

## BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY

### Minutes of October 29, 2007 Meeting

The Buckeye Tobacco Settlement Financing Authority (the Authority) held a meeting commencing at 9:00 a.m. on Monday, October 29, 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  
J. Pari Sabety, Director of Budget and Management

Also present were Mark Losey (assistant Attorney General to the Authority), Kurt Kauffman (Assistant Secretary), Jake Wozniak (Assistant Treasurer), Ted Ricci and Dan Kozloff (Public Financial Management), Larry Scurlock, Louis Capobianco and Liberty Ziegahn (Office of Budget and Management); Kym Arnone, John Schopfer and Nora Ostrovskaya (Bear Stearns) Mary Duffey (Peck, Shaffer & Williams) Jim Hadden, Tom Green, Paul Creeden and Timothy Egan (Citi) Ray Dirossi (Ohio House), Rodney Nespeca (Office of the Treasurer of State); Keith Dailey (Office of the Governor), Greg Stype, Paul Sefcovic, Mary Daugherty, Bob Eidnier and Ben Litle (Squire Sanders & Dempsey), Richard Van Dusen and Roger Bagley (Hawkins, Delafield and Wood), Albert Simons (Orrick, Herrington & Sutcliffe), Michael DiPerna (R.W. Baird & Co.), Lara DeLeone (Key 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.

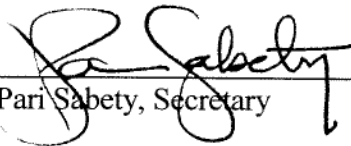
Mr. Hadden and Ms. Arnone then presented the Buckeye Tobacco Settlement Financing Authority: Transaction Results\* on behalf of the joint book-running senior managing underwriters. Mr. Hadden noted, among other things, the commitment, cooperation and collaboration of all team members that contributed to the transaction's success. He also commented on the extensive pre-marketing activities that generated momentum in the weeks leading up to the sale which included a focus on sophisticated retail investors.

Ms. Arnone continued the presentation highlighting the strong institutional investor response. She also noted revisions to the final structure of the transaction that contributed to a

reduction in the all-in true interest cost incurred by the State. The joint book-running senior managers thanked the Authority for the opportunity to lead this transaction.

The Chairman then requested a motion on the bond resolution agenda item. Treasurer Cordray then moved, seconded by the Secretary, to approve Resolution 2007-3\* confirming and ratifying all prior actions taken by the Authority and its officers and members, or their designees and staff, in connection with the authorization, sale and issuance of the Tobacco Settlement Asset-Backed Bonds, Series 2007. The motion was approved upon roll call as follows: Ayes – Cordray, Sabety, Markus; Nays - None. The Chair declared the motion passed.

The Chairman then requested that everyone at the meeting stay seated after adjournment to answer questions from the media. There being no further business, the meeting was adjourned.

  
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J. Pari Sabety, Secretary



**THE BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY**

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**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 October 29, 2007 at 1:00 p.m. was posted on October 25, 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: October 25, 2007

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Kurt Kauffman  
Assistant Secretary of the  
Buckeye Tobacco Settlement Financing Authority

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

October 25, 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 Monday, October 29, 2007, at 9:00 a.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 Monday, October 29, 2007, at 9:00 a.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 a resolution approving actions taken by its members and staff in connection with the sale of the Series 2007 Tobacco Settlement Asset-Backed Bonds. There will also be a presentation by the senior managing underwriters regarding the pricing and sale of the bonds.

