MINUTES OF THE
65TH MEMBERS MEETING OF THE
TOBACCO SETTLEMENT FINANCING CORPORATION
HELD ON SEPTMBER 11, 2014 AT 8:30 A.M.
AT ITS OFFICES AT 641 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022

MEMBERS AND DESIGNEES

PRESENT:

Andrew A. SanFilippo	Member
William J. Mulrow	Chairman
Linda M. Baldwin	Department of State, representing Cesar A. Perales, Secretary of State, Member (via video)
Renee Nowicki	New York State Division of the Budget, representing Robert Megna, Member (via video conference)

ABSENT:

Kenneth M. Bialo	Vice Chairman

Chairman William J. Mulrow presided over the meeting and welcomed everyone.

Mr. C. Jason Kim, Senior Vice President and Counsel to the Agencies, acted as Secretary. He noted that Ms. Renee Nowicki, representing Budget Director Robert Megna from the NYS Division of the Budget and Linda M. Baldwin, representing Secretary of State Cesar A. Perales, from the Department of State 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. A public notice was given of the time and location of the venue 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 New York State Affordable Housing Corporation ("AHC") and the State of New York Mortgage Agency ("SONYMA"). Chairman Mulrow moved to call the HFA and AHC meetings to order; Ms. Nowicki seconded the motion. Mr. Anthony Bergamo moved to call the SONYMA meeting to order; Chairman Mulrow seconded the motion. Mr. Andrew SanFilippo moved to call the MBBA and TSFC meetings to order; Chairman Mulrow 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.

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The first item on the agenda was the President's Report. Commissioner Towns welcomed everyone back and expressed his hope that everyone had an enjoyable summer.

Commissioner Towns reported that the Agencies are entering into the fourth quarter which usually proves to be a busy period, this year being no exception. He said that he was pleased that the agencies have been able to implement Governor Andrew M. Cuomo's mandate that is laid out in his House NY Program.

Commissioner Towns next reported that, earlier in the day, the Mortgage Insurance Committee approved insurance for eight projects representing 844 units of affordable housing located in New York City ("NYC"), Sullivan, Westchester and Nassau counties. He reported that on the multifamily side, today, HFA will be seeking the approval for eight projects totaling nearly $500 million in financing.

Commissioner Towns stated that the Board will be briefed on a new volume cap recycling mechanism that will allow the Agencies to capture and recycle volume cap in a more efficient way. He said that members of the Board will be asked to approve the appointment of a new senior officer, Ted Houghton. Additionally, he said, the Board will be updated on administrative items, i.e. Agency Investments, Procurement and Bond sales and that Agency financial statements are also included in the materials.

Commissioner Towns stated that today, the AHC Board will have an opportunity to review awards being sought totaling just over $7 million; these awards represent 200 units within NYC and 145 units outside of NYC including the counties of: Monroe, Erie, Broome, Wayne, Onondaga and Orleans.

Lastly, Commissioner Towns reported that Ms. Marian Zucker, President, Finance and Development, had been given the ALS (amyotrophic lateral sclerosis aka Lou Gehrig's disease) challenge. Commissioner Towns said Ms. Zucker then asked her colleagues that included himself and Senior Vice President, Mr. Michael Friedman to join her.

Ms. Zucker reported that the Agencies raised $1,000. The challenge has subsequently been brought to Vicki Bean, Commissioner of the New York City Department of Housing Preservation and Development and Shola Olatoye, Chairperson of the New York City Housing Authority.

A moment of silence was observed at 8:46 a.m. to acknowledge the tragic events of September 11, 2001.

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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 held on September 9, 2014 and adopted the minutes of the June 10, 2014 meeting. He next reported that the Audit Committee adopted the following resolutions:

- All five Agencies adopted a resolution recommending the approval of Administrative Budget Request & Financial Plans for FY2015.
- All five Agencies received a presentation from the Independent Auditor's (Ernst & Young).
- HFA, SONYMA, MBBA and TSFC reviewed Financial Statement Update for the 2nd and 3rd Quarters Fiscal 2014 and 1st Quarter Fiscal 2015 for AHC.
- All five Agencies reviewed a report of administrative budget expenditures for the nine months ending July 31, 2014 and updated financial plans.

