'm just trying to figure out why you want to go with that
16 route, knowing that you can invest a million dollars in
17 the same kind of securities that you're going to invest by
18 collapsing and holding onto ours.

19 MR. DIETZ: Am I correct, you have not decided
20 exactly what to invest in yet, and that's the option that
21 you want.

22 MR. LONG: Again, we're not. I think Mr.
23 Romero's question is trying to get more information about
24 the structure that we're proposing, not so much that we've
25 made the decision.

1 MR. ROMERO: I'm just confused as to --

2 MR. LONG: We're not really -- maybe there's
3 just a misunderstanding. I think we're talking the same
4 thing, we're just saying it differently, but we're doing
5 the exact same thing you're suggesting, we're not taking a
6 million dollars out of the deal, we're not selling all the
7 MBSs, we're just going to retain them for our own
8 ownership and take the 2 percent on it.

9 MR. ROMERO: And get 2 percent return basis.

10 MR. LONG: There's still a million dollars in
11 value that's left if that's what we decide to do after we
12 pay off the bondholders.

13 MR. NELSON: And I think that's the analysis we
14 need to undertake over the next several weeks that I think
15 the MBS is a better investment, but again, you wouldn't
16 want to take 100 percent of your liquid assets and put it
17 in there, so what is the right amount?

18 MR. LONG: When I talked about liquid assets, I
19 was talking about additional assets beyond the bond
20 transaction.

21 MR. ROMERO: But that's not what we're talking
22 about now.

23 MR. LONG: No. I understand that. We're just
24 talking about the bond transaction. That's correct, Mr.
25 Romero.

1 MR. ROMERO: So you're asking for authorization
2 to make the decision, pull the trigger on whichever one
3 you all think, as staff, is right.

4 MR. LONG: Two things: first, authorization to
5 follow through with the option redemption on September 1
6 for both the 2005B and 2006A; and within the resolution,
7 the Board would grant us the authority to make the
8 decision on how we feel best to invest and/or have that
9 transaction look at the end of the day, if you will,
10 whether we take the money out 100 percent, whether we
11 leave some in and take some MBSs and take some cash out,
12 or leave it all as an MBS investment. That's correct.

13 MR. DIETZ: And the only reason this is even an
14 option is because of the declining interest rate
15 environment that we've been in since we originally entered
16 the transaction.

17 MR. LONG: Correct.

18 MR. DIETZ: Any other questions or comments?

19 MR. ROMERO: I don't know what the vote is
20 going to be, but what I would like -- I understand what
21 you're saying, but I would like to see the scenario that
22 you all are going to pick before you pull the trigger. I
23 want to see the numbers behind it, that's all.

24 MR. JONES: Let me just ask a question, and I
25 hear what Jerry is saying for approval, but timing is

1 everything. I mean, that's one of the reasons why you're
2 asking for this, like we did the last one that we did
3 successfully and got a lot more because timing, you might
4 not have time to call a board meeting. Time between board
5 meetings, does that have something to do with it?

6 MR. LONG: Well, certainly there's a certain
7 amount of time that's required in order for us to give
8 ample notices and to do the bid process and everything
9 else that we would need for the sale.

10 MR. ROMERO: And I'm not suggesting that we put
11 it off to another board meeting, I'm just saying I'd like
12 to see the information before you guys make that decision
13 to move forward, just so I could see it. I mean, if
14 that's your decision that you're going to make, you're
15 going to make it and we give them that authority. Just
16 some scenarios.

17 MR. LONG: That's fine.

18 MR. JONES: And how would you do that?

19 MR. LONG: The closer we got to starting the
20 transaction, we would have made some kind of assumptions,
21 and we can give better numbers to Mr. Romero and the Board
22 as to what it would look like. We can give a better
23 analysis to Mr. Romero and to the Board members as to what
24 it is.

25 MR. JONES: And how would you do that?

1 MR. LONG: We would make some assumptions based
2 on what the market looks like.

3 MR. JONES: No. I mean how would you notify
4 all of us.

5 MR. DIETZ: Through email?

6 MR. LONG: We'll just email you.

7 MR. ROMERO: Yes, just an email.

8 MR. LONG: You don't want to give approval on
9 it, you just want to see what it looks like.

10 MR. ROMERO: I'm not asking that we have to
11 approve it before we give the approval, no.

12 MR. JONES: So the purpose for seeing numbers,
13 if you see them and you have questions about them, then
14 what happens?

15 MR. ROMERO: We'll ask at the next board
16 meeting but the transaction is still going to move
17 forward, that's not going to change anything.

18 MR. LONG: He just wants to see what our
19 analysis looks like before we make the transaction, but
20 from what I gather -- Mr. Romero, don't let me put words
21 in your mouth -- he's not suggesting that we would delay
22 the sale, he just wants to see the numbers for his
23 gratification or understanding. From an educational
24 standpoint, he just wants to see what it looks like.

25 MR. JONES: What we're going to do. So that

1 would go to all of the Board members.

2 MR. LONG: Sure. If everybody wants it, we can
3 send it to everyone.

4 MR. JONES: But if somebody has got a question.

5 MS. VAN DYK: They cannot respond in that
6 email.

7 MR. JONES: That's what I'm saying.

8 MR. LONG: Right.

9 MS. VAN DYK: So if you do get some information
10 and you do have a question, you can direct it just to
11 David and ask him a question, or it will have to be
12 brought up as an item in the next board meeting.

