



February 15, 2012

Senator Claire A. Robling, Chair
Senate Finance Committee
Room 121 Capitol
75 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155-1606

Representative Mary Liz Holberg, Chair
House Ways & Means Committee
443 State Office Building
100 Rev. Dr. Martin Luther King Jr. Blvd.
St. Paul, Minnesota 55155

RE: 2012 Report on the sale of Tobacco Securitization Bonds

Dear Senator Robling and Representative Holberg:

Minnesota Statute 16A.98, subdivision 2, requires the Commissioner of Management and Budget to report to the chairs of the Senate Finance Committee and the House Ways and Means Committee information on the sale of the any bonds issued that are secured by any tobacco settlement revenues. This statute directs that once the bonds are sold the commissioner shall submit a copy of the agreement.

In accordance with M.S. 16A.98, attached is an executed copy of the Purchase and Sale Agreement for the Series 2011A and Series 2011B Bonds. Also as required by M.S. 16A.98, attached is information on the distribution of the bond proceeds. Pursuant to the Minnesota Settlement Agreement, the annual tobacco settlement revenues of \$160,806,231.28 were received by state of Minnesota by December 30, 2011.

Questions regarding this report may be directed to Kristin A. Hanson, Assistant Commissioner in the Department of Management and Budget at (651) 201-8030.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim Schowalter", written in a cursive style.

James Schowalter
Commissioner

cc: Commissioner Myron Frans, Department of Revenue
Commissioner Ed Ehlinger, Department of Health

**\$756,955,000 Tobacco Securitization Authority
Minnesota Tobacco Settlement Revenue Bonds, Series 2011 A and B Bonds
Closing Statement
November 28, 2011**

At approximately 9:00 AM (ET) on Tuesday, November 29th, the Underwriter will deliver funds to the Tobacco Securitization Authority (“TSA”) Paying Agent by two federal funds wire transfer, which, in aggregate, will total the purchase price of \$780,212,370.27, as detailed below:

	<u>Series 2011A</u>	<u>Series 2011B</u>	<u>Total</u>
Par Amount of Bonds	\$74,685,000.00	\$682,270,000.00	\$756,955,000.00
Plus: Net Original Issue Premium	-	27,199,677.55	27,199,677.55
Less: Underwriters’ Discount	<u>332,087.56</u>	<u>3,610,219.72</u>	<u>3,942,307.28</u>
Purchase Price	\$74,352,912.44	\$705,859,457.83	\$780,212,370.27

According to the Indenture of the Series 2011 A and B, the TSA Paying Agent will apply \$140,212,370.27 of the proceeds for the Debt Service Reserve Account; the Capitalized Interest Account; the Capitalized Operating Expenses and the Cost of Issuance.

Upon receipt of the wire from the Underwriter, the TSA Paying Agent will transfer \$640,000,000 of the net proceeds to the State of Minnesota.

- The State will transfer \$632,359,697.85 along with other funds on hand to the State’s General Obligation Bond Paying Agent to prepay certain debt obligations of the State of Minnesota.
- The State will transfer \$7,637,665.11 to the Certificates of Participation (COPs) Paying Agent to prepay a portion of the June 1, 2012 maturity of the State of Minnesota’s 2009 COPs.
- An amount in the sum of \$2,637.04 will be retained in the State’s General Account.