

CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK (I-BANK)

BOND AMENDMENT STAFF REPORT

REQUEST

The Golden State Tobacco Securitization Corporation (Corporation) has requested in connection with the Purchase and Sale Agreement, dated as of September 1, 2003, between the California Infrastructure and Economic Development Bank (I-Bank), for, and on behalf of, and as agent for, the State of California (State), and the Corporation, as amended and supplemented by the First Supplemental Purchase and Sale Agreement, dated as of July 1, 2005, between the Corporation and the I-Bank, for, and on behalf of, and as agent for the State, with the consent of The Bank of New York Mellon Trust Company, N.A., as trustee (Trustee), to modify wiring instructions directing Citibank, N.A., as the escrow agent (Escrow Agent), to send tobacco revenues to the Trustee related to a new issuance of bonds (2013A Bonds) by the Corporation.

BACKGROUND

Pursuant to legislation enacted in 2002 (Chapter 414, Statutes of 2002 (SB 1831)) and 2006 (Chapter 641, Statutes of 2006 (SB 1141)) the I-Bank was authorized to sell for, and on behalf of, the State, solely as its agent, all or any portion of tobacco assets (Tobacco Assets) to a special purpose trust established as a not-for-profit corporation solely for the purpose of issuing bonds secured by the Tobacco Assets. The Corporation was established pursuant to SB 1831 as a special purpose not-for-profit Corporation. The directors of the Corporation are the five voting members of the State Public Works Board, serving ex officio.

In January 2003, the I-Bank acting on behalf of the State, sold to the Corporation fifty-six and fifty-seven hundredths percent (56.57%) of the Tobacco Assets pursuant to the terms of a Purchase and Sale Agreement and the Corporation sold its \$3.0 billion 2003A Bonds to finance the purchase of those Tobacco Assets. In September 2003, the remaining forty-three and forty-three hundredths percent (43.43%) of the State's Tobacco Assets were sold to the Corporation pursuant to the terms of a Purchase and Sale Agreement and the Corporation issued its \$2.5 billion 2003B Bonds. In August 2005, the Corporation refunded the 2003B Bonds (2005A Bonds). In March 2007, the Corporation refunded the 2003A Bonds (2007 Bonds).

The I-Bank's role in 2003, 2005 and 2007 consisted solely of the following: 1) executing the Purchase and Sale Agreements whereby the I-Bank, acting on behalf of the State, sold the pledged Tobacco Assets to the Corporation; 2) directing the Attorney General to notify the Escrow Agent that the Pledged Tobacco Assets are to be paid directly to the bond trustee for the bonds; and 3) signing miscellaneous other documents and certificates necessary to effectuate the sale of the Tobacco Assets and the issuance of the bonds. The Corporation was the issuer of the bonds in 2003, as well as for the

refunding bonds issued in 2005 and 2007, and is the party responsible for all activities associated with the issuance of the bonds.

NEED FOR THE REQUEST

The Corporation is now refunding a portion of the 2005A Bonds and requests that I-Bank sign a written request and direction in connection with the 2013A Bonds to modify the wire instructions directing the California Escrow Agent to send the tobacco revenues to the Trustee (Wire Instructions) and to issue an opinion with regard to the 2013A Bonds.

BOARD DELEGATION AUTHORIZATION

I-Bank Board Resolution 03-05 explicitly authorizes and directs to the Executive Director, to act on behalf of the I-Bank, to direct the California Attorney General to instruct the Escrow Agent to pay the proceeds of the sale of the Tobacco Assets to the Trustee in the manner indicated in the Wire Instructions.

LEGAL REVIEW

The I-Bank's General Counsel has reviewed the Corporation's request and draft Wire Instructions and has determined that execution of the Wire Instructions is authorized by Resolution 03-05.

RECOMMENDATION

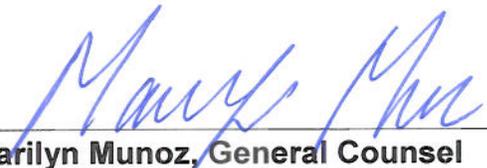
Staff has determined that the request of the Corporation is reasonable and should be approved by the Assistant Executive Director as the Assignee of the Executive Director.

