

SB

243

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FILE

SB 243

was referred to the
Senate Finance
Committee

Hearing(s) were held

The bill did not move
from Committee

STATE OF ALASKA

DEPARTMENT OF REVENUE

TREASURY DIVISION

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March 6, 2006

Senator Lyda Green
Co-Chair, Senate Finance Committee
State Capitol, Room 516
Juneau, AK 99801

Dear Senator Green:

I am responding to the Senate Finance Committee's request of March 3 for an analysis of the historical cost of issuing bonds through the Northern Tobacco Securitization Corporation (NTSC) to fund the purchase of portions of the Master Settlement Agreement from the State of Alaska, to provide some additional information on the currently proposed sale, and general information on the State's general fund supported debt. To accomplish this request there are three attachments to this letter.

Attachment one provides summary of the NTSC's bond issues and two possible structures for the proposed bond issue, a summary of the bonds that remain outstanding, and a summary of the projects funded with proceeds of the bond issues. The sheet provides a sources and uses summary of the 2000 and 2001 bond issues. Bond proceeds have been used to provide \$202,942,839 to the State, fund a \$22.2 million reserve, pay \$5.6 million in costs of issuance and operating expenses, \$9.4 million in capitalized interest expense, and \$2.7 million in original issue discount. The primary matter to be obtained from this sheet is that costs of issuance have averaged just over 2% of the bond issue for these transactions, the bonds are being repaid with special redemptions as anticipated, and all of the original transfers have been spent with a residual balance of investment earnings awaiting final disposition.

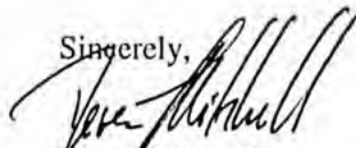
The second attachment provides an analysis of the future revenue stream that would be sold in exchange for value today. The numbers incorporated into this sheet involve assumptions regarding inflation and tobacco consumption over the next 34 years that may become inaccurate as time progresses. A discount rate of 4.6% results in the cash flows' present value from year 2017 to 2040 equaling the maximum possible value that can be derived from sale of the MSA at this time.

The final attachment tracks the evolution of the general fund supported obligations over the past five years. While the State's lease program has remained between \$145 and \$160 million over this time, increases have been realized in the State's general obligation bond program and the school debt reimbursement program. In late 2003 \$461 million of

general obligation bonds were issued, and the school debt reimbursement program has increased from \$464 million of debt the state funds in FY 2001 to \$803 million by FY 2005. The cumulative effect of the changes has been an increase from \$624 million in general fund supported obligations in 2002 to \$1,387 million currently.

If you have any questions please call me at (907) 465-3750.

Sincerely,

A handwritten signature in black ink, appearing to read "Deven Mitchell". The signature is written in a cursive style with a large, sweeping initial "D".

Deven Mitchell
State Debt Manager

NORTHERN TOBACCO SECURITIZATION CORPORATION BONDS (3-3-2006)

	NTSC 2000	NTSC 2001	Existing Cumulative	<i>Projected</i> NTSC 2006 refunding	<i>Projected</i> NTSC 2006 no refunding
Sources:					
Bond Principal Amount	116,050,000	126,790,000	242,840,000	426,318,044	196,222,250
Uses of Proceeds:					
Payment to State refunding escrow Reserve Account	93,000,000	109,942,839	202,942,839	181,080,866	191,975,056
Operating Expense Deposit	11,324,015	10,845,650	22,169,665	229,842,164	0
Capitalized Interest Deposit	400,000	25,000	425,000	6,226,071	0
Costs of Issuance	7,602,640	1,775,817	9,378,457	50,000	50,000
Net Original Issue Discount	2,845,579	2,348,998	5,194,577	0	0
Total Uses of Proceeds	877,766	1,851,696	2,729,462	9,118,943	4,197,194
	<u>116,050,000</u>	<u>126,790,000</u>	<u>242,840,000</u>	<u>426,318,044</u>	<u>196,222,250</u>

Issue Date	10/26/2000	8/15/2001
Bond Yield	6.326%	5.513%
Final Maturity	2031	2029
Current Ratings	BBB/Baa2/BBB	BBB/Baa3/BBB

Scheduled Redemptions		(1,520,000)	(1,520,000)
Special Redemptions	(13,705,000)	(13,725,000)	(27,430,000)
Bonds Outstanding	<u>102,345,000</u>	<u>111,545,000</u>	<u>213,890,000</u>

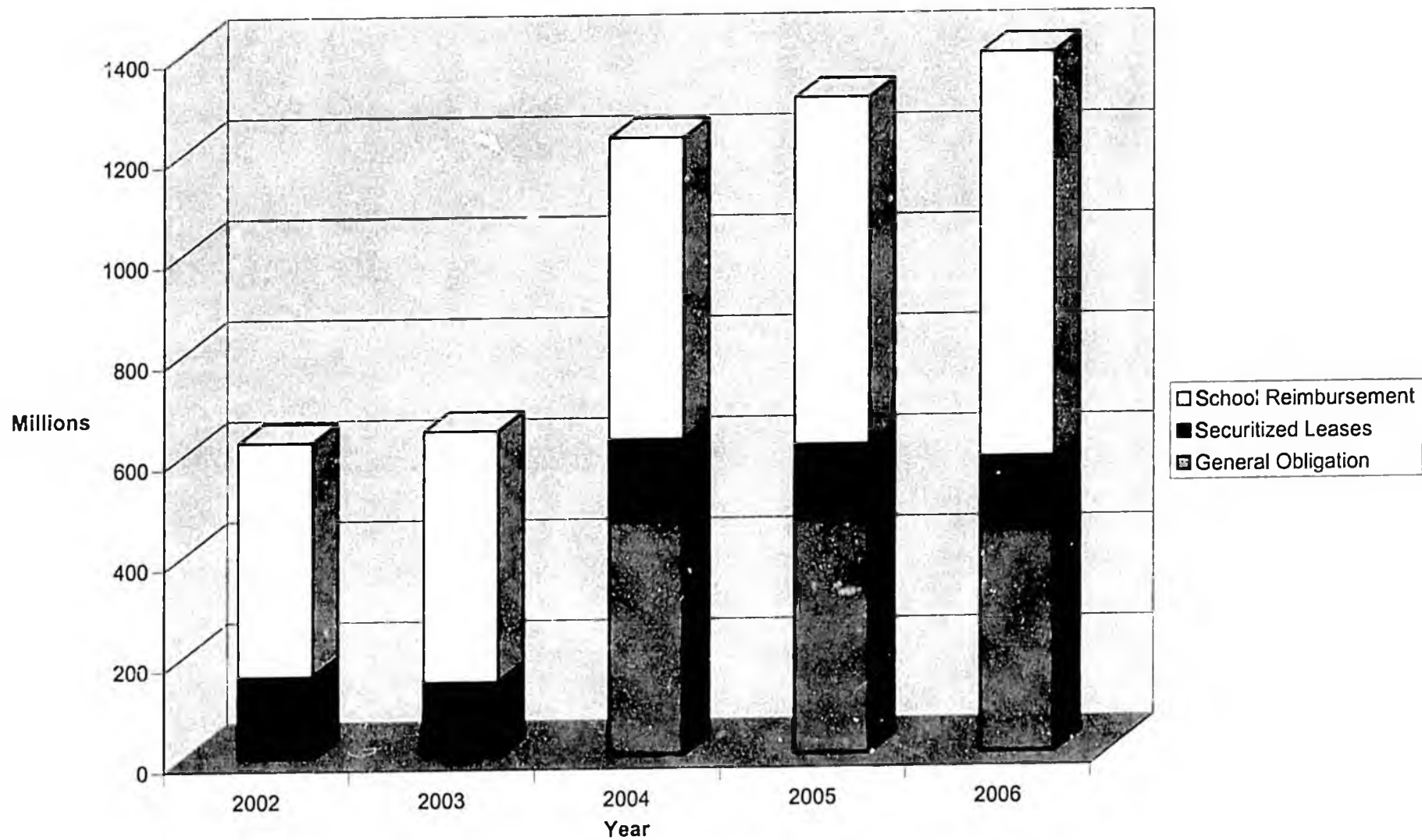
Capital Projects Appropriated Disbursements from Proceeds	93,000,000	109,942,839	202,942,839
Proceeds Remaining	(87,805,301)	(103,300,001)	(191,105,302)
	<u>5,194,699</u>	<u>6,642,838</u>	<u>11,837,537</u>

<u>Investment Earnings on NTSC Bonds:</u>	
Capital Projects Appropriated Disbursements from Earnings	15,131,471
Earnings Remaining	(8,712,094)
	<u>6,419,378</u>

MSA Payment	<u>Annual Payments from MSA</u>	<u>Present Value of Certain MSA receipts in 2006</u>	Discount rate 4.60%
2017 10	29,450,416.00	17,957,377.15	
2018 11	21,991,903.00	12,819,839.76	
2019 12	21,808,934.00	12,154,092.56	
2020 13	21,629,205.00	11,523,833.46	
2021 14	21,452,712.00	10,927,150.75	
2022 15	21,279,458.00	10,362,239.11	
2023 16	21,109,443.00	9,827,388.77	
2024 17	20,942,671.00	9,320,983.70	
2025 18	20,779,145.00	8,841,494.22	
2026 19	20,618,871.00	8,387,474.08	
2027 20	20,461,853.00	7,957,553.83	
2028 21	20,308,101.00	7,550,439.90	
2029 22	20,157,621.00	7,164,906.56	
2030 23	20,010,425.00	6,799,796.00	
2031 24	19,866,524.00	6,454,012.07	
2032 25	19,725,929.00	6,126,517.35	
2033 26	19,588,656.00	5,816,331.58	
2034 27	19,454,718.00	5,522,526.05	
2035 28	19,324,132.00	5,244,222.92	
2036 29	19,196,917.00	4,980,591.82	
2037 30	19,073,092.00	4,730,846.79	
2038 31	18,952,679.00	4,494,244.57	
2039 32	18,835,698.00	4,270,081.15	
2040 33	18,722,176.00	4,057,691.73	Expected final maturity
2041 34		0.00	
2042 35		0.00	
2043 36		0.00	
2044 37		0.00	
2045 38			
Totals	<u>Nominal 494,741,279.00</u>	<u>PV 193,291,635.88</u>	

\$989,482,558.00
late match required on date of issuance **\$386,583,271.76**

General Fund Supported Obligations





March 29, 2006

Big Tobacco Gets Favorable Ruling

Declining Market Share May Let Cigarette Makers Cut Payments to the States

By VANESSA O'CONNELL
March 29, 2006; Page B3

An independent arbitrator ruled that the nation's big cigarette makers lost market share as a result of their 1998 legal settlement with 46 states.

The ruling increases the likelihood that Marlboro maker Philip Morris USA and its rivals will be able to cut \$1.2 billion from the payment they owe the states next month, and possibly see similar reductions in future years.

