MINUTES OF THE
63rd MEMBERS MEETING OF THE
TOBACCO SETTLEMENT FINANCING CORPORATION
HELD ON JANUARY 29, 2014 AT 8:33 A.M.
AT ITS OFFICES AT 641 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022

MEMBERS AND DESIGNEES

PRESENT:

William J. Mulrow	Chairman
Kenneth M. Bialo	Vice Chairman
Linda Baldwin	Department of State, representing Cesar A. Perales, Secretary of State, Member (via video conference)
Naomi Bayer	Member (via telephone)
Andrew A. SanFilippo	Member
Elaine McCann	New York State Division of the Budget, representing Robert Megna, Member (via video conference)

Chairman William J. Mulrow presided over the meeting.

Mr. C. Jason Kim, Senior Vice President and Counsel to the Agencies, acted as Secretary. He noted that Ms. Elaine McCann and Linda M. Baldwin were participating in the meetings via video conference from the New York State Division of Budget conference center at the Capitol Building, Room 131, in Albany, and that Ms. Marge Rogatz was attending via video conference from the office of Expedia at 325 Duffy Avenue, Hicksville, NY; Ms. Naomi Bayer attended the meeting via telephone, but was not counted as attending for quorum and voting purposes. Don Lebowitz attended the meeting as a guest. A public notice was given of the time and location of the venues in accordance with the New York State Open Meetings Law.

Mr. Kim asked for motions and seconds to call to order the Members and Directors meetings, of the New York State Housing Finance Agency (HFA); the Affordable Housing Corporation (AHC); the State of New York Mortgage Agency (SONYMA); the New York State Municipal Bond Bank Agency (MBBA) and the Tobacco Settlement Financing Corporation ("TSFC"). Mr. Weiss moved to call the HFA and AHC meetings to order; Ms. Miller seconded the motion. Mr. Bergamo moved to call the SONYMA meeting to order; Commissioner Towns seconded the motion. Mr. SanFilippo moved to call the MBBA and TSFC meetings to order; Vice Chairman Bialo seconded the motions.

Mr. Kim stated that as items were presented to each Board throughout the meetings, these motions and seconds would be used, unless specific items called for a different vote, or unless any Board Directors wished to record his or her vote differently.

The meetings of the affiliated Agencies were opened in joint session for the President's report, the recital of the Committee reports, the adoption of the minutes of previous meetings and consideration of various matters of shared importance. These minutes reflect only those items being considered by the Members of the Tobacco Settlement Financing Corporation. A record of items considered by the other Agencies is contained in the minutes of each of the Agencies.

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Chairman Mulrow announced that SONYMA Director, Mr. Don Lebowitz, has tendered his resignation, effective December 31, 2013. He acknowledged Mr. Lebowitz's presence at the meeting and noted that Mr. Lebowitz was the epitome of what a "good" Board members should be. Chairman Mulrow stated that Mr. Lebowitz was "very knowledgeable about all Agency matters, and that he expressed concern and cared deeply about the mission of the Agency." Further, "he was always independent and full of integrity" and wanted to "do the right thing at all times." Most notable was the fact that he "read everything" and "asked tough questions." Chairman Mulrow described him as an "absolutely great" Board member.

Chairman Mulrow proceeded to read the plaque presented to Mr. Lebowitz: "In recognition of Mr. Don Lebowitz, Director of the SONYMA, of his service for the years 2009-2013, and in appreciation of your counsel and dedicated service towards fulfilling the mission of SONYMA, and particularly its Mortgage Insurance Fund, to create and preserve quality and sustainable affordable housing and sustainable home ownership in communities across New York State."

Mr. Lebowitz stated that his experience working on the Board had been an extraordinary one, noting that he loved working with folks at the Agency whom he warmly referred to as "housing geeks". He stated that his experience on the Board had shown him that his peers are passionate about what they do and he expressed hope that he has made a contribution of some sort. He explained that he really enjoyed the experience noting that the "staff is wonderful and the Board has been supportive."

SONYMA Director, Ms. Bayer, participating by telephone and stated how she wished she was in attendance in person; she expressed how important integrity is and noted how Mr. Lebowitz served with diligence. SOYMA Director, Ms. Rogatz noted how "very, very lucky" the Agencies are to have someone so committed. "It has been especially helpful that he has been a resource between meetings," she continued. She closed her remarks by wishing him well and noting that he will be missed.

Commissioner Towns remarked that Mr. Lebowitz has been "the voice" for both the Board and staff and was possessed of great institutional knowledge. He noted that disagreements were always expressed in a respectful manner. He reaffirmed the fact that Mr. Lebowitz will be missed.

