



December 3, 2013

Addendum 1

RFP 7535375

Investment Banking/ Underwriting Services

Tobacco Settlement Financing Corporation

Closing Date and Time: December 11, 2013, 2:00 pM EST

Answers to Questions submitted by the deadline are included below as Attachment 1 .

George Welly

Interdepartmental Project Manager

Vendor Questions

Question 1.

Will you be appointing Co managers for these new issues or just a sole Bookrunning manager?

Answer 1.

The Corporation reserves the right to appoint co-managers.

Question 2.

As a firm requesting Co-manager status and NIT SM Bookrunning status, should we still respond to all questions in your RFQ?

Answer 2.

Yes, to be qualified as a lead or a co-manager, the Corporation requests that all applicants respond to all questions.

Question 3.

Can you please provide all relevant contracts pertaining to the Series 2002 and Series 2007 bonds, specifically the underlying GIC contracts for the reserve funds?

Answer 3.

Documents attached, 30 and 46 pages. Note – the Bears Stearns agreement has been assumed by J.P. Morgan.

DEBT SERVICE RESERVE FUND AGREEMENT

This Debt Service Reserve Fund Agreement (this "Agreement"), dated as of June 27, 2002, by and among WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, duly organized and existing under the laws of the United States, acting solely in its capacity as Trustee under the Indenture (the "Trustee"), TOBACCO SETTLEMENT FINANCING CORPORATION, a public corporation duly organized and existing under the laws of the State of Rhode Island and Providence Plantations (the "Corporation"), MORGAN STANLEY CAPITAL SERVICES INC., a corporation duly organized and existing under the laws of the State of Delaware (the "Provider") and MORGAN STANLEY & CO. INCORPORATED, a corporation duly organized and existing under the laws of the State of Delaware (the "Dealer").

SECTION I. DEFINITIONS

For purposes of this Agreement, unless the context clearly indicates otherwise, the words and terms defined in this Section I have the respective meanings given to them herein:

"Amended Agreement" has the meaning specified in Section 4.3(c)(iii).

"Amended Cash Flows" has the meaning specified in Section 4.3(c)(iii).

"Applicable Day Count Fraction" means the applicable day count fraction, as determined by the Provider in respect of the Market Rate.

"Available Reserve Amount" means, at any time, the amount available in the Reserve Fund to purchase Qualified Securities from the Provider pursuant to the terms hereof and shall include any interest earned hereunder, but shall not exceed the Scheduled Reserve Amount.

"Bond Payment Date" means with respect to each Delivery Date, the next succeeding June 1 or December 1, commencing on December 1, 2002 and terminating on the Termination Date unless any such date is not a Business Day, in which case the "Bond Payment Date" means the immediately succeeding Business Day; provided that in determining whether any such date is a Business Day no effect shall be given to clause (c), (d) or (e) of the definition of Business Day.

"Bonds" means the Corporation's \$685,390,000 Tobacco Settlement Asset-Backed Bonds, Series 2002A (Tax-Exempt) and Series 2002B (Taxable).

"Burdened Party" means, (i) in the case of (A) a Corporation or Trustee Event of Default or (B) a termination of this Agreement by the Corporation pursuant to Section 4.3 following a redemption, defeasance or refunding of the Bonds or pursuant to Section 10.13, the Provider and (ii) in the case of a Provider Event of Default or a termination pursuant to Section 3.2, the Corporation.

“Business Day” “Business Day” means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in New York, New York or where the Corporate Trust Office is otherwise located, are required or authorized by law to be closed.

“Calculation Agent” means the Provider, unless a Provider Event of Default has occurred and is continuing, in which case the Corporation shall be the Calculation Agent.

“Closing Date” means June 27, 2002.

“Corporate Trust Office” means the office of the Trustee at which the corporate trust business of the Trustee related hereto shall, at any particular time, be principally administered, which office is, at the date of this Agreement, located at 213 Court Street, Middletown, Connecticut 06457.

“Corporation Event of Default” means the occurrence of an event specified in Section 8.2.

“Coupon Payment” means, for any Qualified Security, a payment of interest which is due to be paid thereon prior to the scheduled maturity of such Qualified Security.

“Dealer Cure Period” has the meaning specified in Section 8.3(a).