ATTACHMENTS

Attachment 1 Resolution 03-05

Prepared by:  4/4/13
Tara Dunn, Public Finance Specialist Date

Reviewed by:  4/5/13
Joel Tokimitsu, Bond Programs Manager Date
Comments:

Reviewed for Delegation:  4/5/13
Marilyn Munoz, General Counsel Date
Comments:

- The amendment request falls within the authority delegated to the Executive Director in resolution 03-05. I-Bank Board consideration and approval is not required.
- The amendment request does not fall within the delegated authority of the I-Bank Executive Director, and Board consideration and approval of the request is required.

Approved by:  4/5/13
Roma Cristia-Plant, Assistant Executive Director as Assignee of the Executive Director Date
Comments:

ATTACHMENT 1 – RESOLUTION 03-05

RESOLUTION NO. 03-05

RESOLUTION OF THE
CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK
RELATING TO THE SALE OF TOBACCO ASSETS
FOR AND ON BEHALF OF AND AS AGENT FOR
THE STATE OF CALIFORNIA

March 18, 2003

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) of Chapter 2 of Division 1 of Title 6.7 of the California Government Code (the "Act") 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 the Act) to the Golden State Tobacco Securitization Corporation, the special purpose trust established as a not-for-profit corporation pursuant to the Act (the "Corporation"), and, for that purpose, to enter into one or more sales agreements with the Corporation on the terms the Bank deems appropriate; and

WHEREAS, pursuant to the Act, the State sold to the Corporation fifty six and fifty seven hundredths percent (56.57%) of its Tobacco Assets and the Corporation issued \$3,000,000,000 Golden State Tobacco Securitization Corporation Tobacco Settlement Asset-Backed Bonds, Series 2003A to finance the purchase of such Tobacco Assets; and

WHEREAS, the State has now determined to sell to the Corporation and the Corporation desires to purchase from the State up to the remaining forty three and forty three hundredths percent (43.43%) of the State's Tobacco Assets; and

WHEREAS, the Act authorizes the Bank to direct the California Attorney General to notify and instruct the California escrow agent that Tobacco Assets sold are to be paid to the trustee of the bonds issued by the Corporation to purchase those Tobacco Assets;

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 and the Bank so finds.

Section 2. Purchase and Sale Agreement. The sale of the Tobacco Assets to the Corporation by the Bank for, and on behalf of, the State, and solely as its agent, is hereby authorized and approved in accordance with the Act. The proposed form of Purchase and Sale Agreement by and between the Bank for, and on behalf of, the State, as seller, and the Corporation, as purchaser, on file with the Secretary, is hereby approved. The Executive Director, the Chair of the Bank 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, to execute, acknowledge and deliver, the Purchase and Sale Agreement in substantially the form presented to this meeting, with such insertions and changes therein, including the amount of Tobacco Assets to be sold, as the officer 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. The Board hereby finds that the provisions contained in the Purchase and Sale Agreement are necessary to establish and maintain the security of the bonds issued by the Corporation to purchase those

Tobacco Assets and the exemption of interest on those bonds from federal income taxation. Execution and delivery of the Purchase and Sale Agreement will also constitute certification that the amount of Tobacco Assets sold pursuant to this resolution was necessary to provide the State with the amount of net bond proceeds it received for such sale and that the aggregate amount of Tobacco Assets sold by the Bank for, and on behalf of, and solely as Agent for, the State does not exceed the amount permitted to be sold pursuant to Section 63049.1 of the Act.

Section 3. Direction to the Attorney General. The Executive Director and the Chair of the Bank 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, to direct the California Attorney General pursuant to the Act to irrevocably instruct the California Escrow Agent under the Master Settlement Agreement and the California Escrow Agreement (as those two terms are defined in the Act) that the Tobacco Assets sold to the Corporation pursuant to the Purchase and Sale Agreement are to be paid directly to the trustee for the bonds issued by the Corporation to purchase those bonds.

Section 4. Further Actions. The Executive Director, the Chair of the Bank or the Chair's designee, and each of them, acting alone, is hereby authorized and directed, jointly and severally, to do any and all things, and to execute and deliver any and all documents and certificates, including amendments to the documents herein authorized, which they may deem necessary or advisable in order to consummate the sale of the Tobacco Assets to the Corporation, the direction to the California Attorney General and otherwise to effectuate the purpose of this resolution and the Act.

Section 5. 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 March 18, 2003, by the following vote.

AYES: Hatamiya, Takashima, Lloyd

NAYS: None

ABSENT: None

ABSTAIN: None

By: 
Stanton C. Hazeleroth, Executive Director

Attest:

By: 
Blake Fowler, Secretary