BIG CASE



1. In Court 2 Big Tobacco defends itself against allegations that it deceived smokers in ads for low-tar cigarettes

The payment issue stems from a settlement reached eight years ago requiring Altria Group Inc.'s Philip Morris Reynolds American Inc.'s RJR and Loews Corp.'s Lorillard to reimburse the states annually for the costs of caring for sick smokers. Each year's payment is calculated based on the previous year's cigarette-sales volume. So far, cigarette makers have paid the states \$41.6 billion; another \$6.5 billion

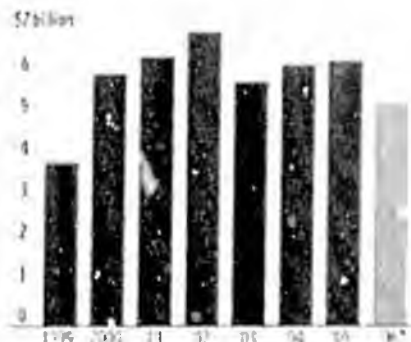
is due April 17

The latest ruling could usher in a new era of confrontation between major cigarette makers, which lately have benefited from a string of courtroom victories, and the states, which have grown increasingly dependent on annual tobacco-company payments to cover budget shortfalls.

The companies say the settlement allows them to cut their payments if their market share drops below certain thresholds. The companies say they hit that threshold in 2003: Their collective market share dropped to 92% from 99.6% in 1997 -- the year before the settlement -- amid gains by makers of bargain-priced generic cigarettes that have sprung up since 1998.

Cash Infusions

Total settlement payments received by states from tobacco companies



* Projected payments based on settlement terms.

The states, however, claim the big cigarette makers lost share not because of the legal settlement, but because of outside price increases.

Economist Daniel McFadden of the University of California at Berkeley, an independent analyst who served as an arbitrator in the dispute, affirmed his earlier ruling in favor of the companies. He found that the burdens of the settlement itself were a "significant factor" in causing the market-share losses.

No. 2 cigarette maker Reynolds, which sells Winston and Salem cigarettes, stands to gain the biggest sum -- roughly \$567 million -- because it suffered the steepest loss in market share. The No. 1 maker, Philip Morris, of Richmond, Va., would be entitled to about \$386 million, according to estimates by the settlement's designated auditor.

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A loss of revenue is sure to hurt cash-strapped states that are counting on the tobacco billions to help fund health-care programs or pay other expenses.

The National Association of Attorneys General said yesterday that the states are negotiating with the tobacco companies to get the full payment and expect those negotiations to be successful. The states warn that, if necessary, they will sue the companies to get the full payment.

The dispute is likely to be closely followed by the bond markets. Many states and other municipalities have floated special bonds secured by the flow of future settlement payments by cigarette makers.

Write to Vanessa O'Connell at vanessa.oconnell@wsj.com³

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MARKET NEWS

Tobacco Firms Weigh \$1.1B Payment Cut

Mediator: MSA Caused Market Share Loss

by Elizabeth Albanese

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Posted 03/29/06

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DALLAS - Tobacco companies on Tuesday began mulling their options regarding a ruling handed down by a mediator stating that tobacco companies have the right to lower by as much as \$1.1 billion a planned payment of \$6.5 billion to states on April 17.

If in fact tobacco companies do reduce their annual payments to states under the terms of the 1998 Master Settlement Agreement, issuers with outstanding municipal bonds backed by securitized tobacco payments could be hard-pressed to repay "turbo" bonds this year. In fact, analysts said that several issuers would likely be forced to tap reserves to meet interest and principal payments due in 2006.

The Boston-based Brattle Group ruled early yesterday morning that the MSA was a "significant factor" in market share loss suffered by tobacco companies in 2003, and as such, tobacco companies could invoke the so-called NPM adjustment in the agreement that allow for a reduced payment this year. The adjustment allows companies to reduce their payments by as much as three times the amount of market share they've lost to NPMs, or non-participating manufacturers - those companies that did not sign on to the MSA.

The issue now will be determined on a state-by-state basis, in which states will work to prove that they have "diligently enforced" laws required under the terms of the MSA. If they are found to have done so, they would receive their MSA payment in full. Those that have not met the terms of the agreement, however, could lose their entire MSA payment this year.

Attorneys general have said that if necessary, they would file lawsuits against the tobacco companies to force full MSA payments this year. Some states have also asked state courts for declarations stating that they have been diligent in enforcing model statutes mandated by the MSA.

Those statutes require tobacco companies that did not sign the MSA to make payments into escrow accounts that would ostensibly be tapped if they lost lawsuits filed by sick smokers.

A statement released by Iowa Attorney General Tom Miller and Idaho Attorney General Lawrence Wasden, co-chairs of the Tobacco Committee of the National Association of Attorneys General, indicated that the organization would continue to work to convince tobacco companies to make a full payment on April 17.

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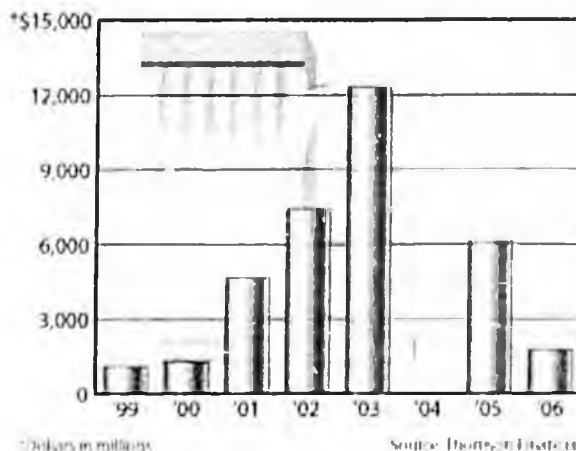
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The association represents the 46 states and other governmental entities that signed the agreement, which is designed to compensate them for the cost of caring for indigent sick smokers. The overall settlement requires participating tobacco manufacturers to pay states \$206 billion over a period of no fewer than 25 years.

All Tobacco Bond Sales



"The settling states believe that every state will be found to have diligently enforced its model statute in 2003 and thus that no NPM Adjustment should be applied," the release stated. "The settling states are engaged in discussions with the major manufacturers to ensure that the participating manufacturers make full payment of the amounts due on April 17, and we expect those negotiations to be successful."

Tobacco companies, however, are still considering how they'll apply the NPM adjustment awarded to them in the Brattle Group's ruling.

"The bottom line is that this final ruling confirms the preliminary determination reached by the Brattle Group that the disadvantages of the Master Settlement Agreement were a significant factor in our market share loss," said David Howard, a spokesman for R.J. Reynolds Tobacco Co. "We obviously have seen the AGs' statement, heard what they are saying. But the ruling very clearly states that the NPM adjustment shall apply. We are currently evaluating our options — I am not sure how MSA payments will be affected."

Along with Reynolds, Philip Morris USA and Lorillard Tobacco Co. also requested an NPM adjustment for 2003, as did 11 small tobacco companies.

With the ruling in hand, companies have the option of making full payments or making payments into an escrow fund that would be refunded to the companies or disbursed to states after the state-by-state determinations have been concluded. Alternatively, the companies could simply withhold payments during the course of the state-by-state investigation. However, if they choose that course and are later ordered to pay states, they would also have to pay interest costs.

"Certainly the MSA spells out that we are able to seek NPM adjustments for each year of market share lost," Howard said. "This ruling applies only to 2003. If we chose to do so, the MSA would allow us to seek an analysis of 2004 and the years moving forward — if we so choose to do that."

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Because tobacco companies have not yet announced whether they will make their full April 17 payments or withhold money, it remains unclear how tobacco bonds would be affected.

Tobacco bonds continued to trade at yields in the low to mid-5% range yesterday — no change at all from where the bonds have traded in recent months.

"In terms of the market, there's been no sell-off, or really any reaction at all," said Kurt van Kuller, senior director and manager of municipal credit research at Merrill Lynch & Co. "Perhaps the reason the market is sort of brushing it off is that there is the perception that even if payments are reduced, the hit could be only temporary."

He said that it could be "an uphill battle" to prove that states have not diligently enforced escrow statutes.

Mike Marz, a vice chairman of First Southwest Co., said that he believes it's too soon to worry about the sector.

"This is all still in discussion," he said. "I don't know if the market is ready to make this an across-the-board problem — it's really something that will be handled on a state-by-state basis."

Nonetheless, analysts are considering the possibility that some states could lose all or part of their MSA payments this year.

"Tobacco companies have a stick — no one knows at this point how powerful that stick is," said Jerry Solomon, a senior managing director at Bear, Stearns & Co. "The best case scenario for tobacco bonds is that this would be determined a non-event. Naturally, if states are able to prove that they have diligently enforced the model statutes, this does become a non-event."

According to a report Solomon released March 24, a number of tobacco bond issuers would not be able to make their projected 2006 turbo payments, and reserves would have to be tapped to meet 2006 interest and required principal payments for two issues — the 2002 issue by Rhode Island's Tobacco Settlement Financing Corp. and the 2005 issue by the California County Tobacco Securitization Agency on behalf of the Sonoma County Securitization Corp.

Turbo bond issues offer accelerated payments if funds are available from surplus revenues.

According to Dick Larkin, a municipal analyst with J.B. Hanauer & Co., "The trigger of the NPM adjustment for 2003 also raises questions about whether the tobacco companies can claim the adjustment for 2004 and 2005 as well, since there is little indication that the companies that signed the settlement have recovered any significant amounts of market shares from the NPM companies."

Larkin said that his research indicates that if NPM adjustments for this year stick, officials with the Rhode Island securitization corporation would have to draw \$2.2 million from reserves to meet debt service obligations this year, and officials with the Puerto Rico Children's Trust Fund would have to draw \$200,000 from reserves to meet debt service requirements.

"Even if it was paid late, don't overlook the potential of a lump sum paid later being used to catch up payments," von Kuller said. "These deals could then largely recover, with just a moderate loss of interest."

Larkin said that for him, the biggest headache in dealing with tobacco issues is the lack of disclosure by either attorneys general or tobacco

companies regarding what he terms "material events" related to the MSA. Although many members of the media and the markets have laid hands on the Brattle Group's report, neither the Brattle Group nor attorneys general would make the ruling easily available to the public.

Hans Bader, a lawyer with the Competitive Enterprise Institute, calls the MSA "the product of a backroom deal between wealthy trial lawyers, big tobacco and politicians," aimed primarily at preserving market share for large tobacco companies.

"The Brattle Group, too, operated without public scrutiny, as befits the backroom deal under which it was proceeding," he said. "The refusal to make the Brattle Group's ruling public is disturbing... Such rulings should be made available to the public, not just lawyers and politicians in backrooms."

Bader's organization has filed a lawsuit, which is still pending in federal district court in Louisiana, that alleges that the 1998 MSA between states and major tobacco companies is illegal because it violates a clause in the Constitution that prohibits states from entering into compacts without the consent of Congress.

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Philip Morris Makes Full '06 MSA Payment

R.J. Reynolds Holds Back

by Elizabeth Albanese

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DALLAS – In a move that bodes well for tobacco bonds, Philip Morris USA on Friday made its full 2006 payment to states – \$3.4 billion – under the terms of the 1998 Master Settlement Agreement.

However, officials from R.J. Reynolds Tobacco Co. and Lorillard Tobacco Co.

say that they have not yet decided whether or not they would adjust their 2006 payments per a March 28 arbitration decision handed down by the Boston-based Brattle Group. Companies that have signed on to the MSA have until April 17 to make their 2006 payments.

