

## BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY

### Minutes of September 12, 2007 Meeting

The Buckeye Tobacco Settlement Financing Authority (the Authority) held a meeting commencing at 3:00 p.m. on Wednesday, September 12, 2007, in the 35th Floor Conference Room, Office of Budget and Management, James A. Rhodes State Office Tower, 30 East Broad Street, Columbus, Ohio, pursuant to notice of meeting given by the Secretary of the Authority pursuant to section 4.2 of Bylaws.

[Copies of the items marked \* are attached hereto and made a part of these minutes.]

The Chairman called the meeting to order.

Mr. Kauffman reported for the secretary that no new designations, pursuant to Section 183.52 of the Revised Code, were filed since the last meeting of the Authority.

Pursuant to Section 3.1 of the Bylaws, Mr. Markus presided as Chair of the meeting. Upon roll call, the Chairman declared a quorum to be present. The following members and designee of the member of the Authority, eligible to vote at the meeting, were present during the meeting:

Kent Markus, Office of the Governor  
Richard Cordray, Treasurer of State  
Chris Glaros, Treasurer of State  
J. Pari Sabety, Director of Budget and Management

Also present were Mark Losey and Hope Sharett (assistant Attorney General to the Authority), Kurt Kauffman (Assistant Secretary), Jake Wozniak (Assistant Treasurer), Jeanne Vanda and Ted Ricci by conference call (Public Financial Management), Louis Capobianco, Anthony Perry, Larry Scurlock and Liberty Ziegahn (Office of Budget and Management); Tim Keen (Office of the Auditor of State), Rodney Nespeca, Justin Nahvi, Robert Newman and Leesa Brown (Office of the Treasurer of State); Amanda Wurst (Office of the Governor), Brian Perera and Eric Roush (Ohio Senate), Greg Stype (Squire Sanders & Dempsey), Rita Merry (Huntington Investment Co.), Matt McCauliffe (PNC Capital Markets), Brad Kastan (Bear Stearns), Michael Dockman (U.S. Bank) and various news and media organizations.

The Assistant Secretary filed the certificate\* of compliance with the public meeting notice provisions of Section 121.22 of the Revised Code.

Ms. Sharett then gave a verbal presentation regarding the process used to select outside counsel to assist the Attorney General in their role as issuer's counsel to the Authority. She confirmed that ten proposals were received from qualified firms and reported that Peck, Shaffer and Williams had been selected. Ms. Sharett also noted Peck, Shaffer's fee proposal of \$35,000 was significantly less than the next lowest bid. The Chairman declared this was not an action item for the Authority.

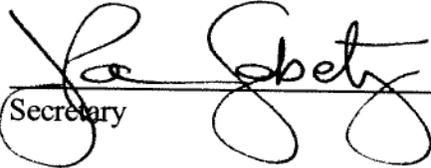
Mr. Wozniak then reviewed the request for proposals\* for trustee services. Mr. Wozniak reported that the scope of services and minimum qualifications set forth in the RFP would limit respondents to clearly qualified firms. Consequently, the selection would be based on the lowest

total proposed fees. Following a brief discussion, Treasurer Cordray moved, seconded by the Secretary to approve the release of the request for proposals for trustee services and authorize its distribution (including related advertising of its availability) by the Secretary. Further, staff was directed to evaluate the proposals received and the Secretary was delegated the authority to select the lowest qualified bidder, to be reported back to and confirmed by the Authority at a future meeting. The motion was approved upon roll call as follows: Ayes – Sabety; Cordray, Markus; Nays - None. The Chair declared the motion passed.

Mr. Kauffman then presented Resolution 2007-1 authorizing the preparation and execution of the documents necessary under U.S. treasury regulations to qualify current expenditures made from available monies to be reimbursed from the proceeds of tax-exempt bonds to be issued in the future. Mr. Kauffman explained that the School Facilities Commission would expend monies from its tobacco settlement and cash funds for ongoing school facilities building projects and that those expenditures would be reimbursed from the proceeds of the Authority's tobacco securitization. After some discussion, the Secretary then moved, seconded by the Treasurer, to adopt the Resolution 2007-1. The motion was approved upon roll call as follows: Ayes – Sabety, Cordray, Markus; Nays - None. The Chair declared the motion passed.