13 MR. LONG: Right. And I would respond
14 individually.

15 MR. JONES: But it still seems like it's
16 oversight of the freedom that we're giving you to make
17 that decision.

18 MR. LONG: I don't mind disseminating the
19 information, I have no problem with that, and I think it's
20 a fair question to be able to understand kind of what we
21 see before we make the decision. But the approval, I
22 think, would be to give us that authority anyway.

23 MR. JONES: But part of the deal is when you go
24 to move to make the strike, you want the information to
25 stay in-house. Right?

1 MR. LONG: Certainly.

2 MR. JONES: And so the purpose of sending it to
3 us is so that we can just see what you're going to do as
4 you do it, before you do it?

5 MR. LONG: I would imagine that's what it is,
6 yes.

7 MR. JONES: For the purpose of just knowing
8 what you're doing.

9 MR. LONG: More from an educational standpoint,
10 I guess, more than anything.

11 MR. ROMERO: I just want to educate myself on
12 what the transaction is going to look like.

13 MR. JONES: I know with you being in banking,
14 it's intriguing to you, I'm sure.

15 MR. DIETZ: Well, and we've had a transaction
16 like this before, who knows, we might have another future
17 transaction like this. If we're educated throughout the
18 process, we'll understand it better next time.

19 MR. LONG: I don't have a problem disseminating
20 the information.

21 MR. ROMERO: In the previous transaction we
22 didn't have any options, it was pretty much we're going to
23 sell and we might make half a million, it ended up being a
24 million dollars, and that was great, but again, market
25 conditions and all that.

1 MR. JONES: So the notification to us will
2 include the legalese about not saying and doing.

3 MR. LONG: I'll work with Ms. Van Dyk to make
4 sure that when we send out the information that it has a
5 caveat.

6 MR. JONES: I don't want it to be a proxy board
7 meeting or unannounced or any of those parameters coming
8 into play since the Board is being notified of something
9 and engage in conversation on it.

10 MR. DIETZ: Or even have it look like it might.

11 MR. JONES: That's right.

12 MR. LONG: We'll be sure and cover our bases to
13 ensure that legal counsel has reviewed anything we get
14 prepared and that we want to send out to the Board
15 individually.

16 MR. JONES: And I'm going to want to know what
17 Jerry was thinking after he sees it.

18 MR. LONG: I'll leave that up to you two to
19 discuss.

20 MR. ROMERO: I have confidence in what staff is
21 doing and what Tim is doing, I just want to see the
22 numbers and see how they're going to work.

23 MR. DIETZ: Thanks for sending that information
24 out when you have it.

25 MR. LONG: Sure. Happy to do so.

1 MR. DIETZ: Any other questions or comments?

2 (No response.)

3 MR. DIETZ: As we discussed before, just to
4 clarify, we have just discussed tab items 4 and 5 because
5 of their similarity, however, we are only going to approve
6 each tab item at once separately. So at this time we'd
7 entertain a motion to approve tab item 4.

8 MR. EVENWEL: So moved.

9 MR. ROMERO: Second.

10 MR. DIETZ: Is there any public comment?

11 (No response.)

12 MR. DIETZ: Hearing none, all in favor?

13 (A chorus of ayes.)

14 MR. DIETZ: Okay. The presentation, discussion
15 and possible approval of the sale relating to the sale of
16 mortgage-backed certificates relating to the Texas State
17 Affordable Housing Corporation's Single Family Mortgage
18 Revenue Bonds, Series 2005B, and redemption in whole of
19 such bonds, and all matters related thereto is approved.

20 Moving on to tab item 5, is there a motion for
21 the presentation, discussion and possible --

22 MR. EVENWEL: I have two comments.

23 MR. DIETZ: Oh, yes. Go ahead.

24 MR. EVENWEL: So does Bob have to be introduced
25 so we can continue to vote?

1 MR. DIETZ: Yes. We welcome Bob Jones to the
2 meeting.

3 MR. JONES: Thank you, Gerry. You're the only
4 one that cared.

5 (General laughter.)

6 MR. DIETZ: And for the record, Bob did just
7 vote on tab item 4 and will be voting for the remainder of
8 the tab items throughout the meeting.

9 MR. EVENWEL: And I just have one comment on
10 the resolution itself on tab item 5, there's a typo in it
11 and Laura has fixed it and has replaced the thing that
12 you've got in your book with a new one.

13 MR. DIETZ: There's a typo in the actual
14 resolution, not on the agenda.

15 MR. JONES: Oh, got it.

16 MR. EVENWEL: Laura has corrected it and has a
17 new one for whoever is going to sign it as the chairman.

18 MR. JONES: He has to sign; he's chairing it.

19 MR. EVENWEL: That concludes my remarks.

20 MR. DIETZ: Great. Well, tab item 5 is the
21 Presentation, discussion and possible approval of a
22 resolution relating to the sale of mortgage-backed
23 certificates relating to the Texas State Affordable
24 Housing Corporation's Single Family Mortgage Revenue
25 Bonds, Series 2006A, and the redemption in whole of such

1 bonds, and all matters related thereto. We've already
2 heard information about that. Is there a motion?

