

**TOBACCO SETTLEMENT AUTHORITY
BOARD OF DIRECTORS
Special Meeting**

Minutes

February 3, 2015

The Chair, Ms. Carla DewBerry, called the meeting of the Tobacco Settlement Authority (the “Authority”) to order at 1:01 p.m. on Tuesday, February 3, 2015.

The Special Meeting was held in the Training Room of the Washington State Housing Finance Commission (the “Commission”) located on the 28th floor of 1000 Second Avenue, Seattle, Washington. Board members Mr. Jeff Newgard and Mr. Tim Kerr were present in the board room along with Ms. DewBerry. Board members Mr. Mike Roberts and Ms. Marlis Petersen Spawn were present via teleconference. Authority staff members present were Mr. Kim Herman, Mr. Paul Edwards, Mr. Bob Cook, Ms. Carol Johnson and Mr. Cody Field. Finance team members present were Ms. Stacey Lewis and Mr. Paul Lawrence of Pacifica Law Group; Joining via teleconference was Mr. Roger Bagley of Hawkins, Delafield and Wood.

**Approval of the
December 10,
2014 Minutes**

Ms. DewBerry asked for a motion to approve the minutes of the meeting held on December 10, 2014. Mr. Kerr moved approval of the minutes. Mr. Roberts seconded the motion. The motion was approved unanimously.

**Financial
Statement**

Ms. DewBerry introduced Mr. Cook to present the financial statement. Mr. Cook stated that the financial statement for the month ended December 31, 2014 shows total assets of \$153,198 and liabilities of \$137,467, leaving an unrestricted balance of \$15,730. Mr. Cook noted that due to a lack of income received and significant expenses related largely to litigation, there is a large deficit position for the year of \$590,299. Before April 1, staff will submit an Officer’s Certificate to the Trustee so that the Authority can replenish their operating funds.

Ms. DewBerry asked for a motion to accept the financial statement. Mr. Newgard made the motion and it was seconded by Mr. Kerr. The motion was approved

unanimously.

Invoice for Services

Ms. DewBerry introduced Mr. Cook to present the Invoice for Services. Mr. Cook stated that the invoice from the Housing Finance Commission for the two months ending December 31, 2014 totaling \$27,914.09 was approved by Board Treasurer, Mr. Newgard.

Executive Director's Report

Ms. DewBerry introduced Mr. Herman to present the Executive Director's Report. Mr. Herman provided an update of the State Legislature. He noted that staff is watching a handful of bills, none of which would directly affect the TSA, but could potentially impact TSR revenues down the road. There are proposals to make the legal smoking age 21, classify e-cigarettes as cigarettes and tax them as such, and increase taxes on tobacco products. Similar initiatives are occurring in a number of states and may rise to the federal level.

Mr. Herman summarized some of the articles and reports included in the packet regarding electronic cigarettes, the legal smoking age in Washington, and the purchase of Swap Financial Group by Syncora. Mr. Herman noted that Swap Financial Group, headed by Peter Shapiro, has been the Authority's quantitative consultant for the Lehman mediation and lawsuit. One final article from the Bond Buyer lists Washington State as one of the top 10 bond issuers in the country, at number 10. The article also mentions PFM, the TSA's financial advisor. PFM was ranked first place as the top financial advisor in 2014. John Bonow, PFM's CEO, who is originally from Seattle and has worked with the TSA extensively, is quoted.

Ms. DewBerry asked if anyone from the public would like to make a comment. There were no comments for the record.

Adjournment for Executive Session

Ms. DewBerry adjourned the meeting for an Executive Session at 1:09 p.m. to discuss the Lehman Brothers reserve fund agreement lawsuit. She noted that the Authority would meet for approximately 40 minutes.

**Reconvene and
Adjournment**

Ms. DewBerry reconvened the meeting at 1:34 p.m. She stated that after discussion, the Board determined there was no need to take any additional action.

Ms. DewBerry adjourned the meeting at 1:35 p.m.

Ms. Carla DewBerry, Chair