

TOBACCO SETTLEMENT FINANCING CORPORATION
GOVERNANCE COMMITTEE CHARTER

(effective as of May 12, 2005, revised as of June 12, 2012)

- I. Purpose: Pursuant to Article VII, Section 5 of the Corporation's bylaws the purpose of the Governance Committee ("Committee") shall be to assist the Members 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 Members effectiveness and in developing and implementing the Corporation's governance guidelines.
- II. Membership: The membership of the Committee shall be as set forth in accordance with and pursuant to Article VII, Sections 1 and 2 of the bylaws. In addition, such Members as the Chairman shall appoint: a.) must satisfy such criteria of independence as the Members of the Corporation may establish and other requirements as the Members of the Corporation may determine to be applicable or appropriate, and b.) members of the Committee should be suitably knowledgeable in matters pertaining to governance.
- III. Committee Structure and Operation: The Committee shall meet where and as provided by the Chair of the Committee. The Secretary of the Corporation shall be the Secretary of the Committee unless and until the Committee designates otherwise. In the absence of the Chair during any Committee meeting, the Committee may designate a temporary Chair for that meeting. Pursuant to Article VII, Section 7 of the Corporation's bylaws when the Committee has an even number of currently serving committee members, then 50% of the total number of the members of the Committee shall constitute a quorum for the transaction of business and when the Committee has an odd number of currently serving Committee members, then a majority of all of the members of such Committee shall constitute a quorum for the transaction of business. The Committee shall act only on the affirmative vote of a majority of the members at a meeting or by unanimous written consent.
- IV. Responsibilities: The Committee shall have the following responsibilities:
1. Establish practices and procedures to promote honest and ethical conduct by Corporation Members, officers and employees and enhance public confidence in the Corporation.
 2. Develop and recommend to the Members of the Corporation for the approval a set of governance guidelines.
 3. Review on a regular basis and update as necessary the Corporation's code of conduct and the Corporation's practices and procedures regarding conflicts of interest. Such code of conduct and practices and procedures shall be at least as stringent as the laws, rules, regulations and policies applicable to State officers and employees.

4. Review on a regular basis and update as necessary the Corporation's written practices and procedures regarding the protection of whistleblowers from retaliation.
5. Review on an annual basis compensation and benefits for Senior Officers (as defined under the bylaws) .
6. Make recommendations on the structure of Member meetings.
7. Review the Members' Committee structure.
8. Prepare a profile of the skill sets and experiences of individuals best equipped to be constructive Members; keeping up-to-date with current governance practices; and updating the Corporation's corporate governance documents accordingly.
9. Consider making recommendations to the Governor or State Legislature regarding the kinds of people (not necessarily specific individuals) the Corporation believes should be appointed as Corporation Members for reasons such as experience, qualifications or otherwise.
10. Review on a regular basis and update as necessary the Corporation's written policies regarding procurement of goods and services and equal opportunity and affirmative action within the Corporation, including:
 - a. policies relating to the implementation of the Lobbying Reform Law¹ that include the disclosure of persons who attempt to influence the Corporation's procurement process;
 - b. policies relating to the implementation of the Lobbying Contact Law² that include any attempt to influence (i) the adoption or rejection or any rule or regulation having the force and effect of law by the Corporation, or (ii) the outcome of any rate making proceeding by the Corporation; and
 - c. monitoring and reviewing the status of equal opportunity and affirmative action within the Corporation, in the Corporation's purchasing and contracting, and with respect to the execution of the Corporation's programs in accordance with the requirements of Article 15-A of the Executive Law. The Committee shall make recommendations with respect to equal opportunity and affirmative action. The Committee shall coordinate its efforts with the efforts of any similar committee of the affiliated State of New York Mortgage Agency, New York State Affordable Housing

¹ "Lobbying Reform Law" shall mean the provisions of the Legislative Law and the State Finance Law enacted on August 23, 2005, Chapter 1 of the laws of 2005 and amended on March 10, 2010, Chapter 4 of the laws of 2010.

² "Lobbying Contact Law" shall mean the provisions of Title 12-A of Article 9 of the Public Authorities Law enacted on December 11, 2009.

Corporation, State of New York Municipal Bond Bank Agency and New York State Housing Finance Agency.

11. Review on a regular basis and update as necessary the Corporation's written policies regarding the disposition of real and personal property.
12. Report its recommendations to the Members.
13. Provide, at least annually, the Members with an evaluation of the:
 - a. Committee;
 - b. Governance Guidelines together with any proposed changes the Committee recommends to the Members for approval;
 - c. Adequacy of the Committee's charter together with any proposed changes the Committee recommends to the Members for approval; and
 - d. Accomplishments and goals of the Corporation with respect to equal opportunity and affirmative action.

V. Authority and Powers Delegated to the Committee as Agent of the Corporation:

1. The Committee shall have the authority to retain outside counsel and any other advisors as the Committee may deem appropriate in its sole discretion;
2. The Committee shall have sole authority to approve related fees and retention terms, subject to the terms of Public Authorities Law Section 2879; and
3. The Committee, on behalf of the Members of the Board, shall have the authority to initially approve procurement contracts that exceed one year in duration or \$100,000 in amount, and to annually review procurement contracts that exceed one year in duration, pursuant to Article VII, Section 5 of the Corporation's bylaws.