3 MR. ROMERO: I make the motion to approve with
4 the correction of the resolution.

5 MR. EVENWEL: Second.

6 MR. DIETZ: Any public comment?

7 (No response.)

8 MR. DIETZ: None. All in favor?

9 (A chorus of ayes.)

10 MR. DIETZ: Tab item 5, as I just read, is
11 approved.

12 So moving on to tab item 6 which is the
13 Presentation, discussion and possible approval of a
14 resolution approving an equity equivalent investment from
15 Texas Community Bank in the amount of \$500,000 and a fixed
16 interest rate of 2 percent per annum, and ratifying and
17 approving all actions of the president and executive vice
18 president relating to the execution of the agreement
19 relating to such investment, and authorizing and approving
20 further related actions.

21 MS. TAYLOR: Good morning, Mr. Chairman and
22 Board members. I'm Janie Taylor, manager of Development
23 and Communications. I'm here to discuss tab item number 6
24 which asks for your approval of a resolution regarding a
25 \$500,000 equity equivalent investment from Texas Community

1 Bank.

2 Texas Community Bank, or TCB, is a locally
3 owned and operated, community-oriented financial
4 institution based in Laredo, Texas. The bank has branches
5 in Somerset, San Antonio, Brownsville, McAllen and Del
6 Rio. TCB has awarded TSAHC this equity equivalent
7 investment, also known as an EQ2, to further their
8 community investment goals. As per our agreement with
9 TCB, TSAHC will use this EQ2 to support activities of the
10 Affordable Communities of Texas Program in TCB's service
11 areas.

12 TSAHC plans to use the award to acquire vacant
13 or foreclosed properties and develop said properties to
14 preserve, rehabilitate or construct affordable housing for
15 low income Texans. TCB's investment is for five years at
16 a fixed annual interest rate of 2 percent. TSAHC will be
17 making quarterly interest payments to TCB and provide them
18 with an annual report of program activities in their
19 service areas.

20 I want to end my remarks by saying we are
21 honored to receive this investment from TCB. We started
22 discussing with TCB the possibility of an investment back
23 in January, so we're excited to have this resolution
24 before you today approving their investment in TSAHC.

25 I want to take this moment to thank Katie

1 Claflin and Liz Bayless for working very hard to bring
2 this investment to fruition. It was definitely a team
3 effort that included guidance from other partners in the
4 industry, including our Board Member Jerry Romero and our
5 general counsel. So I thank you both for your help.

6 At this time I'll take any questions you have
7 regarding this agenda item.

8 MR. ROMERO: What are the service areas for
9 TCB?

10 MS. TAYLOR: Well, specifically they've
11 outlined counties: Webb County, Bexar, Atascosa, Hidalgo,
12 Cameron and Val Verde.

13 MR. JONES: So they've named where the money
14 can be used.

15 MR. LONG: That's correct.

16 MS. TAYLOR: That's correct. Those are their
17 service areas, and they want the money to be used to do
18 program activities in their service areas.

19 MR. DIETZ: Let me make sure I understand
20 correctly. So they're providing us with a half million
21 dollars on a five-year term and we are paying 2 percent
22 back to them throughout that term.

23 MS. TAYLOR: Correct.

24 MR. DIETZ: And then that money is going to be
25 used for?

1 MS. TAYLOR: We're going to use it to
2 acquire/rehab vacant or foreclosed properties in their
3 service areas, and then those properties will be sold to
4 low income Texans.

5 MR. LONG: Mr. Dietz, if you recall under our
6 Affordable Communities of Texas Program that David
7 Danenfelzer and Jo Ropiak facilitate for us, and it's
8 something we've been doing for quite some time, so this
9 just provides us additional resources to continue that
10 program, and because of the investment coming from TCB,
11 it's going to be specific to their region that they serve.

12 MR. DIETZ: And at the end of that five-year
13 term, what happens?

14 MS. TAYLOR: Well, according to our agreement,
15 the investment will automatically extend for a five-year
16 term under the same terms and conditions as provided,
17 unless TCB notifies us no less than 60 days prior to the
18 maturity date. So it will automatically extend for an
19 additional five years.

20 MR. DIETZ: So effectively, it works kind of
21 like a bond.

22 MR. LONG: Yes.

23 MR. ROMERO: It's more like an evergreen line.

24 MS. TAYLOR: And I will say we do have another
25 EQ2 currently that we've had since 2006 from Wells Fargo

1 that's a little over a million dollars.

2 MR. JONES: So it's like a revolving -- why do
3 you call it an investment instead of a loan?

4 MS. TAYLOR: Well, because this is a different
5 type. There's no collateral on this investment, and it's
6 also an instrument that banks can use for their Community
7 Reinvestment Act obligations.

8 MR. ROMERO: The banks can carry it on their
9 books as a debt instrument versus a straight-out
10 contribution.

11 MR. JONES: I got it. Satisfying both worlds.

12 MS. TAYLOR: Right.

13 MR. JONES: And if they give you the 60-day, do
14 you have to pay the whole thing back at once?

15 MR. LONG: Yes.

16 MR. ROMERO: I would say yes, but there's also
17 opportunities to go back and ask for a one-year extension.

18 In most cases most organizations will do that.

19 MR. LONG: As Ms. Taylor stated, this one has a
20 five-year option renewal on it, the Wells Fargo one has a
21 two-year option renewal on it, so I think it's pretty
22 consistent that there is an expectation, one either to let
23 you finish out kind of what you have going in that tenth
24 or fifth year, so they wouldn't want the money back right
25 away, essentially, if you have projects outstanding that

1 haven't been able to be recaptured and they're still in
2 progress, but also just to continue using it as long as
3 we're showing in our reporting that we're showing we're
4 doing what we intended to use the money for.

