

RESOLUTION NO. 10-09

RESOLUTION OF THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK AUTHORIZING A MEMORANDUM OF UNDERSTANDING BETWEEN THE BANK, GOLDEN STATE TOBACCO SECURITIZATION CORPORATION AND THE ATTORNEY GENERAL OF THE STATE OF CALIFORNIA REGARDING THE PROCESS FOR DETERMINING THE EFFECT OF PROPOSED AMENDMENTS TO THE MASTER SETTLEMENT AGREEMENT ON HOLDERS OF CERTAIN BONDS ISSUED BY THE CORPORATION

WHEREAS, the State of California (the “State”) is party to a Master Settlement Agreement entered into on November 23, 1998, among the attorneys general of 46 states, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa and the Commonwealth of the Northern Mariana Islands and the Original Participating Manufacturers (as defined therein) pursuant to which the State is entitled to receive certain payments; and

WHEREAS, Article 7 (commencing with Section 63049; (“Article 7”) of Chapter 2 of the Bergeson-Peace Infrastructure and Economic Development Bank Act (Division 1 of Title 6.7 of the California Government Code) authorizes the California Infrastructure and Economic Development Bank (the “Bank”) to sell for, and on behalf of, the State, and solely as its agent, all or any portion of the tobacco assets, as defined in Article 7, received pursuant to the Master Settlement Agreement, or any residual interests therein, to a special purpose trust established as a not-for-profit corporation pursuant to Article 7, and, for that purpose, to enter into one or more sale agreements with that special purpose trust on the terms the Bank deems appropriate; and

WHEREAS, pursuant to the Article 7, the State has sold certain tobacco assets and residual interests therein to the Golden State Tobacco Securitization Corporation (the “Corporation”) pursuant to purchase and sale agreements entered into between the Bank and the Corporation in 2003, 2005 and 2007; and

WHEREAS, the Corporation has issued its bonds for the purpose of purchasing those tobacco assets and residual interests; and

WHEREAS, pursuant to Section 63049.4 within Article 7, in each purchase and sale agreement, directly or by incorporation, the State has pledged and agreed with the holders of the Corporation’s bonds that the State will not amend the Master Settlement Agreement, a memorandum of understanding and documents related thereto between the State and various local governments of the State (defined in Article 7 as the “Memorandum of Understanding”, and referred to herein as the “Tobacco MOU”) or the California Escrow Agreement (as defined in Article 7) in any way that would alter, limit or impair the rights and remedies of those bondholders or the security for their bonds, while the bonds remain unpaid; and

WHEREAS, a change in law (Stats. 2009, ch. 28, effective August 6, 2009; S.B. 53), which amended Section 63049.4 within Article 7, now permits amendments to the Master Settlement Agreement, the Tobacco MOU and the California Escrow Agreement that do not “materially adversely” alter, limit or impair bondholders’ rights to receive tobacco assets sold to

the Corporation or in any way “materially” impair the rights and remedies of bondholders or the security for their bonds, while the bonds are remain unpaid; and

WHEREAS, in response to this change in law, the Bank, for, and on behalf of, the State, and solely as its agent for sale of the tobacco assets, the Corporation and the Attorney General of the State of California (the “Attorney General”), now desire to enter into a memorandum of understanding establishing a mechanism for determining among the State as represented by the Bank and the Attorney General and the Corporation, whether any proposed amendment to the Master Settlement Agreement, the Tobacco MOU or the California Escrow Agreement would have a material effect on the holders of the Corporation’s bonds; and

WHEREAS, a proposed form of a Memorandum of Understanding by and between the Bank, for, and on behalf of, the State, and solely as its agent for sale of the tobacco assets, the Corporation and the Attorney General (the “Memorandum of Understanding”) is now on file with the Secretary of the Board of Directors of the Bank and is presented to this meeting;

NOW, THEREFORE, BE IT RESOLVED by the California Infrastructure and Economic Development Bank as follows:

Section 1. Findings. All of the recitals herein are true and correct.

Section 2. Approval of Amendatory Sale Agreements. The proposed form of Memorandum of Understanding on file with the Secretary is hereby approved. The Executive Director of the Bank (the “Executive Director”), the Chair of the Board of Directors of the Bank (the “Chair”) or the Chair’s designee, and each of them, acting alone, is hereby authorized and directed, for and on behalf and in the name of the Bank, acting for, and on behalf of, the State, and solely as its agent for sale of the tobacco assets, to execute, acknowledge and deliver, the Memorandum of Understanding substantially the form presented to this meeting, with such insertions and changes therein, as the official executing the same, with the advice of the Bank’s counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. Further Actions. The Executive Director, the Chair or the Chair’s designee, and each of them, acting alone, is hereby authorized and directed, to execute and deliver any and all instruments and certificates, which they or counsel to the Bank may deem necessary or advisable in order to effectuate the purpose of this resolution and Article 7.

Section 4. Effective Date. This resolution shall take effect immediately upon its adoption.

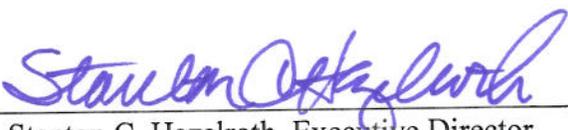
PASSED, APPROVED AND ADOPTED at a meeting of the California Infrastructure and Economic Development Bank on February 23, 2010, by the following vote.

AYES: BRYANT, LUJANO, BERTE, SHEEHY

NAYS: NONE

ABSENT: RICE

ABSTAIN: NONE

By: 
Stanton C. Hazelroth, Executive Director

Attest:

By: 
Roma Cristia-Plant, Secretary
of the Board of Directors