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The first item on the agenda was the President's Report. Commissioner Towns wished everyone a Happy New Year and noted that the Agencies look forward to a tremendous 2014. He reported that the Agencies have been tasked with continuing Governor Andrew M. Cuomo's "ambitious" affordable housing goals. Commissioner Towns referred to Governor Cuomo's 2014 State of the State address wherein he presented his 2014/15 budget proposal to the State Legislature. He noted that the Governor continues to make affordable housing amongst his highest priorities and then took a moment to highlight a few of the Governor's priorities. First, he reported that the House New York program was first announced last year but lays out a five-year plan to preserve and create 14,300 affordable units across New York State. Commissioner Towns reported that, this year, the Governor moves the Agencies to the next phase of this plan adding $40 Million Dollars in new capital resources.

Commissioner Towns reported that the Governor is seeking to use other federal monies, Community Development Block Grant Program funds, to be exact, to create and preserve an additional 3,000 units of affordable housing in multi-family developments; the proposal includes creating a renter's personal income tax credit which will be a refundable credit for renters. Commissioner Towns noted that the Agencies' colleagues at the New York State Department of Taxation and Finance, under the leadership of HFA Board Member, Commissioner Thomas H. Mattox, will administer that credit; it is estimated that a family of four (4) in New York City with income of less than $50,000 could receive about $410 worth of tax credits.

Commissioner Towns reported that the Governor's budget office continues to invest in affordable housing through programs like the New York Main Street Technical Assistance Program and the Access to Home Program. Finally, he reported, the Governor remains committed to his vision of Medicaid redesign in its goal of using some of the billions of dollars in savings to create affordable housing for those needing supportive services in the State of New York.

Commissioner Towns reported that next Tuesday, he along with senior staff will be presenting the housing budget in Albany before the Joint Legislative Committee at 9:00 a.m. He commented, "We are excited about this opportunity to present the Agencies' plan for this year."

Commissioner Towns stated that at today's meeting, the Members and Directors will be asked to consider several administrative items, including updates to both the Board's self-evaluation and the Agencies' mission statements. He reported that earlier, the MIF approved insurance for three (3) projects representing one hundred and sixty-two (162) units of affordable housing in Long Island.

Commissioner Towns reported that on the single family side, December's SONYMA mortgage reservations totaled $11.8 Million Dollars representing 73 applicants, averaging $560,000 in reservations per day. He said that for 2013 reservations totaled $369 Million Dollars representing 2,074 applicants. He noted that April purchases totaled $20 Million Dollars representing 125 homebuyers. He also noted that 2013 purchases totaled $309 Million Dollars representing over 17,000 homebuyers. He noted that SONYMA mortgage delinquencies as of November 30, 2013 were at 4.63%; this compares favorably to New York State's rate of 10.43% and a national delinquency rate of 6.78%.

Commissioner Towns noted that on today's agenda, the HFA Board will be asked to consider a request for authorization to approve a Senior Vice President for Multi-family Housing. He also noted that the Board will also be asked to consider a 78-unit, $14 million dollar, all-affordable, bond deal in Suffolk County and $2 Million Dollars for Dutchess County Manufactured Home Fund Mortgage Loan which allows for the preservation of forty-four (44) affordable units. In addition, he reported that for AHC, the Board will be asked to consider an award grant for $520,000 for a sixteen (16) affordable units for a 58-unit development in Holtsville, LI.

Commissioner Towns noted that there has been a lot of activity across New York State; consequently, he anticipates that this will be another "banner year" both with the staff and Board.

Chairman Mulrow echoed the President's remarks. He commented that the Agencies are the best in the affordable housing business and noted how fortunate the Agencies are to have a Governor that has served as Housing Secretary and has an expressed commitment to affordable housing.

Chairman Mulrow thanked the Board Directors for their diligence, particularly as it relates to Audit and Governance Committee activities.

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The next item on the agenda was the report of the Governance Committee. Mr. Kim reported that the Governance Committee held a meeting on January 28, 2014 and adopted the minutes of December 10, 2013 meeting. He next reported that the Governance Committee adopted the following resolutions:

- All five Committee adopted minutes
- All five Committees adopted a resolution recommending the approval of Board Self-Evaluation.
- All five Committees adopted a resolution recommending the review and approval of the Agencies' Mission Statements, with a recommendation as to MBBA measurements.
- All five Agencies reviewed the Eighth Annual Self-Evaluation by the Governance Committees.
- All five Agencies reviewed Legal Services contracts with firms on the Agencies' non-bond counsel panel.
- All five Agencies participated in a discussion concerning Minority and Women's Business Enterprise ("MWBE") efforts.

