

Exhibit A

TOBACCO SETTLEMENT PERMANENT TRUST ACCOUNT INVESTMENT ADVISORY COMMITTEE Friday, March 7, 2008 Minutes

The Tobacco Settlement Permanent Trust Account Investment Advisory Committee (the “**Committee**”) met on Friday, March 7, 2008 at 10:00 a.m. in Room 227, Rusk State Office Building, 208 E. 10th Street, Austin, Texas.

Committee Members Present

Stuart Ford, Chairman; Judge Giles Dalby; Judge Wayne Gent; Commissioner Jack Harris; Faraz Khan; Noe Hinojosa; Joe McComb; Chuck Norris; and Phillip Rivera.

Committee Members Absent

Judge Dan Gattis.

Texas Treasury Safekeeping Trust Company (“Trust Company”) Staff Members Present

Paul Ballard, Chief Executive Officer and Chief Investment Officer; Danny Sachnowitz, Deputy Director and Deputy Chief Investment Officer; Frank Zahn, Chief Financial Officer; Marianne S. Dwight, General Counsel; Dan McNeil, Compliance Officer; Byron Beasley, Private Markets Manager; J. Germentis, Manager of Marketable Investments; Nora Arredondo, Special Projects Coordinator; Kathy Bueltel, Program Specialist; Gena Minjares, Audit Liaison; and Victor Scott, Financial Reporting Manager.

Comptroller of Public Accounts (“CPA”) Staff Present

None.

Additional Participants Present

Tom Janisch, Asset Consulting Group (“ACG”); Don Lee, Texas Conference of Urban Counties; Steve Pines and Amanda Golightly, Northern Trust Company; Peggy Belcher, Department of State Health Services (“DSHS”); and Mike O’Brien, Padgett Strateman & Co., LLC.

Call to Order

Chairman Stuart Ford declared that a quorum was present and called the meeting to order at 10:10 a.m. Mr. Ford reported the resignations of Dee Chaisson, Peggy Deming, Nina Trevino, and David Witt, vice-chairman.

Approval of Minutes (Tab 1)

Motion was made by Judge Giles Dalby to approve the October 26, 2007 meeting minutes. The motion was seconded by Mr. Chuck Norris and unanimously approved.

Election of Vice-Chairman

Mr. Joe McComb nominated Mr. Noe Hinojosa as vice-chairman of the Tobacco Settlement Permanent Trust Account Investment Advisory Committee. As there were no other nominations, the nominations ceased. *Motion was made by Mr. Chuck Norris to elect Mr. Noe Hinojosa as vice-chairman. The motion was seconded by Mr. Phillip Rivera and unanimously approved.*

Presentation of Annual Audit (Tab 2, handout)

Mr. Mike O'Brien reported that Padgett, Stratemann & Co. issued an unqualified audit opinion with respect to the Tobacco Settlement Permanent Trust Account ("Account") for the year ended December 31, 2007. Mr. O'Brien reported an increase of approximately \$89.5 million in net assets for 2007 bringing the net assets held in trust to approximately \$2.4 billion. Mr. O'Brien affirmed that the account had been managed in compliance with the Investment Policy and the Distribution Policy. He confirmed the annual distribution amount for the period ending December 31, 2007 at \$92,303,845, and also confirmed the distribution amount of \$10,255,983 to be added to the Distribution Stabilization Account. No audit adjustments were made, nor was a management letter issued.

Presentation of Current Market Value vs. Invested Corpus (Tab 3)

Mr. Ballard reviewed the worksheet behind tab 3. He pointed out that the market value of the portfolio as of December 31, 2007 exceeded the inflation-adjusted corpus net of all distributions. The inflation-adjusted corpus value of the account as of December 31, 2007 was approximately \$1,978,089,710. The market value was approximately \$2,438,669,683. The portfolio return for the year ending December 31, 2007 was 7.56%.

Discussion and Approval of Annual Trust Distribution (Tab 4)

Mr. Ballard explained the calculation of the annual distribution amount for the year ended December 31, 2007. The calculated distribution amount of \$92,303,845 was verified and presented in the Padgett Stratemann & Co. audit. Mr. Ballard recommended that pursuant to the administrative rules, the Committee approve the calculated amount of \$92,303,845 as the annual distribution and that \$10,255,983 be approved as an addition to the Distribution Stabilization Account.

Motion was made by Mr. Noe Hinojosa to approve the distribution of \$92,303,845 to the Political Subdivisions and to approve the addition of \$10,255,983 to the Distribution Stabilization Account. Motion was seconded by Judge Wayne Gent and unanimously approved.

Update on Implementation of Asset Allocation Plan (Tab 5)

Mr. Paul Ballard reviewed the asset allocation of the investment portfolio as of December 31, 2007. He discussed the portfolio composition and progress being made to implement the asset allocation policy, focusing primarily on investment activity in hedge funds, private equity and real estate. Mr. Ballard discussed the target and current allocations for the various assets and stated that the portfolio was in compliance with the asset allocation policy. Mr. Ballard reminded the Committee that hedge funds were included in the portfolio as a defensive mechanism to improve diversification.

Mr. Danny Sachnowitz reviewed portfolio strategies and diversification of several asset classes. He reported on hedge funds and private equity and explained how the private equity portfolio was positioned for a stressed environment. Mr. Sachnowitz reviewed several specific investments. He stated that diversification was key in portfolio construction and lowers the overall risk to the entire portfolio.

Discussion of Hedge Fund Industry (handouts)

Afsaneh Beschloss, President and Chief Investment Officer of Rock Creek Group, began her presentation with an overview of the approximate \$2 trillion hedge fund industry. She stated that hedge funds increase the liquidity in the markets and assist in market efficiency. Ms. Beschloss reviewed the January 2008 U.S. Government Accountability Office ("GOA") report regarding Hedge funds. The GOA report examined the steps regulators and market participants are taking to strengthen market discipline. Ms. Beschloss

continued her presentation with a review of the investment process on page 11 of the Rock Creek Group report.

Presentation and Discussion of Investment Performance for period ending 12/31/07 (Tab 6)

Mr. Steven Pines of Northern Trust reviewed the performance of the investment portfolio noting that quarterly and annual rates of return for the portfolio were very competitive. The total rate of return was -1.4% for the quarter and approximately 7.6% for the year ending December 31, 2007. Mr. Pines discussed peer universe comparisons noting that the portfolio return was above that of the median peer group.

Mr. Pines discussed the recessionary environment facing portions of the portfolio and noted that though the portfolio was down, it wasn't down as much because of hedge funds and private equity. Other funds that had no exposure to hedge funds did not fare as well. He reviewed the performance of individual asset classes and stated that investment managers were performing as expected and that the portfolio was in compliance with its asset allocation policy.

Status of Ethics Commission Direction

Per Ms. Marianne Dwight no updates at this time.

Discussion of Next Meeting and Agenda Items

Mr. Ford suggested a list of proposed meeting dates be emailed to the Committee.

Public Comment

None.

Adjourn

Motion was made by Commissioner Jack Harris to adjourn. Motion was seconded by Judge Wayne Gent and approved unanimously. Meeting adjourned at 12:36 pm