

BUCKEYE TOBACCO SETTLEMENT FINANCING AUTHORITY

Minutes of October 3, 2007 Meeting

The Buckeye Tobacco Settlement Financing Authority (the Authority) held a meeting commencing at 3:00 p.m. on Wednesday, October 3, 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), Jeanne Vanda, Ted Ricci and Dan Kozloff (Public Financial Management), Larry Scurlock (Office of Budget and Management); Kym Arnone and Nora Ostrovskaya (Bear Stearns) Mary Duffey (Peck, Shaffer & Williams) John Adams (Fifth Third Securities) Jim Hadden, Tom Green and Paul Creeden (Citi) Jamie Lang (Huntington Investment Company) John Lee (JP Morgan) Ray Dirossi (Ohio House) Tim Keen (Office of the Auditor of State), Chris Glaros, Rodney Nespeca, Justin Nahvi, Robert Newman and Leesa Brown (Office of the Treasurer of State); Charles Peck and Bill Dailey (Morgan Stanley) Chuck Schick (Ohio Equities and Bond) Amanda Wurst (Office of the Governor), Matt Whatley (Ohio Senate) Jeff Willett, Pam Knox and Joe Mazzola (Ohio Tobacco Prevention Foundation) Greg Stype and Ben Litle (Squire Sanders & Dempsey), Richard Van Dusen (Hawkins, Delafield and Wood), 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.

The Secretary then gave opening remarks stating that some information regarding the structure and marketing of the Authority's tobacco securitization could not yet be released until official documents are finalized and as a result some generalities would have to be made.

Ms. Arnone then presented the Buckeye Tobacco Securitization Transaction Update* highlighting the summary plan of finance. Ms Arnone explained, among other things, that the Authority is best served by engaging three rating agencies for the transaction. She also commented

on the overall market noting that bond funds and high-yields bond funds had experienced cash inflows over the past several weeks. Jim Hadden continued the presentation by explaining the marketing plan. In response to several questions, he reviewed the different types of investors interested in the structure and informed Authority members on the dates and locations for investor meetings.

Ms. Vanda then presented the Overview of Underwriters' Compensation* highlighting how this transaction will have the lowest all-in underwriters' compensation of all tobacco securitizations over \$1.0 billion in par amount. Ms. Vanda also recommended a takedown structure of \$3.95 per \$1,000 which is based on the size and complexity of the transaction and current market conditions. Following the presentation, Treasurer Cordray moved, seconded by the Secretary to accept the recommendation for the total takedown of not to exceed \$3.95 per \$1,000 and approve the underwriters' expenses of not to-exceed \$0.25/\$1,000. The motion was approved upon roll call as follows: Ayes – Cordray, Sabety, Markus; Nays - None. The Chair declared the motion passed.

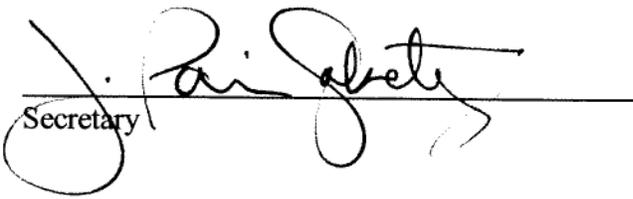
Mr. Wozniak then presented a summary of the trustee proposals received in response to the Authority's Request for Proposals for Trustee Services released at the September 12, 2007 meeting. Mr. Wozniak reported that four responses were received of which one did not meet minimum qualifications for serving on at least three un-enhanced tobacco securitization transactions. Mr. Wozniak also reported that U.S. Bank was selected as the trustee which was consistent with the Authority's motion to select the lowest qualified bidder. Mr. Kauffman also informed the Authority that pursuant to the delegation given at its last meeting, the Secretary selected and entered into agreements with all three credit rating agencies. The Chairman declared that no action was necessary.

The Chairman then requested a motion, prior to discussion, on the bond resolution agenda item. The Secretary then moved, seconded by Treasurer Cordray to approve Resolution 2007-2* authorizing the issuance and sale of the Series 2007 Tobacco Settlement Asset-Backed Bonds. At the request of the Secretary, Mr. Kauffman explained that Resolution 2007-2 authorizes the issuance and sale of the Series 2007 Bonds and accomplishes the necessary legal and procedural steps. Mr. Kauffman also explained that Resolution 2007-2 sets the purposes for which the proceeds may be used and authorizes the Secretary to execute the Bond Purchase Contract and the Certificate of Award with due regard to the best interest of the Authority subject to certain not-to-exceed parameters. Mr. Stype also gave a brief overview of Resolution 2007-2 noting that it is similar in content and purpose to bond resolutions utilized by other State of Ohio issuances and that no further action of the Authority was necessary to issue the Series 2007 Bonds. The motion was approved upon roll call as follows: Ayes – Cordray, Sabety, Markus; Nays - None. The Chair declared the motion passed.