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The next item on the agenda was the report of the Audit Committee. Mr. Kim reported that the Audit Committee held a meeting on January 28, 2014 and adopted the minutes of December 10, 2013 meeting. He next reported that the Audit Committee adopted the following resolutions:

- All five Committee adopted minutes.
- HFA, SONYMA, MBBA, and TSFC adopted a resolution approving the Agencies' Financial

Statements for Fiscal Year 2014, subject to revisions to the management response setting forth certain specific timetables in connection with IT findings, and laying out the options available to SONYMA in dealing with one of its software vendors.
- All five Agencies reviewed the Eighth Annual Evaluation by the Audit Committee.
- All five Agencies received a presentation from staff on the performance of the Agencies' programs during the last fiscal year.

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The next item on the agenda was the adoption of the minutes of the 61st TSFC Members' meeting held on December 12, 2013 and the 61st TSFC Members' meeting held on January 7, 2014. Absent comments or corrections from the Members, Mr. Kim reported that the minutes were deemed approved.

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The next item on the agenda was a resolution recommending the approval of Board Self-Evaluations. Mr. Kim, Senior Vice President and Counsel to the Agencies, reported that one of the requirements put in place by the 2009 amendments to the Public Authorities Accountability Act of 2005 is that Governance Committees assist the Board in their performance of Board self-evaluations. He noted that the amendments also require that the Agencies include the results of these evaluations as part of the annual reports filed under Public Authorities Reporting Information Systems.

Mr. Kim also reported that staff circulated self-evaluation survey forms in December 2013 to the Board Directors. He explained that this form was modeled on the form which is provided by the Authorities Budget Office ("ABO"), and has been revised by staff to take into account comments made by Board Directors as part of the first evaluation. He noted that staff received the completed self-evaluation forms from the Members and submitted an analysis of the findings to the Governance Committees for their review in the form of a summarized table (included in the Board materials).

Mr. Kim highlighted the items in the results where a majority of the Board Members noted that they either "somewhat agreed" or "somewhat disagreed" that the Board was fully meeting its responsibilities. For example, whether the Board set clear and measurable performance goals in accordance with its mission and whether it knows its statutory obligations. Mr. Kim referred to two other items wherein the Board somewhat agreed and somewhat disagreed concerning the Board's fulfillment of its responsibilities. One relates to whether Board of Directors have sufficient opportunity to research, discuss, question and prepare, before decisions are made and votes taken. The second relates to the Board and whether it exercises appropriate oversight of the Chief Executive Officer and other executive staff.

Mr. Kim reported that the self-evaluations were discussed at the Governance Committee. He reported that it was recommended that in response to Board Member survey results, dealing with performance goals, staff will incorporate performance goals being developed in conjunction with the Governor's New York Performs task force into the Agencies' mission statements; in response

to survey results as to oversight of CEO and senior staff, Chairman Mulrow noted that he is in continued contact with the CEO and senior staff and is happy to take comments from other Board Members with suggestions in this area; with respect to comments concerning an opportunity to have more in-depth information, it was suggested that staff will plan to set up a session at the Agency, similar to what was done in 2008, to familiarize the Board with the workings of the various key Agency departments at the granular level.

Mr. Mulrow stated although there appears to be a lot of agreement on many of the things the Agency does, he thinks that it is important that the Agencies go through this self-evaluation process every year, noting that the results of the evaluation are fairly impressive. HFA Member Mr. Steven Weiss added that he found staff to be receptive to questions, and encouraged other Board Members to reach out to staff as a way of getting more information, if necessary. Ms. Bayer referred to the evaluation of senior staff and she inquired about whether there is a formal process. Chairman Mulrow explained that on a daily basis he is in constant communication with senior staff. He invited Board Members to continually reach out to him, other Board Members and staff.

HFA Vice Chairman, Mr. Weiss asked if there was any feedback from the "consumers." Commissioner Towns noted that opportunities may exist through the Multifamily Task Force. Ms. Zucker stated that staff will explore other areas where there may be interaction with consumers of the Agencies' programs.

HFA Board Member Ms. Miller echoed Chairman Mulrow's remarks about the results of the evaluation being impressive, however, she expressed a desire to have a more in-depth discussion especially in the areas where there is some disagreement in order to explore areas for improvement, possibly in the form of an educational session.

