

Tobacco Settlement Financing Corporation
February 28, 2014
Minutes of the Meeting

A Tobacco Settlement Financing Corporation meeting was held in the Executive Conference Room on the 4th floor of the Department of Administration Building, One Capitol Hill, Providence, on Friday, February 28, 2014.

At 11:40 a.m., Thomas Mullaney, Executive Director/State Budget Officer, Department of Administration called the meeting to order. Corporation members present were: Thomas Mullaney (Chair), James Thorsen and Robert Cusack. Others in attendance were: Susan Kendall, Adam Krea and Maureen Gurghigian from FirstSouthwest and Suzanne Amerault from the State Budget Office. Board member Andrew Reilly was absent.

The first order of business was to approve the minutes of the January 21, 2014 meeting. A motion was made to approve the minutes by Mr. Thorsen. The motion was seconded by Mr. Cusack and approved unanimously.

The next item on the agenda was to discuss Underwriter Proposals/presentations from Citi and Bank of America Merrill Lynch for a potential refunding of outstanding Tobacco-settlement backed bonds. Chairman Mullaney asked the group if they would like to take time to digest the information that was presented by the two Underwriters. Mr. Cusack stated that it was a lot of information and very complex.

Mr. Thorsen stated that there was a significant difference in approach between the two proposals and both were intriguing. Mr. Thorsen also stated that he finds it hard to justify not hiring Citi because of their experience, no one can come close to the level of experience this firm has with Tobacco securitization. Mr. Thorsen asked the group if there was a disadvantage of waiting.

Mr. Mullaney stated that there were no provisions included in the Governor's FY 2015 Budget that necessitated the completion of a refinancing of this debt, but that the opportunity to do so under current market conditions should not be passed up. Mr. Mullaney stated that the Board may want to pursue a potential refunding, however this is not a deal that the Board has to do. The Board could defer to 2016 or 2017, although if this was a good deal, they may be criticized for not doing it. There is no way to tell what the interest rates will be two or three years from now.

Mr. Cusack stated that it is more likely that the interest rates will be higher later. Mr. Cusack agreed with Mr. Thorsen on Citi, they are the most capable and have the broadest experience. Tom Green from Citi is a leader in this area of work. Mr. Cusack asked if they could brainstorm with elements of the other proposal to see if there is any way to use them in a deal with Citi.

Maureen Gurghigian added that she could tell that both firms worked very hard on their presentations. Ms. Gurghigian added that she thought Citi was more conservative, but that Bank of America had some very good ideas.

Mr. Thorsen made a motion to hire Citi as senior manager with input from the financial advisor on the syndicate structure. Mr. Thorsen added that the Board does not have to pick the structure yet. Mr. Cusack seconded the motion – all members were in favor.

The next agenda item was the discussion of bond and disclosure counsel. The firms that responded to the RFP were Hawkins, Delafield & Wood, Nixon Peabody and Edwards Wildman.

Mr. Cusack recommended to support Hawkins because 1) they are established and their experience will save some time, and 2) when they did our documents for prior issuances and later were challenged by the IRS, they defended it successfully.

Mr. Thorsen asked the Board if they would want to hire a separate disclosure counsel. Mr. Mullaney asked if there would be any issues with not having a separate disclosure counsel.

Mr. Cusack made a motion to hire Hawkins, Delafield & Wood as bond counsel for transaction. Mr. Thorsen seconded the motion. Mr. Mullaney stated that the Board will defer on hiring a separate disclosure counsel until we know we have a deal. All were in favor.

There being no other business, the members voted in favor of adjourning at 12:30 p.m.