

**MINUTES OF THE MEETING OF THE BOARD OF INVESTORS FOR THE
OKLAHOMA TOBACCO SETTLEMENT TRUST FUND (TSET)**

November 20, 2024

State Capitol Building, Room 230

2300 N. Lincoln Blvd.

Oklahoma City, OK 73105

Call to order

Treasurer Todd Russ, Chair of the Board, called the meeting to order at 10:02 am on Wednesday, November 20, 2024.

Confirmation of quorum

Members of the Board present were Treasurer Russ, Deborah Mueggenborg, Aaron Ackerman, and John Waldo.

Others present at the meeting were OST Chief Investment Officer Lisa Murray; OST Director of Portfolio Accounting and Reporting Phyllis Chan; OST Manager of Portfolio Accounting and Reporting Donna Beeman; Assistant Attorney General Ben Graves; NEPC Advisor Doug Moseley; Chance Allison and Dan Bledsoe with Finley & Cook; Evan Walter, Paul Pustmueller, and Sean Chitwood with BOK Financial; TSET Executive Director Julie Bisbee; TSET Director of Finance Trish Bryant; TSET Accountant Britt Chapman; OST Chief Policy Advisor Andy Ferguson; OST Digital Media Coordinator Lara Blubaugh; and OST Investment Assistant Andrew Gardner.

Andrew Gardner served as recording secretary.

Approval of minutes from the meeting on August 21, 2024

Upon a motion by Ms. Mueggenborg and a second by Mr. Ackerman, the minutes from the August 21, 2024 Board meeting were adopted with three votes in the affirmative and John Waldo abstaining.

Welcome of new Board of Investors member John Waldo.

John Waldo was recognized by Chairman Russ and delivered a personal introduction to the Board.

Presentation of report regarding Tobacco Free Investments by BOK Financial.

Chairman Russ recognized Mr. Walter to present this item. Mr. Walter verified that the Trust was in compliance with the no-tobacco policy for the quarter that ended September 30, 2024.

Presentation of annual audit for FY24 by Finley & Cook.

Chairman Russ recognized Dan Bledsoe and Chance Allison to present the annual audit.

Finley & Cook audited the financial statements for TSET as of June 30, 2024. The firm rendered a clean opinion, also known as an unmodified opinion, the highest level of assurance the firm

can provide in relation to their professional standards. The auditors performed a risk-based assessment of the key TSET's key activities, such as the disbursement cycle of program expenses and the investment cycle for investment holdings, through sample testing. The auditors did not have any disagreements with management or the investment managers and consultants hired by the Board, and they did not identify any fraud. For 2024, administrative expenses were about 2.5% of certified earnings, responsibly below the cap of 15%.

Discussion and possible action regarding revised earnings based on the Audit Report.

Chairman Russ recognized OST Director of Portfolio Accounting and Reporting Phyllis Chan to present the revised earnings.

Ms. Chan presented the revised FY 24 certified earnings for the 12 months ending June 30th, 2024. Total income was \$78.3 million, and the net gain was \$21.1 million. The total income with net gains was \$99.4 million. After deducting investment expenses of \$10.7 million and the August certification of \$86.8 million, there were \$1.9 million in additional revised earnings before the Board. Ms. Chan asked for approval and certification of the additional earnings of \$1,938,552.71. Ms. Mueggenborg made a motion to accept the fiscal year 2024 earnings as presented. The motion was seconded by Mr. Ackerman. The motion was unanimously adopted by roll-call vote.

Discussion and Possible Action on consent of Monroe Capital partnership with Wendel and notification of Fund III term extension to September 5, 2025.

Monroe Capital is maintaining 25% of their ownership and selling a 75% stake to Wendel, a European investment holding company. Monroe is an existing direct lending manager of TSET. NEPC advised the Board that they were comfortable with this transaction as there was no current material concern to TSET's investments.

Upon a motion to approve on Monroe's partnership with Wendel from Mr. Ackerman and a second from Ms. Mueggenborg the motion was accepted unanimously by a roll call vote.

Discussion and review of the U.S. direct lending manager search.

The discussion focused on selecting U.S. direct lending asset managers to allocate \$100 million in private credit as part of a broader plan to increase the trust's private credit assets to the target of 13%. Five finalists were considered, including TPG Angelo Gordon, Monroe Capital, Neuberger Berman, Comvest Partners, and MC Credit, with evaluations centered on fee structures, fund status, and alignment with investment goals. Angelo Gordon, a large, global firm, and Comvest, a responsive boutique manager with competitive fees, emerged as the top recommendations from NEPC. Monroe and Neuberger Berman were also viable options, though Monroe's possible slower fundraising could impact capital deployment. MC Credit was deemed less favorable due to high administrative costs and carried interest. The hiring decision includes splitting the \$100 million between two managers, with planned additional commitments next year, prioritizing those with competitive fees, strong track records, and the capacity to align with the organization's investment pace.