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

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**Buckeye Tobacco Settlement Financing Authority: Transaction Results**

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October 29, 2007

# The Financing Team



## The Buckeye Tobacco Settlement Financing Authority

**Joint Book-Running Senior Managers**  
*Bear Stearns*  
*Citi*

**Co-Senior Managers**  
*Goldman Sachs*  
*Merrill Lynch*  
*JP Morgan*  
*Morgan Stanley*  
*DEPFA/ First Albany Capital*

**Co-Managers**

<i>A. G. Edwards</i>	<i>Banc of America</i>	<i>Butler Wick</i>	<i>Fidelity Capital Markets</i>
<i>Fifth Third Securities</i>	<i>Huntington Investment</i>	<i>KeyBanc Capital Markets</i>	<i>Lehman Brothers</i>
<i>Loop Capital Markets</i>	<i>NatCity Investments</i>	<i>PNC Capital Markets</i>	<i>Raymond James &amp; Associates</i>
<i>RBC Capital Markets</i>	<i>Rice Financial Products</i>	<i>Robert W. Baird &amp; Co.</i>	<i>SBK-Brooks Investment Corp</i>
<i>Siebert Brandford Shank &amp; Co.</i>			<i>UBS Securities</i>

**Financial Advisor**  
*Public Financial Management*

**Trustee**  
*US Bank*

**Legal Counsel**

<i>Squire, Sanders &amp; Dempsey LLP</i>	<i>Orrick, Herrington &amp; Sutcliffe LLP</i>
<i>Hawkins Delafield &amp; Wood LLP</i>	<i>Wilkerson &amp; Associates Co., LPA</i>

**Selling Group**

<i>Alexandra &amp; James</i>	<i>BB&amp;T Capital Markets</i>	<i>Cabrera Capital Markets</i>	<i>Conners &amp; Co., Inc</i>
<i>Ferris, Baker Watts</i>	<i>Grigsby &amp; Associates</i>	<i>Jackson Securities</i>	<i>LaSalle Financial Services</i>
<i>M.R. Beal</i>	<i>Roosevelt &amp; Cross</i>	<i>Ross, Sinclair &amp; Associates</i>	<i>Sterne, Agee &amp; Leach</i>
<i>Sweeney Cartwright</i>			<i>Hunter Securities Corp</i>

# Transaction Completed on Schedule



Internet Roadshow	Institutional Investor Meetings/ Calls (Oct. 10-15)	Retail Marketing	Advertisements in New York Times and Wall Street Journal	Retail Order Period	Institutional Pricing	Mail Final Offering Circular	Bond Closing (Proceeds to State)
OCT. 4	OCT. 4-18	OCT. 19 & 22	OCT. 23	OCT. 24	OCT. 29		

- After an extensive pre-marketing period, the bonds were offered to retail investors on October 19<sup>th</sup> and 22<sup>nd</sup> and to institutional investors on October 23<sup>rd</sup>.
- The final offering circular was mailed on October 24<sup>th</sup>.
- The transaction will close today and \$5.05 billion in net proceeds ~~will be~~ *has been* wired to the State of Ohio.

## Market Conditions Improved

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- ❑ Since mailing the POC on October 4<sup>th</sup>, through the pricing on October 23<sup>rd</sup>, the tone of the market improved.
- Treasury yields were 11 basis points lower in response to a number of factors including poor corporate earning results, weakness in housing starts and a sell-off in the equity markets.
- Yields in the tax-exempt market followed suit with a 10 basis point reduction in “AAA” MMD.
- Cashflows into municipal bond funds continued their positive trend.
- ❑ In the tobacco sector, as momentum built for the Buckeye transaction, yields on the bellwether tobacco bonds trended lower.
- ❑ The Joint Book-Running Managers provided significant secondary market support for tobacco bonds thereby allowing investors to increase capacity for the Buckeye transaction.
- ❑ The improved market conditions and the extensive pre-marketing of the transaction resulted in an exceptionally successful sale.



# Marketing Efforts Generated Strong Demand

- Sixteen days were scheduled between POC mailing and the retail order period which provided significant time to maximize investor interest and facilitate full syndicate participation.
- An internet roadshow ran for 2 weeks.
- An institutional investor call was held and attracted more than 90 participants.
- Print advertisements were placed in the *Wall Street Journal* and *New York Times* announcing the retail order period.