5 MR. DIETZ: And is 2 percent kind of a standard
6 for this type of transaction?

7 MR. LONG: The Wells Fargo transaction is at
8 the same rate.

9 MR. JONES: Two percent on the whole amount
10 every year.

11 MR. LONG: Correct, right.

12 MR. ROMERO: But the interest will be paid
13 quarterly or monthly?

14 MS. TAYLOR: Quarterly.

15 MR. ROMERO: So basically, the instrument
16 doesn't require any kind of principal payment during the
17 five-year term. Right?

18 MR. LONG: We typically reserve against it so
19 that if something was to happen that we have that asset
20 completely reserved so it's never a strong issue for us,
21 but it is nice to have the additional capital to be able
22 to utilize in our program above and beyond our traditional
23 just normal operating revenue stream.

24 MR. JONES: So we passed 5 and 6 in case they
25 call that, then we'd have the \$500,000 till we get the

1 million dollars to give it back to them.

2 (General laughter.)

3 MR. DIETZ: So it's basically an interest-only
4 five-year balloon note and we like that because there's no
5 way we could get that kind of a deal just by going out and
6 borrowing the money.

7 MR. LONG: That's right.

8 MS. TAYLOR: Correct. And the Wells Fargo EQ2,
9 we use that for our direct lending program that
10 Mr. Danenfelzer also manages. This one will be used for
11 ACT so we'll use it to acquire and rehab and then sell the
12 homes to low income Texans.

13 MR. ROMERO: There's a pretty large number of
14 non-profits that also borrow this kind of money for their
15 loan fund and then they can add 4 percent to it, and at a
16 6 percent rate, they're still making 4 percent on it so
17 it's good money for them.

18 MR. LONG: I would add Janie was very gracious
19 in recognizing Liz and Katie for their work on it. I
20 would like to note that Janie spent a lot of time
21 communicating with TCB and the staff and coordinating with
22 Liz and Katie to make this happen. I mean, as she noted,
23 January to the date of receipt was well over five months,
24 and I think that says a lot about the time that was put
25 into that, and she deserves a lot of credit for making it

1 happen.

2 MR. ROMERO: And if I could add to that, it was
3 actually Janie's persistence that got them to give us this
4 investment, because they didn't understand at all what
5 equity investments were.

6 MR. LONG: She basically trained them on what
7 we were doing and how it worked and they came full circle
8 and said, Well, then we're happy to do it. If it hadn't
9 been for that, I don't know that we would have it happen.

10 MR. JONES: What's the areas?

11 MS. TAYLOR: The counties are Webb, Bexar,
12 Atascosa, Hidalgo, Cameron and Val Verde.

13 MR. JONES: Hidalgo, Cameron and what?

14 MS. TAYLOR: Val Verde, V-A-L.

15 MR. JONES: Oh, Val Verde.

16 MR. DIETZ: Any other questions or comments?

17 (No response.)

18 MR. DIETZ: I would entertain a motion.

19 MR. ROMERO: I move to approve the resolution.

20 MR. JONES: I will second that.

21 MR. DIETZ: Is there any public comment?

22 (No response.)

23 MR. DIETZ: None. All in favor?

24 (A chorus of ayes.)

25 MR. DIETZ: The resolution passes, and

1 congratulations to Janie and Liz and Katie and everybody
2 that worked hard to make this happen. That's fantastic.
3 Thank you all.

4 MR. JONES: Oh, one other question. Are we
5 already doing things in their service area, or are you
6 going to have to initiate some programs in some of them?

7 MS. TAYLOR: We do, and of course, our two
8 program people are absent today, but I know that we are
9 currently doing the same activities already in Laredo and
10 in the Valley, and in Bexar County as well. A couple of
11 the counties will be new for us, but I think three out of
12 the five we're currently doing the same activities that we
13 will be doing.

14 MR. JONES: I'm saying if we don't have one,
15 let's say, in Willacy, we'll have to do something in
16 Willacy.

17 MR. LONG: We just have to make sure it's
18 within the five counties, we don't necessarily have to do
19 one in each county.

20 MS. TAYLOR: Willacy is not one of the counties
21 that they identified.

22 MR. JONES: Oh, okay, not Willacy, like Webb,
23 Bexar, Atascosa, Hidalgo, Cameron and Val Verde. So if
24 we're not doing something in one of them?

25 MS. TAYLOR: It has to be in the service areas

1 but it does not have to be in each county. But we'll
2 certainly be making an effort to reach out to those areas
3 that we haven't worked in yet.

