



BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY

Minutes of June 24, 2020 Meeting

The Buckeye Tobacco Settlement Financing Authority (the Authority) held a meeting commencing at 3:30 p.m. on Wednesday, June 24, 2020, on the Webex online platform, pursuant to notice of meeting given by the Secretary of the Authority pursuant to Section 4.2 of its Bylaws.

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

The Chairman called the meeting to order.

On behalf of the Secretary, Michael Babin, Assistant Secretary, reported that no new written designations, pursuant to Section 2.1 of the Bylaws, were filed since the last meeting of the Authority.

Pursuant to Section 183.52 of the Revised Code and Section 3.1 of the Bylaws, Mr. Danish presided as Chair of the meeting. Upon roll call, the Chair declared a quorum to be present. following designees of members of the Authority, eligible to vote at the meeting, were present:

John Danish, Office of the Governor

Kim Murnieks, Office of Budget and Management

Jonathan Azoff, Office of the Treasurer of State

The Assistant Secretary filed the certificate of compliance* with the public meeting notice provisions of Section 121.22 of the Revised Code and requirements of the Authority in Article 4 of the Bylaws.

Mr. Danish requested approval of the February 13, 2020 meeting minutes. Mr. Azoff moved for approval, seconded by Ms. Murnieks. There being no further discussion, the motion was approved upon roll call as follows: Ayes — Danish, Murnieks, and Azoff; Nays — None. The Chair declared the motion passed.

At the invitation of the Chair, Bethany Pugh, representative from the Authority's Municipal Advisor, PFM Financial Advisors (PFM), presented on the February sale of Tobacco Settlement Asset-Backed Refunding Bonds, Series 2020. Ms. Pugh explained that the transaction was extremely successful and achieved all of its main objectives, primarily by avoiding a prospective 2024 default, accelerating the full repayment of the bonds, and by allowing future residual Tobacco Settlement Revenues (TSRs) to revert to the State potentially as early as 2052. Ms. Pugh added that the transaction benefited by issuing the bonds during a time of strong market demand for municipal and high yield debt, and just prior to the market dislocation caused by COVID-19. As a result, the cost of capital locked in for the Authority's debt was extremely advantageous with the all-in TIC estimated at 4.17%.

Following the presentation, at the invitation of the Chair, Diane Chime, Chief of Capital Markets at the Office of Budget and Management, presented on the Fiscal Year 2019 audit process and results. Ms. Chime noted that the FY 2019 financial statements were found to fairly present, in all material respects, the financial position of the Authority in accordance with Generally Accepted Accounting Principles. The audit opinion was 'unqualified' and the audit did not identify any material weaknesses or significant deficiencies in internal controls or any instances of noncompliance with material laws and regulations.

Jennifer Croskey, Office of the Attorney General, then provided an update on the status of arbitration relating to Tobacco Settlement Payments disputed by tobacco manufacturers that are currently being held in the Disputed Payment Account (DPA). She explained that the arbitration regarding diligent enforcement relating to sales of cigarettes in 2003, which was anticipated to be decided by the end of last year, had been delayed. While the record on the arbitration was closed in July of 2019, unfortunately, a member on the panel of the arbitrators passed away in September 2019 prior to the release of final awards. The vacancy on the panel was subsequently filled, and Ms. Croskey anticipated that the proceedings should conclude later this month—with anticipate final awards determined before the end of 2020. Ms. Croskey added that the Attorney General is optimistic for a favorable ruling. In response to questions by Mr. Azoff, Ms. Croskey reiterated that the NPM adjustment dollars for the 2004 sales year is the last sales year that is not part of the Buckeye Tobacco securitization. Finally, Ms. Croskey stated that the next arbitration is in its early stages and will involve diligent enforcement relating to sales of cigarettes in 2004 through 2006. The tobacco companies and the arbitrating states have identified their chosen arbitrators as required by the MSA.

Ms. Chime then presented the Authority's operating budget for FY 2020 and its proposed operating budget for FY 2021.* She reviewed the FY 2020 year-to-date expenses, noting that underspending was due to lower-than-budgeted expenses for legal, financial advisory services, and amounts set aside for miscellaneous expenses. Subsequently the proposed FY 2021 budget was reviewed, noting that it includes all of the customary expense items less the one-time \$170,000 expense incurred during the FY 2020 period that was related to the procurement of a replacement rating on the 2007 bonds. Due to the terms of issuance on the 2020 bonds, only one rating by Standard & Poor's is required to be maintained on the Bonds. The presentation also noted reductions in the amounts budgeted for legal and financial services were also included.

