

STATEMENT OF DIRECTOR QUALIFICATIONS FOR THE TOBACCO SETTLEMENT FINANCING CORPORATION

INTRODUCTION

The Governance Committee of the State of Tobacco Settlement Financing Corporation has adopted a Charter setting forth its composition and its duties and responsibilities. The purpose of the Governance Committee is to assist the Board to establish practices and procedures to promote honest and ethical conduct by Corporation Members, officers and employees and enhance public confidence in the Corporation, including, but not limited to, assistance in monitoring and assessing the effectiveness of the Board and in developing and implementing the Corporation's governance guidelines.

The Governance Committee Charter places responsibility on the Governance Committee to prepare a profile of the skill sets and experiences of individuals best equipped to be constructive Members of the Corporation.

In order to discharge that responsibility, and with due consideration to the Corporation's public authority status, with a Board with members that can be appointed by the Governor, and with members whose membership results by virtue of their incumbency of a public office ("ex officio"), the Governance Committee is adopting this Statement of Member Qualifications.

QUALIFICATIONS

The Governance Committee believes that members of the Corporation's Board should possess certain basic personal and professional qualities in order to properly discharge their fiduciary duties, provide effective oversight of the management of the Corporation, and monitor the Corporation's adherence to principles of sound governance. It is therefore recommended that all persons eligible to serve as Members of the Corporation should possess the minimum qualifications described in this Statement. These are only threshold criteria, however, and consideration should also be given to the contributions that a Candidate can be expected to make to the collective functioning of the Board based upon the totality of the Candidate's credentials, experience and expertise, the composition of the Board at the time, and other relevant circumstances.

The following attributes or qualifications should be considered in evaluating a person's candidacy for membership on the Board:

1. ***Integrity.*** All Candidates should be individuals of personal integrity and ethical character, and who value and appreciate these qualities in others.

2. ***Absence of Conflicts of Interest.*** Candidates should not have any interests that would materially impair their ability to (i) exercise independent judgment, or (ii) otherwise discharge the fiduciary duties owed as a Member of the Corporation.

3. ***Achievement.*** Candidates should have demonstrated achievement in one or more fields of business, professional, governmental, communal, scientific, or educational endeavor.

4. ***Understanding of business, governmental and financial affairs.*** Candidates should have a proven record of competence and accomplishments through participation in industry, education, the professions or government.

5. ***Oversight.*** Candidates are expected to have sound judgment, borne of management or policy-making experience.

6. ***Interest in Issues Impacting Municipalities.*** Candidates are expected to have an interest in, and experience in dealing with, issues which impact municipalities in the State, with particular emphasis on issues relating to the financing of municipal services through bonding programs and through secured financings, such as tobacco settlement securitization.

7. ***Experience in Corporate, Financial and Accounting Practices.*** Candidates are expected to possess a minimum of experience in corporate, financial and accounting practices so as to permit them to exercise due fiduciary oversight over the Corporation's affairs.

8. ***Available Time.*** Candidates should have, and be prepared to devote, adequate time to the Board and its committees. It is expected that each Candidate will be available to attend substantially all meetings of the Board and any committees on which the Candidate will serve.

9. ***Independence.*** Candidates should satisfy the requirements of "independence" made applicable by relevant law to board members of public authorities in New York State.

The Committee also believes that the overall composition of the Board should be considered when appointing Board members. Given the specialized nature of the Corporation's mission, to provide a vehicle for securitizing the State's tobacco settlement revenues, the Committee considers it important that the Board have available to it expertise in certain fields, such as municipal finance, with special emphasis on tobacco settlement securitizations, and the law, which apply directly to the Corporation's mission. Therefore, Board appointments should be undertaken with a view that at all times the Board should include members with experience and expertness in the following fields:

1. ***Finance and Accounting.*** At a minimum, one Board Member should have experience in the area of financing of affordable housing, either at the private or public level. This experience is necessary in order to comply with the requirement, made applicable to membership in the Corporation's Audit Committee, that to the extent practicable members of that Committee

should be familiar with corporate, financial and accounting practices.

2. **Real Estate.** At a minimum, at least one Board member should have experience in real estate issues that impact municipalities in the State.

3. **Government.** At a minimum, at least one Board member should have government experience at either the local or State level. This experience is useful for membership in the Governance Committee, as well as for Board functions as a whole.

4. **Municipal Issues.** At a minimum, at least one Board member should have expertise in issues impacting municipalities in the State, with particular emphasis on issues involving tobacco settlement and tax-lien securitizations.

5. **Law.** At a minimum, at least one Board member should have experience in legal matters. Much of the Corporation's work, whether in its bonding, real estate or ethics areas, involves the interpretation of laws and regulations.