4 MR. LONG: We're restricted to the service area
5 but not specifically each county.

6 MS. TAYLOR: Especially since we have
7 additional resources now.

8 MR. JONES: Thank you.

9 MR. DIETZ: Great. Moving on to tab item 7
10 which is the Presentation, discussion and possible
11 approval of a resolution to appoint Mr. Bruce Fielder as
12 the West Texas Region member of the Texas Foundations Fund
13 Advisory Council created by the Board of Directors of the
14 Corporation, and to change the at-large member position of
15 the Texas Foundations Fund Advisory Council to be the East
16 Texas Region member position.

17 MS. BAYLESS: Thank you, Mr. Dietz. I'm Liz
18 Bayless, executive vice president.

19 Mr. Chairman and members, tab 7 is an action
20 item related to the advisory council that assists staff in
21 managing the Texas Foundations Fund.

22 As you may recall, the advisory council is made
23 up of representatives of the various geographic regions of
24 Texas, mostly aligned with the regions we have designated
25 for Texas Foundations Fund applications and awards. I say

1 mostly aligned because there's one region that has not had
2 a dedicated seat on the advisory council up to this point,
3 and that is East Texas. We have had one at-large position
4 that could be filled by a person residing anywhere in
5 Texas, and Steve Carriker, who lives in the Austin area,
6 currently has that position. Now, Mr. Carriker's term is
7 expiring June 30, 2015. The resolution behind tab 7 would
8 do away with the at-large position and replace it with an
9 East Texas position effective June 30. I have
10 communicated with Mr. Carriker about this and he very much
11 supports this change.

12 The resolution also appoints Bruce Fielder to
13 the advisory council to fill the position representing the
14 West Texas area which has been vacant for some time. With
15 the addition of Bruce, we will have filled nine of the ten
16 positions on the advisory council, with only the new East
17 Texas position remaining vacant.

18 Let me tell you a little about Bruce Fielder.
19 Bruce was born in Dallas and graduated from UT Austin with
20 a degree in finance. He went to work for Wells Fargo in
21 Tyler, transferred to Amarillo to work in Wells Fargo's
22 home mortgage division in 2003, and has lived in Amarillo
23 ever since with his wife and two young children. For a
24 time he owned his own mortgage brokerage business, and he
25 has held positions of increasing responsibility in the

1 mortgage business, managing originations, operations and
2 compliance. Presently he is the mortgage compliance
3 manager for City Bank Texas, a \$2 billion bank
4 headquartered in Lubbock.

5 TSAHC greatly appreciates the time and energy
6 that Steve Carriker has put into the advisory council and
7 the Texas Foundations Fund over the past several years,
8 and we look forward to identifying a qualified
9 representative from East Texas to fill the newly
10 designated position. We are pleased that Bruce Fielder is
11 interested and willing to help us with the Texas
12 Foundations Fund by serving on the advisory council as the
13 West Texas representative.

14 I ask your approval of the resolution that will
15 accomplish these items.

16 MR. DIETZ: There are ten regions. Is that
17 correct?

18 MS. BAYLESS: There are eight regions. The
19 other two positions are the Board member which is Jerry
20 Romero, and the executive vice president ex officio.

21 MR. DIETZ: Is there any advantage to
22 continuing to have an at-large position in addition?

23 MS. BAYLESS: Well, we thought of that, and
24 just kind of felt like you can get to a point where your
25 group is a little too large and it gets a little too

1 unwieldy, and there's a lot of work that goes into
2 recruiting members and then communicating with members,
3 pulling them all together for meetings, whether they're in
4 person or conference call, and so staff just felt that
5 probably keeping it at ten was the right thing to do.

6 MR. JONES: I guess the regional position that
7 you changed gives them a greater feeling of influence as
8 they're working in the areas that they're working in,
9 which is an easier sell from somebody from that area than
10 if they're from another part of the state.

11 MS. BAYLESS: Right. When we went to the
12 regional representation, there were really two reasons for
13 it. One was to have someone at the table at advisory
14 council meetings who was actively advocating on behalf of
15 organizations in the region in which the advisory council
16 member lived. And the other reason is that we ask our
17 advisory council members to fundraise for the Texas
18 Foundations Fund, and when we moved to the regional
19 representation, we also made a promise that any funds that
20 were raised by the council member from others in his or
21 her region could stay in that region. So we just think
22 there's a little bit more of an incentive for the fund
23 raising.

24 MR. JONES: And they're still responsible for
25 raising at least \$5,000 each?

1 MS. BAYLESS: Per year. Yes, that's correct.
2 Absolutely.

3 MR. DIETZ: Any more questions or comments? If
4 not, I'll entertain a motion.

5 MR. JONES: I move that we approve.

6 MR. ROMERO: Second.

7 MR. DIETZ: Is there any public comment?

8 (No response.)

9 MR. DIETZ: Hearing none, all I favor?

10 (A chorus of ayes.)

11 MR. DIETZ: The motion approving the resolution
12 to appoint Mr. Bruce Fielder as the West Texas Region
13 member of the Texas Foundations Fund Advisory Council,
14 created by the Board of Directors, and to change the at-
15 large member position of the Texas Foundations Fund
16 Advisory Council to the East Texas Region member position,
17 has been approved.

18 Moving on to tab item 8, the Presentation,
19 discussion and possible approval of allocation of TSAHC
20 revenues for the benefit of the Foundations Fund.