Serving as mediator between the tobacco companies and the 46 states and other government agencies that signed the MSA, the Brattle Group ruled that tobacco companies could reduce their expected 2006 payment – a total of \$6.5 billion – by as much as \$1.2 billion because of market share encroachment in 2003 by companies that did not sign the agreement.

The participating manufacturers lost 6.2% of their market share to so-called non-participating manufacturers, or NPMs, based on 1997 numbers. Under the terms of the MSA, the companies can appeal to reduce their payments at any time after such a market share loss; if they are successful in their bid, they can reduce their payment for the following year by three times that percentage – in this case, 18.6%.

The full payment by Philip Morris, which because of its market share is responsible for the largest portion of annual MSA payments, means that tobacco bond issuers will likely have enough revenue to meet debt service obligations this year, and that at least some bonds with turbo structures will be repaid.

"On Friday, Philip Morris made its 2006 Master Settlement Agreement payment of \$3.4 billion as computed by PricewaterhouseCoopers," said Philip Morris spokesman Michael Neese. "With regard to the NPM adjustment, we continue to pursue discussions with the attorneys general to come to a mutually agreeable resolution."

Leading up to the March 28 decision and following it, analysts predicted if all three companies opted to take the NPM adjustment, several tobacco bond issuers would be forced to delve into reserves to meet debt service payments. Furthermore, the analysts predicted, many issuers would not be able to repay any turbo bonds in 2006.

R.J. Reynolds on Friday paid part of its 2006 MSA payment.

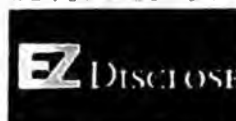
"On Friday, we made a partial payment toward our 2006 Master



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Settlement Agreement payment," said R.J. Reynolds spokesman David Howard. "Each year, we make a partial MSA payment prior to April 1, with the remaining payment coming after April 1. We do that purely for business reasons - paying the payment this way helps the company to realize certain tax benefits."

He declined to say how much the company paid on Friday, and said that no decision has been reached regarding the NPM adjustment.

"The company has not determined yet how it will approach the NPM adjustment," said Howard. "That will be determined at some point before we make the remainder of our 2006 payment, which is due April 17."

Before the Brattle Group decision, the company was expected to make payments of roughly \$2 billion this year; if R.J. Reynolds officials opt to take the entire NPM adjustment, the payment could be reduced as much as \$560 million, say analysts.

Prior to the NPM adjustment, Lorillard was expected to make an approximately \$650 million MSA payment to states this year. Company officials did not comment about their payment.

Despite the possibility of lower payments by some tobacco companies this year, there has been no change in the tobacco bond sector. Tobacco bonds have continued to trade with yields in the low 5% range since the March 28 decision.

Furthermore, ratings analysts have said that the news of the NPM adjustment decision would not have any immediate impact on ratings.

Writing about R.J. Reynolds and Lorillard in a research report released yesterday, Standard & Poor's analysts stated that, "It is also possible that the [attorneys general] and the [participating manufacturers] will settle these disputes, as they have done previously. If so, Standard & Poor's would evaluate the terms of the agreement to determine whether there were any rating implications at that time."

The NPM adjustment issue now will be determined on a state-by-state basis, in which states will work to prove that they have "diligently enforced" laws required under the terms of the MSA. If they are found to have done so, they would receive their MSA payment in full. Those that have not met the terms of the agreement, however, could lose their entire MSA payment this year.

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Has this been done before?

Alaska has issued tobacco bonds twice previously. The 2000 Alaska Legislature, through HB281, authorized a \$116 million bond sale, which funded \$93 million in public school construction projects. The 22nd Alaska Legislature, through HB 234, authorized a \$135 million sale to fund \$110 million in public school, University of Alaska, and water and harbor projects.

Why now?

Due to a number of legal and economic factors, anticipated tobacco MSA payments are attracting more investors. This provides the State with an opportunity that was not available during the last several years.

The strong current market allows for a refinancing of existing tobacco bonds and at the same time, a further leveraging of the MSA. The proposed transaction will extend the sale of MSA receipts by between 15 and 20 years. This is similar to refinancing your home and at the same time extracting equity to build an addition.

How much will be generated from the sale?

Revenue realized will depend upon market conditions, such as interest rates, at the time of sale. Under current market conditions, Alaska could realize up to \$180 million in revenue.

What will the proceeds fund?

Governor Murkowski proposes using the first \$89.2 million in capital construction projects for the University of Alaska. The largest single project proposed is \$55 million for Phase III of the Integrated Science Facility at UAA. Revenue in excess of \$89.2 million would be used to help finance the construction of a new Department of Corrections facility in the Matanuska-Susitna Borough.

What happens when the bonds are paid?

The State will retain the residual value of the MSA payments. The proposed refinancing bond issue would have an expected life of between 25 and 30 years and once paid off any annual settlement payments will flow directly to the State.

Presentation to:

The State of Alaska



TOBACCO SETTLEMENT REVENUE SECURITIZATION UPDATE

April 12, 2006

Table of Contents

1. Tobacco Securitization Market Overview
 2. Preliminary Financing Results
 3. NPM Adjustment, Consumption, and Litigation Risk
- Appendix: Completed Tobacco Securitizations

1 TOBACCO SECURITIZATION MARKET OVERVIEW

Completed Tobacco Securitizations

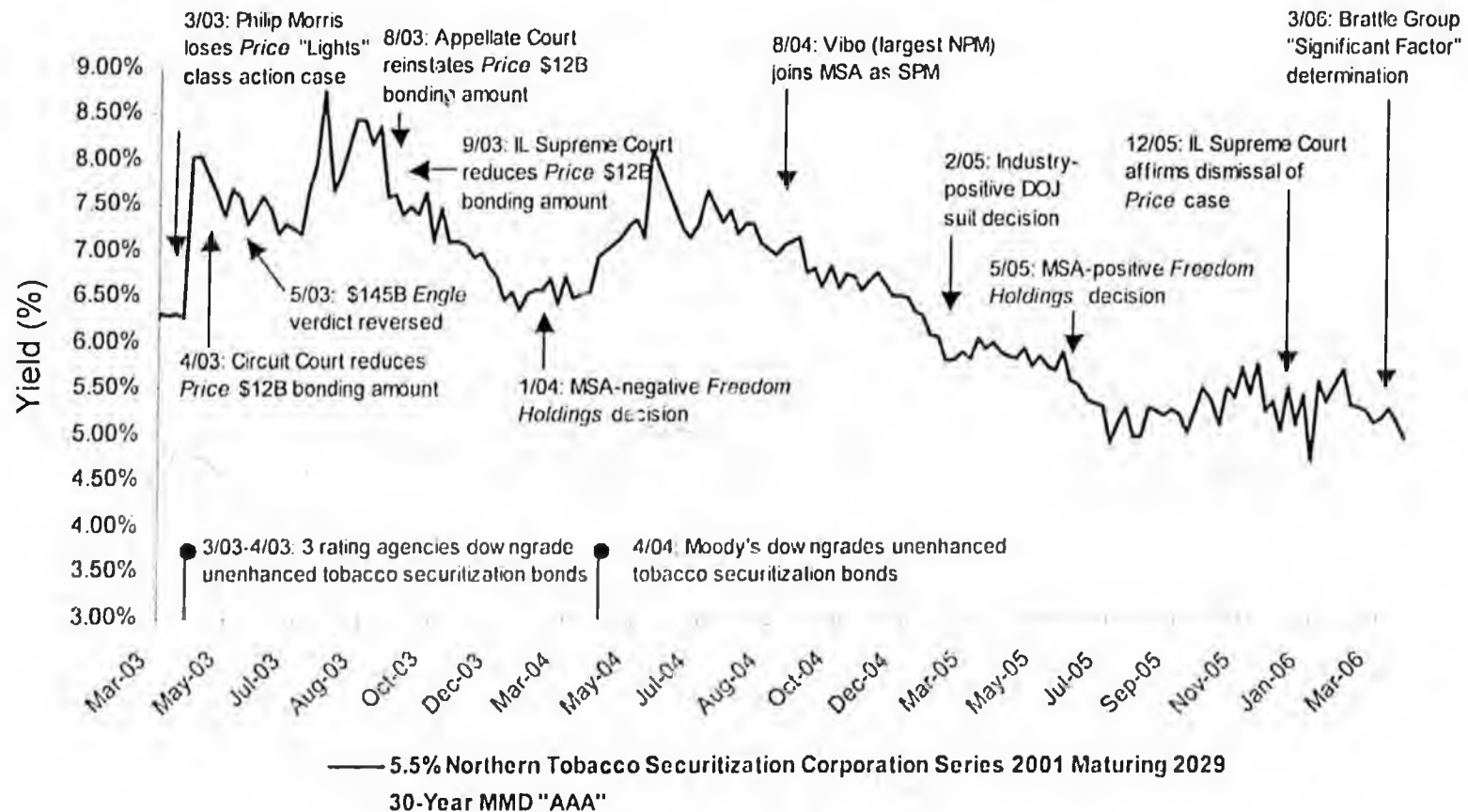
71 completed issues totaling over \$34 billion in par amount since 1999



- 1 California allocated 50% of its TSRs to the State, the counties and certain cities receive the remaining 50%.
- 2 State is not a party to the MSA.
- 3 New York allocated 48.824% of its Initial and Annual Payments to the counties of the State of New York and the City of New York. State receives the remaining 51.176% and 100% of Strategic Payments.
- 4 Alabama has pledged an annual \$13.16mm TSRs out of total annual projected TSRs of \$82.143mm (projections for 2003-2020).
- 5 Arkansas has pledged the first \$5mm of its annual TSR receipts, projected to be \$63.74mm from 2003-2020.
- 6 45% of TSRs allotted towards 2000 Bonds and other water development needs.

Secondary Market Trading (2003-2006)

Secondary Market Trading



Yields calculated as volume-weighted weekly averages based on MSRB daily trading data.

2005 Tobacco Market Overview

- In 2005, the market for tobacco securitization bonds continued to be shaped by three primary factors:
 - Large cash positions of high-yield / tobacco investors
 - Market supply of various types of high-yield bonds
 - Investor perception of tobacco industry creditworthiness, litigation risk, and consumption risk
- In early 2005 (after a year with no tobacco securitization issuance), large cash positions of tobacco investors (specifically, municipal high yield funds) and an improving litigation environment provided a favorable backdrop for new tobacco securitization issuance
- At the end of 2005, we witnessed a softening secondary market, with decreased tobacco trading volume occurring
 - Less hype over potential tobacco refundings
 - Investors somewhat more credit cautious given the developments in the *Grand River* case

Thirteen tobacco securitizations were completed in 2005 for a total of \$6.1 billion in par amount.