Discussion and Possible Action on selection of U.S. direct lending manager search.

The Board wanted to diversify the portfolio by choosing new managers. Angelo Gordon and Monroe are current TSET direct lending managers of closed end funds. To meet the current

allocation target of \$260 million the board discussed committing \$200 million. However, the consensus of the Board was to only commit \$100 million at this time. Ms. Mueggenborg made a motion to hire Comvest and Neuberger Berman as the new U.S. direct lending investment managers and commit \$50 million for each manager. The motion was seconded by Mr. Ackerman and adopted by the Board with three votes in the affirmative and one abstention.

Discussion and Possible Action on consent of Hightower Advisors acquisition of NEPC.

As part of their strategic plan, NEPC believes they need to scale their business to pay for technology costs to deliver services to clients, including funding their research team and to continue to access new markets, including the registered investment advisor (RIA) market. Hightower is a privately owned financial services company that's focused on financial planning and owning financial planning networks. They have been acquiring mid-size and regional financial planning networks for approximately the last eight years.

Hightower is owned by a private equity firm called THL partners. Hightower approached NEPC because they wanted to add a consulting firm that could help them deliver research that is institutional quality and help them negotiate fees for their marketplace. The RIA market has a lack of access to alternative assets. Partners in the firm will continue to own equity in NEPC and the firm will continue to operate independently with its own name.

Upon a motion from Mr. Ackerman to consent of Hightower Advisors' acquisition of NEPC that was seconded by Mr. Waldo the board consented unanimously in the affirmative by roll call vote.

Discussion and Possible Action to authorize a request for proposal for investment consulting services.

Ms. Mueggenborg made a motion to authorize a request for proposal for investment consulting services. The motion was seconded by Mr. Ackerman and accepted unanimously by a roll call vote.

Presentation and discussion of FY25 first quarter investment performance.

Chairman Russ recognized Doug Moseley with NEPC to present the quarterly performance report.

Mr. Moseley reported that the market value of the trust as of September 30, 2024, was \$1,992,709,665. The quarterly return was 4.69% and the one-year return came in at 19.10%, both net of fees. The one-year return was ranked in the 63rd percentile but underperformed relative to the policy index by -0.28%. The three-year return was 6.30% net of fees, ranking in the 5th percentile and underperforming the policy index by 0.86%. Finally, the five-year return was 8.94% net of fees, ranking in the 21st percentile and outperforming the policy index by 0.19%. Of the \$1.99 billion in total assets, \$90.8 million comes from an investment gain within the last calendar quarter, and \$327 million was gained within the last year.

The board discussed some disappointing and negative returns from the portfolio's asset managers of the global tactical asset allocation (GTAA) and real estate strategies and the timelines in seeing the return of funds.

Discussion of estimated FY25 earnings as of September 30, 2024.

Chairman Russ recognized OST Director of Portfolio Accounting and Reporting Phyllis Chan to present the next agenda item.

For the three months, ending September 30, 2024, total income with net gains was \$25.3 million. After deducting investment expenses of \$1.7 million and reserving \$500 thousand for auditing purposes, the estimated earnings were \$23.1 million.

Discussion and Possible Action regarding class action proof of claims filed by BOK Financial and/or the Chicago Clearing Corporation on behalf of the Board of Investors for the FY24 fourth quarter and FY25 first quarter.

Chairman Russ recognized OST Chief Investment Officer Lisa Murray to present this agenda item.

Lisa Murray requested after the fact approval of the filings.

Upon a motion from Mr. Ackerman to approve the class action claims filed in April through September 2024 and a second from Ms. Mueggenborg the motion was accepted unanimously by a roll call vote.

Update on TSET Board of Directors activities.

Chairman Russ recognized TSET Executive Director Julie Bisbee to present an update from the TSET Board of Directors.

Ms. Bisbee updated the board on the status of their build environment and discovery grants. TSET is also awaiting the arrival of a mobile lung cancer screening bus from a grant awarded to Stephenson Cancer Center. The bus got delayed in the hurricane but, when it arrives, it will allow Stephenson to go through rural parts of the state.

Election of Vice Chair for 2025 statutory requirement.

Mr. Ackerman moved to approve Deborah Mueggenborg to be Vice Chair of the Tobacco Board of Investors for 2025. The motion was seconded by Mr. Waldo and accepted unanimously by roll call vote.

Discussion and Possible action on meetings for 2025.

The proposed 2025 meeting dates for the TSET Board of Investors were February 19th, June 18th, August 20th, and November 19th.

Ms. Mueggenborg moved to approve the submitted Board meeting schedule for 2025. The motion was seconded by Mr. Waldo and accepted unanimously by roll call vote.

Comments and questions from Board members

There were none.

New Business

There was none.

Adjournment

Upon a motion by Mr. Ackerman and a second by Mr. Waldo, the Board voted unanimously to adjourn at 11:28 a.m.

Todd Russ, Chair
Tobacco Settlement Endowment Trust Fund Board of Investors