Mr. Scurlock then presented a summary of the additional selling group members* that have solicited the staff and joint book-runners since the underwriting team was selected by the Authority. Mr. Scurlock explained that selling group members do not incur a liability and cannot be designated on an institutional order, but do have unlimited potential with respect to retail orders. Treasurer Cordray then moved, seconded by the Chairman, to appoint to the selling group Connors & Co, Hunter Securities, Roosevelt & Cross and Ross, Sinclair & Associates and to delegate to staff the authority to add additional firms up to the pricing date on the same terms and conditions as other selling group members.

Mr. Kauffman reported that staff was contemplating the next meeting of the Authority would take place sometime around the closing date of the tobacco bonds. The purpose of that meeting would be to overview the transaction.

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 October 3, 2007 at 1:00 p.m. was posted on October 1, 2007 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: October 3, 2007

Kurt Kauffman
Assistant Secretary of the
Buckeye Tobacco Settlement Financing Authority

**** Public Meeting Notice ****

October 1, 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, October 3, 2007, at 1:00 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 next meeting of the Authority to be held on Wednesday, October 3, 2007, at 1:00 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 consider and act on (i) a motion setting the underwriters' takedown, and (ii) a resolution authorizing the issuance and sale of Series 2007 Tobacco Settlement Asset-Backed Bonds in the aggregate principal amount not to exceed \$6.0 billion. There will also be presentations regarding (i) the progress made on the bond issuance including current market conditions, and (ii) selections of the trustee and credit rating agencies pursuant to delegations approved at the last Authority meeting.

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

Buckeye Tobacco Settlement Financing Authority Transaction Update

October 3, 2007

Transaction Progress To Date



Communication, Cooperation, and Collaboration

- The underwriting syndicate is fully engaged and in regular communication.
- Full communication and collaboration between the Joint Book-Running Senior Managers.
- Solicited and vetted structuring and marketing ideas from co-senior managers and co-managers.
- Weekly update calls are held every Friday with the full underwriting syndicate and selling group.
- More frequent communication among the underwriting syndicate members will occur as pre-marketing begins.

The Buckeye Transaction is on Schedule for a Mid-October Pricing

- Bond documentation – substantially final drafts of the Trust Indenture, 2007 Sale Agreement, Preliminary Offering Circular (“POC”) and legal opinions have been generated.
- The preliminary bond structure for the POC has been developed.
- The ultimate structure will be a function of investor interest at the time of pricing.
- The rating agency process is well underway, with preliminary investment grade ratings obtained for all Bonds.