- \$4.5 billion refunding
- \$1.6 billion new money

2006 Tobacco Market Outlook

- New tobacco securitization issuance has continued in 2006, and there is a building forward calendar
- Cash positions in high yield funds remain robust, and we believe demand continues to exceed new supply. This was witnessed in the successful sale of \$1.75 billion of tobacco securitization bonds during the week of January 30 alone, and an additional \$530 million brought to market year-to-date
- Institutions who have approved the tobacco credit continue to be buyers, and favorable yields and market outlook continue to attract some new investors
- Despite recent developments regarding the Brattle Group's determination in the NPM Adjustment process, investors appear relatively comfortable in the current market environment, and market volatility has been minimal
- Tobacco market conditions and investor demand remain favorable

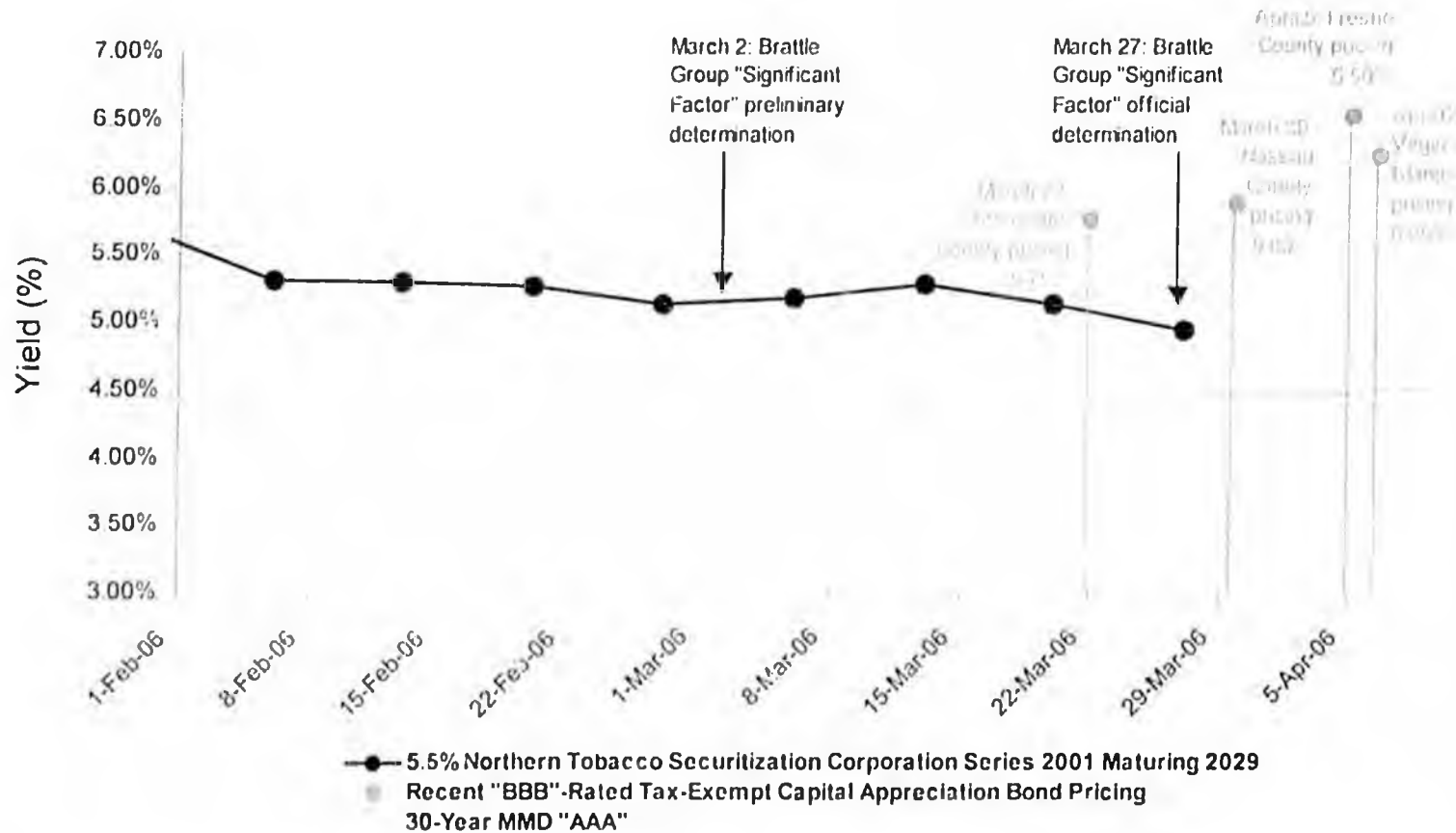
Over \$2.2 billion of unenhanced tobacco securitization bonds have been issued year-to-date.

- \$1.6 billion refunding
- \$600 million new money

Currently, litigation and NPM (Non-Participating Manufacturer) Adjustment risk are the most significant credit concerns in the tobacco securitization bond market.

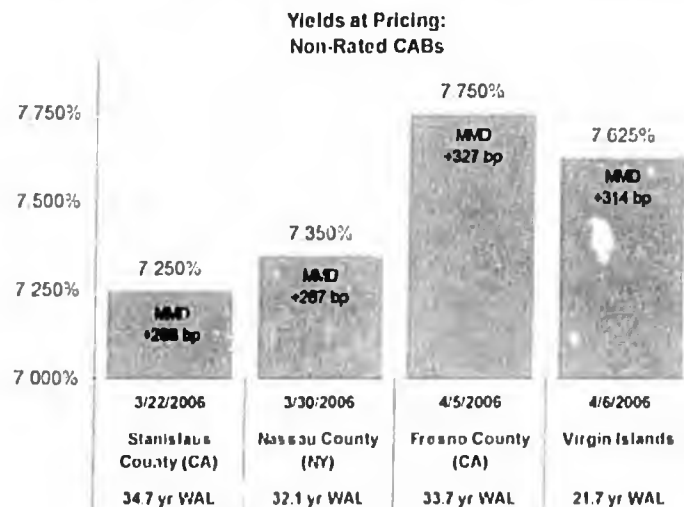
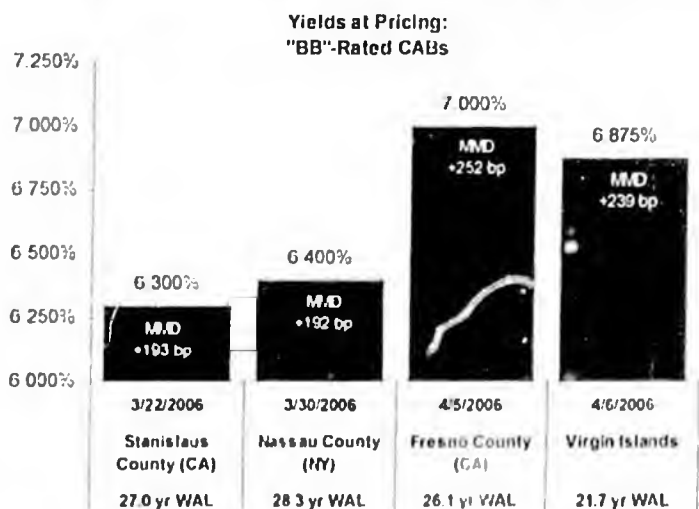
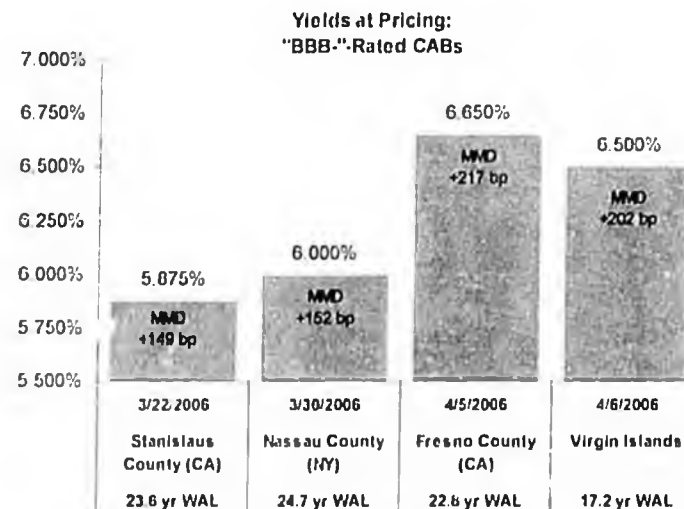
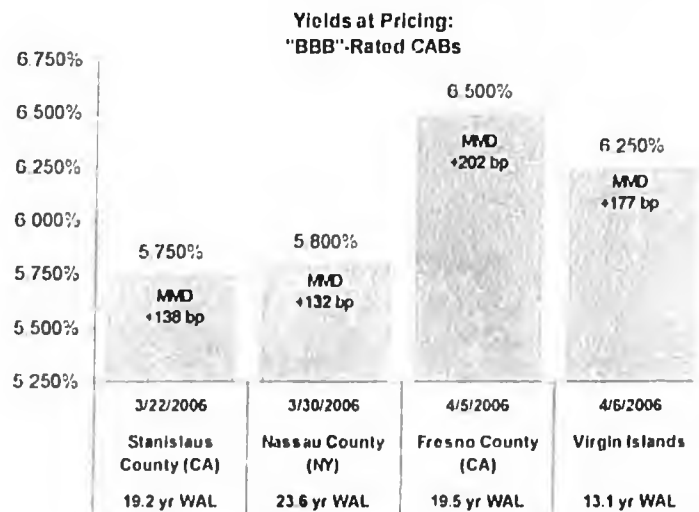
Recent Secondary Market Trading (February – April 2006)

Secondary Market Trading



Yields calculated as volume-weighted weekly averages based on MSRB daily trading data

Recent Pricing Results (March 22 – April 6, 2006)



Recent Market Activity

<MENU> to return to headlines.

Bl n Muni NNN

Search GO Options Related Info .Fri Apr 6 2006 11:24:17
Fitch Withdraws Presale on Calif County TSA Sub 06 Bnds (Fresno) Page 1/2
FITCH WITHDRAWS PRESALE ON CALIFORNIA COUNTY TSA SUB 2006 BONDS
(FRESNO COUNTY)

Fitch Ratings-New York-06 April 2006: Fitch Ratings has withdrawn its presale report on The California County Tobacco Securitization Agency, Series 2006 (Fresno County Tobacco Funding Corporation) until a final bond structure has been determined. Upon receipt of a final bond structure, Fitch will then reissue its presale report to reflect Fitch's ratings on such new structure.

Contact: Jeffrey T. Prackup +1-212-908-0839, Michael Dean +1-212-908-0556, Lena Katsnelson +1-212-908-0876, (Asset-Backed Securities), New York.

Media Relations: Christine Pollal, New York, Tel: +1-212-908-0526.

Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site,

'www.fitchratings.com', Published ratings, criteria and

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6638-679-0 10-apr-06 21:52:37

2006 Tobacco Securitizations

COMPLETED FINANCINGS

Issuer	Size (\$mm)	Structure	Sale Date
Monroe County (NY)	\$14.6	Subordinated CABs	January
Alameda County (CA)	69.5	Subordinated CABs	February
Los Angeles County (CA)	319.8	Convertible CABs; Subordinated CABs	February
New York City	1,353.5	Current Interest Bonds	February
Stanislaus County (CA)	42.2	Subordinated CABs	March
Nassau County (NY)	431.0	Current Interest Bonds (Taxable); Convertible CABs; Subordinated CABs	March
Fresno County (CA)	39.0	Subordinated CABs	April
Virgin Islands	7.3	Subordinated CABs	April

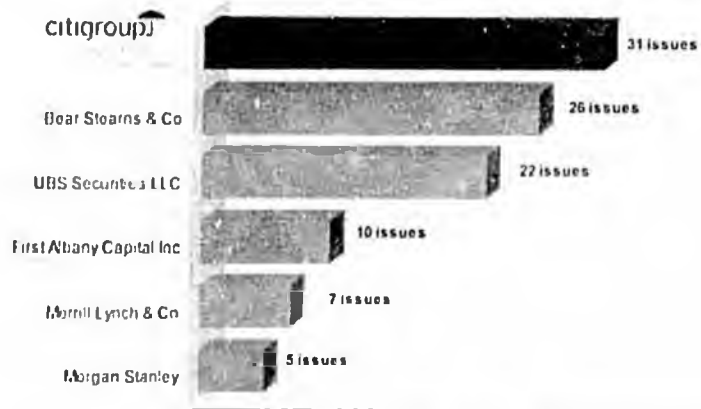
FORWARD CALENDAR *

Issuer	Size (\$mm)	Structure	Sale Date
California Statewide Financing Authority (California Counties pool)	\$77	Subordinated CABs	April
City of San Diego (CA)	100	Current Interest Bonds (taxable)	May
Michigan	400	TBD (taxable)	May
District of Columbia	TBD	TBD	June
County of San Diego (CA)	400	TBD	TBD

* All information preliminary, subject to exchange.

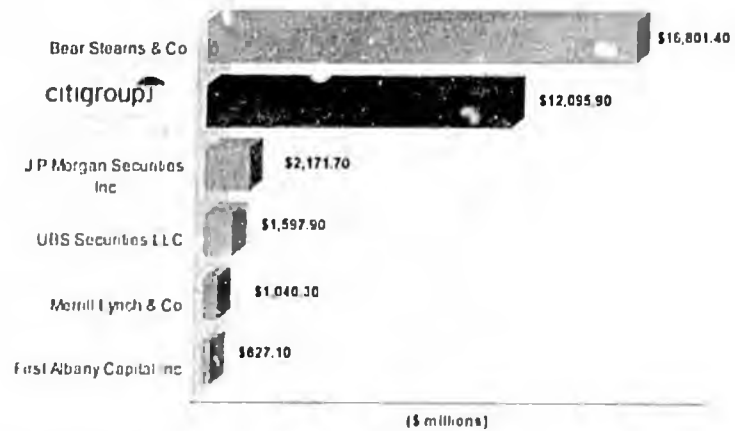
Leading Tobacco Securitization Senior Managers

TOP SENIOR MANAGERS OF TOBACCO SECURITIZATIONS (BY NUMBER OF DEALS)



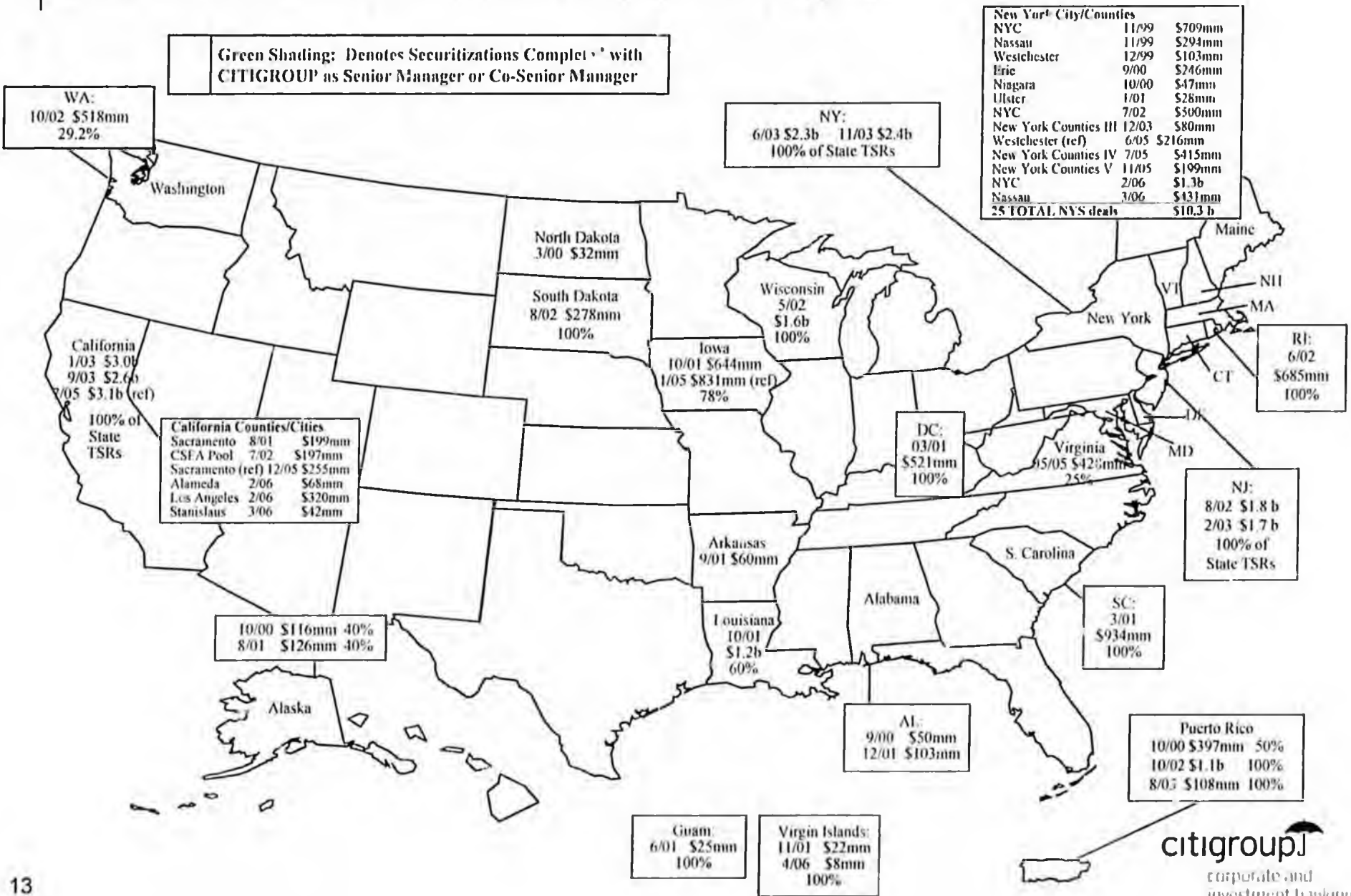
Source: Securities Data Company. Full credit to book runner. For CDO, multiple subseries within one transaction may be accounted for individually.

TOP SENIOR MANAGERS OF TOBACCO SECURITIZATIONS (BY VOLUME)



Source: Securities Data Company. Full credit to book runner.

Citigroup's Tobacco Securitization Experience



2 PRELIMINARY FINANCING RESULTS

Preliminary Financing Results

- Scenarios 1 and 3 on the following page assume a **full refunding** of State's Series 2000 and Series 2001 Tobacco Settlement Asset-Backed Bonds, respectively
 - Scenario 1 allows State to achieve **\$114.5 million** in upfront new money net proceeds
 - Scenario 3 allows State to achieve **\$106.5 million** in upfront new money net proceeds
- Scenarios 2 and 4 assume the Series 2000 and 2001 Bonds remain outstanding. The Series 2006 Bonds are **structured on a subordinate basis** to the Series 2000 and 2001 Bonds, respectively. In the respective scenarios, no revenues will be available for debt service on the Series 2006 Bonds until the currently outstanding bonds are fully repaid
 - Scenario 2 allows State to achieve **\$90 million** in upfront net proceeds
 - Scenario 4 allows State to achieve **\$87.8 million** in upfront net proceeds
- Though the bonds in each scenario have a stated maturity of 2060, with their turbo amortization structure they are projected to be fully repaid by 2041 in Scenarios 1 and 3, and 2040 in Scenarios 2 and 4
 - Shortening the final planned amortization date of the refunding scenarios to that of the Series 2000 and 2001 Bonds (2015) allows the State to achieve approximately \$20 million from a refunding of the Series 2000 Bonds, and approximately \$12 million from a refunding of the Series 2001 Bonds

