

**MINUTES**

**FOR THE MEETING OF THE  
SOLE MEMBER  
/ AUDIT COMMITTEE / GOVERNANCE COMMITTEE /  
BOARD OF DIRECTORS  
OF  
ROCKLAND TOBACCO ASSET SECURITIZATION CORPORATION**

**MEETING – March 14, 2024, at 5:00 P.M.**

*The Meetings will be held at the County Executive's Conference Room, Allison-Parris County Office Building, 11 New Hempstead Road, New City, New York.*

**1. Meeting of the Sole Member**

In Attendance: Edwin J. Day, Sole Member

Others in Attendance: Stephen DeGroat, Director  
Howard T. Phillips, Jr., Director  
Rabbi Hersh Horowitz, Director  
C. Scott Vanderhoef, Director  
Dorothy Filoramo, Independent Director  
John Finnegan, Esq., Counsel  
Lucia Caruso, Secretary

- Mr. Day opens the Meeting.
- Secretary Caruso advises that the Notice of Meeting had been posted and sent to the newspaper in compliance with the Open Meetings Law.
- Mr. Day signs the Consent to Waiver of Notice of Meeting.
- Mr. Day reviews and accepts for filing the Minutes of the Meeting of the Sole Member held on December 12, 2023.
- Transaction of other business at the Meeting:
  - No other business
- Public Comment:
  - No public comment
- Mr. Day closes the Meeting of the Sole Member.

**1. Meeting of the Audit Committee**

Committee: Howard T. Phillips, Jr., Chairman  
Stephen DeGroat, Member  
C. Scott Vanderhoef, Member

Others in Attendance: Edwin J. Day, Sole Member  
Rabbi Hersh Horowitz, Director  
Dorothy Filoramo, Independent Director  
John Finnegan, Esq., Counsel  
Lucia Caruso, Secretary

- Chairman Phillips opens the meeting.
- Secretary Caruso advises that the Notice of Meeting had been posted and sent to the newspaper in compliance with the Open Meetings Law.
- The Directors in attendance sign the Consent to Waiver of Notice of Meeting of the Committee.
- The Committee reviews and accepts for filing the Minutes of the Committee Meeting held on December 12, 2023. Motion by Member Scott Vanderhoef; Seconded by Member Stephen DeGroat; All in Favor; Motion Carried.
- Report of the Treasurer. Motion to defer the Report of the Treasurer to the Meeting of the Board of Directors. Motion by Member Scott Vanderhoef; Seconded by Member Stephen DeGroat; All in Favor; Motion Carried.
- Transaction of other business at the Meeting:
  - No other business
- Public Comment:
  - No public comment
- Motion to close the Meeting of the Committee. Motion by Member Stephen DeGroat; Seconded by Member Scott Vanderhoef; All in Favor; Motion Carried.

## 2. Meeting of the Governance Committee

Committee: Howard T. Phillips, Jr., Chairman  
Rabbi Hersh Horowitz, Member  
Dorothy C. Filoramo, Member, and Independent Director

Others in Attendance: Edwin J. Day, Sole Member  
Stephen DeGroat, Director  
C. Scott Vanderhoef, Director  
John Finnegan, Esq., Counsel  
Lucia Caruso, Secretary

- Chairman Phillips opens the meeting of Committee.
- Secretary Caruso advises that the Notice of Meeting had been posted and sent to the newspaper in compliance with the Open Meetings Law.
- The Directors in attendance sign the Consent to Waiver of Notice of Meeting.
- The Committee reviews and accepts for filing the Minutes of the Committee Meeting held on December 12, 2023. Motion by Member Rabbi Hersh Horowitz Seconded by Member Dorothy Filoramo; All in Favor; Motion Carried.
- Transaction of other business at the Meeting:
  - No other transaction
  - Public Comment:
    - No public comment
- Motion to close the Meeting of the Committee. Motion by Member Dorothy Filoramo; Seconded by Member Rabi Hersh Horowitz; All in Favor; Motion Carried.



