

**MINUTES OF THE 48TH MEMBERS' MEETING OF THE
TOBACCO SETTLEMENT FINANCING CORPORATION
HELD ON DECEMBER 1, 2011, AT 2:36 P.M.
AT ITS OFFICES AT 641 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022**

MEMBERS AND DESIGNEES

PRESENT:

Kenneth Bialo	Vice-Chairman
Susan L. Watson	Department of State, representing Cesar A. Perales, Member
Andrew A. SanFilippo	Member
Kenneth M. Bialo	Vice Chairperson
Naomi Bayer	Member

Vice Chairperson Phillips chaired the meeting; Alejandro J. Valella, Vice President and Deputy Counsel, acted as secretary. The meetings of the Affiliated Agencies opened in joint session for consideration of 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 other Agencies is contained in the minutes of each Agency respectively.

The first item was the report of the Audit Committee. HFA/AHC/SONYMA Vice Chairperson Phillips reported that the Audit Committee took the following actions::

- Adopting Minutes;
- Approved the Audit Committee Action Plan for 2012;
- Approved the Internal Audit Staff Functions;
- Approving the Internal Audit's Information Technology Audit Report;

HFA/AHC/SONYMA Vice Chairperson Phillips noted that the resolution approving the revised Whistleblower Policy was tabled.

The next item was the President's Report. Commissioner Towns emphasized that it was a busy time at the Agencies. He said that the Agencies are focused on ending

the year strong. He noted that January's meeting will reflect the Agencies work with the Regional Economic Development Councils. He also wished everybody Happy Holidays.

The next item on the agenda was the approval of the minutes of the 47th Member's meeting, held on September 15, 2011. There were no objections or corrections by the Members therefore the minutes were deemed approved.

The next item on the agenda was a resolution authorizing the approval of the Whistleblower Policy. This item was tabled for discussion at a later date.

The next item on the agenda was a resolution authorizing the approval to enter into Financial Advisor Services contracts with firms on the Agencies' newly established prequalified panel. Andrew SanFilippo asked about the criteria that the Agencies used to arrive at the selection of these firms and George Graham, Senior Vice President of Debt Issuance, responded. George Graham first explained the Agencies' outreach process. He noted that about twelve firms responded to the outreach. He then outlined that the Agencies formed a Committee to review the responses and that its criteria included the firms' experience and qualifications in public finance, the firms' specific expertise in affordable housing finance, as well as the firms' location and costs. Marian Zucker, President of the Office of Finance and Development, also emphasized that this was the criteria used by the Committee.

Andrew SanFilippo followed up by inquiring whether there was a scoring sheet because he wanted to see what criteria was emphasized most. Mr. Graham and Ms. Zucker said that a scoring sheet existed and that it placed a heavy emphasis on experience. Andrew SanFilippo then stated that the staff should provide the Board of Directors with the scoring sheet results in the future.

HFA/AHC Member Thomas Mattox then asked whether adopting this resolution was time sensitive and whether the Board of Directors could wait to see the scoring sheet before voting. Vice Chairman Bialo interjected by asking whether this established panel would permit the Agencies to do the work that needed to be done. Ms. Zucker answered assertively that this range of financial advisors would permit the Agencies to do the necessary work. She emphasized that this panel of financial advisors provided a range of different experience that would prove helpful. Several Members and Directors then noted that in the future they should be provided with the scoring sheet results.

Andrew SanFilippo moved to adopt the resolution; Vice Chairman Kenneth Bialo seconded the motion; 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, AND TOBACCO SETTLEMENT FINANCING CORPORATION APPROVING THE ENTERING INTO A

**CONTRACTS WITH FIRMS ON THE AGENCIES'
PREQUALIFIED PANEL FOR FINANCIAL ADVISOR SERVICES.**

The next item on the agenda was a resolution authorizing the approval of **Quarterly Bond Sale Reports (for the period commencing 8/1/11 and ending 10/31/11) and Annual Bond Sale Reports (for the period commencing 11/1/10 and ending 10/31/11)**. This item was a consent item therefore the Members did not discuss it. Marian Zucker noted that the Annual Bond Sale Report incorrectly states that the Agencies issued approximately \$1.6 billion and that the Report should be corrected to state that the Agencies issued approximately \$2.4 billion.

Andrew SanFilippo moved to adopt the resolution; Vice Chairman Kenneth Bialo seconded the motion; 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, AND TOBACCO SETTLEMENT FINANCING
CORPORATION APPROVING THE AGENCIES' BOND SALE
REPORTS.**

The next item on the agenda was an information item on the annual review of **contracts with the Agencies' External Independent Auditor**. No action was required on this item because it was an information item.

The next item on the agenda was an information item on the annual review of **the legal services contract with K&L Gates**. Vice Chairperson Bialo summarized the legal services contract for the Members. He stated that K&L Gates is performing a specialized service that involves protecting a TSFC derivative position in connection with the Lehman Brothers' bankruptcy. He noted that the fee to K&L Gates is estimated to be between \$50,000 and \$100,000. He stated that the fee ultimately depends on how the legal proceeding moves forward this year. Genevieve D'Agostino, Senior Vice President and Treasurer, noted that TSFC's claim is for \$125 million. Vice Chairperson Bialo stated that he is satisfied that K&L Gates has provided a respectable estimate given the stage of the proceeding. The Members were then assured that this expense has been budgeted for. No further action was required on this item because it was an information item.

There being no unfinished business, Naomi Bayer moved to adjourn the meeting; Susan Watson seconded the motion; and the meeting was adjourned at 2:59 P.M.



Secretary