

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

Minutes

June 9, 2015

The Chair, Ms. Carla DewBerry, called the meeting of the Tobacco Settlement Authority (the “Authority”) to order at 1:02 p.m. on Tuesday, June 9, 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. Mike Roberts, Mr. Jeff Newgard and Mr. Tim Kerr were present in the board room. Board member Ms. Marlis Petersen Spawn was present by telephone. Authority staff members present were Mr. Paul Edwards, Mr. Bob Cook, Ms. Carol Johnson and Mr. Cody Field. Finance team members present were Ms. Faith Pettis of Pacifica Law Group and Mr. Tom Zrust of U.S. Bank. Joining via teleconference was Ms. Kym Arnone of Barclays Capital, Mr. Howard Zucker and Mr. Roger Bagley of Hawkins, Delafield and Wood, and Mr. Paul Creedon and Mr. Sean Markowitz of Citigroup Global Markets.

**Approval of the
March 6, 2015
Minutes**

Ms. DewBerry asked for a motion to approve the minutes of the meeting held on March 6, 2015. Mr. Kerr moved approval of the minutes. Mr. Roberts seconded the motion. The motion was approved unanimously.

Mr. Newgard announced that he recently accepted a position in Idaho, requiring him to move out of the State of Washington and resign from the Authority. He noted that he has enjoyed his time on the board since joining in 2007. Ms. DewBerry recognized Mr. Newgard’s contributions to the Authority and presented him with an award.

Mr. Edwards announced that Executive Director, Kim Herman, is unable to attend the meeting due to medical issues, noting that he would be leading the discussions listed on the agenda as being presented by Mr. Herman.

**Election of
Secretary and
Treasurer**

Ms. DewBerry introduced Mr. Edwards to present the election of Secretary and Treasurer. Mr. Edwards stated that each year the Board elects both a Secretary and a Treasurer. This past year Mr. Roberts served as Secretary and Mr. Newgard served as Treasurer. Mr. Edwards thanked them for their service. He noted that Mr. Roberts has agreed to continue in the role of Secretary and Ms. Petersen Spawn has volunteered to take on the role of Treasurer if the board chooses to nominate and elect them.

Ms. DewBerry asked for a motion to re-elect Mr. Roberts as Secretary. Mr. Newgard moved to nominate Mr. Roberts and it was seconded by Mr. Kerr. The motion was approved unanimously. Ms. DewBerry asked for a motion to elect Ms. Petersen Spawn as Treasurer. Mr. Roberts made the motion and it was seconded by Mr. Newgard. The motion was approved unanimously.

**Annual Budget
for the period
July 1, 2015 –
June 30, 2016**

Ms. DewBerry introduced Mr. Cook to present the annual budget for the fiscal year July 1, 2015 – June 30, 2016. Mr. Cook stated that staff is projecting approximately .5 FTEs to provide the services necessary to keep the Authority operating. With the Lehman claim settled, the budget will be much smaller. Professional fees are budgeted at about \$38 thousand down from \$900 thousand.

Mr. Cook stated that in April \$329,533 of operating revenue was requested from the stream of tobacco settlement revenues in order to finalize and settle the outstanding bill related to litigation. This is anticipated to provide enough funds carrying forward to complete the next fiscal year. Another request could be made in April, 2016 if necessary to provide enough funds to carry the Authority through the following year.

Mr. Cook noted that minimal revenue is budgeted with expenses of \$123 thousand. There are excess reserves from the deposit of the Officer's Certificate revenues and the Authority will be in a positive position at the end of the next fiscal year.

Ms. DewBerry asked for a motion to accept the annual budget. Mr. Roberts made the motion and it was seconded by Mr. Newgard. The motion was approved unanimously.

Financial Statement

Ms. DewBerry introduced Mr. Cook to present the financial statement. Mr. Cook stated that the financial statement through the end of April 30th shows assets of approximately \$149 thousand and payables of \$18 thousand leaving a net position of \$131 thousand. As noted previously, \$329,533 was brought in as revenue. Expenses for the year total \$804,000.

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

Invoice for Services

Ms. DewBerry introduced Mr. Cook to present the Invoice for Services. He stated that the invoice from the Housing Finance Commission for the first four months of the calendar year for \$18,152.75 was presented to Board Treasurer Mr. Newgard and has been approved. Mr. Cook thanked Mr. Newgard for his service on the Board.

Tobacco Securitization Market Update

Ms. DewBerry introduced Ms. Arnone to present the Tobacco Securitization Market Update. Ms. Arnone provided an overview of the general market conditions noting that rates have been volatile since mid-April. She provided an overview of the tobacco market, MSA Payments, discussed some of the factors affecting the market and presented other news related to the tobacco sector.

Trustee Report

Ms. DewBerry introduced Mr. Zrust to present the Trustee's Report. Mr. Zrust stated on June 1, 2015, there was a bond maturity of \$20,495,000 and a turbo redemption of \$12,185,000. There is an outstanding balance of \$273,225,000. TSR payments have been under what was projected. The projections for June 1, 2015 were \$49,384,635, however, the Authority only received \$42,725,069.51.

The redemption made with money from the Lehman settlement helped cover some of the difference. Mr. Zrust noted that the Trustee funded the operating cap for the fiscal year of \$362,533. The reserve fund is at the required level.

**Executive
Director's
Report**

Ms. DewBerry introduced Mr. Edwards to present the Executive Director's Report. Mr. Edwards noted that one of the articles in the Board packet ranks Citigroup, the TSA's Co-senior manager/investment banker, as the top muni underwriter and PFM, TSA's financial advisor, as first in all financial advisor categories.

Mr. Cook asked the members of the finance team if the 2004 NPM adjustment arbitration would take as long as the 2003 arbitration. Ms. Arnone stated that the process probably won't be expedited.

Mr. Edwards noted that the next regularly scheduled meeting is December 9, 2015.

Adjournment

Ms. DewBerry adjourned the meeting at 1:25 p.m.

Ms. Carla DewBerry, Chair