### 3. Meeting of the Board of Directors

In attendance: Howard T. Phillips, Jr., Chairman and Director  
Stephen DeGroat, Treasurer and Director  
Rabbi Hersh Horowitz, Director  
C. Scott Vanderhoef, Director  
Dorothy C. Filoramo, Independent Director

Others in Attendance: Edwin J. Day, Sole Member  
John Finnegan, Esq., Counsel  
Lucia Caruso, Secretary

- Chairman Phillips opens the meeting of the Board.
- Secretary Caruso advised that the Notice of Meeting had been posted and sent to the newspaper in compliance with the Open Meetings Law.
- The Directors in attendance sign the Consent to Waiver of Notice of Meeting of Board.
- The Board reviews and accepts for filing the Minutes of the Meeting held on December 12, 2023. Motion by Independent Director Dorothy Filoramo; Seconded by Director Rabbi Hersh Horowitz; All in Favor; Motion Carried.
- Report of the Treasurer. Treasurer DeGroat distributed a Schedule of Revenue and Expenses as of March 31, 2024. Treasurer DeGroat explained.  
The opening balance was \$ 451,898.53, the only expenses paid out this quarter were the directors, accounting and legal fees in the amount of \$4,750.00 and Wilmington Trust \$ 8,000.00 leaving a balance of \$ 439,148.53.

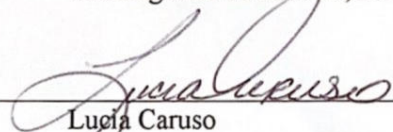
Motion to accept the Treasurer's Report. Motion by Director Scott Vanderhoef; Seconded by Director Rabbi Hersh Horowitz; All in Favor; Motion Carried.

- Ratify, confirm, and approve all corporate actions previously taken by the Board of Directors and Officers. Motion by Independent Director Dorothy Filoramo; Seconded by Director Scott Vanderhoef; All in Favor; Motion Carried.

Authorize the Directors and Officers to do all things necessary or advisable and proper to carry on the business of the Corporation. Motion by Director Scott Vanderhoef; Seconded by Director Rabbi Hersh Horowitz; All in Favor; Motion Carried.

- Transaction of other business at the Meeting:
- Treasurer and Director Stephen DeGroat submitted a Wall Street Journal article stating how well the Tobacco Bonds are doing for the investors. (copy of article is attached)
- Public Comment:
  - none
- Tentative date for the next meeting of the Corporation: June 10, 2024, at 5:00pm
- Motion to close the Meeting of the Committee. Motion by Director Rabbi Hersh Horowitz; Seconded by Director Stephen DeGroat; All in Favor; Motion Carried.

Approved by the Board of Directors at the  
Meeting held on June 10, 2024

  
\_\_\_\_\_  
Lucia Caruso  
Secretary to the Board

Attachments:

- Financial package from Lenny Forte
- Copy of article

6:10 PM

Rockland County Tobacco Asset Securitization Corporation

03/05/24

Cash Receipts Disbursements Connect One

Accrual Basis

As of March 31, 2024

Type	Date	Num	Name	Memo	Clr	Split	Debit	Credit	Balance
<b>Checking Connect One Bank</b>									451,898.53
Check	01/29/2024	1352	Hersch Horowitz	4Q2023 Director Fee		Directors' Fees	500.00		451,398.53
Check	03/05/2024	1353	Wilmington Trust	invoice 20231231-68729-A 11/1/2024-12/31/2024		Wilmington Trust Fees	4,000.00		447,398.53
Check	03/05/2024	1354	Wilmington Trust	invoice 20231231-33602-A 12/21/2023-12/20/2024		Wilmington Trust Fees	4,000.00		443,398.53
Check	03/05/2024	1355	Leonard Forte	1Q2024 Accounting Fee		Accounting Fees	500.00		442,898.53
Check	03/05/2024	1356	Lucy Caruso	1Q2024 Paralegal/Secretary Fee		Legal Fees	500.00		442,398.53
Check	03/05/2024	1357	Howard Phillips	1Q2024 Director Fee		Directors' Fees	750.00		441,648.53
Check	03/05/2024	1358	Hersch Horowitz	1Q2024 Director Fee		Directors' Fees	500.00		441,148.53
Check	03/05/2024	1359	Edwin J. Day	1Q2024 Director Fee		Directors' Fees	500.00		440,648.53
Check	03/05/2024	1360	Dorothy C. Filoramo	1Q2024 Director Fee		Directors' Fees	500.00		440,148.53
Check	03/05/2024	1361	Stephen F. DeGroat	1Q2024 Director Fee		Directors' Fees	500.00		439,648.53
Check	03/05/2024	1362	C. Scott Vanderhoef	1Q2024 Director Fee		Directors' Fees	500.00		439,148.53
<b>Total Checking Connect One Bank</b>							0.00	12,750.00	439,148.53
<b>TOTAL</b>							0.00	12,750.00	439,148.53



