

TEXPOOL INVESTMENT ADVISORY BOARD MEETING
Wednesday, February 11, 2009
Minutes

The TexPool Investment Advisory Board (the “Board”) met at 10:00 a.m. on Wednesday, February 11, 2009, at the LBJ State Office Building, 111 E. 17th Street, Room 114, Austin, Texas.

Board Members Present

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

Board Members Absent

None.

Comptroller of Public Accounts Staff Present

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; Genoveva Minjares, Audit Liaison; and Oscar Ramirez, Trust Operations Manager.

Additional Participants

Amy Michaliszyn, Federated Securities Corp. (“Federated”); Jerry Landrum, Federated; Ed Sanchez, Federated; Thomas Territ, Federated; John Fisher, Federated; Mike O’Brien, Padgett, Stratemann & Co., LLP (“Padgett Stratemann”)and Lester Sprouse, Padgett Stratemann.

Call to Order

Deputy Comptroller Martin Hubert declared that a quorum was present and called the meeting to order at 10:03 a.m.

Approval of Minutes (Tab 1)

Motion was made by Mr. R.C. Allen to accept and approve the minutes from the August 28, 2008 Board meeting. Motion was seconded by Ms. Pati Buchenau and unanimously approved by the Board.

Discussion and Presentation of Annual Audit (Tab 2)

Mr. Lester Sprouse summarized the audit reports behind Tab 2 and reported that Padgett Stratemann issued unqualified financial audit opinions with respect to TexPool and TexPool Prime for the year ending August 31, 2008. No audit adjustments were recorded during the audit engagement that would indicate deficiencies in the accounting process. No management letter was required.

Post-conversion Participant Services Report and Discussion (Tab3)

Ms. Amy Michaliszyn introduced Mr. Tom Territ, President of Federated Securities Corp. Mr. Territ gave a brief overview of Federated's current financial condition.

Ms. Michaliszyn presented the conversion process report as illustrated by the charts behind Tab 3. She explained that there was a full integration of the former Houston Lehman staff into Federated. Ms. Michaliszyn reviewed several educational tools provided to TexPool participants and introduced a new training program entitled the TexPool Academy available on-line. Several programs were available that offered training credit. Ms. Vivian Wood commented on the efficiency and usefulness of those programs. An on-line vendor payment system was launched this quarter that expanded the Tex-Connect functionality.

Ms. Michaliszyn reviewed TexPool and TexPool Prime assets under management. She reported that TexPool's current portfolio balance was approximately \$25.6 billion and TexPool Prime's portfolio balance was approximately \$2.13 billion. Assets for TexPool grew by approximately 11.5% and assets for TexPool Prime grew by approximately 11.6% during the quarter. Ms. Michaliszyn reviewed the portfolio characteristics and yields of TexPool and TexPool Prime as illustrated in the report and stated that TexPool and TexPool Prime continue to remain competitive with their peers.

Next, Mr. John Fisher, President/CEO of Federated Advisory Companies, presented an economic update. He stated that the fourth quarter of 2008 was tumultuous and recorded a historic reduction in interest rates. Federated expects interest rates to continue to decline and has positioned the portfolios accordingly. Federated believes the recession will continue through 2009.

Performance Report for 4th Quarter of 2008 and Related Matters (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 fourth quarter. Mr. Sachnowitz noted that those competitors that did perform better took more credit risk.

Discussion of Next Meeting and Agenda Items

The Board will try to meet in May and will be sent an email with possible dates.

Public Comments

None

Adjourn

Meeting was adjourned at 11:52 a.m.