Ms. Susan Baldwin stated that "as a new Board Member," she thanked the Members and of the staff that have introduced themselves to her and offered their assistance. She requested a list of those senior staff members and their titles so that she can contact them to become more familiarized with the structure of the Agencies. Commissioner Towns agreed to provide the requested information.

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

A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE AGENCY, THE STATE OF NEW YORK MORTGAGE AGENCY, THE NEW YORK STATE AFFORDABLE HOUSING CORPORATION, THE STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY, THE TOBACCO SETTLEMENT FINANCING CORPORATION CONCERNING BOARD SELF-EVALUATIONS

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The next item on the agenda was a resolution approving the Agencies' Audited Financial Statements for Fiscal Year 2014. Mr. Gary Weinstock, Vice President/Comptroller, asked for the Board's adoption of the Financial Statements for Fiscal Year 2014. He noted that yesterday,

(1/28/14), the Audit Committee discussed and reviewed the Financial Statements in detail. Mr. Weinstock noted that a one-page summary of the presentation was included in the Board Directors' folders.

Mr. Kim noted that Management's response to Ernst & Young's findings have been revised and included in the Member's folders to incorporate the recommendations of the Audit Committee concerning specific timetables in connection with Ernst and Young's recommendations to Information Technology matters and laying out options available to SONYMA in dealing with one of its software vendors.

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

A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE AGENCY STATE OF NEW YORK MORTGAGE AGENCY STATE OF NEW YORK MUNICIPAL BOND BANK AGNECY AND TOBACCO SETTLEMENT FINANCING CORPORATION APPROVING AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR 2013

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The next item on the agenda was a resolution recommending the review and approval of the Agencies' Mission Statements. Mr. Kim reported that in December 2009, certain broad amendments were adopted making changes to the PAAA of 2005. One of the amendments consisted of a new section (§2824-a) which was added to the Public Authorities Law, requiring all public authorities to adopt mission statements. He noted that this item was also discussed at the Governance Committee on yesterday.

Mr. Kim further reported that there is a requirement that the Boards must re-examine and re-evaluate their mission statements and measurements on an annual basis, and publish a self-evaluation based on the stated measurements. He noted that the mission statements included a list of measurements by which performance of the agencies and the achievement of their goals can be evaluated.

Mr. Kim explained that one of the recommendations made by the Committee was with regard to the MBBA and clarification of one of its performance criteria regarding the amount of bonds issued since MBBA is essentially a conduit Agency which issues bonds on behalf of other municipal agencies in the State. It was commented that the MBBA's role is to help to facilitate borrowings but its mission does not encourage municipalities actively or proactively to incur debt. Vice Chairman Kenneth Bialo stated that senior staff has informed him that it is thinking of ways to use MBBA's non-borrowing power creatively. Chairman Mulrow asked if the investment community was also coming up with suggestions or thoughts. Ms. Zucker confirmed that conversations have commenced especially in the area from the storm recovery team. HFA/AHC Member, Commissioner Mattox asked if there were opportunities to extend State efforts, as well.

SONYMA Director, Mr. Bergamo stated that the Board should discuss the mission statement more in depth and benchmark some of the measurements for performance purposes and create a parallel set of internal goals. Commissioner Towns noted that the Agencies will be presenting a report that may have some of those answers. He noted that all of the State Agencies and organizations are moving towards what the Governor calls *New York Performs* in regard to target goals. HFA Member, Ms. Miller stated that she hopes that there is some inclusion of Green Building sustainability objectives as it affects the operations and performance of the projects being financed.

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

A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE AGENCY, NEW YORK STATE AFFORDABLE HOUSING CORPORATION, STATE OF NEW YORK MORTGAGE AGENCY, STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY, TOBACCO SETTLEMENT FINANCING CORPORATION REVIEWING AGENCY MISSION STATEMENTS

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The next item on the agenda was a resolution approving a prequalified panel of bond counsel firms and authorization to enter into bond counsel contracts with law firms on the newly established prequalified panel. Mr. Kim explained that this is a request for authorization to approve law firms on the Agencies' pre-qualified list of bond counsel law firms. He explained that the Agencies issued a Request for Proposal on April 16, 2013 to establish a prequalified list of law firms to serve as bond counsel. He noted that fifteen (15) firms were later invited for formal oral presentations before the Committee and interviews were conducted in early January 2014. He said that, as a result, a panel of nine (9) firms was established and is being recommended to the Board for approval; they include: Harris Beach; Hawkins; Hiscock & Barclay/Joseph Reid, Mintz Levin, Nixon Peabody; Orrick/Bryant Rabbino; McKenna Long, Pugh Jones and Grave Horton. It was noted that three (3) of the firm are new additions to the panel (McKenna Long, Pugh Jones, Grave Horton, two of which are MBE firms (Pugh Jones and Graves Horton).