21 MR. ROMERO: Mr. Chair, I had asked that David
22 add this agenda item. I wanted to have a discussion with
23 you all and then incorporate the staff's recommendation at
24 some point in time about what we could do to really move
25 the Foundations Fund to the next level. The Foundations

1 Fund was created in 2008, we've been doing good work for
2 the last seven years, eight years. I think when we first
3 started we had a total of 14 applicants, we gave out
4 \$250,000 back in 2008, then we had an additional \$200,000
5 that was awarded. Overall we've had 148 applicants
6 requesting a total of almost \$7 million and we've given
7 out almost \$2 million.

8 I think the original concept of the Foundations
9 Fund was what else can TSAHC do to support affordable
10 housing across the State of Texas, and so as a Board we
11 have recommended to set aside half a million dollars and
12 always keep \$250,000 as the corpus and not to touch it.
13 And I've been having discussions with David, talking about
14 how can we improve the Foundations Fund to make it a true
15 foundation, to really have a pot of money that is going to
16 be used to fund future programs, and we can't do it with
17 \$250,000.

18 So one of the suggestions that we had talked
19 about was potentially taking the opportunity to divert
20 some of the excess funds that we make either from net
21 income or through these transactions that we're looking at
22 possibly selling off with the mortgage revenue bonds, and
23 taking a portion of that and adding it to the Foundations
24 Fund so we create a true foundation dollar amount that we
25 could use to continue with our programs and advance into

1 the programs that we might be interested in serving, but
2 also use the Foundations Fund to support TSAHC programs
3 across the state.

4 So in doing that, I think David had suggested
5 that we possibly put a working group together to come up
6 with some ideas to present to the Board to see what the
7 Board would want to move forward with, and I think that's
8 probably the most appropriate way to go about it, unless
9 you some additional questions.

10 MR. JONES: It seems to me that there would
11 still be the volatility because the foundation has a pot
12 of money that generates income that goes into the
13 foundation, and you're suggesting locking money or
14 designating money that's locked into the Foundations Fund.

15 MR. ROMERO: That would be the Board's decision
16 if we went that route.

17 MR. JONES: A true foundation has money that's
18 locked in there.

19 MR. ROMERO: That's going to be your principal.
20

21 MR. JONES: That's right, and you live off the
22 interest and what's earned.

23 MR. ROMERO: Right. And \$250,000 which was
24 designated by the Board some time ago is not generating
25 sufficient amount of interest.

1 MR. JONES: It's just a hypothetical, but how
2 much money would be required today to generate \$250 to
3 \$300,000 that would have to be locked away, and at what
4 rate?

5 MR. ROMERO: That's the reason we want to put
6 together this working group because we had tossed some
7 numbers out there, \$5 million, \$6 million. We've been
8 very fortunate as a corporation to be able to do some
9 things that generates some revenues that part of those
10 revenues can be set aside, but only under certain
11 conditions. So let's say we decide that we're going to
12 give 1 percent or 2 percent of our net income, well if we
13 have a year where we don't have enough income, we don't
14 fund the Foundations Fund, but if we have a situation
15 where we have a special program like the redemption of
16 these revenue bonds, we can get a portion of that or a
17 percentage of that to add to the Foundations Fund.

18 MR. JONES: We're not discussing that today,
19 though.

20 MR. ROMERO: No, no. This is just part of what
21 we would get from the working group.

22 MR. LONG: And let me kind of follow up and add
23 to Mr. Romero's comments. To your original question, Mr.
24 Jones, the numbers back when the National Mortgage
25 Settlement was made available to the State of Texas, the

1 states, I think their payout was about \$150- \$160 million,
2 and there was some discussion of TSAHC to be potentially a
3 recipient of some of those funds to create some type of an
4 endowment for housing for a variety of reasons. So we ran
5 that by our financial advisors and came up with some
6 numbers, and you're talking anywhere, to generate over
7 \$500-, almost \$600,000 a year in revenue, you're talking
8 somewhere between \$25- and \$30 million.

9 MR. JONES: Would have to be locked away.

10 MR. LONG: So we're not there, probably would
11 never be there anytime soon without there being some
12 significant donations and some really strong fundraising.

13 So the question came out when Mr. Romero brought this to
14 my attention was to discuss how can we as an
15 organization -- the Foundations Fund has grown, it's
16 evolved, we've gone through a disaster round of funding,
17 we've grown it to where we have an advisory council that
18 Liz just got done over an agenda item to kind of complete
19 that advisory council, so we've grown it to quite a
20 consideration transaction to where, as Mr. Romero noted,
21 at the end of this year's cycle we will have funded over
22 \$2 million in grants to rural governmental entities and
23 non-profits across the state. I think that's a phenomenal
24 accomplishment.

25 So what do we do next? And I would suggest

1 that one of the things we do is we just take it to a
2 working group that we sit down and talk about what we want
3 it to look like. Is it going in the right direction?
4 Does the Board want it to continue the way it is? If so,
5 that's fine too. But is there a way for us to maybe
6 achieve a stronger funding source, is there a way for us
7 to reevaluate how we look at what we do, who we make
8 awards to, a variety of things, and I think a working
9 group would give us a better direction. And I would
10 propose that working group be made up of a Board member or
11 two and key staff members who work with the Foundations
12 Fund on a regular basis to ensure that we're getting good
13 input initially. And with the Board's direction or with
14 the Board's authorization right now, we would add external
15 parties to that to ensure we're looking at it from a
16 broader perspective to make the best decisions on what we
17 bring back to the Board for a discussion of maybe some
18 suggestions on how we improve it if that's what we come up
19 with in our working group.

