

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

Minutes

February 26, 2016

The Chair, Ms. Carla DewBerry, called the meeting of the Tobacco Settlement Authority (the “Authority”) to order at 1:02 p.m. on Friday, February 26, 2016 via teleconference.

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 member Mr. Tim Kerr was present in the Training Room. Board members Mr. Mike Roberts, Ms. Marlis Petersen Spawn, and Mr. Gavin Cooley were present by telephone. Authority staff members present were Mr. Kim Herman, Mr. Paul Edwards, Ms. Debra Stephenson, Ms. Carol Johnson and Mr. Cody Field. Finance team members present were Ms. Faith Pettis of Pacifica Law Group and Assistant Attorney General, Mr. Rusty Fallis.

**Approval of the
December 15,
2015 Minutes**

Ms. DewBerry asked for a motion to approve the minutes of the meeting held on December 15, 2015. Mr. Roberts moved approval of the minutes. Ms. Petersen Spawn seconded the motion. The motion was approved unanimously.

**Selection of
Underwriter for
the Authority**

Ms. DewBerry introduced Mr. Herman to present Authority staff recommendations regarding selection of underwriter for the Authority. Mr. Herman stated that Authority staff conducted a thorough request for proposals (RFP) process for the selection of investment banking/underwriting services for an initial term of two years, with an annual option to extend the contract for a total of five years. The RFP was mailed to all firms on the Authority’s underwriter roster, posted to the State’s General Administrations database system, and posted on the Authority’s website.

All interested parties were given an opportunity to ask questions and obtain clarification in writing. The Authority received 9 responses. Staff conducted a thorough evaluation of all the responses. Based on these evaluations and discussion with Authority Chair, Ms. Dewberry, staff elected not to conduct formal interviews. With the exception of Jefferies LLC, all of the recommended firms worked with the Authority on the 2013 refunding. The staff at Jefferies is now comprised of the same individuals who ran the tobacco unit at Barclays, the Authority's previous Book-Running Senior Manager.

Mr. Herman stated that staff recommends Jefferies LLC, represented by Kym Arnone, as Book Running Senior Manager. Ms. Arnone has been the Authority's investment banker since 2002, first with Bear Stearns and then with Barclays. As Co-Senior Manager, staff recommends Citigroup Global Markets, represented by Tom Green and Paul Creedon. For Co-Manager, staff recommends: Bank of America Merrill Lynch, represented by Greg Sundberg. Merrill was a member of the original finance team for the 2002 issue; Keybank Capital Markets, represented by Geoff Urbina; RBC Capital Markets, represented by Christine Pihl; and Raymond James, represented by Robert Larkins.

Mr. Herman noted that the Authority only enters into contracts with Senior Managers. The Co-Managers are designated to work with the Senior Managers. The Authority has not contracted with Co-Managers previously.

Mr. Roberts asked for a summary of the quality of the proposals. Mr. Herman stated that all recommended firms submitted proposals proving that they are knowledgeable and demonstrating their experience and history with the Authority. He noted that there were some new applicants that staff were unfamiliar with. These firms were not as qualified as the recommended firms. Mr. Edwards noted that the Authority received proposals from one women owned business and two newly formed veteran owned businesses. These firms had little to no experience with tobacco bonds. Ms. Johnson seconded Mr. Edwards' comment regarding these three firms' lack of experience.

Mr. Herman reiterated the importance of experience and history with the Authority with regard to the recommended firms. He noted that the tobacco market is unique and that having experience is an important qualification.

Mr. Kerr asked about the capital position of Jefferies LLC, compared to the other firms. Mr. Herman stated that after review, it was determined that the firm was highly qualified. Ms. Dewberry added that Kym Arnone and her entire team joined Jefferies LLC.

Mr. Roberts made a motion to approve staff recommendations regarding selection of underwriter/investment bankers to the Authority as follows: Book Running Senior Manager – Jefferies LLC; Co-Senior Manager – Citigroup Global Markets; and Co-Managers - Bank of America/Merrill Lynch, KeyBanc Capital Markets, RBC Capital Markets, and Raymond James.

He further moved to approve contracting with both Senior Managers for a term of 2 years with options to extend for up to 5 years. The motion was seconded by Mr. Kerr. The motion was approved unanimously.

Financial Statement

Ms. DewBerry introduced Ms. Stephenson to present the financial statement. Ms. Stephenson stated that the financial statement through the end of December 31, 2015 shows total assets of just under \$94 thousand with accounts payable just under \$6 thousand, leaving an unrestricted net position of \$88 thousand. Expenses for the year to date for the period ending December 31, 2015 were just under \$35 thousand, with an excess of expenses over revenues of just under \$35 thousand bringing the total net position to just over \$88 thousand.

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

Invoice for Services

Ms. DewBerry introduced Ms. Stephenson to present the Invoice for Services. Ms. Stephenson stated that the invoice from the Housing Finance Commission for November and December of 2015 showing an amount due of \$4,804.32 has been previously approved by Authority Treasurer, Ms. Petersen Spawn.

Executive Director's Report

Ms. DewBerry introduced Mr. Herman to present the Executive Director's report. Mr. Herman discussed the articles in the meeting packet. He noted that the Authority still has one of the best tobacco credits in the nation. The next meeting is scheduled for June 8, 2016 or as needed.

Ms. DewBerry asked if there were any comments from the public. There were no members of the public present.

Adjournment

Ms. DewBerry adjourned the meeting at 1:20 p.m.

Ms. Carla DewBerry, Chair