Tobacco Market Conditions

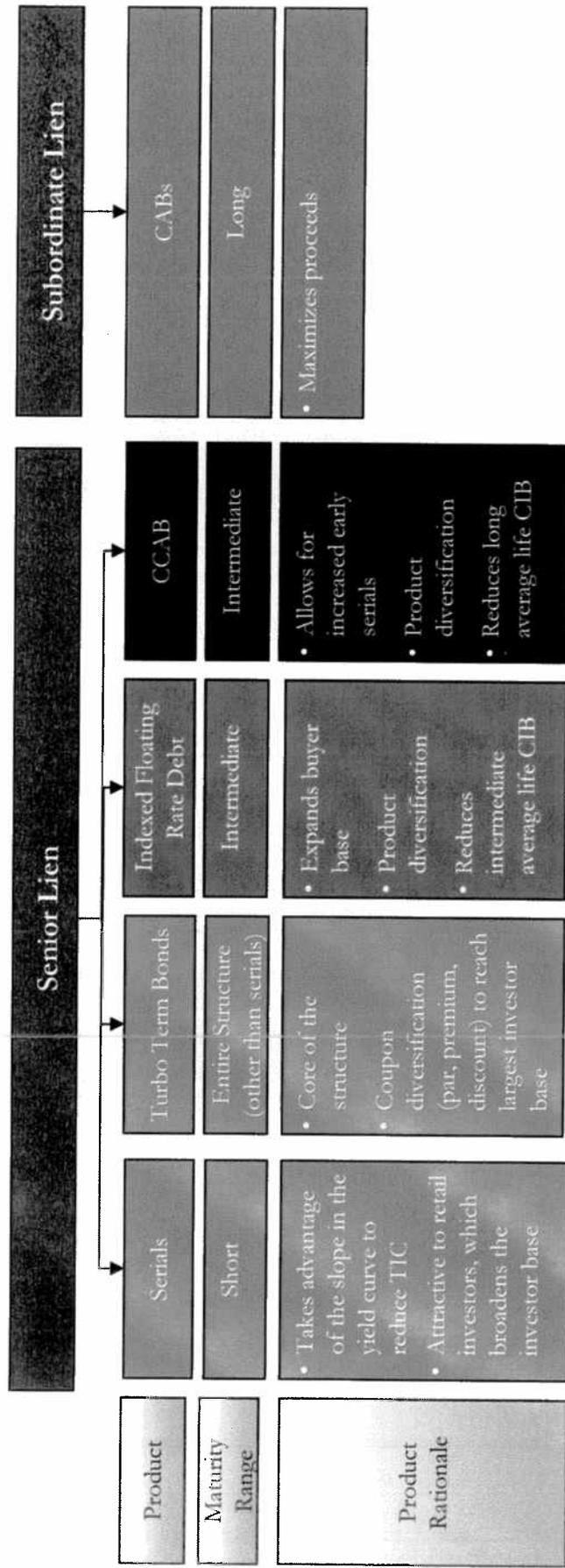


- In August, the market experienced a repricing of credit risk and a widening of credit spreads.
- Recently, the tone of the market has improved and we are encouraged by signs of stability.
 - Since late August, the tax-exempt market is moderately better with lower yields.
 - The Federal Reserve's capital infusion in the form of a 50 basis point discount rate cut in August and longer loan duration (30 days) is filtering into the capital markets. In September, the Fed reinforced its message to the capital markets by cutting the Fed Funds rate and the discount rate by another 50 basis points to 4.75% and 5.25%, respectively.
 - The municipal yield curve now reflects a more traditional slope (steeper).
 - Cashflows into municipal bond funds have been positive for the past several weeks.
- In the tobacco sector, secondary market activity and retail participation have picked up. Yields on major bellwether tobacco bonds have fallen slightly since August.
- The underwriting syndicate is creating significant marketing momentum for this \$5.5 billion transaction.
 - Investors are creating capacity in their portfolios for BTSFA's bonds by selling other tobacco holdings.



Preliminary Structure

- The proposed structure for the BTSFA bonds takes into account current market conditions and uses a variety of products to meet the Authority's net proceeds target and achieve the lowest borrowing cost.
- The preliminary bond structure is comprised of senior lien and subordinate lien tranches and includes fixed and variable rate debt as well as accretion products, specifically, the structure includes serial bonds, turbo term bonds, indexed floating rate bonds, convertible capital appreciation bonds ("CCABs") and capital appreciation bonds ("CABs").



Preliminary Structure



- The Joint Book-Running Managers have created product and coupon diversification in order to reach the widest possible range of investors.
- The preliminary bond structure includes a combination of par bonds, discount bonds, and premium bonds.
- The maximum rated final maturity for the preliminary bond structure is 2057, although the Bonds are projected to pre-pay by 2034 as a result of turbo redemptions.
- Our rating agency recommendation of Moody's, S&P, and Fitch allows the transaction to generate the most investor demand and offer the highest rated subordinate C.A.B.s.

Summary of Marketing Plan



Marketing Approach

- ❑ Maximize demand through a broad focus on both institutional and sophisticated retail investors.
- ❑ Tailor marketing plan to specific investor groups.
- ❑ Utilize structure, maturity, and products to focus on investor types and “make a big deal look small.”
- ❑ Motivate and engage the full underwriting syndicate.

Marketing Strategy

- ❑ Twelve days between POC mailing and the retail order period provides sufficient time to maximize investor interest.
- ❑ Institutional investor meetings planned for major money center cities.
- ❑ Retail broker meeting/call in Ohio for the benefit of both local and national retail firms.
- ❑ Internet Roadshow.
- ❑ National advertising in an effort to generate suitable (i.e., sophisticated/high net worth) retail demand.
- ❑ Planned two-day retail order period.