Mr. Kauffman then presented a draft schedule\* of future Authority meetings and items that would need to be acted upon at those meetings to complete the proposed securitization. Mr. Kauffman noted that one action item, delegating to the Secretary the authority to select and enter into agreements with the credit rating agencies, needed to be moved up to today's meeting as the rating agencies would not be able to meet our schedule without having contracts in place prior to the next proposed Authority meeting. Mr. Wozniak added that this was due to the fact that their fees were not contingent on the tobacco securitization closing. After a brief discussion, Mr. Glaros moved, seconded by the Secretary, to authorize the Secretary to select and enter into agreements with two or more credit rating agencies in connection with their review and rating of the bond offering. The motion was approved upon roll call as follows: Ayes – Sabety, Glaros, Markus; Nays - None. The Chair declared the motion passed. Mr. Kauffman and Public Financial Management staff continued the overview of the remaining schedule.

There being no further business, the meeting was adjourned.

  
Secretary



**THE BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY**

**RICHARD CORDRAY, Treasurer**  
Treasurer of State

**TED STRICKLAND, Chairman**  
Governor

**J. PARI SABETY, Secretary**  
Director of Budget and Management

**CERTIFICATION REGARDING NOTIFICATION OF MEETING  
TO THE PUBLIC AND NEWS MEDIA**

The undersigned, Assistant Secretary of the Buckeye Tobacco Settlement Financing Authority, hereby certifies that the notice of the time, place and purposes of the meeting of the Authority of September 12, 2007 at 3:00 p.m. was posted on September 10, 2007 in the State House press room, the Office of Budget and Management (34<sup>th</sup> Floor, 30 East Broad Street), and the Office of the Treasurer of State (9<sup>th</sup> Floor, 30 East Broad Street), all in accordance Section 121.22 of the Revised Code and the Open Meetings Rule for notification of meetings to the public and news media adopted by the Authority July 2, 2007.

Dated: September 12, 2007

Kurt Kauffman  
Assistant Secretary of the  
Buckeye Tobacco Settlement Financing Authority

**\*\* Public Meeting Notice \*\***

September 10, 2007

TO: Members of the Buckeye Tobacco Settlement Financing Authority and their designees

Ted Strickland, Governor  
Richard Cordray, Treasurer of State

Kent Markus  
Chris Glaros  
David Ellis  
(my designee)

FROM: J. Pari Sabety, Secretary of the Buckeye Tobacco Settlement Financing Authority

SUBJECT: **Meeting on Wednesday, September 12, 2007, at 3:00 p.m.  
in Conference Room A of the Office of Budget and Management  
(35<sup>th</sup> Floor, Rhodes State Office Tower)**

Pursuant to the Bylaws of the Buckeye Tobacco Settlement Financing Authority, I am notifying you of the next meeting of the Authority to be held on Wednesday, September 12, 2007, at 3:00 p.m. in Conference Room A of the Office of Budget and Management (35<sup>th</sup> Floor, Rhodes State Office Tower, 30 East Broad Street, Columbus, Ohio). The Authority will consider and act on (i) a motion to release a Request for Proposals for trustee services, and (ii) a resolution authorizing declarations of official intent with respect to reimbursements from bond proceeds of temporary advances made for capital expenditures of the School Facilities Commission.

If you or members of your staff have any questions, please contact me or Kurt Kauffman of my staff at 466-0691.

cc. Marc Dann, Attorney General  
Mike Deemer, Chief Deputy Attorney General for Governmental Affairs  
Jake Wozniak, Assistant Treasurer  
Mark Losey, Chief, Business Counsel Section  
Hope Sharett, Director of Outside Counsel

# *The Buckeye Tobacco Settlement Financing Authority*

## **Request for Proposals for Trustee Services**



Via Email

The Buckeye Tobacco Settlement Financing Authority  
c/o J. Pari Sabety, Director of Budget and Management  
30 East Broad Street, 34th Floor  
Columbus, Ohio, 43215

September 12, 2007

### **I. Introduction**

The Buckeye Tobacco Settlement Financing Authority (the Authority) is soliciting proposals for Trustee services in connection with the issuance of approximately \$5.5 billion in un-enhanced, tax-exempt Tobacco Settlement Asset-Backed Bonds, Series 2007 (the Bonds). The State intends to assign and sell up to 100% of its tobacco settlement receipts (TSRs) payable to the State of Ohio under the November 1998 Master Settlement Agreement over the next 40-50 years. Market conditions permitting, pricing is anticipated to occur on or about the week of October 22, 2007, with settlement expected the week following pricing.

Interested financial institutions must respond to this Request for Proposal (the RFP) in all respects. The selected financial institution will be responsible for timely notifying the Authority of material changes in ownership, organization, personnel, litigation or conflicts, regulatory investigations or enforcement actions, and any other material changes or developments (i.e., within 30 days of their occurrence).