# Tobacco Bonds Are on Fire, Defying the Odds

Anyone who has tried to quit smoking knows that cigarettes are tough to resist—almost as hard as it is for politicians to keep their hands off big piles of money.

Smoking and government spending had a rare chance to interact in the late 1990s when the largest American tobacco companies agreed to pay \$206 billion over 25 years to 52 U.S. states and territories in exchange for those jurisdictions giving up future legal claims against them. The payers and the terms have been tweaked over the years as a result of more companies joining and lawsuits involving some states, but they are now effectively payments in perpetuity.

At least 21 states or territories, plus local entities within some of them, didn't want to wait for the money to trickle in, taking it up front and transferring that risk to municipal bond investors. Even after all these years, tobacco bonds are close to 9% of the high-yield municipal bond market, according to analysts at Invesco. Unlike those who buy bonds secured by the full faith and credit of a state government with taxing authority, though, tobacco bond investors typically have no recourse if the cash runs low.

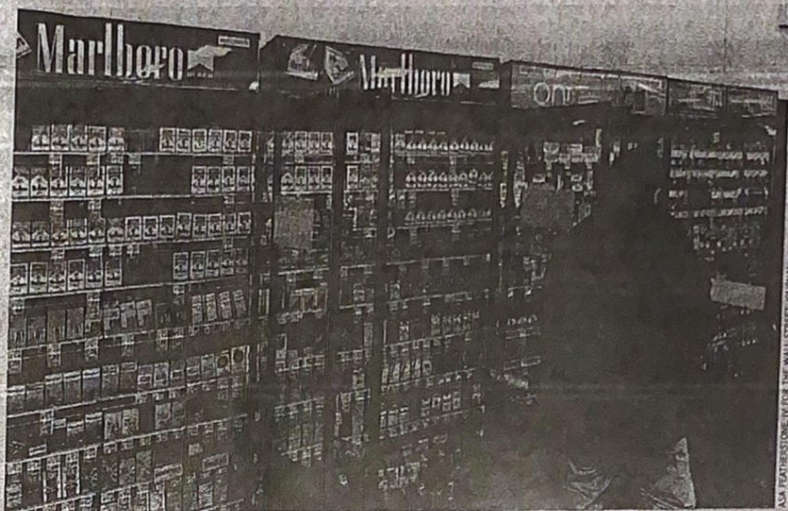
That is a distinct possibility for some bonds because payments are tied to the number of cigarettes sold—long in decline. The fall has accelerated recently. In the three months through September, ciga-

rette sales decreased by another 8% year over year. Shares of Britain's **British American Tobacco**, which bought U.S. cigarette maker Reynolds American—which itself bought Lorillard years earlier—recently fell to a 12-year low after the company took a \$25 billion (equivalent to more than \$27 billion) noncash impairment for its U.S. tobacco brands. Between 1997, the year before the Master Settlement Agreement was signed, and 2021, annual cigarette sales fell from 478.6 billion cigarettes to 190.2 billion, according to the Federal Trade Commission.

But it gets worse: Because the price of any bond is sensitive to interest rates, the past couple of years should have been especially bad for tobacco bonds. It is possible for their duration—which determines sensitivity to interest rates—to lengthen if the special purpose entities backing them don't receive enough cash to make all payments on time.