Meetings	Participants	Bonds Purchased
Columbus Retail Broker Briefing	16	\$463.65 mm
Chicago Institutional	29	\$1.17 bn
Boston Institutional	40	\$793 mm
New York Institutional	43	\$1.58 bn
International	2	\$40 mm



Offering Circular for Tobacco Settlement Asset-Backed Bonds, Series 2007

**NEW ISSUE**

\$5,526,897,756\*

## Buckeye Tobacco Settlement Financing Authority

### Tobacco Settlement Asset-Backed Bonds, Series 2007

- Double Tax-Free Interest for Ohio residents\*\*
- Maturities range from 2009\* to 2035\*\*
- Priority Period for Retail Buyers October 19th\* and 22nd\*
- Formal Pricing October 23rd\*

The proposed Series 2007 Tobacco Settlement Asset-Backed Bonds (the "Bonds") are being offered by the issuer, the Buckeye Tobacco Settlement Financing Authority, a trust organized under the laws of the State of Ohio, for the purpose of raising the net proceeds of the offering to finance the issuer's obligations under the Bonds. The Bonds will be sold to investors through the issuer's dealer, Bear Stearns & Co. Inc. (the "Dealer"). The Bonds will be sold on a non-allocated basis to investors through the Dealer. The Bonds will be sold on a non-allocated basis to investors through the Dealer. The Bonds will be sold on a non-allocated basis to investors through the Dealer. The Bonds will be sold on a non-allocated basis to investors through the Dealer.

\*Offering period ends October 23rd, 2007. \*\*Offering period ends October 23rd, 2007.

- Bear Stearns & Co., Inc.  
1000 Water Street  
New York, NY 10038
- DREPA First Albany Securities LLC  
100 West Broadway  
New York, NY 10038
- J.P. Morgan Securities Inc.  
60 Pine Street  
New York, NY 10270
- A.G. Edwards & Sons, Inc.  
150 Pine Street  
New York, NY 10270
- Parkay Capital Markets Services  
100 Pine Street  
New York, NY 10270
- Tedman Brothers  
100 Pine Street  
New York, NY 10270
- PNC Investments II  
100 Pine Street  
New York, NY 10270
- Rex Financial Products Company  
100 Pine Street  
New York, NY 10270
- Sobor Financial Markets & Co. LLC  
100 Pine Street  
New York, NY 10270
- Citi  
1000 Water Street  
New York, NY 10038
- Goldman Sachs & Co.  
100 Wall Street  
New York, NY 10038
- Morgan Stanley  
60 Pine Street  
New York, NY 10270
- Bank of America Securities II  
100 Pine Street  
New York, NY 10270
- Bank of Montreal  
100 Pine Street  
New York, NY 10270
- Wells Fargo Securities  
100 Pine Street  
New York, NY 10270
- RBC Capital Markets  
100 Pine Street  
New York, NY 10270
- S&P Global Ratings  
100 Pine Street  
New York, NY 10270
- N.A. Ammerlaan & Co. LLC  
100 Pine Street  
New York, NY 10270
- N.A. Ammerlaan & Co. LLC  
100 Pine Street  
New York, NY 10270
- 1st City Wealth Management  
100 Pine Street  
New York, NY 10270