Mr. Danish then recognized Lisa Eisenberg from the Office of the Treasurer to provide an update on the selection of a firm for the Preparation of the Authority's Annual Financial Statements. Eisenberg explained that the Authority is required by law to annually prepare financial statements and that the Authority's financial statement preparation contract expired at the completion of the FY2019 financial statements. She reported that, pursuant to a motion passed at the June 21, 2019 meeting of the Authority, the Treasurer's office received responses from three firms, and executed an agreement with Rea & Associates, the firm submitting the lowest bid, for a term of six years (FY 2020 through 2025).

There being no further business, the meeting was adjourned.



Kimberly Murnieks, Secretary
Buckeye Tobacco Settlement Financing Authority



Buckeye
Tobacco Settlement
Financing Authority

Mike DeWine, Chairman
Governor

Kimberly Murnieks, Secretary
Director of Budget and Management

Robert Sprague, Treasurer
Treasurer of State

**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 June 24, 2020 at 3:30 p.m. was posted on Monday, June 22, 2020 in the State House press room, the Office of Budget and Management (34th Floor, 30 East Broad Street), and the Office of the Treasurer of State (9th 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: June 24, 2020

Michael W. Babin
Assistant Secretary of the
Buckeye Tobacco Settlement Financing Authority



Buckeye Tobacco Settlement Financing Authority FY 2020 Operating Budget

Service or Activity:	Total by Category:	Budgeted Line Amount:	Amounts Paid:	Variance:	Payment Date	Notes:
Rating Agency Fees	\$195,000.00					
S&P Annual Surveillance		\$15,000.00	\$15,000.00	\$0.00	10/22/2019	
Moody's Annual Surveillance		\$10,000.00	\$10,000.00	\$0.00	10/29/2019	
Kroll - New Rating on 07 Bonds		\$170,000.00	\$170,000.00	\$0.00	2/4/2020	Invoice #V-NY-04827
Trustee Services - US Bank	\$550.00					
Annual Trustee Fee		\$550.00	\$550.00	\$0.00	3/12/2020	Invoice #5528274
Financial Statement Preparation	\$5,600.00					
REA & Associates		\$4,480.00	\$4,480.00	\$0.00	12/18/2019	Invoice # 1190164
		\$1,120.00	\$1,120.00	\$0.00	12/18/2019	Invoice # 1195046
Financial Statement Audit	\$34,615.00					
KCR on behalf of AOS		\$26,892.00	\$26,892.00	\$0.00	9/23/2019	
KCR on behalf of AOS		\$6,723.00	\$6,723.00	\$0.00	10/21/2019	Invoice 16083 - 9/21/19 to 10/17/19
Auditor of State		\$1,000.00	\$1,003.20	(\$3.20)	2/4/2020	Billed \$395.00
Auditor of State					5/18/2020	Invoice \$608 IPA Review - 31C05FRAN-FI119
Financial Advisor	\$50,000.00					
Public Financial Management		\$50,000.00	\$41,823.85	\$8,176.15	3/13/2020	Inv #107519 for 06/13/19-11/23/2019
Legal, Disclosure and & Reporting	\$30,000.00					
Legal Services - Squire		\$30,000.00	\$891.50	\$29,108.50		
					8/15/2019	Invoice Paid in the amount of \$655.50
					5/18/2020	Invoice 10182726 for \$236.00
Contingency /Other	\$40,235.00					
Miscellaneous Expense		\$40,235.00	\$2,500.00	\$37,735.00	3/3/2020	Bond Buyer Notice for RFP responses
TOTAL:	\$356,000.00	\$356,000.00	\$280,983.55	\$75,016.45		

Updated 6/24/2020



Buckeye Tobacco Settlement Financing Authority FY 2021 Operating Budget

Service or Activity:	Total by Category:	Budgeted Line Amount:	Amounts Paid:	Variance:	Payment Date	Notes:
Rating Agency Fees	\$20,000.00					
S&P Annual Surveillance		\$20,000.00		\$20,000.00		
Trustee Services - US Bank	\$3,500.00					
Annual Trustee Fee		\$3,500.00		\$3,500.00		
Financial Statement Preparation	\$25,000.00					
REA & Associates		\$25,000.00		\$25,000.00		New contract executed 6/17/20
						FY2020 fee is \$8,000
Financial Statement Audit	\$35,830.00					
KCR on behalf of AOS		\$34,830.00		\$34,830.00		
Auditor of State		\$1,000.00		\$1,000.00		
Financial Advisor	\$25,000.00					
Public Financial Management		\$25,000.00		\$25,000.00		
Continuing Legal, Disclosure & Reporting	\$20,000.00					
Legal Services - Squire		\$20,000.00		\$20,000.00		
Contingency /Other	\$40,235.00					
Miscellaneous Expense		\$40,235.00		\$40,235.00		
TOTAL:	\$169,565.00	\$169,565.00	\$0.00	\$169,565.00		