

**MINUTES OF THE 21ST MEETING OF THE
TOBACCO SETTLEMENT FINANCING CORPORATION
GOVERNANCE COMMITTEE
HELD ON JANUARY 27TH, 2011 AT 12:49 A.M.
AT ITS OFFICES AT 641 LEXINGTON AVENUE
NEW YORK, NEW YORK 10022**

MEMBERS AND DESIGNEES

PRESENT:

Judd S. Levy	Chairman
Elaine McCann	Division of the Budget, Representing Robert Megna, Member (via Video Conference)

ABSENT:

Kenneth M. Bialo	Member
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Chairman Levy chaired the meeting; Joy F. Willig, Senior Vice President and Counsel, acted as Secretary. The meetings of the Governance Committees were opened in joint session for the consideration of various matters of shared importance. These minutes reflect only those items being considered by the Members of the Tobacco Settlement Financing Corporation Governance Committee. A record of items considered by the other Agencies' Governance Committees is contained in the minutes of each Committee respectively.

The first item on the agenda was the approval of the minutes of the 20th TSFC Governance Committee Members' meeting held on January 27, 2011. There were no objections or corrections by the Members, and the minutes were deemed approved.

The next item on the agenda was an information item reviewing the Agencies' Mission Statements. Mr. Alejandro Valella, Vice President and Deputy Counsel, presented on this item. Mr. Valella explained that the mission statements adopted in March of 2010 outline certain procedures for reviewing measurements of the fulfillment of the mission statements. He noted that these lists of measurements were for the calendar year of 2010. Marian Zucker, President, Office of Finance and Development discussed the measurement reports for the New York State Housing Finance Agency, emphasizing certain figures from the report and goals. She noted that the Agency was emphasizing the funding of more upstate transactions, she noted a trend towards more upstate transactions had occurred in the calendar year of 2010, but that hadn't yet been shown in the figures for the fiscal year of 2009-2010, upon which this measurement report was prepared. Chairman Levy said that in the future some comparative data for the previous year to give a more thorough

understanding of the performance measures would be useful. Ms. Karen Phillips asked whether there were more substantive performance measures than the number of units—for example, jobs created, income levels of residents served, or effect on the area's growth. Ms. Zucker responded that these data points would be difficult to collect, but that she would be enthusiastic about a meeting to determine ways to undertake a more substantive examination of the impact of the Agencies' policies. The current measurement report is based on the measurement criteria found in the existing mission statements.

Ms. Joanne Hounsell, Interim Chief Financial Officer, then discussed the fiscal health of the Agencies. She noted that neither the internal nor the external auditors of the Agencies have concern over the Agencies' fiscal health. Additionally, she noted that assets and coverage are holding steady, that the Treasurer feels the Agency has addressed any liquidity issues, and that the Agencies issued \$1 billion bonds this past fiscal year. However, allowances for losses on loans have been lowered, and "post employment benefit other than pension" exposure is increasing. Also discussed was the decrease in fund balance which was a result of subsidy loans.

Chairman Levy noted that the Agencies enjoyed a significantly fiscally healthy single family program and mortgage insurance fund. He also emphasized that comparative data would be far more illustrative for future measurement reports.

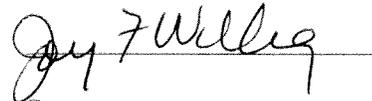
Mr. Sweet asked if the current economic environment is causing the Agency to increasingly insuring risky loans with low FICO scores, or if this has been a steady practice. Ms. Zucker said that this has probably increased slightly due to more frequent turn-away by Genworth of certain loans. Chairman Levy emphasized that this is, in part, the mission of the Agency—to prudently insure loans that others will not.

The next item on the agenda was a review of the evaluations of the Governance Committees' Performance. Mr. Valella noted that the Members' materials contained the evaluation form and report on this year's governance committee activity, and requested that committee members return the completed form by February 15th.

The next item on the agenda was a discussion of the proposed SEC Regulation defining the role of Board Members. Mr. Valella discussed the proposed Dodd-Frank Bill, which would define Board Members as "municipal advisors," arguing that Members provide advice to municipalities, and that appointed Members are not answerable to the communities that they serve. Elected or ex-officio board members would be excluded from the characterization as municipal advisors, due to a perceived increased accountability. Mr. Valella noted that the SEC was requesting comment on the proposed rule, and recommended that the Agencies submit a comment. Mr. Valella requested committee comments on a proposed response on behalf of the Agencies that would emphasize, that: 1) Members *are* the entity, they are not advisors to the entity and that 2) there is no distinction under the Public Authorities Law in New York State between the fiduciary duties of appointed and ex-officio and elected officers. He voiced his concern that imposing these new and significant obligations and costs to potential board members would discourage service. Mr. Sweet asked staff to consider the possibility of the bill including a possible exemption of the SEC

regulations of municipal advisors. The item was recommended for discussion at the regular Board Meeting to be held later in the day.

There being no unfinished business, Ms. McCann moved to adjourn the meeting; Chairman Levy seconded the motion, and the meeting was adjourned at 1:24 p.m.


Secretary