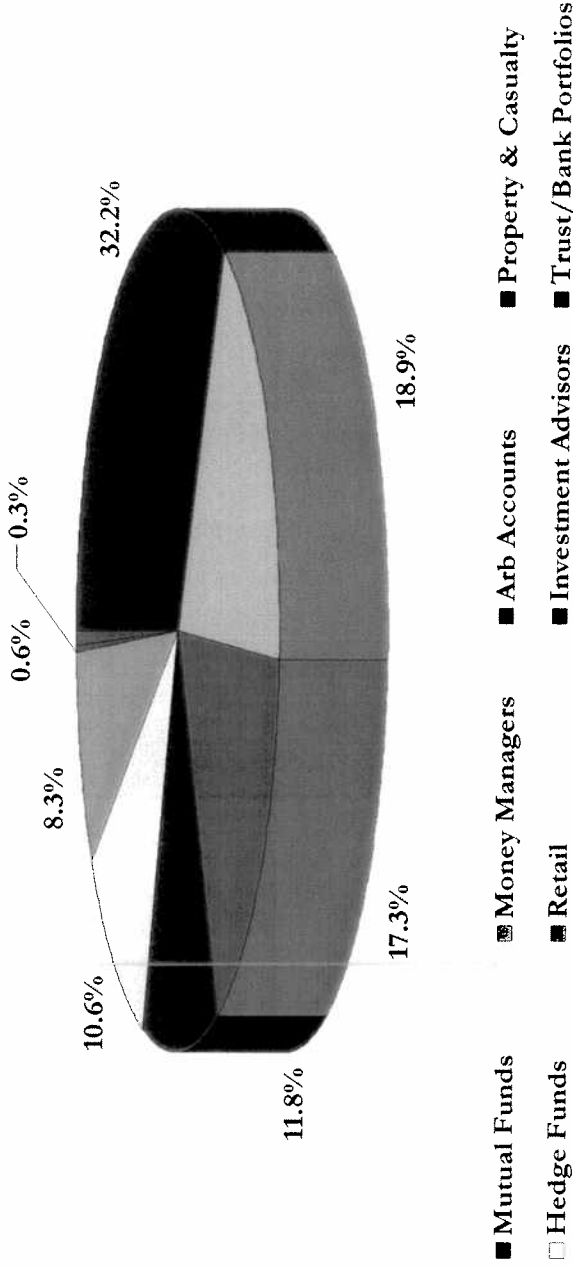
# Marketing Efforts Generated Strong Demand



SERIES 2007				
Bond Type	Maturity	Day 1 Orders (000's)	Day 2 Orders (000's)	Total Orders (000's)
	2009	\$ 9,990	-	\$ 9,990
	2010	8,345	4,185	12,530
	2011	5,490	2,585	8,075
	2012	10,335	5,480	15,815
Serials	2013	7,725	5,950	13,675
	2014	5,680	3,820	9,500
	2015	8,385	3,690	12,075
	2016	31,585	-	31,585
	2017	47,645	-	47,645
Turbo Term Bonds	2024	28,835	13,790	42,625
	2030	39,640	52,635	92,275
	2037	19,765	5,735	25,500
	2042	71,165	71,195	142,360
<b>TOTAL:</b>		<b>\$294,585</b>	<b>\$169,065</b>	<b>\$463,650</b>

