MINUTES OF THE 20TH MEETING OF THE TOBACCO SETTLEMENT CORPORATION GOVERNANCE COMMITTEE HELD ON DECEMBER 9TH, 2010 AT 10:05 A.M. AT ITS OFFICES AT 641 LEXINGTON AVENUE NEW YORK, NEW YORK 10022

MEMBERS AND DESIGNEES

PRESENT:

Judd S. Levy	Chairman
Kenneth M. Bialo	Member
Elaine McCann	Division of the Budget, representing Robert Megna, Member (Via Video Conference)

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 Fund 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 19th TSFC Governance Committee Members' meeting held on September 14, 2010. There were no objections or corrections by the Members, and the minutes were deemed approved.

The next item on the agenda was a resolution concerning Board self evaluations. Mr. Alejandro Valella, Vice President and Deputy Counsel, presented information to Members in connection with this item, materials for which the Governance Committee members had received prior to the meeting. Mr. Valella noted that the Authorities Budget Office (ABO) requires the Members to perform an annual self-evaluation, providing a template from which the Agency created a form for this purpose. Mr. Valella explained that the task of the Governance Committee is to review the Members' anonymous responses to the previously-distributed self evaluation in an executive session, if they so desire. Mr. Sweet noted that the self evaluation form, framed as it was in terms of "agreement/disagreement" did not elicit substantive responses to elaborate on the ratings. The Members agreed that therefore little was to be gained by entering executive session and elected not to do so.

Chairman Levy noted that one Member had disagreed with the statement that "The Board sets clear and measurable performance goals for the Agency that contribute to accomplishing its mission." Mr. Valella pointed out that the Agency's Mission Statement, adopted in March of 2010, now lays out specific measurable goals, the satisfaction of which is evaluated at year-end. Chairman Levy focused on the question on the evaluation whether "The Board meets to review and approve all documents and reports prior to public release

and is confident that the information being presented is accurate and complete," which appears to require more action from the Board than it currently undertakes. Chairman Levy pointed out that currently the Board does not review and approve Preliminary Official Statements, for example. He noted that this task is specifically delegated to certain Senior Officers via Series Resolutions. He asked that the confidential evaluation of Board performance be revised to more closely reflect the actual functions of the Members. The Members generally expressed the view that for future evaluations staff should adapt the evaluation form prepared by the ABO to more accurately reflect the actual operations of the Agency's board, and that the form be revised to allow room for Members to provide for more elaboration on answers beyond the current options of "agree, somewhat agree, somewhat disagree, and disagree."

Chairman Levy moved to adopt the resolution; Ms. McCann seconded the motion, and the following resolution was adopted unanimously.

A RESOLUTION OF THE GOVERNANCE COMMITTEES OF THE NEW YORK STATE HOUSING FINANCE AGENCY, THE STATE OF NEW YORK MORTGAGE AGENCY, THE NEW YORK STATE AFFORDABLE HOUSING CORPORATION, THE STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY, AND THE TOBACCO SETTLEMENT FINANCING CORPORATION CONCERNING BOARD SELFEVALUATIONS

The next item on the agenda was a Resolution approving an Action Plan for the Governance Committees in the calendar year of 2011. Mr. Valella presented to the Members certain information connected with this item, including a review of the actions of the Governance Committee in the year 2010. Specifically, Mr. Valella reviewed the proposed action plan for 2011. Chairman Levy recommended that the December meeting also include a review of Senior Managers' performance. Ms. Phillips asked if the evaluation at the January Committee meeting might resemble the December ABO Board self evaluation, which the committee had recently discussed. Mr. Valella stated that the Governance Committee's self evaluations will be the same as it has been in years past, rather than reflect the new ABO-developed Board Self Evaluation.

Chairman Levy moved to adopt the resolution; Ms. McCann seconded the motion, and the following resolution was adopted unanimously.

A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE AGENCY, THE STATE OF NEW YORK MORTGAGE AGENCY, THE AFFORDABLE HOUSING CORPORATION, THE STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY AND THE TOBACCO SETTLEMENT CORPORATION GOVERNANCE COMMITTEES APPROVING AN ACTION PLAN

The next item on the agenda was a Resolution approving salary ranges for Senior Officers. Mr. Valella presented information to the Governance Committee in connection with this item, asking the Committee, in accordance with Agency Policies and

Procedures requiring annual review, to approve an extension of the salary ranges that were approved by the Board for the calendar years of 2009 and 2010. There were no questions from the board.

Chairman Levy moved to adopt the resolution; Ms. McCann seconded the motion, and the following resolution was adopted unanimously.

A RESOLUTION OF THE NEW YORK STATE HOUSING FINANCE AGENCY, THE STATE OF NEW YORK MORTGAGE AGENCY, THE AFFORDABLE HOUSING CORPORATION, THE STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY, AND THE TOBACCO SETTLEMENT FINANCING CORPORATION GOVERNANCE COMMITTEES APPROVING SALARY RANGES FOR SENIOR OFFICERS

The next item on the agenda was an information item concerning salary adjustments for Management Confidential employees. Mr. Valella presented on this item, summarizing salary increases, the amounts and recipients of which were outlined in board materials. The Chairperson noted that in January, 2010, a 2.5% increase was approved for all non-Senior Officer Management Confidential staff, retroactive to January 1, 2009, but that after the retroactive component was paid, the increase was rescinded, as of February 18, 2010. Chairman Levy asked Mr. Valella to elaborate on the circumstances relating to the salary adjustment that was recommended on March 11, 2010. Mr. Valella noted that at that time, a pay increase was issued to State employees, and the Agency gave a similar increase to Management Confidential staff.

There being no unfinished business, Ms. McCann moved to adjourn the meeting; Chairman Levy seconded the motion, and the meeting was adjourned at 10:30 a.m.

Secretary