

**MINUTES OF THE 4RD MEMBERS' MEETING OF THE
FINANCE COMMITTEE OF THE
TOBACCO SETTLEMENT FINANCING CORPORATION
HELD ON NOVEMBER 7, 2013 AT 8:40 A.M.
AT ITS OFFICES AT 641 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022**

MEMBERS AND DESIGNEES

PRESENT:

William J. Mulrow	Chairman
Kenneth Bialo	Vice Chairman
Andrew A. SanFillippo	Member
Elaine McCann	Division of the Budget, representing Robert Megna, Member (via video conference)

Chairman William J. Mulrow opened and chaired the meeting.

Mr. C. Jason Kim, Senior Vice President and Counsel to the Agencies acted as Secretary. He noted that Elaine McCann was participating in the meeting by video conference from the New York State Division of Budget Conference Center at the Capitol Building, Room 131, in Albany. A public notice was given of the time and location of this venue.

Mr. C. Jason Kim asked for a motion and a second to call the meeting to order of the Tobacco Settlement Financing Corporation Finance Committee meeting. Elaine McCann made a motion to call the TSFC Finance Committee meeting to order; Vice Chairman Bialo seconded the motion.

Mr. Kim stated that as items were presented before the Committee throughout the meeting, the previous motion and second would be used unless specific items called for a different vote, or unless any Committee Member wished to record his or her vote differently.

The first item on the agenda was the adoption of the minutes of the 2nd TSFC Finance Committee meeting held on June 14, 2011. There were no objections or corrections from the Members and the minutes were deemed approved.

The next item on the Agenda was a resolution recommending the approval to issue refunding bonds. Ms. Zucker, President, Finance and Development referred to the handout previously distributed to the TSFC Members. She highlighted the current situation, gave an overview of the proposed financing, projected revenues, and refinancing goals. She reported that the TSFC has a total of \$2.1 Billion Dollars in bonds currently outstanding and it is expected that the bonds will be fully redeemed in 2018.

Ms. Zucker provided the historical background of the Agency as it relates to the flow of Tobacco Settlement revenues which is expected to continually decrease over time due to continued health education of the general public and further added that there is an expectation that there will be a continual decrease in smoking as a result. She referred to the refunding objective which is to generate an increase in debt service coverage noting that the savings comes from paying off the bonds sooner.

Mr. Bialo asked if there are still appeals in place with respect to the federal arbitration. Ms. Zucker deferred to the "panel of tobacco experts" that were present to address questions posed by the Members. Mr. Thomas H. Green from Citi Global Markets, Inc. referred to a September 11, 2013 decision by a three-judge panel which ordered the major tobacco companies to pay \$92 Million Dollars withheld from the State from their 2003 annual payment; those funds will be released by April 2014. He explained the difficulty for arbitration awards to be overturned based on the fact that the decision was based on a finding of law in New York State's favor (other States did not prevail), and on the finding that New York diligently enforced its contract. Ms. Kym Arnone of Barclays Capital Inc. clarified that this was an arbitration (New York standalone) award, not a settlement; she further clarified that this arbitration was intended to be binding and it is doubtful that there will be any further relief. It was noted that it was possible that the award could be overturned, but that it was unlikely given the circumstances, with particular emphasis on the fact that under the MSA there is no provision for appeals. Mr. SanFilippo asked how soon the Agency will go to market; the response was the first week in December 2013.

Ms. Zucker noted that the State's residual is always being measured and will increase by almost \$1 million as a result of the refunding.

Mr. Bialo said that he will address any outstanding questions afterwards in another forum.

Ms. Zucker extended thanks to both Alejandro J. Valella, Vice President and Deputy Counsel of the Agencies and Ms. Gloria D. Boyd, Vice President, Debt Issuance, for their hard work.

Considering the first and second motions previously entered, the motions were carried, and the following resolution was unanimously adopted:

**A RESOLUTION OF THE FINANCE COMMITTEE OF THE TOBACCO
SETTLEMENT FINANCING CORPORATION RECOMMENDING THE
ISSUANCE OF BONDS.**

There being no unfinished business, Ms. McCann moved to adjourn; Vice Chairman Bialo seconded the motion, and the meeting was adjourned at 9:00 a.m.


C. Jason Kim, Secretary