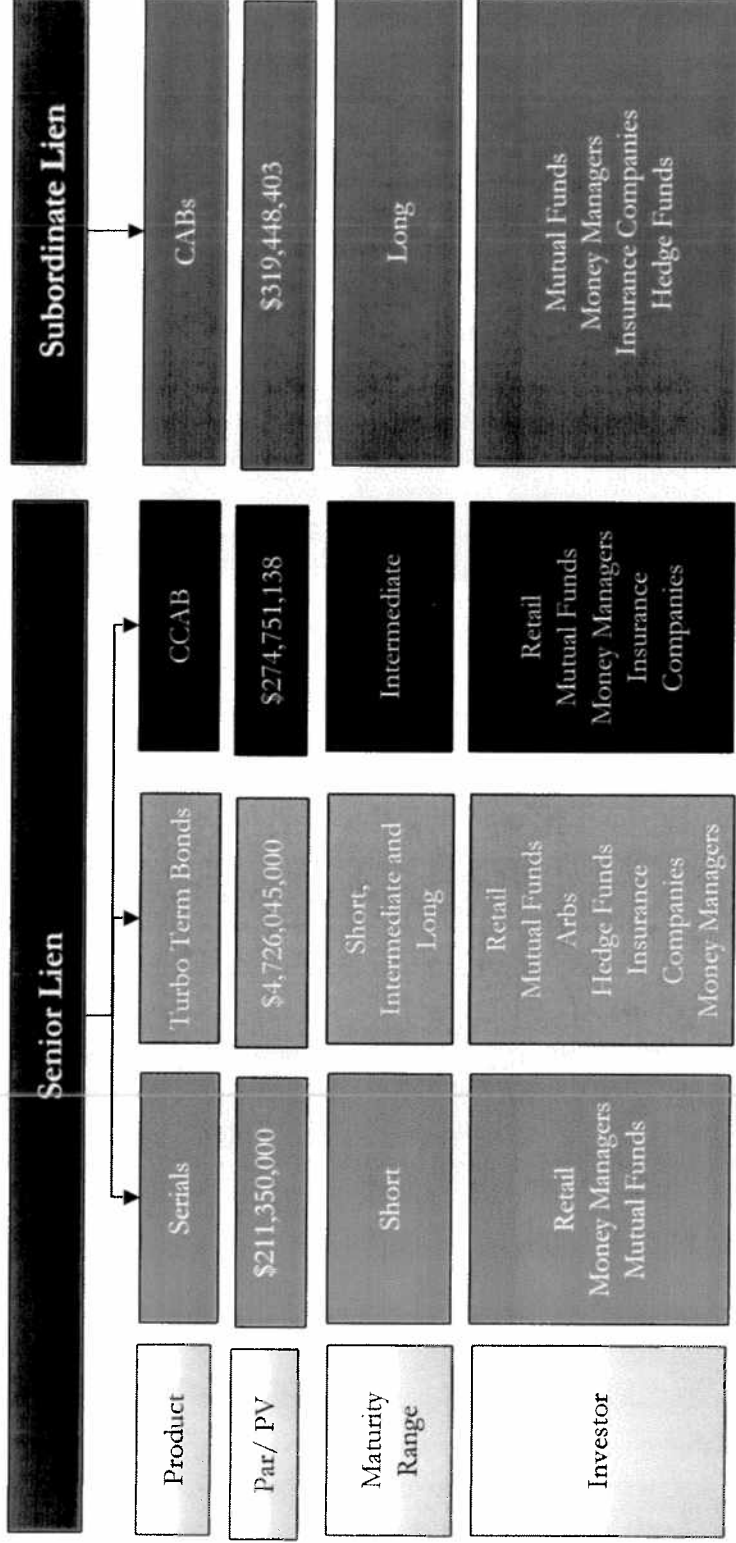
- The two-day retail order period generated the second highest retail participation on any tobacco transaction to date with \$463.65 million of retail orders.
  - Day 1 Retail: \$294.58 million.
  - Day 2 Retail: \$169.07 million.
- Yields were lowered on the second day of the retail order period on select maturities between 5 and 7 basis points.
- Retail orders, as is typically the case on tobacco transactions, were concentrated in the shortest (serial bonds) and longest (the 2042 Turbo Term Bond) maturities offered.

# Marketing Efforts Generated Strong Demand



- 122 separate institutional investors participated.
- The entire spectrum of investors participated including retail, mutual funds, money managers, arbitrage accounts, property & casualty companies and hedge funds.
- Nearly 2,000 orders were placed.
- Five first time orders were generated.
- In aggregate, the transaction generated \$15 billion in orders for a 3x oversubscription.
- The Joint Book-Running Senior Managers were able to lower yields substantially from retail order period levels. For example, the yield on the 2042 maturity was lowered by 12.5 basis points.

# Changes to Final Structure Benefit the State



- ❑ The final structure for the BTSFA bonds reflected current market conditions and incorporated a variety of products to meet the Authority's net proceeds target while achieving the lowest possible borrowing cost.
- ❑ The final ratings for the structure have been released:
  - Senior lien: Baa3/BBB/BBB+ by Moody's, S&P and Fitch, respectively.
  - Subordinate lien: BBB+ and BBB by Fitch.