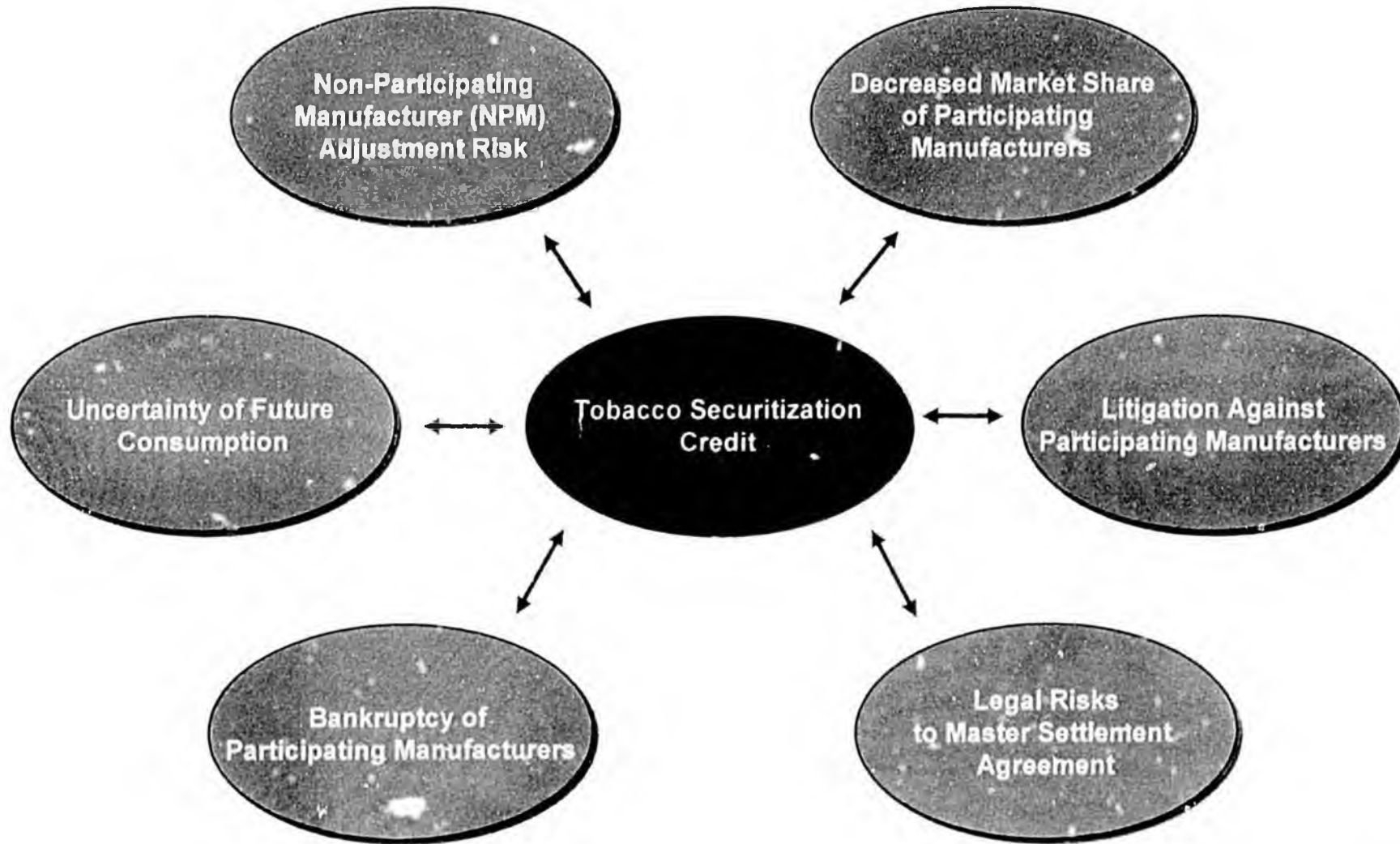
Preliminary Financing Results

State of Alaska Tobacco Settlement Asset-Backed Bonds, Series 2006 Scenario Summary as of 4/10/2006				
	Scenario 1	Scenario 2	Scenario 3	Scenario 4
	New Money and Refunding of Series 2000 Bonds	New Money Only; CABs Subordinate to Series 2000	New Money and Refunding of Series 2001 Bonds	New Money Only; CABs Subordinate to Series 2001
Delivery Date	6/1/2006	6/1/2006	6/1/2006	6/1/2006
% of TSRs Pledged	40.00%	40.00%	40.00%	40.00%
Initial Par	\$216,444,280	\$91,998,375	\$216,444,280	\$89,796,761
(OID)/Premium	(4,564,382)	-	(4,564,382)	-
Gross Proceeds	\$211,879,898	\$91,998,375	\$211,879,898	\$89,796,761
COI and Underwriter's Discount	(2,800,831)	(1,974,348)	(2,800,831)	(1,959,173)
Debt Service Reserve	(14,064,968)	-	(14,064,968)	-
Capitalized Interest	(3,850,047)	-	(3,850,047)	-
Escrow Cost net of Debt Service Fund	(87,938,929)	-	(95,475,410)	-
Operating Expenses	(50,000)	-	(50,000)	-
Release from Series 2000 and 2001 DSR	11,324,015	-	10,845,650	-
Net Proceeds to the State	\$114,499,139	\$90,024,027	\$106,484,293	\$87,837,588
Final Maturity	6/1/2060	6/1/2060	6/1/2060	6/1/2060
Final Planned Amortization	6/1/2041	6/1/2040	6/1/2041	6/1/2040
Cost of Capital	5.983%	6.808%	5.983%	6.806%
Yield on Final Maturity	8.000%	8.000%	8.000%	8.000%

Preliminary, subject to change

3 NPM ADJUSTMENT, CONSUMPTION, AND LITIGATION RISK

Tobacco Securitization Credit Risks



NPM Adjustment: Overview

- The **Non-Participating Manufacturer ("NPM") Adjustment**, measured by domestic sales of cigarettes by NPMs, operates to reduce the payments of the Participating Manufacturers ("PMs") under the Master Settlement Agreement ("MSA") in the event that the PMs incur losses in market share to NPMs during a calendar year as a result of the MSA
- Three conditions must be met in order to trigger an NPM Adjustment for one or more Settling States:
 - (1) the aggregate market share of the PMs in any year must fall more than 2% below the aggregate market share held by those same PMs in 1997 (a condition that has existed for every year since 2000)
 - (2) a nationally recognized firm of economic consultants must determine that the disadvantages experienced as a result of the provisions of the MSA were a **significant factor** contributing to the market share loss for the year in question, and
 - (3) the Settling States in question must be proven to not have diligently enforced their Model Statutes
- The NPM Adjustment is applied to the subsequent year's Annual Payment and Strategic Contribution Payment and the decrease in total funds available as a result of the NPM Adjustment is then allocated on a Pro Rata basis among those Settling States that have been found:
 - (i) to have not diligently enforced their Model Statutes, or
 - (ii) to have enacted a Model Statute or Qualifying Statute that is declared invalid or unenforceable by a court of competent jurisdiction
- The MSA provides that the amount of an NPM Adjustment applied to any Settling State in any given year cannot exceed the amount of Annual and Strategic Contribution Payments to be received by such Settling State in such year

The market for tobacco securitization bonds may be affected in upcoming months by recent developments relating to the "NPM Adjustment".

NPM Adjustment: Historical Actions by OPMs and SPMs

- In June 2003, the OPMs and the Settling States settled all NPM Adjustment claims for the years 1999 through 2002, subject (under limited circumstances) to the reinstatement of an OPM's right to an NPM Adjustment for the years 2001 and 2002

- In connection with the above, the OPMs and the Settling States agreed prospectively that OPMs claiming an NPM Adjustment for any year after 2002 will not make a Disputed Payments Account deposit or withholding unless and until the selected economic consultants determine that the disadvantages of the MSA were a significant factor contributing to the market share loss giving rise to the alleged NPM Adjustment

- The SPMs did not agree to await such a determination — if any SPM alleges, in any given year, that:
 - (1) the aggregate market share of the PMs in such year fell more than 2% below its aggregate market in 1997,
 - :- (2) disadvantages experienced as a result of the provisions of the MSA were significant factors contributing to such market share loss and
 - (3) one or more of the Settling States did not diligently enforce the Qualifying Statute,

- — then such SPM may claim the NPM Adjustment for such year and either make an appropriate deposit into the Disputed Payments Account or withhold payment

NPM Adjustment: Recent Developments

- In May 2004, the Settling States and the PMs selected The Brattle Group as the firm of economic consultants responsible for making the "significant factor" determination regarding the Market Share Loss of the PMs for calendar year 2003
- On March 2, 2006, the Brattle Group issued its preliminary finding that the MSA was a significant factor contributing to the Market Share Loss of the PMs for calendar year 2003 (the preliminary determination was challenged by the Settling States and additional arguments/information were submitted to The Brattle Group for consideration in connection with its final decision)
- On March 27, 2006, the Brattle Group announced its final determination that the MSA was a significant factor contributing to the Market Share Loss of the PMs for calendar year 2003
- If the Original Participating Manufacturers ("OPMs") claim an NPM Adjustment for 2003 in April 2006, such OPMs may either make an appropriate deposit into the Disputed Payments Account or withhold payment reflecting the claimed NPM Adjustment, which could have a materially adverse impact on the available amount of tobacco settlement revenues ("TSRs") flowing to Settling States
- The Settling States have reserved the right to commence an enforcement action for compliance with the MSA. It has been reported that a majority of the Settling States have sent a notice to the PMs of their intent to commence such an action, including an action seeking a declaratory order that regardless of the "significant factor" determination, the PMs are not entitled to an NPM adjustment because those Settling States have been diligently enforcing their Qualifying Statutes

There can be no assurance as to the amount of any NPM Adjustment or the corresponding reduction in TSRs payable to the Settling States.

NPM Adjustment: April 2006 Payment

- Assuming no NPM adjustment, the April 2006 payment due has been reported to be approximately \$6.5 billion
- The OPMs have requested the Independent Auditor for the MSA to reduce its calculation of the expected 2006 payment by \$1.14 billion plus interest (approximately \$1.2 billion total) to account for the NPM Adjustment for 2003
 - Assuming a \$1.2 billion NPM Adjustment, the impact to TSRs flowing to the State would be as follows:

Assumed NPM Adjustment	State Allocation Percentage	Decrease in Total TSRs Flowing to the State	Decrease in Amounts Available for Series 2000 Bonds	Decrease in Amounts Available for Series 2001 Bonds	Decrease in Non-Securitized TSRs
		100.000%	40.000%	40.000%	20.000%
1,200,000,000	0.3414187%	4,097,024	1,638,810	1,638,810	819,405

- On March 31, Philip Morris reportedly made a full payment; RJR made a partial payment
 - Assuming Philip Morris' share was approximately 50%, this would suggest an NPM Adjustment of up to \$600 million; in this case, the impact to TSRs flowing to the State would be as follows:

Assumed NPM Adjustment	State Allocation Percentage	Decrease in Total TSRs Flowing to the State	Decrease in Amounts Available for Series 2000 Bonds	Decrease in Amounts Available for Series 2001 Bonds	Decrease in Non-Securitized TSRs
		100.000%	40.000%	40.000%	20.000%
600,000,000	0.3414187%	2,048,512	819,405	819,405	409,702

There can be no assurance as to the amount of any NPM Adjustment or the corresponding reduction in TSRs payable to the Settling States.

NPM Adjustment: Future Risk

- Future NPM Adjustment claims remain possible for calendar years 2004, 2005 and all future years
- The Brattle Group has not made any preliminary or final "significant factor" determination for any year other than 2003
- In addition, the "diligent enforcement" exemption afforded a Settling State is based on actual enforcement efforts for the calendar year preceding each Annual Payment, and could be disputed by a PM even after the final resolution of a diligent enforcement dispute related to a prior year
- If the other preconditions to an NPM Adjustment exist for a given year, disputes regarding diligent enforcement for such year may be expected if the market share of the NPMs results in an NPM Adjustment that, absent the protection of the Qualifying Statutes, would apply
- Although a Settling State that diligently enforces its Qualifying Statute is exempt from the NPM Adjustment, many procedural uncertainties still remain regarding the resolution of a dispute regarding diligent enforcement. In addition, the resolution of the substance of such a dispute could take years
 - No standard of diligent enforcement has been established
 - No provision of the MSA attempts to define what activities undertaken by a Settling State would constitute diligent enforcement
 - The MSA does not explicitly state which party bears the burden of proving or disproving whether a Settling State has diligently enforced its Qualifying Statute, or whether any diligent enforcement dispute would be resolved in state courts or through arbitration
 - Ultimately, this issue may be resolved through a negotiated settlement between the Settling States and PMs

Market Share of PMs and NPMs

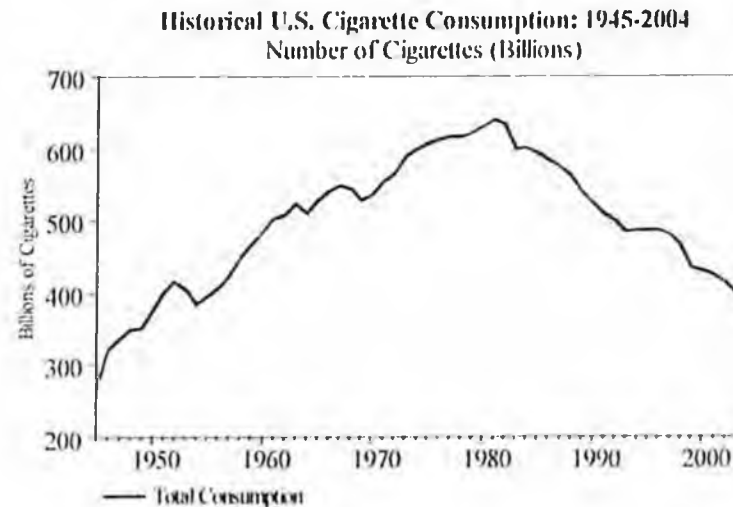
Year	Historical Market Shares		
	OPMs	SPMs	NPMs
1998	96.5%	3%	0.5%
1999	92.3%	3.9%	3.7%
2000	91.4%	5.2%	3.5%
2001	89.4%	6.2%	4.4%
2002	86.1%	7.2%	6.7%
2003	84.5%	7.4%	8.2%
2004	83.75%	7.5%	8.75%

Source: "Opinion And Order Partially Granting And Partially Denying Preliminary Injunction" in 02 Civ. 2939 (AKH), September 14, 2004, Alvin K. Hellerstein, U.S. District Judge, United States District Court for the Southern District of New York.

