

**TEXPOOL INVESTMENT ADVISORY BOARD MEETING**  
**Thursday, August 28, 2008**  
**Minutes**

The TexPool Investment Advisory Board (the “Board”) met at 10:00 a.m. on Thursday, August 28, 2008, at the LBJ State Office Building, 111 E. 17<sup>th</sup> Street, Room 114, Austin, Texas.

**Board Members Present**

R. C. Allen, Pati Buchenau, Jose Elizondo, Jr., Ron Leverett, Clay McPhail, LaVonne Mason, and Vivian Wood.

**Board Members Absent**

John McGrane.

**Comptroller of Public Accounts Staff Present**

Comptroller Susan Combs and Martin Hubert, Deputy Comptroller.

**Texas Treasury Safekeeping Trust Company (“TTSTC”) Staff Present**

Paul Ballard, Chief Executive Officer and Chief Investment Officer (“CEO”); Danny Sachnowitz, Deputy Director and Deputy Chief Investment Officer; Frank Zahn, Chief Financial Officer; Marianne S. Dwight, General Counsel; Kathy Bueltel, Program Specialist; Nora Arredondo, Special Projects Coordinator; Dan McNeil, Compliance Officer; and Genoveva Minjares, Audit Liaison.

**Additional Participants**

Amy Michaliszyn, Federated Investors (“Federated”); Sue Hill, Federated; Jerry Landrum, Lehman Brothers (“Lehman”); Ed Sanchez, Lehman; and Mark Connally, Lehman.

**Call to Order**

Comptroller Combs declared that a quorum was present and called the meeting to order at 10:05 a.m.

**Approval of Minutes (Tab 1)**

*Motion was made by Ms. Pati Buchenau to accept and approve the minutes from the April 4, 2008 Board meeting. Motion was seconded by Ms. Vivian Wood and unanimously approved by the Board.*

**Annual Review & Recommendation of TexPool and TexPool Prime Investment Policies (Tab 2)**

Mr. Paul Ballard reviewed the Ethics portion of the investment policies for TexPool and TexPool Prime and explained the suggested elimination of redundant language contained therein. He also stressed that safeguards would still be in place.

*Motion was made by Ms. Vivian Wood to recommend to the Comptroller approval of the proposed investment policies for TexPool and TexPool Prime. Motion was seconded by Ms. LaVonne Mason and unanimously approved by the Board.*

### **Economic Update (Tab 3)**

Ms. Sue Hill of Federated reported that TexPool and TexPool Prime portfolios were in compliance with the Texas Public Funds Investment Act (“TPFIA”) and the TexPool and TexPool Prime Investment Policies throughout the quarter. She stated that TexPool’s portfolio balance at the end of the 2008 second quarter was approximately \$19 billion and TexPool Prime’s portfolio balance was approximately \$1.5 billion. Ms. Hill discussed the economic and market overview and reported that Federated expects the Federal Reserve (the “Fed”) to remain active and begin tightening monetary policy late this year. Federated will continue to monitor and search for securities that will perform best, given this expectation. Federated believes that we are currently in a national recession.

Ms. Hill reviewed the portfolio characteristics and yields of TexPool and TexPool Prime as illustrated in the report behind Tab 3. She stated that TexPool had a competitive market yield of 2.33% for the quarter. The yield on TexPool Prime for the same period was 2.57%.

### **Performance Report ending 2<sup>nd</sup> Quarter of 2008 (Tab 4)**

Mr. Danny Sachnowitz presented an overview of the performance for TexPool and TexPool Prime. He reviewed historical yields for both compared to the Federal Funds rate and other target benchmarks. TexPool and TexPool Prime quarterly and annual rates of return remain competitive with other Texas local government investment pools and have outperformed most over the long term. He stated that the portfolios were well positioned in expectation of declining interest rates during the second quarter.

### **Participant Service Report and Related Matters (Tab 3 continued)**

Mr. Mark Connally of Lehman Brothers stated that TexPool and TexPool Prime funds are not held with Lehman but held with State Street Bank. Federated manages the portfolio pools and Lehman manages the participant services. Mr. Connally reviewed participant services and reported consistent participant growth since 2003. Mr. Connally reported that no complaints were received during the quarter.

Next, Ms. Amy Michaliszyn of Federated discussed free new services offered to TexPool and TexPool Prime participants. One such service will be the TexPool Academy which will offer on line training programs registered with the Texas State Board of Public Accountancy. Other services will include security pricing and an online bill payment system. More information will follow.

### **Potential Agenda Items, Meeting Dates, and Other Items**

No future meeting date was set. The Board will be sent an email with possible dates.

### **Public Comments**

None

### **Adjourn**

Meeting was adjourned at 11:24 a.m.