

TOBACCO SETTLEMENT AUTHORITY
Special Meeting

Minutes

February 3, 2023

Board Chair, Ms. Carla DewBerry, called the meeting of the Tobacco Settlement Authority (the “Authority”) to order at 1:02 p.m.

Board members present on the line were Mr. Wolf Opitz, Mr. Ken Vyhmeister, Mr. James Krejci, and Ms. Elya Prystowsky.

Authority staff on the line were Mr. Steve Walker, Executive Director; Ms. Carol Johnson, Assistant Director; Ms. Fenice Taylor, Senior Finance Director; Mr. Lucas Loranger, Senior Controller; and Ms. Rona Monillas, Program Coordinator.

Also present on the line were Ms. Faith Pettis of Pacifica Law Group; Ms. Christine Ok of U.S. Bank; Mr. Cam Comfort and Mr. Scott Forbes from the Washington Attorney General’s Office; Mr. Kevin Smith and Mr. Chris Matika of Eide Bailly; and Ms. Kym Arnone, Mr. Bill Bloom, and Kate Jovanoska of Jefferies LLC.

**Introduction of
the board
member**

Mr. DewBerry introduced and welcomed the Authority’s new board member, Ms. Elya Prystowsky.

**Approval of the
Minutes**

Ms. DewBerry asked for a motion to approve the minutes of the meeting held on August 2, 2022. Mr. Opitz made the motion, and it was seconded by Mr. Vyhmeister. The minutes were approved unanimously, 5-0.

**Action Item:
Acceptance of
Final Audit
Report**

Ms. Taylor introduced Mr. Kevin Smith and Mr. Chris Matika to present a summary of the Audit Report to the Authority.

Mr. Smith presented the overall results of the audit and highlighted some of the changes in the audit reporting compared to prior years.

Mr. Smith explained the risks identified in the audit. He also pointed out significant accounting policies.

Mr. Smith noted that auditors had no difficulties and no uncorrected or corrected misstatements encountered during the audit.

Mr. Vyhmeister asked why there were no principal redemptions showing for years 2025 to 2027 in Note 5. He further inquired if it is because the Authority is assuming that the bonds will be paid off in 2025. Mr. Loranger responded that this is based on the schedule of maturities and not when the bonds will be paid off.

Ms. DewBerry asked for a motion to accept the final Audit Report. Mr. Krejci made the motion, and it was seconded by Ms. Prystowsky. The motion was accepted unanimously, 5-0.

**Action Item:
Approval of the
Current Financial
Statement**

Ms. Taylor presented the unaudited, current financial statement of the Authority's General Operating Fund. Ms. Taylor stated that the financial statements as of November 30, 2022 show assets of approximately \$295,000 with \$25,000 in liabilities, leaving a net position of approximately \$270,000.

Ms. Taylor stated that the two invoices from the Housing Finance Commission covering April 2022 through September 2022, totaling over \$14,000, have been approved for payment by the Board Treasurer, Mr. Opitz.

Ms. DewBerry asked for a motion to approve the current financial statement. Mr. Opitz made the motion, and it was seconded by Ms. Prystowsky. The motion was approved unanimously, 5-0.

Trustee Report

Ms. DewBerry introduced Ms. Christine Ok, from U.S. Bank Trust Company, National Association, the Bond Trustee, to present the Trustee's Report.

Ms. Ok reported that payments for interest due for both the 2013 series and 2018

series were received and paid to bond holders in December. Series 2013 bonds are outstanding in the amount of \$27,045,000 and Series 2018 bonds are outstanding in the amount of \$33,030,000, totaling \$60,075,000 in total bonds outstanding.

Ms. Ok reported that no Lehman checks were received during the second part of 2022.

Ms. Ok stated that the required semi-annual report was submitted to the rating agency. She also reported that the total reserve was maintained at \$31,997,719.44.

**Status of
2004 NPM
Adjustment
Arbitration**

Ms. DewBerry introduced Mr. Cam Comfort from the Attorney General's Office to give a report on the status of the 2004 Nonparticipating Manufacturer (NPM) adjustment arbitration.

In response to the adverse arbitration decision regarding the 2004 calendar data, Mr. Comfort stated that they anticipate the independent auditor will make the necessary adjustments. The Authority's portion of this year's anticipated payment is estimated at \$28.6 million. He added that a final determination will be made in March regarding the April distribution.

Mr. Comfort said that the payment last year was \$36.6 million. He added that an \$8 million adjustment will take it down to about \$28 million. He further added that they anticipate that the payout amount will increase a little bit next year due to the impact of inflation.

Mr. Comfort reported that appeals have been filed regarding the 2004 arbitration decision and that the State has moved to vacate that decision. A final brief will be filed on February 27. He said that they expect the argument to be delayed due to an additional motion that was filed.

**Executive
Director's
Report**

Mr. Walker gave a brief discussion on the Authority's potential wind down.

Ms. DewBerry inquired as to whether there will be continuing payment reductions or claw backs because of NPM adjustments after the anticipated wind down. Mr. Comfort said that the participating manufacturers withhold a certain amount each year, and each arbitration is meant to settle that. After wind down, any payments or penalties will go to the State, not the TSA. To expedite the process, the State filed for combined NPM arbitration for the years 2005 through 2007. That arbitration decision will determine whether the State receives additional funds or is subject to further withholding.

Mr. Walker said that the next Authority board meeting will be on June 7, 2023.

**Public
Comment**

Ms. DewBerry asked if there were any comments from the public. There were none.

Adjournment

Ms. DewBerry adjourned the meeting at 1:44 p.m.

Ms. Carla DewBerry, Chair