2007 Tobacco
Securitization

OVERVIEW OF UNDERWRITERS' COMPENSATION



October 3, 2007

UNDERWRITERS' COMPENSATION

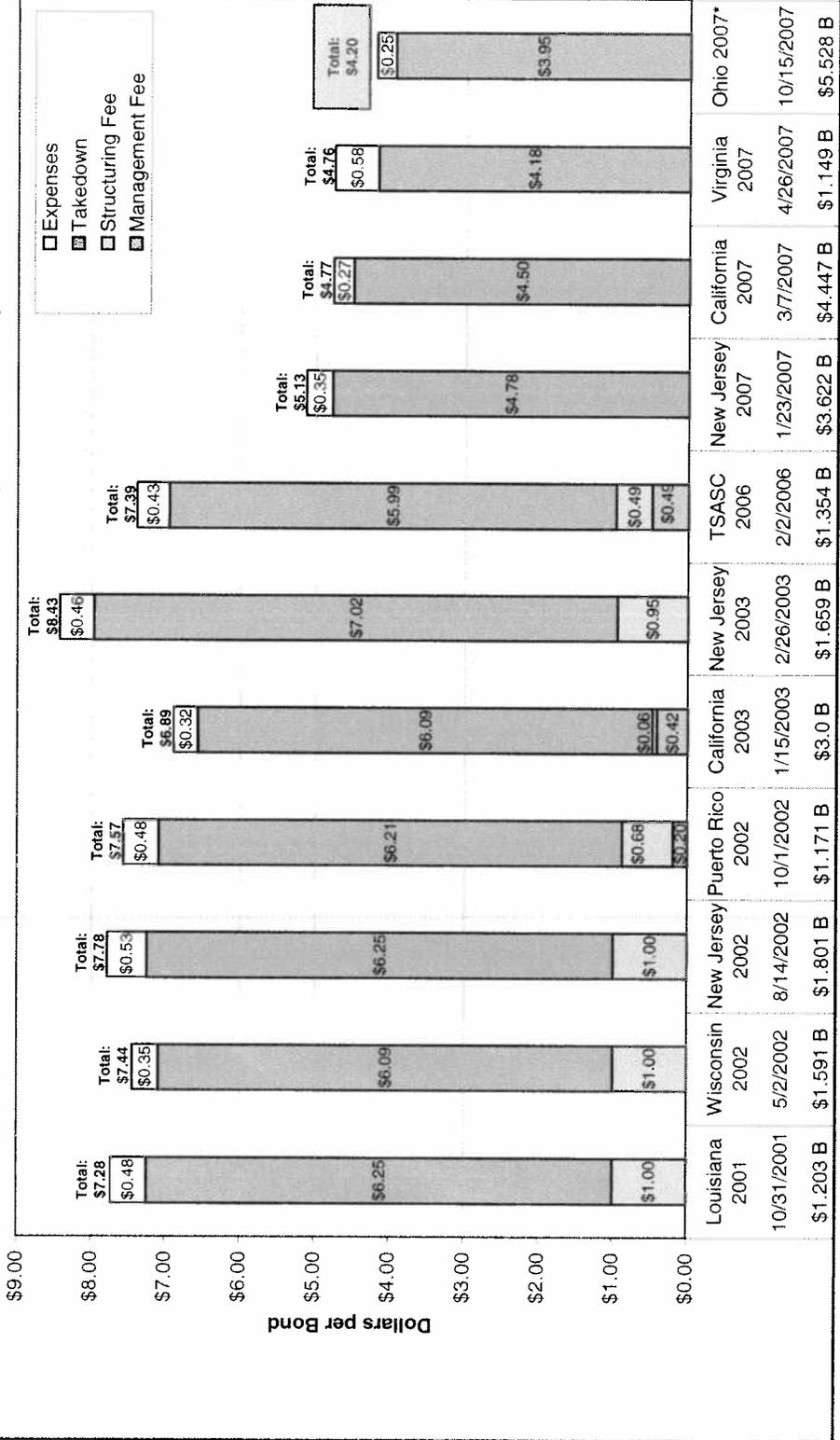


• BTSFA will have the lowest all-in Underwriters' Compensation of all Jumbo Tobacco transactions.

Structuring Fee: \$0.00 Average Takedown: \$3.95
 Management Fee: \$0.00 Expenses: \$0.25

TOTAL: \$4.20

Jumbo Tobacco Transaction Underwriters' Compensation Comparison



*BTSFA pricing date and size is preliminary and subject to change

TAKEDOWN STRUCTURE



- **The average takedown of \$3.95 comprises a range of different takedowns for the various structural products of the transaction.**
 - **Individual takedowns range from \$1.25 to \$5.00 depending on the bond component and maturity.**
- **Takedowns are structured to provide incentive for the underwriting syndicate to market and sell bonds throughout the structure.**
 - **Higher takedowns are assigned to bonds with longer maturities and/or structures or terms that are more difficult to sell.**
- **The average takedown is within the range authorized by the Authority.**
- **PFM recommends this takedown structure based on the size and complexity of the transaction and the current market conditions.**

RESOLUTION NO. 2007-2

Series 2007 Bond Resolution Providing for the Issuance and Sale of Not to Exceed \$6,000,000,000 of Tobacco Settlement Asset-Backed Bonds, Series 2007

WHEREAS, the Buckeye Tobacco Settlement Financing Authority (the "Authority"), created under Sections 183.51 and 183.52 of the Ohio Revised Code (the "Act") as a body, both corporate and politic, constituting a public body, agency, and instrumentality of the State of Ohio (the "State") and performing essential functions of the State, is authorized and empowered to, among other things, issue tobacco settlement backed obligations in an initial aggregate principal amount not to exceed \$6,000,000,000 for the purpose of purchasing all or a portion of the amounts to be received by the State under the tobacco master settlement agreement (as defined in the Act), funding deposits to any special funds pursuant to the applicable bond proceedings and paying the costs of issuance, and the State shall use the proceeds from the sale of those amounts for the purpose of paying costs of capital facilities for a system of common schools throughout the State and state-supported or state-assisted institutions of higher education; and