CA#7

# Changes to Final Structure Benefit the State



Product	October 4 <sup>th</sup> POC Structure	Final Structure
Senior Lien CIB	\$4,669,384,543	\$4,870,569,714
BBB+ Rated CCAB	260,029,956	274,751,138
BBB+ Rated CAB	200,204,060	191,265,480
BBB Rated CAB	244,413,400	128,182,923
BBB- Rated CAB	89,310,340	-
Total Gross Proceeds*	\$5,463,342,299	\$5,464,769,255

	October 4 <sup>th</sup> POC Structure	Final Structure
All-in TIC	6.72%	6.29%
Expected Final Maturity	2034	2031
Rated Final Maturity	2057	2052

- Favorable market conditions and strong investor demand allowed the financing team to make several improvements to the final structure:
  - Eliminated the indexed floating rate bonds given ample demand for fixed rate bonds.
  - Eliminated the BBB- CAB and reduced the subordinate lien bond par by \$214,479,397.
  - Shortened the rated final maturity by five years from 2057 to 2052.
  - Reduced the all-in TIC by 43 basis points from 6.72% to 6.29%.

\* Net of OID of \$63,555,457 on POC issue size and \$66,825,286 on the Final Structure issue size

# Net Proceeds Target Achieved



Total Gross Proceeds*	\$5,464,769,255
Liquidity Reserve Deposit	(\$389,231,603)
Cost of Issuance	(\$2,682,193)
Underwriters' Spread	(\$22,855,459)
<b>Total Net Proceeds to the State</b>	<b>\$5,050,000,000</b>

- ❑ The Liquidity Reserve serves as credit enhancement for the senior lien bonds and was sized at the tobacco market standard of maximum annual rated debt service for the transaction.
  - Amounts in the Liquidity Reserve are held for the benefit of the bondholders.
  - The Authority received 5 bids for the Liquidity Reserve with the winning bid yielding 4.682%.
- ❑ The \$5.05 billion in net proceeds will be used to finance elementary, secondary and higher educational facilities and will provide for a homestead tax exemption for senior citizens.

\* Net of OID of \$66,825,286 on Final Structure issue size

**RESOLUTION NO. 2007-3**

**Resolution Confirming and Ratifying All Prior Actions Taken by the Authority and Its Officers and Members, or Their Designees and Staff, in Connection with the Authorization, Sale and Issuance of the Tobacco Settlement Asset-Backed Bonds, Series 2007**

WHEREAS, this Authority authorized the issuance and sale of not to exceed \$6,000,000,000 Tobacco Settlement Asset-Backed Bonds, Series 2007 (the "Series 2007 Bonds"), in its Resolution No. 2007-2 duly adopted on October 3, 2007 (the "Resolution"), and whereas the Secretary of this Authority on October 24, 2007, entered into the Bond Purchase Contract and executed the Certificate of Award for those Series 2007 Bonds in the aggregate principal amount of \$5,531,594,541, all as authorized in that Resolution;

**NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY, as follows:**

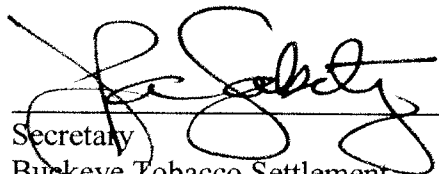
**Section 1. Confirmation and Ratification of All Prior Actions.** All prior actions taken by the Authority and its members or their designees and officers or other staff, pursuant to or as authorized in that Resolution, in connection with the authorization, sale and issuance of the \$5,531,594,541 Tobacco Settlement Asset-Backed Bonds, Series 2007, are hereby ratified, confirmed and approved.

**Section 2. Compliance with Open Meeting Requirements.** This Authority hereby finds and determines that all formal actions of this Authority concerning and relating to the adoption of this Resolution were adopted in an open meeting of this Authority, and that all deliberations of this Authority that resulted in such formal action were in meetings open to the public in accordance with all legal requirements, including Section 121.22 of the Ohio Revised Code.

**Section 3. Effective date.** This Resolution shall be in full force and take effect immediately upon its adoption.

Adopted: October 29, 2007

Attest:

  
Secretary  
Buckeye Tobacco Settlement  
Financing Authority