

BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY

Minutes of March 18, 2009 Meeting

The Buckeye Tobacco Settlement Financing Authority (the Authority) held a meeting commencing at 4:00 p.m. on Monday, March 18, 2009, 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, the Assistant Secretary, reported that the written designation of Amer Ahmad for the Treasurer of State, pursuant to Section 183.52 of the Revised Code, was filed with the Secretary.

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 member and designees of the Authority, eligible to vote at the meeting, were present:

Kent Markus, Office of the Governor

Amer Ahmad, Treasurer of State

J. Pari Sabety, Director of Budget and Management

Also present were Kurt Kauffman (Assistant Secretary), Jake Wozniak (Assistant Treasurer), Richard Cordray (Ohio Attorney General), Amy Minardo (assistant Attorney General to the Authority), Chris Glaros and Todd Dieffenderfer (Attorney General's office), Larry Scurlock (Office of Budget and Management), Greg Stype and Mary Daugherty (Squire Sanders & Dempsey), and Jacquie McKee and Allen Moore (Auditor of State's office).

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

Ms. McKee presented the results of the audit of the Authority's Fiscal Year 2008 financial statements. Ms. McKee began with an overview of the exit conference agenda and explained this presentation was required each time an audit is completed. She then reviewed, among other documents, their opinion letter and highlighted its status as an unqualified opinion. Ms. McKee presented a draft of the audit management letter and highlighted the recommendations contained in the letter for consideration by the Authority. Those recommendations included: i) obtaining and reviewing SAS 70 reports for third parties providing services to the Authority; ii) development and/or adoption of a comprehensive travel policy; iii) enhanced internal controls for reviewing and documenting review of the liquidity reserve account and other accounts as reflected in trustee bank statements; and iv) adoption of prior meeting minutes. Ms. McKee explained that the Authority has five days in which to respond to the management letter, at which time it will be released by the Auditor of State. Ms. McKee also noted that the Authority should consider documenting their review and approval of the financial statements upon their compilation and addressed each of the remaining items in the exit conference agenda. Following this presentation, Ms. McKee and Mr. Moore exited the meeting.

Mr. Kauffman and Mr. Wozniak presented the Authority's written response to the management letter. Mr. Kauffman began by addressing the SAS 70 report and stated that going forward the Trustee has agreed in writing to timely provision of the SAS 70 report for review by

Authority staff. Staff would determine if additional measures are necessary to determine the sufficiency of the internal controls in place at US Bank based on the service assessments documented in the SAS-70 report. Mr. Kauffman recommended that the Authority adopt the OBM travel policy based on its comprehensive nature and general applicability to executive departments and agencies instead of developing its own separate policy. Mr. Wozniak then addressed the Auditor of State's comments regarding the review of liquidity reserve investments and trust account statements. Mr. Wozniak concluded the staff presentation by recommending that the Authority amend its bylaws to require approval of prior meeting minutes and noting that today's agenda included a motion to approve all prior meeting minutes.

The Chairman then requested a motion on the Authority's written response to the management letter. The Secretary then moved, seconded by Mr. Ahmad, to approve the Authority's written response to the management letter. The motion was approved upon roll call as follows: Ayes – Sabety, Markus, Ahmad; Nays - None. The Chair declared the motion passed.

Mr. Ahmad then moved, seconded by the Secretary, on a motion to amend Section 4.9 of the Bylaws adopted July 2, 2007 to expressly require Authority approval of minutes of meetings. The motion was approved upon roll call as follows: Ayes – Sabety, Markus, Ahmad; Nays – None.

The Secretary then moved, seconded by the Chairman, on a motion to approve minutes of all prior meetings. The motion was approved upon roll call, as follows: Ayes – Sabety, Markus; Nays – None. Mr. Ahmad abstained stating the current Treasurer of State was not present at those meetings.

Mr. Ahmad then moved, seconded by the Chairman, on a motion to formally adopt the OBM Travel Rule set forth in OAC Section 126-1-02 as the travel policy of the Authority and to designate the Assistant Secretary or the Assistant Treasurer as persons responsible for approving Authority travel expenses. The motion was approved upon roll call as follows: Ayes – Sabety, Markus, Ahmad; Nays – None.

Mr. Scurlock then presented the Authority's operating budget for Fiscal Years 2009 and 2010. He began by reviewing the Fiscal Year 2009 actual year-to-date costs incurred, noting a negative variance of \$6,143 in excess of the budgeted amount. Mr. Scurlock explained this negative variance was largely due to a low estimate for the audit of the Authority's Fiscal Year 2008 financial statements and that the first year's audit can take significantly more time to complete than subsequent years. Mr. Scurlock also explained that the negative variance would be paid from excess costs of issuance funds remaining from the Authority's 2007 bond sale.

Following up on the recommendation of the Auditor's office, Mr. Ahmad then moved, seconded by the Secretary, on a motion to approve the Fiscal Year 2008 audited financial statements. The motion was approved upon roll call as follows: Ayes – Sabety, Markus, Ahmad; Nays – None.

In other business, Mr. Kauffman noted that the next Authority meeting would likely occur in connection with the presentation and approval of the fiscal year 2009 audited financial statements, which should be completed on or about January 2010.

There being no further business, the meeting was adjourned.


Secretary



THE BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY

KEVIN L. BOYCE, 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 March 18, 2009 at 4:00 p.m. was posted on March 16, 2009 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: March 18, 2009

Kurt Kauffman
Assistant Secretary of the
Buckeye Tobacco Settlement Financing Authority



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

March 16, 2009

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

Ted Strickland, Governor
Kevin L. Boyce, Treasurer of State

Kent Markus
Amer Amhad
David Ellis (my designee)

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

SUBJECT: **Meeting on Wednesday, March 18, 2009, at 4:00 p.m. in Conference Room A of the Office of Budget and Management (35th Floor, Rhodes State Office Tower)**

Pursuant to the Bylaws of the Buckeye Tobacco Settlement Financing Authority, I am notifying you of the meeting of the Authority to be held on Wednesday, March 18, 2009, commencing at 4:00 p.m. in Conference Room A of the Office of Budget and Management (35th Floor, Rhodes State Office Tower, 30 East Broad Street, Columbus, Ohio). The Authority will receive presentations by the Auditor of State and Authority staff regarding the audit of the Authority's Fiscal Year 2008 financial statements. The Authority will also consider and act on motions to (i) amend its Bylaws to expressly require Authority approval of its meeting minutes and to approve all prior meeting minutes, and (ii) adopt the OBM Travel Policy as the official travel policy of the Authority. Staff will also present the Authority's operating budget for Fiscal Years 2009 and 2010.

Enclosed are the agenda for the meeting, and copies of the Fiscal Year 2008 audited financial statements, proposed Bylaw amendment and OBM Travel Policy, all as referred to in that agenda. The minutes of all prior Authority meetings are posted and maintained at <http://obm.ohio.gov/SectionPages/TobaccoSettlement>.

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

cc. Richard Cordray, Attorney General
Chris Glaros, First Assistant Attorney General
Amy Minardo, Chief, Business Counsel Section
Jake Wozniak, Director of Debt Management Office, Treasurer of State