- NPMs pay into an escrow and do not contribute to the payments flowing to Settling States
- Increasing NPM market share means less money flowing to Settling States

Volume Adjustment is Projected Based on Global Insight Forecast

- Global Insight (USA), Inc. ("Global Insight") is an internationally recognized econometric and consulting firm of over 200 economists in 16 offices worldwide
 - Wholly owned subsidiary of Global Insight, Inc., a company which provides financial, economic and market research information
- Global Insight developed a cigarette consumption model based on historical United States data available after 1965
 - Model developed after considering the impact of demographics, cigarette prices, disposable income, employment and unemployment, industry advertising expenditures, anti-smoking regulations, legislation, and health warnings
- Global Insight's model, coupled with its long term forecast of the United States economy, is then used to project total United States cigarette consumption through 2060



Validation of Global Insight Cigarette Consumption Forecast

- In most years, the Global Insight Consumption Forecast has underestimated actual U.S. consumption, as shown by data in USDA reports

Year	Actual Consumption	Global Insight Cigarette Consumption Forecast					
		1999 Report	2000 Report	2001 Report	2002 Report	2003 Report	2005 Report
1999	435	432 99.32%	435 100.00%				
2000	430	431 100.17%	411 95.63%	423 98.37%			
2001	425	430 101.08%	401 94.31%	408 96.00%	419 98.59%		
2002	415	423 102.02%	394 94.97%	394 94.97%	403 97.20%	407 97.95%	
2003	400	417 104.28%	387 96.72%	387 96.72%	394 98.41%	394 98.41%	
2004	388	409 105.49%	380 97.84%	380 97.84%	387 99.73%	387 99.73%	393 101.29%
2005	378*	400 105.85%	373 98.74%	373 98.74%	382 100.98%	382 100.98%	381 100.79%

Note: Preliminary; subject to change. Consumption numbers in billions of cigarettes.
As noted in USDA data source, 2005 "Actual Consumption" number is an estimate only.

Sources:

Actual Consumption: Economic Research Service, USDA, "Tobacco Situation and Outlook Yearbook", December 2003 (www.ers.usda.gov)
Cigarette Consumption Forecast: Global Insight Cigarette Consumption Reports (no reports were issued in 2004)

Litigation Risk: Overview

- Tobacco settlement revenue securitization bonds are subject to various types of litigation risk, including:
 - Litigation against the tobacco industry
 - Individual cases
 - Class action litigation
 - Governmental litigation
 - Litigation challenging the MSA and related statutes

Litigation Snapshot

Case

Status

Threat of Market Disruption



Department of Justice
United States of America v. Philip Morris USA Inc., et al.

Trial ongoing

MEDIUM

Tobacco securitization bonds are subject to litigation risk from ongoing lawsuits and the emergence of new cases.



Engle
Howard A. Engle, M.D., et al. v. Liggett Group, Inc., et al.

Pending in FL Supreme Court; oral arguments 11/3/04; decision expected early 2006



On December 15, the Illinois Supreme Court reversed a \$10.1 billion verdict against Philip Morris, ordering a lower court to dismiss the case. The decision is highly positive for the tobacco industry and the tobacco securitization bond market.



Grand River and Freedom Holdings

Grand River Enterprises Six Nations Ltd. v. Pryor;

Freedom Holdings v. Spitzer

GR — pending; in discovery with respect to antitrust and Commerce Clause claims

FH — pending; in discovery with respect to antitrust claims



MSA Litigation: *Grand River*



Grand River

Grand River Enterprises Six Nations Ltd. v. Pryor

- On September 28, 2005, the U.S. Court of Appeals for the Second Circuit partially reversed the decision of the U.S. District Court for the Southern District of New York in the Grand River case, making it possible for the plaintiffs to challenge in a New York federal court the MSA, Qualifying Statutes and Complementary Legislation of 31 states, including the State of Alaska
 - Previously, the district court had dismissed the case against the 30 non-New York attorneys general, holding that the court lacked personal jurisdiction and granted the Grand River plaintiffs' motion to reinstate, against the State of New York only, that portion of the complaint alleging that New York State's Qualifying Statute and its Complementary Legislation violate antitrust laws and are preempted by federal law
 - In determining a motion to dismiss, a court is required to accept as true the material facts alleged in the complaint and to draw all reasonable inferences in favor of the plaintiffs

The State of Alaska is one of the 31 Settling States that are defendants in the ongoing *Grand River* case — one of the most significant challenges to the MSA to date.

MSA Litigation: *Grand River* (continued)

- On appeal, having accepted as true the material facts alleged in the complaint, only for the purpose of ruling on the Motion to Dismiss, the Second Circuit:
 - (1) reversed this decision and found personal jurisdiction with respect to the 30 non-New York attorneys general, including the **Attorney General of the State of Alaska**;
 - (2) reversed the Southern District and held that the plaintiffs had sufficiently alleged an extraterritorial effect of the challenged statutes and the MSA to state a cause of action under the Commerce Clause; and
 - (3) affirmed the decision of the Southern District dismissing the remainder of the plaintiffs' claims
- On October 12, 2005, the 30 non-New York States (including the State of Alaska) filed a petition with the Second Circuit for rehearing with regard to the Second Circuit's ruling on the issue of personal jurisdiction. Grand River then filed a petition with the Second Circuit for rehearing on the Indian Commerce Clause ruling. On January 3, 2006, the Second Circuit denied all parties' petition for rehearing
- *Grand River* remains pending in the Southern District and the parties have engaged in discovery with respect to the antitrust and Commerce Clause claims. A final decision in this case by the District Court would be subject to appeal as of right to the Second Circuit. However, any decision by the Second Circuit in this case would not be subject to appeal as of right to the U.S. Supreme Court

MSA Litigation: *Freedom Holdings*



Freedom Holdings

Freedom Holdings, Inc. v. Spitzer

- On April 16, 2002, in *Freedom Holdings, Inc. v. Spitzer*, certain cigarette importers filed suit in the Southern District of New York, alleging New York State Complementary Legislation violates federal antitrust law
- On May 14, 2002, the Southern District granted the State's motion to dismiss the complaint in its entirety; plaintiffs appealed the dismissal to the Second Circuit. On January 6, 2004, the Second Circuit Court of Appeals rendered its opinion which assumed all plaintiff's allegations to be true and reversed the dismissal of the plaintiffs' antitrust claim
- On May 5, 2004, the plaintiffs filed a motion for a preliminary injunction in the Southern District seeking to enjoin the State from enforcing the MSA, the State's Qualifying Statute, the State's Complementary Legislation and the repeal of the Allocable Share Release provision of the State's Qualifying Statute
- On September 14, 2004, the Southern District denied the plaintiffs' motion for a preliminary injunction. However, Southern District granted the plaintiffs' request to enjoin the State during the pendency of the action from enforcing the Allocable Share Act which repealed the Allocable Share Release provision of the State's Qualifying Statute. On appeal, the Second Circuit affirmed the Southern District's decision
- On May 18, 2005, the Second Circuit affirmed the Southern District's denial of the plaintiffs' request for a preliminary injunction
- On November 1, 2005, the Southern District denied, without prejudice and upon agreement of the parties, plaintiffs' motion for partial summary judgment which sought a determination that the State's Allocable Share Release Amendment violates federal antitrust law
- On December 28, 2005, the Southern District denied the plaintiffs' motion to file an amended complaint to add a Commerce Clause claim similar to the plaintiffs' claims in Grand River

Freedom Holdings is currently in discovery and should ultimately be resolved on summary judgment or after trial.

Class Action Litigation: *Engle*



Engle

Engle v. Reynolds Tobacco, et al.

- In July 1999, a Florida state trial court jury in a class action consisting of victims of smoking-related illness (and their survivors) found that defendants misled smokers about certain characteristics of cigarettes, and determined the lump-sum amount of punitive damages for the entire class to be \$145 billion. Defendants' post-verdict motions were denied
- In accordance with Florida law enacted in May 2000 limiting the size of the bond that must be posted in order to stay execution of a judgment for punitive damages in a certified class action to no more than \$100 million, regardless of the amount of punitive damages ("bond cap legislation"), Philip Morris and the other defendants posted their appeal bonds with their appeal filing
- Three tobacco companies (Philip Morris, Lorillard, and Liggett) agreed to escrow funds for the class's benefit, including \$709 million non-refundable even if they eventually were to prevail in the lawsuit, in exchange for Class Counsel's agreement not to challenge the new state bond cap legislation
- On May 21, 2003, Florida's Third District Court of Appeal reversed the final judgment of the trial court and remanded the case with instructions to decertify the plaintiff class, reasoning that, among other things, each class member had unique and different experiences that would require the litigation of substantially separate issues, and which were too diverse to be combined into a single claim
- In July 2003, the plaintiffs moved for re-consideration; motion was denied by appellate court in September 2003. Florida Supreme Court agreed to review the case and heard oral arguments in November 2004. The appeal is currently pending in the Florida Supreme Court

The *Engle* appeal is pending in the Florida Supreme Court and a decision could be released on any upcoming Thursday.

To date, in addition to Florida's bond cap legislation, 32 other states have also enacted appeal bond legislation. In some states, the filing of a notice of appeal automatically stays enforcement of the judgment.

Governmental Litigation: DOJ



Department of Justice

United States of America v. Philip Morris USA Inc., et al.