Chairman Mulrow commented that the Agencies have all been blessed with absolutely "terrific legal advice" and it has "the best housing and tax-exempt lawyers." He noted how important this procurement exercise is and encouraged Management to continue to look for new ideas.

SONYMA Director, Ms. Rogatz commended both Mr. Kim and Ms. Wanda Graham, Vice President/Director, Fair Housing and Equal Opportunity ("the Office of Fair Housing"). She stated that they put in a great deal of work; she expressed appreciation. Similarly, she commended the Contract Selection Review Committee. She admitted to being "struck by their efforts" to cast the widest net possible in terms of widely-recognized bond counsel firms. Mr. Kim echoed Ms. Rogatz' remarks regarding key staff members' quest to identify MWBE firms that either have the capacity or potential to play the role as main bond counsel; a number of firms have been identified. Commissioner Towns noted that the Board is due some thanks as well. He stated that this project

was one that they can all be very proud of because they took the time to "comb" the market place noting that a large number of these very, very fine firms have not looked to partner with minority firms previously.

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

A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE AGENCY, STATE OF NEW YORK MORTGAGE AGENCY, STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY, TOBACCO SETTLEMENT FINANCING CORPORATION AUTHORIZIING CONTRACTS WITH AUTHORIZED LAW FIRMS ON THE AGENCIES' PREQUALIFIED BOND COUNSEL PANEL

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Chairman Mulrow then directed the Directors' attention to the Shared Consent Items 6, 7, and 8 on the agenda and stated that information regarding these items were contained in the meeting materials provided which are incorporated herein by reference. There were no discussions on these items.

It was noted that included in Item 7 was a chart on MWBE accomplishments in terms of procurement activity; the table was presented with comparable data among the Agencies' 2013, 2012 and 2011 Annual Reports. The staff at the Office of Fair Housing was complimented; also the leadership of HFA Board Member, Mr. Steve Weiss and the Governance Committee was acknowledged. It was noted that there is still room for growth in this area.

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

Resolution approving the Annual Investment Report and Quarterly Investment Report:

A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE AGENCY, STATE OF NEW YORK MORTGAGE AGENCY, NEW YORK STATE AFFORDABLE HOUSIGN CORPORATION, STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY AND TOBACCO SETTLEMET FINANCING CORPORATION APPROVING ANNUAL REPORTS ON INVESTMENTS AND QUARTERLY REPORT ON INVESTMENT

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Resolution approving the Agencies' Annual Procurement Report for fiscal year 2012-2013 (11/1/12-10/31/13) and review of the Agencies' 4th Quarterly Procurement Report, (8/1/12-10/31/13):

A RESOLUTION OF THE NEW YORK STATE HOURSING FINANCE AGENCY, STATE OF NEW YORK MORTGAGE AGENCY, NEW YORK

STATE AFFORDABLE HOUSING CORPORATION, STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY AND TOBACCO SETTLEMENT FINANCING CORPORATION APPROVING ANNUAL PROCUREMENT REPORTS

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Resolution approving the Agencies' Public Authorities Reporting Information Systems (PARIS) Filing Report, (11/1/12-10/31/13):

A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE AGENCY, THE STATE OF NEW YORK MORTGAGE AGENCY, THE STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY AND THE TOBACCO SETTLEMENT FINANCING CORPORATION APPROVING ACCEPTING A FILING UNDER THE PUBLIC AUTHORITIES REPORTING INFORMATON SYSTEM

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Chairman Mulrow stated that the next two (2) items on the agenda were information items concerning:

a. **ESD Document Audit.**
b. **Budget & Financial Results for the FY ending 2013.**

Chairman Mulrow stated that information regarding these items were contained in the meeting materials provided to the Members which are incorporated herein by reference. There was no discussion regarding these items.

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There being no unfinished business, Chairman Mulrow asked for a motion to adjourn the meeting. Mr. SanFilippo moved to adjourn; Vice chairman Bialo seconded the motion, and the meeting was adjourned at 9:25 a.m.

The next Board meeting is scheduled for Thursday, April 10, 2014 at 8:30 a.m.

C. Jason Kim, Secretary