

**MINUTES OF THE
60TH MEMBERS MEETING
OF THE
TOBACCO SETTLEMENT FINANCING CORPORATION
HELD ON NOVEMBER 7, 2013 AT 8:33 A.M.
AT ITS OFFICES AT 641 LEXINGTON AVENUE
NEW YORK, NY 10022**

MEMBERS AND DESIGNEES

PRESENT:

William J. Mulrow	Chairman
Kenneth M. Bialo	Vice Chairman
Linda M. Baldwin	Department of State representing Cesar A. Perales, Secretary of State, Member (via telephone)
Naomi Bayer	Member
Andrew A. SanFilippo	Member
Elaine McCann	Division of the Budget, representing Robert Megan, 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 from the New York State Division of the Budget representing Mr. Robert Megna, Budget Director; Ms. Aida Brewer New York State Department of Taxation and Finance participated 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 Ms. Marge Rogatz participated via video conference from the office of Expedia at 325 Duffy Avenue, Hicksville, NY. A public notice was given of the time and location of both 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 State of New York Mortgage Agency ("SONYMA") and the Housing Finance Agency ("HFA"). Mr. Bergamo moved to call the SONYMA meeting to order; Ms. Bayer seconded the motion. Mr. Davidson moved to call the HFA/AHC meeting to order; Ms. Miller seconded the motion. Mr. Bialo moved to call the TSFC meeting to order; Ms. Bayer seconded the motion.

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 member 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.

The first item on the agenda was the President's Report. Chairman Mulrow requested that Darryl C. Towns, President/CEO of the Agencies, present his report. Commissioner Towns commented that the Agencies survived the Federal Government shut-down and its impact on the Agencies along with the culmination of the one-year anniversary of Super storm Sandy. He reported that the Directors will be asked to consider five (5) items totaling \$410 million dollars in bond deals across the State of New York including Manhattan, Ulster, Niagara and Suffolk Counties representing 919 units of affordable housing. He also reported that five (5) projects were approved by SONYMA's Mortgage Insurance Committee for projects located in the Bronx, Westchester County, Suffolk County and New York Counties.

Commissioner Towns reported that on the single family side, October loan reservations were at \$15 Million Dollars representing a total of 109 applicants; and that year-to-date reservations are at \$346 Million Dollars representing a total of 1,925 applicants. He said that October purchases were at \$46 Million Dollars representing 246 homebuyers; and that year-to-date purchases are at \$261 Million Dollars representing 1,422 homebuyers. He noted that delinquencies at SONYMA as of September 30, 2013 were at 4.48%; this compares favorably to New York State's rate of 10.31% and to the national delinquency rate of 6.97%.

Commissioner Towns also noted that on today's agenda, the Board will be asked to consider three (3) AHC projects totaling \$2,652,000 in Erie, Monroe and New York counties, representing 135 units of affordable housing.

Commissioner Towns noted that with the election this week of Mayor-elect DeBlasio, it opens up a tremendous opportunity for a working relationship with Secretary Shaun Donovan (15th United States Secretary for Housing and Urban Development) and the Mayor-elect of New York City, Bill DeBlasio. He further stated that it is hoped that the new administration will usher in some exciting opportunities to do business with new partners on the Federal, State and local levels.

The next item on the Agenda was the adoption of the minutes of the 58th and 59th TSFC Members' meetings held on September 12 and October 21, 2013 respectively. Absent comments or corrections from the Members, Mr. Valella reported that the members were deemed approved.