- In 1999, the U.S. Department of Justice filed a racketeering suit against several major tobacco manufacturers. In May 2004, the judge denied the major tobacco companies' motion to dismiss the disgorgement claim in the DOJ lawsuit. The major tobacco companies appealed this decision and, in November 2004, the U.S. Court of Appeals for the D.C. Circuit heard oral arguments in its expedited review of the \$280 billion disgorgement claim
- The U.S. Circuit Court of Appeals for the District of Columbia ruled in favor of the industry in February 2005, affirming the dismissal of the \$280 billion disgorgement claim, and the government's motion for rehearing was subsequently denied
- Upon this decision by the Court of Appeals, Moody's and Standard & Poor's issued statements confirming their corporate tobacco ratings; these reiterated the positive nature of the DOJ suit developments (but also expressed concern over the outcome of Price and Engle litigation)
- In July 2005, the government filed a petition with the United States Supreme Court requesting that it agree to hear an appeal of the D.C. Circuit's February 2005 decision; the Supreme Court denied the appeal in October 2005
- The trial of this case concluded in June 2005. In its closing argument and submissions, the government requested that the tobacco industry be required to fund an up to ten-year, \$14 billion smoking cessation program. The federal government's claim is now under consideration by the District Court which heard the evidence in this matter

APPENDIX: COMPLETED TOBACCO SECURITIZATIONS

Completed Tobacco Securitizations

Completed Tobacco Settlement Revenue Financings To Date *				
Issuer	Date	Par (\$)	Tax Status	Use of Proceeds
TSASC (New York City, NY)	11/4/1999	709,280,000	Tax-Exempt	Capital
NCTSC (Nassau County, NY)	11/11/1999	294,500,000	Tax-Exempt	Working Capital
WTASC (Westchester County, NY)	12/14/1999	103,504,558	Tax-Exempt	Capital/Working Capital
Tulare County Public Finance Authority (CA)	12/17/1999	45,000,000	Taxable	Endowment
ND State Water Conim. (State of North Dakota)	3/8/2000	32,095,000	Tax-Exempt	Capital
MTASC (Monroe County, NY)	7/28/2000	163,400,000	Tax-Exempt	Capital
Alabama 21st Century Authority (State of Alabama)	9/4/2000	50,000,000	Tax-Exempt	Capital
CTASC (Chautauqua County, NY)	9/15/2000	30,115,000	Tax-Exempt	Capital
ETASC (Erie County, NY)	9/20/2000	246,325,000	Tax-Exempt	Capital
NTSC (State of Alaska)	10/11/2000	116,050,000	Tax-Exempt	Capital
NTASC (Niagara County, NY)	10/16/2000	47,920,000	Tax-Exempt	Capital
Children's Trust (Commonwealth of Puerto Rico)	10/23/2000	397,005,000	Tax-Exempt	Capital
New York Counties Tobacco Trust I (NY)	11/9/2000	227,130,000	Tax-Exempt	Capital
UTASC (Ulster County, NY)	1/25/2001	28,352,454	Tax-Exempt	Capital
District of Columbia TSFC (District of Columbia)	3/1/2001	621,105,000	Tax-Exempt	Capital
TSRMA (State of South Carolina)	3/8/2001	934,530,000	Tax-Exempt/Taxable	Capital/Working Cap/Endowment
Guam Economic Dev. Auth. (Territory of Guam)	5/24/01; 6/7/01	25,477,459	Tax-Exempt	Working Capital/Endowment
New York Counties Tobacco Trust II (NY)	7/16/2001	215,220,000	Tax-Exempt	Capital
TSANC (Sacramento County, CA)	7/31/01; 8/15/01	199,620,000	Tax-Exempt	Working Capital/Endowment
NTSC (State of Alaska)	8/2/2001	126,790,000	Tax-Exempt	Capital
ADFA (State of Arkansas)	9/6/2001	60,000,000	Tax-Exempt	Capital
TSA (State of Iowa)	10/11/2001	644,245,000	Tax-Exempt/Taxable	Capital/Endowment
TSFC (State of Louisiana)	10/31/2001	1,202,770,000	Tax-Exempt/Taxable	Endowment
TSFC (United States Virgin Islands)	11/8/2001	21,709,862	Tax-Exempt	Capital
Alabama 21st Century Authority (State of Alabama)	12/6/2001	103,760,000	Tax-Exempt	Capital
RocTASC (Rockland County, NY)	12/10/2001	47,750,000	Tax-Exempt	Capital
TSASC (San Diego County, CA)	12/14/2001	466,840,000	Tax-Exempt	Capital/Endowment
RenTASC (Rensselaer County, NY)	12/14/2001	34,555,000	Tax-Exempt	Capital
CCTSA (Stanislaus County, CA)	3/20/2002	67,305,000	Tax-Exempt/Taxable	Endowment
CCTSA (Sonoma County, CA)	3/20/2002; 4/10/02	67,410,000	Tax-Exempt/Taxable	Capital/Endowment
CCTSA (Merced County, CA)	3/21/2002	20,515,000	Tax-Exempt/Taxable	Endowment

* State / territory financings in bold

Completed Tobacco Securitizations

Completed Tobacco Settlement Revenue Financings To Date *				
Issuer	Date	Par (\$)	Tax Status	Use of Proceeds
CCTSA (Kern County, CA)	4/22/2002, 5/6/02	105,245,000	Tax-Exempt/Taxable	Capital/Endowment
BTASC (State of Wisconsin)	6/1/2002	1,591,095,000	Tax-Exempt	Working Capital/Endowment
CCTSA (Placer County, CA)	6/10/2002	41,590,000	Tax-Exempt	Endowment
TSFC (State of Rhode Island)	6/20/2002	685,390,000	Tax-Exempt/Taxable	Working Capital
CCTSA (Marin County, CA)	6/25/2002	34,345,000	Tax-Exempt/Taxable	Capital/Endowment
CSFA (California Counties, CA)	6/27/2002, 7/16/02	196,545,000	Tax-Exempt	Capital/Endowment
CCTSA (Fresno County, CA)	7/11/2002	92,955,000	Tax-Exempt	Endowment
TSASC (New York City, NY)	7/31/2002	500,000,000	Tax-Exempt	Capital
TSFC (State of New Jersey)	8/14/2002	1,801,455,000	Tax-Exempt	Capital
EEFC (State of South Dakota)	8/26/2002	278,045,000	Tax-Exempt/Taxable	Endowment
Children's Trust (Commonwealth of Puerto Rico)	10/1/2002	1,171,200,000	Tax-Exempt	Working Capital/Capital
CCTSA (Alameda County, CA)	10/16/2002	220,525,000	Tax-Exempt	Capital
TSA (State of Washington)	10/24/2002	517,905,000	Tax-Exempt	Working Capital/Capital
GSTSC (State of California)	1/15/2003	3,000,000,000	Tax-Exempt	Working Capital
TSFC (State of New Jersey)	2/26/2003	1,659,170,000	Tax-Exempt	Working Capital/Capital
TSFC (State of New York)	6/10/2003	2,310,705,000	Tax-Exempt	Working Capital
GSTSC (State of California)	9/30/2003	2,572,285,000	Tax-Exempt	Working Capital
TSFC (State of New York)	11/20/2003	2,240,415,000	Tax-Exempt	Working Capital
New York Counties Tobacco Trust III (NY)	12/18/2003	79,680,000	Tax-Exempt	Capital
TSFC (Commonwealth of Virginia)	5/16/2005	448,260,000	Tax-Exempt	Endowment
Westchester Tobacco Asset Securitization Corporation	6/15/2005	216,600,000	Tax-Exempt	Refunding/Capital
Children's Trust (Commonwealth of Puerto Rico)	7/13/2005	108,209,446	Tax-Exempt	Working Capital
GSTSC (State of California)	7/27/2005	3,140,563,508	Tax-Exempt	Refunding/Working Capital
Erie Tobacco Asset Securitization Corporation	8/2/2005	317,834,680	Tax-Exempt/Taxable	Refunding/Working Capital
New York Counties Tobacco Trust IV (NY)	8/18/2005	414,798,206	Tax-Exempt/Taxable	Refunding/Capital
CCTSA (Sonoma County, CA)	10/20/2005	83,060,000	Tax-Exempt	Refunding/Capital
CCTSA (Merced County, CA)	10/20/2005	39,690,000	Tax-Exempt/Taxable	Refunding/Capital
RocTASC (Rockland County, NY)	10/25/2005	24,992,000	Tax-Exempt	Refunding/Capital
New York Counties Tobacco Trust V (NY)	11/14/2005	189,375,348	Tax-Exempt	Capital
TSA (State of Iowa)	11/17/2005	831,962,030	Tax-Exempt/Taxable	Refunding/Endowment
TSANC (Sacramento County, CA)	12/1/2005	255,486,288	Tax-Exempt	Refunding/Capital
ETASC (Erie County, NY)	12/20/2005	17,694,720	Tax-Exempt	
MTASC (Monroe County, NY)	1/30/2006	4,579,370	Tax-Exempt	
CCTSA (Alameda County, CA)	2/1/2006	67,858,509	Tax-Exempt	Capital
CCTSA (Los Angeles County, CA)	2/2/2006	319,827,107	Tax-Exempt	Capital
TSASC (New York City, NY)	2/2/2006	1,353,510,000	Tax-Exempt	Refunding / Capital
CCTSA (Stanislaus County, CA)	3/22/2006	42,153,611	Tax-Exempt	Capital
NCTSC (Nassau County, NY)	3/30/2006	431,034,246	Tax-Exempt	Refunding / Capital
CCTSA (Fresno County, CA)	4/5/2006	39,015,131	Tax-Exempt	Capital
TSFC (United States Virgin Islands)	4/6/2006	7,290,009	Tax-Exempt	Capital
Total:	71 issues	34,742,608,412		

* State / territory financings in bold

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SB243

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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 17, 2006

The Honorable Ben Stevens
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Stevens:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the financing of construction, major maintenance, and renovation of facilities for the University of Alaska; relating to the financing of construction of a correctional facility; authorizing the commissioner of revenue to sell the right to receive a portion of the anticipated revenue from a tobacco litigation settlement to the Northern Tobacco Securitization Corporation, with the proceeds of that sale to finance construction, major maintenance, and renovation of facilities for the University of Alaska and to finance the construction of a correctional facility; providing for the establishment of funds for deposit of those proceeds; and authorizing the issuance of bonds by the Northern Tobacco Securitization Corporation for the purpose of acquiring the right to receive a portion of anticipated revenue from a tobacco litigation settlement.

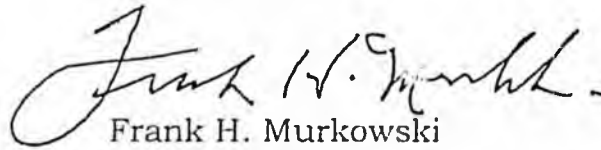
This bill is quite similar to previous measures that securitized a total of 80 percent of the tobacco Master Settlement Agreement revenue stream. See secs. 9 and 10, ch. 130, SLA 2000 and secs. 3 and 4, ch. 96, SLA 2001. This bill would securitize the residual revenue stream that reverts back to the general fund once the outstanding tobacco bonds authorized by the previous legislation are repaid. In other words, that 80 percent of the revenue stream from the settlement of *State of Alaska v. Philip Morris, Incorporated, et al*, No. 1JU-97-915 CI (Alaska Super. 1997) will remain securitized for a longer period. The bill anticipates that the state will realize at least \$89,250,000 in proceeds, with a possibility that additional amounts would be raised. The bill authorizes the proceeds to be spent on certain University of Alaska capital projects, and on a prison in the Matanuska-Susitna Borough, subject to appropriation for those purposes.

COMMITTEE COPY

Honorable Ben Stevens
January 17, 2006
Page 2

I urge your prompt and favorable action on this measure.

Sincerely yours,

A handwritten signature in cursive script, reading "Frank H. Murkowski". The signature is written in dark ink and is positioned above the printed name and title.

Frank H. Murkowski
Governor

Dale Anderson – Citi group / Smith Barney in Juneau
Will introduce the two speakers:

Tim Rattigan – Seattle is the Regional Banker for the Northwest and Alaska

Jim Haddon – New York is the Managing Director of Tobacco Securitization and has overseen this area of Citigroup since its inception in 1999