WHEREAS, the Authority desires to authorize and proceed with the issuance of its Tobacco Settlement Asset-Backed Bonds, Series 2007 (the "Series 2007 Bonds") in an initial aggregate principal amount not to exceed \$6,000,000,000 and in connection with that issuance and sale, to adopt this Resolution, to enter into the Trust Indenture (including the Series 2007 Supplement thereto), the 2007 Sale Agreement and the Continuing Disclosure Agreement, to execute and deliver Series 2007 Bonds, the Residual Certificate and the Bond Purchase Contract, to authorize the use and distribution of a Preliminary Offering Circular and to authorize the execution and delivery of a final Offering Circular and to execute and deliver certain other statements, documents and instruments upon the terms set forth in this Resolution and those documents and instruments;

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

Section 1. Definitions. For purposes of this Resolution the term "Authorized Officer" shall mean any Member of the Authority (and, to the extent permitted by the Act, any Member's designee in that Member's absence). All other terms used herein (including in the recitals) and not otherwise defined shall have the respective meanings given in the Trust Indenture, the 2007 Sale Agreement or the Act.

Section 2. Findings. It is hereby ascertained, determined and declared that:

(a) The Authority is created under the Act to, among other purposes, acquire from the State the 2007 Sold Tobacco Receipts.

(b) Under the Act, the State may assign and sell to the Authority, and the Authority may accept and purchase the 2007 Sold Tobacco Receipts for a purchase price payable by the Authority to the State consisting of the net proceeds of the Series 2007 Bonds and the residual interest represented by the Residual Certificate.

(c) The 2007 Sold Tobacco Receipts are not now pledged to or encumbered by any obligation.

(d) The Series 2007 Bonds will not be issued until all conditions relating to the issuance of Series 2007 Bonds under the Trust Indenture and the 2007 Sale Agreement have been met or waived by an Authorized Officer.

Section 3. Authorization of the Series 2007 Bonds; Use of Proceeds. This Authority finds and determines that it is necessary to, and the Authority shall, issue, sell and deliver, as provided and authorized herein and pursuant to the Act, the Series 2007 Bonds in an initial aggregate principal amount not to exceed \$6,000,000,000, for the purpose of (i) financing the Authority's purchase from the State of the 2007 Sold Tobacco Receipts, (ii) funding the Senior Liquidity Reserve Account, (iii) capitalizing certain Operating Expenses and (iv) providing for the payment of the costs of issuance of the Series 2007 Bonds. The Series 2007 Bonds shall be issued in accordance with the Act, the Trust Indenture (including the Series 2007 Supplement thereto) and this Resolution.

Section 4. Terms and Provisions of the Series 2007 Bonds.

(a) **General.** The Series 2007 Bonds shall be issued and secured under the terms of the Trust Indenture. The Series 2007 Bonds shall be (i) designated "Tobacco Settlement Asset-Backed Bonds, Series 2007", (ii) initially issued only in fully registered form, substantially as set forth in the Trust Indenture, (iii) numbered in such manner as determined by an Authorized Officer to distinguish each Series 2007 Bond from any other Series 2007 Bond, (iv) dated as provided in the Trust Indenture, (v) executed and authenticated as provided in the Trust Indenture, (vi) initially issued in the name of The Depository Trust Company ("DTC") or its nominee, as registered owner, and immobilized in the custody of DTC or its designated agent, and (vii) transferable or exchangeable in accordance with the Trust Indenture.

(b) **Principal Amount.** The principal amount of the Series 2007 Bonds of each series and subseries to be issued shall be determined by the Secretary (or, in the absence of the Secretary, any other Authorized Officer) in the certificate awarding the Series 2007 Bonds (the "Certificate of Award") in accordance with that Authorized Officer's determination of the best interest of and financial advantages to the Authority; provided, however, that the initial aggregate principal amount of Series 2007 Bonds to be issued shall not exceed \$6,000,000,000.