Any and all questions regarding this RFP must be submitted by e-mail to [OBM.BTSFATobaccoRFP@obm.state.oh.us](mailto:OBM.BTSFATobaccoRFP@obm.state.oh.us). All questions and responses will be posted on the Web at [www.obm.ohio.gov/tobacco](http://www.obm.ohio.gov/tobacco). With the sole exception of questions submitted following the above protocol, respondents shall not communicate about this RFP directly with the Authority, the Governor's Office, the Treasurer of State's Office, the Office of Budget and Management, the Authority's Financial Advisor, Public Financial Management, Inc., or any member of the Underwriting Syndicate. Any such communication will automatically disqualify the respondent and its proposal from consideration. Please note that all questions and answers become a matter of public record and will be made available to all RFP respondents. Responses to this RFP are the property of the State and will be "public records."

This RFP is not and shall not be construed as an offer of a contract by the Authority. Any contractual arrangement for trustee services will be evidenced by a separate contract authorized by the Authority. The Authority reserves the right to either award the contract without further negotiation or to negotiate the terms of the contract if determined to be in the best interest of the Authority. Any contract between the Authority and the selected trustee shall be based on the specifications, terms, and conditions of this RFP (as changed or clarified in accordance with its provisions), the proposed fee, and any other terms necessary for the purpose of completing the securitization.

### **II. Scope of Services**

A financial institution will be selected to provide one or more of the following services:

- Collection of tobacco settlement receipts and earnings on investments.
- For the Bonds, holding or accounting for the Bond Service Fund, including Interest and Principal Redemption Accounts, a Capitalized Interest Account, and the Debt Service Liquidity Reserve Fund). The Debt Service Liquidity Reserve is anticipated to be funded in an amount of approximately \$370-\$380 million, with the possibility of two or more guaranteed investment contracts or forward delivery agreements as investment vehicles. It is

# *The Buckeye Tobacco Settlement Financing Authority*

## **Request for Proposals for Trustee Services**



anticipated that the selected financial institution will enter into the referenced contracts and provide legal opinions with respect to enforceability. Further responsibilities under these contracts by the selected financial institution may include the payment of loss amounts under the forward delivery agreements and/or the indemnification of a tri-party custodian under an investment contract. The Bonds will include turbo redemption features and responding financial institutions are expected to have experience and have the technical expertise to provide trustee services for transactions of this nature.

- Holding and accounting for additional funds and accounts, including the Authority's operating expense account, as required to facilitate the final transaction structure.
- Conventional trustee services for tax-exempt bonds;
- Registrar services;
- Paying agent services (debt billing; notice of calls; DTC; reporting);
- Safekeeping and custodial services (purchasing and selling of securities; maintaining complete books of account of all transactions relating to the various Funds and Accounts; income collecting; providing monthly account statements with valuations; arbitrage/tax reporting; and audit confirming and reporting);
- Assume all legal obligations required of the Trustee, Registrar, and Paying Agent;
- If floating rate bonds are issued, provide Calculation Agent services, including periodic determination of the variable rate, adding any applicable spread, determination of the variable rate payment and dissemination of this information. Note, access to Bloomberg would be required for this task.
- Possible additional services as Collection or Lock-box Agent for certain funds as may be requested.
- Other analyses and services as requested by the Authority.

### **III. Minimum Requirements**

Responding financial institutions must meet the following minimum requirements to be considered for selection:

- A. Be a bank or trust company organized and doing business under the law of the United States of America with trust power, in good standing and qualified to provide corporate trust services in Ohio, and have a reported capital, surplus and undivided profits of not less than \$50,000,000; **or**
- B. Be a subsidiary trust company under the provisions of Section 6.1-32.7(a) of the Trust Subsidiary Act, or any successor provision of law, and whose capital, surplus and undivided profits, together with that of its parent bank or bank holding company, as the case may be, is not less than \$50,000,000; and
- C. Not have become incapable of acting or have been adjudged bankrupt or insolvent, nor have had a receiver appointed for itself or any of its property nor have had a public officer take charge or control of it or its property or affairs for the purposes of rehabilitation, conservation or liquidation;

# *The Buckeye Tobacco Settlement Financing Authority*

## **Request for Proposals for Trustee Services**



- D.. Shall provide certification to 1 through 3 above and an opinion of counsel addressing the legal capacity of the contractor to perform the obligations and trust powers required of it pursuant to the closing documents.
- E. Responding financial institutions must meet the following requirements:
- The Contractor must be Depository Trust Company (DTC) eligible;
  - The Contractor must have a Fast Automated Transfer Program (FAST) Agreement with DTC;
  - A minimum of three (3) years of experience as provider of day to-day or Trustee services;
  - A minimum of three (3) years of performing duties required of a Trustee in a revenue bond transaction;
  - A minimum of three (3) unenhanced tobacco securitizations with turbo payment structures since 2002 for which the financial institution served as Trustee; and
  - A minimum A/A long-term credit rating.