20 MR. JONES: So the working group is really
21 going to build the potential future structure and
22 mechanisms. A plan.

23 MR. LONG: Exactly.

24 MR. ROMERO: Do we really want to have a
25 Foundations Fund that has the ability to be able to

1 continue to provide across the state and support programs
2 at TSAHC, or do we want it to continue to be a \$500,000
3 pass-through organization that gives grants every year.

4 MR. DIETZ: I think it's a very valuable thing
5 that our organization does and it's probably one of the
6 most visible things that we do also, so I think that's a
7 great suggestion and a great effort to try to figure out
8 how to take it to the next level.

9 Do we need a formal motion or approval?

10 MR. JONES: Is this an action item?

11 MR. ROMERO: No. Just a discussion item.

12 MR. LONG: It has an approval on it, and I
13 think that was to ensure that the Board was authorizing us
14 to develop a working group. It talks about a revenue
15 stream and setting aside money, but the more we talked
16 about it, the more we felt like rather than coming up with
17 a dollar amount, it would be best to have a discussion of
18 could we go forward with a working group.

19 MR. DIETZ: This is specific to allocation of
20 TSAHC revenues.

21 MR. LONG: Right.

22 MR. DIETZ: So it sounds like that's probably
23 not what we're doing today.

24 MR. JONES: Maybe we should table it? I agree
25 with Mr. Dietz, it says approval of allocation of TSAHC

1 revenue for the benefit of the Foundations Fund. We're
2 not allocating anything.

3 MR. LONG: Not today.

4 MR. ROMERO: We're not precluded from creating
5 a working group but we can basically say no action was
6 taken on tab 8.

7 MS. VAN DYK: I think the intention of that
8 item was to just have a discussion about it today, so we
9 probably should have revised that item. I mean, I guess
10 if we're not taking any action, we don't need any motion,
11 we can just close the discussion on this and move on to
12 the item that's been tabled.

13 MR. ROMERO: But that doesn't preclude staff
14 from possibly creating a working group. Right?

15 MS. VAN DYK: No.

16 MR. JONES: Then no action.

17 MR. DIETZ: Well, that's a good discussion, and
18 I look forward to hearing more about moving forward with
19 that working group. So with that, we're going to go back
20 to the tab item that we tabled.

21 MR. JONES: I thought we tabled it.

22 MR. LONG: We did.

23 MR. DIETZ: We tabled tab item 3 before Mr.
24 Jones arrived. Tab item 3 is the Presentation, discussion
25 and possible approval of the Texas State Affordable

1 Housing Corporation's 2015 Broker Listing.

2 And Mr. Jones, so that you're aware of why we
3 tabled this, there are two members of the Board that
4 intend to abstain from the vote so we needed to have two
5 voting members here to entertain this particular tab item
6 and motion.

7 MS. VAN DYK: Katie Van Dyk, general counsel.

8 I doubled checked your by-laws and the Public
9 Funds Investment Act, and my recommendation would be to
10 bring this action item back up when you have all five
11 Board members present. If we do have two abstentions
12 today, even though we have a quorum, we would need the
13 majority of those present at the meeting to pass it and
14 approve this list which we wouldn't have with only two
15 voting in the affirmative. And the requirement in the
16 Public Funds Investment Act, so you know, is to approve
17 this list of brokers annually, and the last time that this
18 list was approved was August 2014, so we have a little
19 wiggle room in approving the revised list.

20 MR. DIETZ: So the only negative associated
21 with that is until such time as we approve this list,
22 those two additions would not be able to be used as
23 brokers.

24 MS. VAN DYK: Yes, I think that's correct.

25 MR. LONG: Let me ask another question or put

1 it this way. Is there a way to -- well, it wouldn't
2 matter because I was going to say to just approve the list
3 as it is but we're talking about two separate abstentions
4 like it is. We talked about earlier to just approve this
5 list, but just vote on the two later, but just do it all
6 at once is what you're saying.

7 MR. DIETZ: The two later aren't the reasons
8 for the abstentions.

9 MR. LONG: Exactly, that's what I'm saying.

10 MR. ROMERO: Could we not take action on this
11 and that would leave the existing list in place?

12 MS. VAN DYK: Correct, and we'd have the two
13 that are in red just not active.

14 MR. ROMERO: And you said until August, so if
15 next month we could have an action item to add to the
16 existing list and in August approve the new list if we had
17 all five members?

18 MS. VAN DYK: We could do it all at the next
19 meeting. The same thing we have on the agenda today would
20 just be on the next meeting.

21 MR. ROMERO: My only concern was you said we
22 needed to have all five members here.

23 MR. DIETZ: Well, you just need to have three
24 voting members were, so you and I could be gone and it
25 would be fine.

1 MS. VAN DYK: Exactly, if the two that are
2 abstaining happen to not be here.

3 MR. JONES: So I'm gathering that Mr. Dietz and
4 that gentleman on the end would be the two abstentions.

5 MR. LONG: That's correct.

6 MR. JONES: On it totally.

7 MS. VAN DYK: They're still counted towards the
8 vote if they're abstaining, they can't vote affirmative.

9 MR. JONES: So they would abstain no matter how
10 this was done.

11 MS. VAN DYK: Unless we removed those two from
12 the list.

13 MR. DIETZ: Well, if we had a motion just to
14 simply add two to the list, and then later we approve the
15 entire list, but that motion wasn't on here before we
16 started the meeting.