Surprisingly though, tobacco bonds have done much better than the average muni. An index of tobacco bonds maintained by S&P Dow Jones Indices had a 10-year total return of 134% through the middle of December compared with just 34% for a general municipal bond index. And between late October and mid-December, the tobacco index rallied by 13% as overall bond yields fell.

A lot of things were hard to pre-



Cigarette sales have long been in decline, with the drop recently accelerating

dict in the late 1990s, when the settlement was inked and, while some have hurt the cash flows received by states, others have helped. On the negative side, the rise of vaping and other noncombustible products that get former or potential future smokers their nicotine kick don't count toward the cash received. Neither do some small cigars that are very similar to cigarettes.

The federal government also has threatened to ban menthol cigarettes, which are seen as potentially more addictive and are consumed disproportionately by minority groups. They are now about one-third of the cigarette market. And then there are excise taxes: The consumer-price index for tobacco products is up by 530% since 1997 compared with 93% for overall consumer prices.

On the other hand, the companies agreed to an annual inflation adjustment for their payments of at least 3%, which seemed reasonable in the late 1990s. For many years, including the entire period from 2008 through 2020, that was more than states would have received if the payments were indexed to actual inflation. They also didn't anticipate a surge in inflation to a four-decade peak in the past couple of years. From 2015 to 2021, payments actually averaged about 20%.

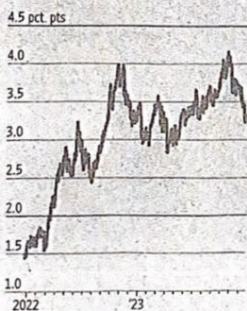
The upshot is that payments received by states and territories in 2022 were \$6.38 billion, which is about what they were 20 years ago. With inflation headed lower again and cigarette sales possibly much lower, is it finally time to kick the habit?

Not necessarily. While it is hard

to see cigarette unit sales recovering, especially as tobacco companies themselves are actively trying to shift smokers to "reduced harm" products, tobacco bonds are an interesting hedge in a bond portfolio. Many, but not all, are tax-free on state and federal level, so they shield investors from higher taxes in the future with government finances strained. And with inflation-protected bonds and the like in vogue, they offer at least some benefit if there is a future surge in prices. Owners wouldn't actually get more money as they do with Treasury inflation-protected securities, but it would make it more likely that riskier bonds would get paid.

Lucky investors who made a big bet on tobacco bonds may not want to cut back. A few probably won't kill them, though. —Spencer Jankab

Yield differential between U.S. and Japan 10-year government bonds



Source: FactSet

The Japanese yen has been one of the worst-performing currencies of the past couple of years. It could do better in 2024.

The yen has lost around 20% against the dollar since the end of 2021, underperforming other major currencies. Japan's central bank kept its ultralow interest rates while most of its peers have been raising rates aggressively. Higher yields outside of Japan have driven the currency lower and lower.

While inflation has picked up in Japan—as almost everywhere

else—it remains low compared with other developed economies. Japan's core inflation rate, which excludes fresh foods, was 2.5% from a year earlier in November, down from 4.2% at the beginning of 2023. Though that is already above Bank of Japan's 2% inflation target, the central bank has been unwilling to raise interest rates too quickly, fearing a hit to the economy.

The BOJ may eventually still tighten its monetary policy, especially if it judges that inflation has moved sustainably above its tar-

get. The central bank has already made a couple of tweaks to its "yield-curve control" policy, which seeks to keep its long-term bond yields low. The yen has risen around 7% against the dollar since mid-November, partly as traders expect the BOJ to give up its negative-interest-rate policy sometime in 2024.

Yet one of the biggest supports for the yen in 2024 will likely come from the Federal Reserve. Its rate-increase cycle has likely come to an end already, and the central bank has indicated cuts could be

coming. The yield differential between 10-year government bonds in Japan and the U.S. has narrowed by almost 1 percentage point in the past two months, just because of plummeting U.S. bond yields. Japanese bond yields have, in fact, also fallen during the period.

Japan stayed put when every other major central bank was raising interest rates, betting it could withstand negative pressure on the yen. That gamble now seems to have paid off.

—Jacky Wong

## 2024 Could Be the Year of the Yen