(c) **Principal Maturities and Interest Rates.** The Series 2007 Bonds shall mature on the dates and in the years and the principal amounts to be determined by the Secretary (or, in the absence of the Secretary, any other Authorized Officer) in the Certificate of Award; provided that the final principal maturity may not be later than the thirty-first day of December of the fiftieth calendar year after the year of issuance (i.e., 2057). The Series 2007 Bonds shall be issued as Tax-Exempt Bonds and may consist of Capital Appreciation Bonds, Convertible Capital Appreciation Bonds, Current Interest Bonds (including Indexed Floating Rate Bonds, which may be convertible to a fixed rate on the terms specified therein or in the Trust Indenture, and Fixed Rate Bonds), Serial Bonds, Term Bonds, Turbo Term Bonds or as otherwise provided in the Trust Indenture (or any combination thereof) all as to be determined by the Secretary (or, in the absence of the Secretary, any other Authorized Officer) in the Certificate of Award, having

due regard to the best interest of and financial advantage to the Authority. The Series 2007 Bonds shall bear interest or accrete interest from the most recent date to which interest has been paid or provided for or, if no interest has been paid or provided for, from their Delivery Date, at the rates per annum to be determined by the Secretary (or, in the absence of the Secretary, any other Authorized Officer) in the Certificate of Award.

(d) Redemption.

(1) Sinking Fund Installments. The Series 2007 Bonds of one or more maturities or series or subseries may be subject to Sinking Fund Installments prior to maturity, in accordance with the Sinking Fund Installment requirements of the Trust Indenture, on the dates and in the amounts to be determined by the Secretary (or, in the absence of the Secretary, any other Authorized Officer) in the Certificate of Award, consistent with that Authorized Officer's determination of the best interest of and financial advantages to the Authority.

(2) Turbo Redemptions. The Series 2007 Bonds of one or more maturities or series or subseries may be subject to Turbo Redemptions prior to maturity, in accordance with the requirements of the Trust Indenture.

(3) Optional Redemption. The Series 2007 Bonds of one or more maturities or series or subseries may be subject to optional redemption prior to maturity, in accordance with the provisions of the Trust Indenture, on the dates, in the years and at the redemption prices (expressed as a percentage of the principal amount to be redeemed), plus accrued interest to the redemption date, to be determined by the Secretary (or, in the absence of the Secretary, any other Authorized Officer) in the Certificate of Award; provided that the earliest optional redemption date for Series 2007 Bonds shall not be later than June 1, 2025 and the redemption price for the earliest optional redemption date (except for any Series 2007 Bonds subject to a make-whole call) shall not be greater than 101%. The redemption price for any Series 2007 Bonds subject to a make-whole call shall not exceed customary amounts for similar securities as to be determined by the Secretary (or, in the absence of the Secretary, any other Authorized Officer) in the Certificate of Award, having due regard to the best interest of and financial advantage to the Authority.

(e) Security for the Series 2007 Bonds. The Series 2007 Bonds shall constitute special obligations of the Authority, and the principal of and interest and any premium, if any, on the Series 2007 Bonds (collectively, "debt service") shall be payable solely from the Collateral, including the Pledged Tobacco Receipts, pledged under the Trust Indenture to secure that payment. The Series 2007 Bonds shall not be general obligations of the State and the full faith and credit, revenue, and taxing power of the State shall not be pledged to the payment of debt service on the Series 2007 Bonds or to any guarantee of the payment of that debt service.

(f) Certificate of Award. The determination that terms applicable to the Series 2007 Bonds are in the best interest of and offer financial advantages to the Authority shall be conclusively evidenced by the Secretary's (or, in the absence of the Secretary, any other Authorized Officer's) execution of the Certificate of Award. The terms contained in the Certificate of Award may also be included in the Series 2007 Supplement.

Section 5. Sale of the Series 2007 Bonds. The Series 2007 Bonds shall be sold and awarded to Bear, Stearns & Co. Inc. and Citigroup Global Markets Inc., as joint representatives of the underwriters named in the Bond Purchase Contract (collectively, the "Underwriters") in accordance with the terms of this Resolution, the Trust Indenture and the Bond Purchase Contract and at the purchase price specified in the Certificate of Award; provided, however, that in addition to the other limitations set forth in this Resolution, the (i) all-in true interest cost of the Series 2007 Bonds, determined by doubling the semiannual interest rate, compounded semiannually, necessary to discount the expected debt service payments on the Series 2007 Bonds to the anticipated Delivery Date for the Series 2007 Bonds, to the purchase price (less cost of issuance) to be paid on that Delivery Date, shall not exceed 8.0%; and (ii) aggregate underwriter compensation, inclusive of the takedown and all fees and expenses to be paid by the Underwriters, shall not exceed 0.50% of the initial aggregate principal amount of the Series 2007 Bonds. In determining the all-in true interest cost of the Series 2007 Bonds, the interest rate used for any Indexed Floating Rate Bonds shall be the higher of the interest rate for the initial accrual period or the forward LIBOR curve plus the applicable margin. It is determined hereby that the purchase price and the manner of sale and the terms of the Series 2007 Bonds, as provided in this Resolution, the Bond Purchase Contract and the Trust Indenture, are consistent with all legal requirements and will carry out the public purposes of the Act. Any Authorized Officer of the Authority is authorized and directed, alone or together with any staff of the Authority or other Authorized Officer of the Authority, to make the necessary arrangements with the Underwriters to establish the date, location, procedures and conditions for the delivery of the Series 2007 Bonds to the Underwriters and to take all steps necessary or desirable to effect due execution, authentication and delivery of the Series 2007 Bonds to the Underwriters under the terms of this Resolution, the Trust Indenture and the Bond Purchase Contract.