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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 September 9, 2014 and adopted the minutes of the June 10, 2014 meeting. He next reported that the Governance Committee adopted the following resolutions:

- All five Agencies approved a contract with E.G. Bowman for insurance broker services and approval and/or review of various contracts monitored by the Facilities and Administration Department.
- HFA, SONYMA, MBBA and TSC approved contracts for financial services relating to arbitrage rebate calculations.
- HFA, SONYMA, MBBA and TSC approved a contract with SS&C Technologies for the provision of a license for cash flow analysis services and review of the financial printing services contracts with Image Master LLC.
- MBBA and TSFC reviewed annual contracts with Agencies' Independent Auditor, Ernst & Young LLP.
- HFA, SONYMA, MBBA and TSFC were given a presentation on the Agencies' Policies relating to Independent Registered Municipal Advisors and the SEC MDC initiative.
- HFA, SONYMA, MBBA and TSFC were given a follow-up discussion of MWBE participation.

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The next item on the agenda was the adoption of the minutes of the 64th TSFC Members' meeting held on April 10, 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 approving the appointment of a Senior Officer. Commissioner Towns announced that he was pleased to introduce and present for consideration the appointment of Ted Houghton as the Agencies' Senior Vice President and Executive Deputy Commissioner.

Commissioner Towns reported that Mr. Houghton comes to the Agencies with tremendous experience in housing and that particularly, he has been an advocate for special needs housing.

Commissioner Towns reported that Mr. Houghton currently resides in Brooklyn, New York, but is originally from California. He noted that the Agencies are excited about him joining. Mr. Houghton expressed his excitement about working with the very many talented individuals in the Agencies.

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 THE STATE OF NEW YORK MORTGAGE AGENCY STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY NEW YORK STATE AFFORDABLE HOUSING CORPORATIN AND TOBACCO SETTLEMENT FINANCING CORPORATION APPOINTING TED HOUGHTON AS SENIOR VICE PRESIDENT

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The next action item on the agenda was a resolution approving the Administrative Budget Request and Financial Plans for Fiscal Year ("FY") 2014. Ms. Sheila Robinson, Chief Financial Officer accompanied by Deputy Vice President, Darryl Johnson and Gary Weinstock, Vice President/Comptroller provided the relevant background information with regard to this request. Ms. Robinson reported on the FY 2015 Administrative Budget Request (for the period November 1, 2014 to October 31, 2015) totaling $56.8 million; and said that this is a $1,103,000 or 1.985% increase from FY 2014.

Ms. Robinson noted that this Budget request was an estimate of combined resources needed to administer the five Agencies. She noted that only HFA and MBBA prepare Cash/Program Budgets which are required to be filed with the respective bond trustees. Ms. Robinson noted that Cash/Program Budgets are submitted to the Members and Directors in two versions: Preliminary and Final.

Ms. Robinson stated that discretionary spending continues to be less than last year. She noted that after last year's discussions, staff reached out to the New York City Comptroller's Office resulting in no deficits existing for the next four years (this change was agreed to by their office).

Chairman Mulrow requested that the Finance team further elaborate on staffing and its impact on the budget. She stated that the Agencies concluded, approximately three years ago, that there would exist growing demands for Agency programs and that as a result new staff hires would be

needed. Ms. Robinson noted that management feels better now, with the number of employees now increased to 192.

HFA Member, Mr. Davidson noted that he is impressed that the total percentage change from one year to the other has been kept under 2%. Ms. Robinson noted that pension fund savings represented one of the main areas of budgetary savings, based on projections from the State's Pension Fund. She noted that one of the areas in the proposed budget that contains substantial increases is in the capital budget. Ms. Robinson reported that the Agencies' Information Technology ("IT") system is old an aging and as a result, Management is hiring a consultant to evaluate the ongoing needs. The budget reflects the projected increased capital funding in this IT area.

Ms. Robinson reported that the Financial Plans were submitted in the format required by the State Comptroller and Authority Budget Office. She said that these condensed statements included revenue and expenses that also included restricted revenues and expenses, which are not part of the Administrative Budget. She said that the Financial Plans do not include revenues and expenses associated with conduit debt. Ms. Robinson said that the four year Financial Plans for HFA, SONYMA, MBBA and TSFC have an October 31st fiscal year-end date.