#### **IV. Submission of Proposal**

Interested parties must submit their responses no later than 4:00 PM EDT on Monday, September 17, 2007 via electronic mail. Each responding financial institution bears full responsibility for timely delivery of their proposal. Proposals received after the time and date listed above will not be considered. Proposals should be addressed to:

The Buckeye Tobacco Settlement Financing Authority  
c/o J. Pari Sabety, Director of Budget and Management  
30 East Broad Street, 34th Floor  
Columbus, Ohio, 43215  
[pari.sabety@obm.state.oh.us](mailto:pari.sabety@obm.state.oh.us)

Copies of the responses should also be delivered via electronic mail to:

Ms. Kym Arnone  
Bear Stearns & Co., Inc.  
383 Madison Avenue, 11<sup>th</sup> Floor  
New York, New York 10179  
T: (212) 272-2343  
F: (212) 272-5948  
[karnone@bear.com](mailto:karnone@bear.com)

Mr. Jim Haddon  
Citigroup Global Markets, Inc.  
390 Greenwich Street, 2<sup>nd</sup> Floor  
New York, NY 10013  
T: (212) 723-5569  
F: (212) 723-8939  
[james.f.haddon@citi.com](mailto:james.f.haddon@citi.com)

Mr. Ted Ricci  
Public Financial Management  
Plaza One South, Suite 115  
7251 Engle Road  
Cleveland, OH 44131  
[riccit@pfm.com](mailto:riccit@pfm.com)

Structure your proposal to answer the questions contained in the Proposal Requirements Section. Please limit your overall response to five (5) pages (single-sided, 12 point minimum font).

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## **Request for Proposals for Trustee Services**



The Authority also reserves the right to seek additional information from any and all financial institutions, to select finalists, to schedule interviews (if necessary) and to reject any or all proposals. The Authority shall not be responsible for any costs incurred by financial institutions in the preparation, submission, or presentation of their proposals. Choice of law in all documents related to this engagement must be the Authority.

### **V. Information to be Provided by Responding Financial Institutions**

1. State the following for the primary contact person from your firm and the principal author of this submission:
  - Full name
  - Mailing address
  - Telephone number
  - Facsimile number
  - Electronic mail addresses

Also include:

- Professionals who will be assigned to the Authority financing on a priority basis.
- Any relevant experience of your firm, focusing on tobacco asset-backed financing.

Please note that the naming of personnel is considered by the Authority to be a commitment by the firm to assign these particular individuals, unless otherwise requested by the Authority.

2. Provide your firm's experience in regards to providing trustee services for asset-backed financings and unenhanced tobacco securitizations since July 2002.
3. Provide two references, including title and phone number.
4. Briefly describe the bank's ownership structure, location, and organization.
5. Provide the name and contact information for the firm's counsel.
6. Describe any existing or potential conflicts of interest your firm might have in the course of your service as Trustee for the Authority.

### **VI. Fee Proposal**

Provide your proposed fixed dollar fees for performing comprehensive services as listed in Section II of this RFP itemized by the following categories:

- initial setup/acceptance;
- annual;
- legal counsel (specify a not to exceed amount -- assume two investment contracts which may include forward delivery agreements);
- reserve fund (investment agreement contracts including forward delivery agreements);
- any other applicable fees.

Please specify the fees and expenses paid at closing and those that are paid annually. Note, any fees or expenses not set forth in your response to this RFP will not be paid or reimbursed by the Authority. The payment of any fee or expense is contingent upon the closing of the Bonds.

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## **Request for Proposals for Trustee Services**



### **VII. Certifications**

In addition to responding to the foregoing items, this firm certifies that:

1. The firm's position as Trustee to the Authority will not create any conflict of interest for the firm or any of its assigned personnel and it will promptly disclose to the Authority any such conflict of interest if, as and when it arises and is known to the firm. (If you believe that any conflict of interest may arise, the nature of the conflict must be described in Section V., question 6).
2. The firm is an equal opportunity employer and does not discriminate against applicants or employees on the basis of race, color, religion, sex, age, disability, national origin, or Vietnam-era veteran status.
3. All of the assigned personnel of the firm who are not United States citizens will have executed a valid I-9 form and have valid employment authorization documents.
4. The firm is not currently in violation of or under any investigation or review for a violation of any state or federal law, rule (including any applicable rule for professional conduct of attorneys) or regulation that might have a material adverse impact on the firm's ability to serve if selected.
5. The firm is and will remain in compliance with all applicable federal, State and local laws, including but not limited to the applicable provisions of the following for which it also makes the following related certifications:
  - a. The Federal (41 U.S.C. 701(a)) and Ohio (R.C. 153.03) Drug Free Workplace Acts. The firm will make good faith efforts to ensure that all of its employees will not have or be under the influence of illegal drugs or alcohol or abuse prescription drugs in any way while working on State property.
  - b. The Ohio Patriot Anti-Terrorism Act (Sections 2909.32-.34 of the Ohio Revised Code). [Note: This Act was amended by Am. Sub. H.B. No. 461 enacted in December 2006 by the 126<sup>th</sup> Ohio General Assembly.]
  - c. State of Ohio ethics statute (Chapter 102 and Sections 2921.42 and 2921.43 of the Ohio Revised Code) and lobbying statute (Sections 101.70 and 121.60 et seq. of the Ohio Revised Code), and the Governor's Executive Order 2007-01S.
  - d. Chapter 3517 of the Ohio Revised Code, campaign financing, including that all applicable parties listed in Division (I)(3) or (J)(3) of Ohio Revised Code Section 3517.13 are in full compliance with Divisions (I)(1) and (J)(1) of Ohio Revised Code Section 3517.13.
  - e. Section 4705.01 of the Ohio Revised Code and Rule VII of the Rules for Government of the Bar of Ohio, which prohibit the unauthorized practice of law in Ohio.
  - f. Section 9.24 of the Ohio Revised Code. The firm is not subject to an "unresolved" finding for recovery under that section.
6. In accordance with Executive Order 2007-01S, it (1) has reviewed and understands Executive Order 2007-01S, (2) has reviewed and understands the Ohio ethics and conflict of interest laws, (3) will take no action inconsistent with those laws and that Executive Order 2007-01S, and (4) understands that failure to comply with Executive Order 2007-01S is, in itself, grounds for termination of this Agreement and may result in the loss of other contracts or grants with the Authority or with or from the State.

*The Buckeye Tobacco Settlement Financing Authority*

**Request for Proposals for Trustee Services**



Financial institution: \_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: September \_\_, 2007

*The Buckeye Tobacco Settlement Financing Authority*

**Request for Proposals for Trustee Services**



**VIII. Information Sheet**

*The Buckeye Tobacco Settlement Financing Authority*

**Request for Proposals for  
Trustee Services**

Name of Financial institution: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Facsimile Number: \_\_\_\_\_

E-Mail Address: \_\_\_\_\_

Mailing Address: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Date: September \_\_, 2007

# The Buckeye Tobacco Settlement Financing Authority

## Draft Schedule -- 9/12/2007 (Subject to Change)



Sep-07						
S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

Oct-07						
S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

Day	Date	Time	Event	Action
Wednesday	Sep 12 <sup>th</sup>	3:00 p.m.	<b>Authority meeting</b>	<ol style="list-style-type: none"> <li>1) Accept comments on and release RFP for Trustee services.</li> <li>2) Authorize staff to select as trustee the firm submitting the lowest qualified bid.</li> <li>3) Authorize Secretary to prepare and execute documents required under federal tax law to reimburse certain spending on eligible projects from the tobacco bond proceeds.</li> <li>4) Review remaining Authority meeting schedule.</li> </ol>
Week of	Oct 1 <sup>st</sup>	3:00 p.m.	<b>Authority meeting</b>	<ol style="list-style-type: none"> <li>1) Presentation by the financing team of the proposed structure and plan of finance.</li> <li>2) Authorize Secretary to select and enter into agreements with two or more credit rating agencies.</li> <li>3) Finalize underwriter takedown levels.</li> <li>4) Authorize the release of the preliminary offering circular.</li> <li>5) Authorize the bond issuance subject to specified parameters and conditions.</li> <li>6) Authorize the Secretary to provide a verbal award on the day of pricing of the bonds (if necessary).</li> </ol>
Week of	Oct 15 <sup>th</sup>	t.b.d.	<b>Authority meeting (tentative)</b>	<ol style="list-style-type: none"> <li>1) Presentation by the financing team regarding the status of the plan of finance and tobacco bond market.</li> </ol>
Week of	Oct 22 <sup>nd</sup>	t.b.d.	<b>Authority meeting</b>	<ol style="list-style-type: none"> <li>1) Adopt final bond resolution and bond purchase agreement.</li> </ol>