Section 6. Authorization of Execution and Delivery of Bond Proceedings. Each Authorized Officer is hereby authorized, in the name of and on behalf of the Authority, to execute and deliver the Trust Indenture (including the Series 2007 Supplement thereto), the 2007 Sale Agreement and the Continuing Disclosure Agreement, each in substantially the form now on file with the Secretary. Those forms of the Trust Indenture (including the Series 2007 Supplement thereto), the 2007 Sale Agreement and the Continuing Disclosure Agreement are hereby approved with such changes therein as are not inconsistent with this Resolution or the Act and not materially adverse to the Authority and shall be approved by the Authorized Officer executing the Trust Indenture (including the Series 2007 Supplement thereto), the 2007 Sale Agreement and the Continuing Disclosure Agreement. The approval of any changes, and that those changes are not materially adverse to the Authority, shall be conclusively evidenced by the execution by any Authorized Officer of the Trust Indenture (including the Series 2007 Supplement thereto), the 2007 Sale Agreement and the Continuing Disclosure Agreement.

Section 7. Authorization of Execution and Delivery of the Bond Purchase Contract. The Secretary (or, in the absence of the Secretary, any other Authorized Officer) is hereby authorized, in the name of and on behalf of the Authority, to execute and deliver the Bond Purchase Contract in substantially the form now on file with the Secretary. That form of the Bond Purchase Contract is hereby approved with such changes therein as are not inconsistent with this Resolution or the Act and not materially adverse to the Authority and shall be approved by the Authorized Officer executing the Bond Purchase Contract. The approval of any changes, and that those changes are not materially adverse to the Authority, shall be conclusively evidenced by the

execution by the Secretary (or, in the absence of the Secretary, any other Authorized Officer) of the Bond Purchase Contract.

Section 8. Authorization of Execution and Delivery of and Distribution of Offering Circular. The Preliminary Offering Circular, in substantially the form now on file with the Secretary, is hereby approved with such changes as are not inconsistent with this Resolution or the Act and not materially adverse to the Authority. The Authority hereby authorizes the preparation and distribution and use of the Preliminary Offering Circular by the Underwriters and in connection with the public offering for sale of the Series 2007 Bonds. The Authority further authorizes that the Preliminary Offering Circular be deemed by an Authorized Officer to be “final” within the meaning of Rule 15c2-12 under the Securities Exchange Act of 1934, and in furtherance thereof to execute a certificate evidencing same, with such changes, insertions or deletions and such completion of blanks therein as the Authorized Officer executing the same, in his or her sole discretion, shall approve, such execution to be conclusive evidence of such approval. The use and distribution of the final Offering Circular in connection with the offering and sale of the Series 2007 Bonds by the Underwriters is hereby authorized. The Authority hereby authorizes and directs the execution and delivery of the final Offering Circular by an Authorized Officer, such final Offering Circular being substantially in the form of the Preliminary Offering Circular with such changes, insertions or deletions as such Authorized Officer executing the same, in his or her sole discretion, may approve, such execution to constitute conclusive evidence of such approval.

Section 9. Appointment of Trustee. The Authority hereby appoints U.S. Bank National Association, acting directly or through a corporate trust affiliate, to serve as Trustee under the Trust Indenture.

Section 10. Covenants of Authority. In addition to the other covenants and agreements of the Authority in the Trust Indenture (including the Series 2007 Supplement thereto), the 2007 Sale Agreement, the Continuing Disclosure Agreement and the Bond Purchase Contract, the Authority, by issuance of the Series 2007 Bonds, covenants and agrees with the owners thereof that:

(a) The Secretary will furnish to the Underwriters and to the Trustee true transcripts of proceedings, certified by the Secretary, of all proceedings had with reference to the issuance of the Series 2007 Bonds together with such information from the Authority’s records as is necessary to determine the regularity and validity of such issuance;

(b) The Authority will observe and perform all of its agreements and obligations provided for by the Series 2007 Bonds, the Trust Indenture (including the Series 2007 Supplement thereto), the 2007 Sale Agreement, the Continuing Disclosure Agreement and the Bond Purchase Contract. The Authority will, at any and all times, cause to be done all such further acts and things and cause to be executed and delivered all such further instruments as may be necessary to carry out the purposes of the Series 2007 Bonds, the Trust Indenture (including the Series 2007 Supplement thereto), the 2007 Sale Agreement, the Continuing Disclosure Agreement and the Bond Purchase Contract, if any, or as may be required by the Act and will comply with all requirements of law applicable to the Authority and to the Series 2007 Bonds, the Trust Indenture (including the Series