17 MS. VAN DYK: Yes.

18 MR. JONES: So even if we approve this today,
19 would it take effect immediately?

20 MR. LONG: Immediately if we do it today.

21 MR. DIETZ: Well, if we need to, we can amend
22 the motion to simply add the two new brokers to the list.

23 MR. JONES: There wouldn't be an abstention if
24 you did that. Right?

25 MR. DIETZ: No.

1 MR. JONES: Unless it's a limited number of
2 people we can have.

3 MR. ROMERO: It says the list. That's the
4 problem.

5 MS. VAN DYK: Yes. My hesitation is that the
6 requirement in the code says must approve the list
7 annually.

8 MR. DIETZ: Well, we would still have to
9 approve the whole list at a subsequent meeting.

10 MS. VAN DYK: By August.

11 MR. LONG: That's what I was talking to Katie
12 about before we moved to this discussion.

13 MR. JONES: Approve this annually, the whole
14 list, not just add to.

15 MR. LONG: I think it's better just to wait and
16 do it all at the same time because you're going to be
17 looking at whether you do part of it now or all of it
18 later.

19 MS. VAN DYK: Do we know if there's --

20 MR. LONG: I don't think there's anything with
21 Piper Jaffray or RBC Capital specifically in a transaction
22 that's coming up.

23 MR. DIETZ: Okay.

24 MR. LONG: And as Ms. Van Dyk stated, we have
25 until August.

1 VOICE: Wasn't RBC taken off once and now they
2 want back on?

3 MR. LONG: I don't have a clue.

4 MR. DIETZ: So we need to make sure and
5 communicate that to the investment manager so that she is
6 aware that they have not been approved.

7 MS. VAN DYK: They have not been approved
8 officially yet.

9 MR. JONES: It's nothing that has to do with
10 them.

11 MR. LONG: Just the fact that we don't have the
12 Board makeup to be able to vote on it. That's correct.

13 MR. DIETZ: I don't think we're taking any
14 Board action, so tab items 3 and 8 we're not taking any
15 action on.

16 MR. JONES: Is the right term to table it to
17 the next meeting?

18 MS. VAN DYK: That would be my recommendation
19 is just table it.

20 MR. JONES: Usually tabling stuff kills it.

21 MS. VAN DYK: Well, yes. Tabling now, we know
22 that we're going to actually take it up, we just can't act
23 on it today.

24 MR. DIETZ: Do we need to take a vote on
25 tabling, or do we just table it?

1 MR. ROMERO: You're the presiding chair.

2 MR. DIETZ: I would like to just say we're
3 tabling it, so we're tabling tab item 3 and tab item 8,
4 not taking any action on those tab items.

5 MR. LONG: That's fine.

6 MR. DIETZ: Is there any reason to go into
7 closed meeting today?

8 MR. LONG: No, there's not, Mr. Chairman.

9 MR. JONES: Well, since you're being all
10 technical here, we've got the lawyer sitting at the table
11 eyeballing everybody, do we say tabling it to the next
12 board meeting or to a future board meeting?

13 MR. DIETZ: To a future board meeting.

14 MS. VAN DYK: To a future board meeting.

15 MR. JONES: At least that says we're not
16 killing it.

17 MR. LONG: That's correct.

18 MS. VAN DYK: And we will plan to put it on the
19 next meeting's agenda and hope that we have enough people
20 here to take action on it, and then if not, we'll do the
21 same thing again for the August meeting.

22 MR. DIETZ: Great.

23 Is there any additional public comment or any
24 other matters that we need to discuss prior to
25 adjournment?

1 MR. LONG: I would just note, since we didn't
2 hold a board meeting in May, we skipped a note, I'd like a
3 make a note that we didn't have a meeting in May, we had a
4 meeting in April. Next month's meeting is tentatively
5 scheduled for July 9, and I say tentatively because we
6 always leave the caveat that there may or may not be
7 enough agenda items or a quorum in order to hold the
8 meeting at that time. So pending that, Mr. Chairman, we
9 would leave the meeting in July would be on the 9th unless
10 something changes.

11 MR. JONES: And we might have to go beyond that
12 to make sure whatever day we can get five.

13 MR. LONG: Correct.

14 MR. JONES: Which might move it around a little
15 bit too because we need five to get this business done.

16 MR. DIETZ: WE don't really need five, we just
17 need Mr. Evenwel, Mr. Jones and Mr. Meade.

18 MR. LONG: They have to abstain so we just need
19 three members to vote on it.

20 MR. JONES: So we need everybody but them.

21 MR. LONG: That's right.

22 (General talking and laughter.)

23 MR. DIETZ: Well, unless there's any additional
24 public comment or any additional business to be discussed,
25 we will adjourn the meeting. It is now ten after 12:00,

1 and I'd like to think Ms. Nancy King for her good work,
2 and the meeting is adjourned.

3 (Whereupon, at 12:10 p.m., the meeting was
4 concluded.)