The next item on the Agenda was a resolution authorizing the issuance of refunding bonds, the authorization of documents and approval of other matters. 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 adopted:

A RESOLUTION OF THE TOBACCO SETTLEMENT FINANCING CORPORATION AUTHORIZING AND PROVIDING FOR THE ISSUANCE OF NOT TO EXCEED \$710,000,000 AGGREGATE PRINCIPAL AMOUNT OF ITS ASSET-BACKED REVENUE BONDS, SERIES 2013A (STATE CONTINGENCY CONTRACT SECURED), AND TO PAY RELATED COSTS OF ISSUANCE OF THE SERIES 2013A BONDS; AUTHORIZING AND PROVIDING FOR THE ISSUANCE OF NOT TO EXCEED \$610,000,000 AGGREGATE PRINCIPAL AMOUNT OF ITS ASSET-BACKED REVENUE BONDS, SERIES 2013B (STATE CONTINGENCY CONTRACT SECURED), AND TO PAY RELATED COSTS OF ISSUANCE OF THE SERIES 2013B BONDS; APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF (A) THE SERIES 2013A SUPPLEMENTAL INDENTURE, (B) THE SERIES 2013B SUPPLEMENTAL INDENTURE, (C) A PRELIMINARY OFFICIAL STATEMENT, (D) A FINAL OFFICIAL STATEMENT, (E) ONE OR MORE BOND PURCHASE AGREEMENT(S) AWARDED THE SALE OF THE SERIES 2013A BONDS AND THE SERIES 2013B BONDS TO CITIGROUP GLOBAL MARKETS INC., AS REPRESENTATIVE OF THE UNDERWRITERS, (F) ONE OR MORE CONTINUING DISCLOSURE AGREEMENTS, AND (G) AN ESCROW DEPOSIT AGREEMENT FOR ALL OR A PORTION OF THE SERIES 2013A-1C BONDS AND AN ESCROW DEPOSIT AGREEMENT FOR ALL OR A PORTION OF THE SERIES 2013B-1C BONDS; PROVIDING FOR THE SELECTION OR CONFIRMATION OF UNDERWRITERS, BOND COUNSEL AND CO-BOND COUNSEL, DISCLOSURE COUNSEL, FINANCIAL ADVISOR, ESCROW DEPOSIT AGENTS AND ECONOMETRIC EXPERT, THE SPECIFICATION OF SERIES 2013A-1C BONDS TO BE REFINDED THE NECESSARY, CONVENIENT AND PROPER FOR CARRYING OUT THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION; AND PROVIDING FOR OTHER MATTERS RELATED THERETO

The next item on the Agenda was a resolution authorizing the approval of additions to Co-Manager Underwriter Panel. Ms. Zucker reported that the agency conducted a Request for Proposal for underwriter services back in 2012. She reported that as part of that process, the Agencies reserved the right to review the composition of the panel and make adjustments on an annual basis. She said that as a result of this review, Agency staff sought and received approval by both SONYMA and HFA to promote Academy Securities and Drexel Hamilton, LLC – two firms currently serving as selling group members to the co-manager panel. Ms. Zucker noted that the requested action was for TSFC to also promote the same firms. Ms. Zucker explained that these two firms are unique in that they are primarily owned, managed, and operated by disabled veterans. She said that both firms play a very special role in providing job opportunities for disabled veterans and giving them career paths on Wall Street. She stated that this approval will ensure that the Agencies maintain as broad a distribution as possible for their bonds and also afford the firms more opportunities to participate in financings going forward. She noted that the Agencies encourage the hiring and housing of veterans and both firms have long-term, municipal professionals that continue to add value to the work of the Agencies. Chairman Mulrow noted that additionally, the organizations are providing job training which is a worthy thing to do and the Agencies wish to support their efforts.

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

**A RESOLUTION OF THE TOBACCO SETTLEMENT FINANCING
COPORATION APPROVING A CHANGE TO THE UNDERWRITER'S
PANEL**

There being no unfinished business, Chairman Mulrow asked for a motion to adjourn the meeting. Mr. Bialo moved to adjourn; Ms. Bayer seconded the motion, and the meeting was adjourned at 9:00 a.m.

It was noted that the next Board meeting was scheduled for Thursday, December 12, 2013 at 8:30 a.m.



C. Jason Kim, Secretary