2007 Supplement thereto), the 2007 Sale Agreement, the Continuing Disclosure Agreement and the Bond Purchase Contract; and

(c) The Authority will restrict the use of the proceeds of the Series 2007 Bonds in such manner and to such extent, if any, as may be necessary so that the Series 2007 Bonds will not constitute arbitrage bonds under Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"). An Authorized Officer of the Authority will give appropriate certificates of the Authority, for inclusion in the transcripts of proceedings for the Series 2007 Bonds, setting forth the reasonable expectations of the Authority regarding the amount and use of all the proceeds of the Series 2007 Bonds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of interest on the Series 2007 Bonds. The Authority (i) will take or cause to be taken such actions which may be required of it for the interest on the Series 2007 Bonds to be and remain excluded from gross income for federal income tax purposes, and (ii) will not take or permit to be taken any actions which would adversely affect that exclusion, and that it, or persons acting for it, will, among other acts of compliance, (A) apply the proceeds of the Series 2007 Bonds to the governmental purposes of the borrowing, (B) restrict the yield on investments acquired with those proceeds, (C) make timely payments to the United States, (D) maintain books and records and make calculations and reports, and (E) refrain from certain uses of proceeds, all in such manner and to the extent necessary to assure such exclusion of that interest under the Code. Each Authorized Officer is hereby authorized to take any and all actions, make calculations and payments, and make or give reports and certifications, as may be appropriate to assure such exclusion of that interest.

Section 11. Further Authorizations.

(a) The Authorized Officers are each hereby authorized and directed, on behalf of the Authority, to execute the Series 2007 Bonds (including any temporary bond or bonds) and the Residual Certificate as provided in the Trust Indenture and the 2007 Sale Agreement. Those Authorized Officers are hereby authorized and directed, upon the execution of the Series 2007 Bonds in the form and manner set forth in the Trust Indenture and herein, to deliver the Series 2007 Bonds in the amount authorized to be issued hereunder, to the Trustee for authentication and delivery to or upon order of the Underwriters pursuant to the Bond Purchase Contract, upon payment of the purchase price and upon compliance by the Underwriters with the terms of the Bond Purchase Contract. Those Authorized Officers are hereby further authorized and directed, upon the execution of the Residual Certificate, to deliver the same to the State. The Authorized Officers are hereby further authorized to do all things necessary to provide for the issuance of the Series 2007 Bonds and the execution and delivery of the Residual Certificate.

(b) The Authorized Officers are each authorized and empowered, collectively or individually, to take all action and steps, to make and carry out such other determinations, and to execute all other instruments, documents and contracts, including any Ancillary Facilitates, on behalf of the Authority that are necessary or desirable in connection with the execution and delivery of the Series 2007 Bonds and the Residual Certificate and for carrying out the transactions and other matters contemplated by this Resolution, and which are specifically authorized or are not inconsistent with the terms and provisions of this Resolution or the Act or any action relating to the Series 2007 Bonds or the Residual Certificate heretofore taken by the Authority.

(c) It is the intent of the Authority hereby to authorize the Authorized Officers to do all things, to take all actions, to make and carry out such other determinations, and to execute and deliver all agreements, certificates, instruments and other documents necessary or desirable in connection with the issuance of the Series 2007 Bonds and the Residual Certificate, and the performance of all agreements and covenants on the part of the Authority contained therein without the need for further action by the Members of the Authority.

Section 12. 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 compliance with all legal requirements including Section 121.22, Ohio Revised Code.

Section 13. Effective Date. This Resolution shall be in full force and take effect immediately upon its adoption.

Adopted: October 3, 2007

Attest:


Secretary
Buckeye Tobacco Settlement
Financing Authority

The Buckeye Tobacco Settlement Financing Authority



Additional Selling Group Members

- **Connors & Co., Inc.**
 - Est. 1959
 - Cincinnati based (sole office)
 - Full service broker/dealer
 - 12 employees

- **Hunter Securities Corp.**
 - Est. 1982
 - Maplewood, NJ based
 - 7 employees

- **Roosevelt & Cross, Incorporated**
 - Founded 1946
 - Based in New York City with offices in NJ, CT and RI
 - Broker/dealer specializing in tax-exempt and taxable securities
 - 60 employees

- **Ross, Sinclair & Associates**
 - Est. 1989
 - Cincinnati based with 7 additional offices in KY, TN, SC and CA
 - Full service broker/dealer
 - 63 employees (28 in Ohio)

Motion to appoint Connors & Co., Hunter Securities, Roosevelt & Cross, and Ross, Sinclair & Associates to the selling group and delegate to staff the authority to add additional firms up to the pricing date.