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

RESOLUTION OF THE NEW YORK STATE HOUSING 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 ADOPTING AN ADMINSTRATIVE BUDGET FOR FISCAL YEAR NOVEMBER 1, 2014 TO OCTOBER 31, 2015 AND FINANCIAL PLANS FOR FISCAL YEARS 2015, 2016, 2017 AND 2018 WITH RESPECT TO THE NEW YORK STATE HOUSING FINANCE AGENCY STATE OF NEW YORK MORTGAGE AGENCY STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY AND TOBACCO SETTLEMENT FINANCING CORPORATION AND THE NEW YORK STATE AFFORDABLE HOUSING CORPORATION'S FINANCIAL PLAN FOR FISCAL YEARS 2016, 2017, 2018 AND 2019 AND PRELIMINARY CASH BUDGETS FOR THE NEW YORK STATE HOUSING FINANCE AGENCY AND THE STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY FOR FISCAL YEAR 2015

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Chairman Mulrow stated that the next four (4) items on the agenda were information items concerning:

a) Review of the Agencies' Quarterly Procurement Report for the period ending July 31, 2014.
b) Review of Third Quarterly (2014) Investment Reports for the period ending July 31, 2014 for

HFA/SONYMA/MBBA/TSFC and First Quarterly Report for the period ending June 30, 2014 for AHC.

c) Financial Statement Update 2nd and 3rd Quarters Fiscal 2014 (HFA/SONYMA/MBBA/ TSFC) and 1st Quarter Fiscal 2015 (AHC)

d) Report of administrative budget expenditures for the periods ending April 30th and July 31, 2014 and updated financial plans.

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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The next item on the agenda was a Presentation on the Agencies' Policies relating to Independent Registered Municipal Advisors and the SEC MCDC initiative. Ms. Zucker, President, Finance and Development briefed the Members on this item. Ms. Zucker highlighted certain information contained in the materials provided to the Members in connection with this item, which is incorporated herein by reference.

She reported that as a result of the significant changes in The Dodd-Frank Act, the Agencies have been impacted by the Municipal Advisor Rule ("MA Rule"). She explained that The MA Rule (effective July 1, 2014) defines the role and responsibilities of a "municipal advisor" as an entity that provides municipal advisory services to their municipal clients and that has a fiduciary duty to each client. Ms. Zucker noted that in order for the Agencies' bond underwriters not to be considered "municipal advisors" (triggering registration requirements) the Agencies would have to publicly announce the designation of certain firms that would serve as independent registered municipal advisors (IRMAs) to the Agency. Any conversations with investment bankers that may include advice must be shared with by the Agencies with the appointed IRMAs if the Agencies wish to further pursue the ideas. In this way, the bond underwriters can continue to provide us with ideas, and not lose their exemption from registration, and the Agencies can rely on the expertise of the appointed IRMAs in reviewing proposed ideas.

Chairman Mulrow questioned what is meant by the IRMA having a fiduciary duty to each client. Ms. Zucker explained that the entities appointed by the Agencies as their IRMAs are required to put the interests of the Agencies above their interests and have a fiduciary responsibility to make sure the Agencies' interests are protected. This is in contrast with the position of the bond underwriters who, although hired by the Agencies to market our bonds, do not have a fiduciary responsibility to the Agencies. It is in order to protect the Agencies in this context, that the IRMAs are now required,

Ms. Zucker also commented on a related SEC initiative: the Municipalities Continuing Disclosure Cooperation Initiative ("MCDC).

Ms. Zucker noted that the Agencies had reviewed all their past Continuing Disclosure Agreements and Official Statements to ensure that no misstatements or omissions existed which would lead the Agencies to self-report under the MCDC. She said the Agencies also touched base

with all the underwriters that have participated in Agency financings to see if as a result of their review on Agency activity they had concluded that there were items to self-report. She noted that no underwriter had reported on the need to self-report. Ms. Zucker thanked Alex Valella, Helen Pennock, Gloria Boyd and Sheila Robinson and her team for their assistance.

HFA Vice-Chairman, Mr. Weiss inquired about the Agencies obtaining possible exemptions to these municipal advisor rules given the level of expertise possessed by staff, which calls into question the need and expense of hiring IRMAs. Ms. Zucker said that that exemptions don't apply to the Agencies and this impact is industry wide.

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There being no unfinished business, Chairman Mulrow asked for a motion to adjourn the meeting. Ms. Baldwin moved to adjourn; Mr. SanFilippo seconded the motion, and the meeting was adjourned at 9:10 a.m.

Mr. Kim informed the Members that the next Board meeting is scheduled for Thursday, December 11, 2014, at 8:30 a.m.

C. Jason Kim, Secretary