“Debt Service Payment” means a scheduled payment of maturing principal of or interest on the Bonds, including any such payment in connection with a scheduled mandatory sinking fund redemption of the Bonds from sinking fund installments but excluding any such payment in connection with any unscheduled redemption, including without limitation any redemption pursuant to Section 404(c) or Section 404(d) of the Indenture or other redemption of the Bonds and excluding any payment required to make a regularly scheduled deposit to the Debt Service Account for the Bonds or to make any payment pursuant to Section 902(b) of the Indenture.

“Default Rate” means a per annum rate equal to the lesser of (a) the cost (without proof or evidence of any actual cost to the party to whom such amount is owed) to the party to whom such amount is owed if it were to fund or of funding the relevant amount plus 1% per annum, and (b) the maximum rate permitted by law.

“Delivery Date” means the Closing Date and each succeeding June 1 and December 1 thereafter, terminating on December 1, 2041 unless any such date is not a Business Day, in which case the “Bond Payment Date” means the immediately succeeding Business Day.

“Delivery Notice” means a notice substantially in the form of Exhibit D or in such other form as provided by the Qualified Dealer and is reasonably acceptable to the Trustee.

“Eligible Investments” has the meaning specified in the Indenture.

“Eligible Securities” means direct, full faith and credit, non-callable obligations of, the United States of America and other securities which the Trustee is permitted to invest in under the Indenture as identified in Exhibit E.

“Financing Documents” means the Indenture, the Series 2002A Supplement and the Series 2002B Supplement.

“Fitch” means Fitch Ratings Inc.

“Force Majeure Event” means flooding, lightning, fire, severe weather, earthquake or other natural disaster or war, revolution, act of terrorism, riot or civil unrest and related acts of civil or military authorities.

“Guaranteed Rate” means a rate per annum equal to 5.48%.

“Guaranteed Interest” has the meaning specified in Section 8.7(b).

“Guarantor” means Morgan Stanley, a corporation duly organized and existing under the laws of the State of Delaware.

“Incidental Expenses” has the meaning specified in Section 8.7(a).

“Incorporated Provisions” has the meaning specified in Section 6.3(a).

“Indenture” means the Indenture, dated as of June 1, 2002, by and between the Corporation and the Trustee.

“Insolvent” means either the Trustee, the Guarantor or the Corporation (1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors’ rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6)(A) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets or (B)(I) there shall be appointed or designated with respect to it, an entity such as an organization, board, commission, authority, agency or body to monitor, review, oversee, recommend or declare a financial emergency or similar state of financial distress with respect to it or (II) there shall be declared or introduced or proposed for consideration by it or by any legislative or regulatory body with competent jurisdiction over it, the existence of a state of financial emergency or similar state of financial distress in respect of it; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

“Loss Amount” has the meaning specified in Section 8.7(a).

“Market Rate” means, with respect to any Qualified Security, the actual per annum yield thereon on the date of delivery, as determined by the Provider, determined in accordance with standard financial practices for determining price and yield, and calculated on the basis of the Applicable Day Count Fraction.

“Market Value” means, with respect to any Qualified Security, the market value thereof on the date of delivery (including accrued interest thereon) as specified by the Provider.

“Maturity Amount” means, with respect to any Qualified Security delivered in respect of a Delivery Date, the amount, payable in cash, representing the principal and interest (including any Coupon Payment) due thereon on or prior to its maturity date.

“Moody’s” means Moody’s Investors Service.

“Original Cash Flows” has the meaning specified in Section 4.3(c)(iv).

“Previously Purchased Securities” has the meaning specified in Section 2.2.

“Provider Event of Default” means the occurrence of an event specified in Section 8.3.

“Purchase Price” means, for any Eligible Security delivered hereunder, that price for such security, as set forth in the Delivery Notice, which will produce a rate of return on such security for the period from (and including) the date of its delivery to (but excluding) the related Bond Payment Date equal to the Guaranteed Rate assuming a year of 360 days with twelve thirty day months.

“Qualified Dealer” means the Dealer or any other dealer in Eligible Securities selected by the Provider.

“Qualified Securities” means, in connection with any Delivery Date, Eligible Securities which, to the extent available on the open market, shall (i) mature not later than the related Bond Payment Date and (ii) have an aggregate Purchase Price which is as close as possible to but does not exceed the Scheduled Reserve Amount (or, with respect to any purchase under Section 4.3(b), the Replenishment Amount).

“Rate Differential Amount” means, with respect to any Qualified Security, the absolute value of an amount equal to the difference between (I) the product of (a) the Purchase Price of such Qualified Security times (b) the Market Rate of such Qualified Security and (II) the product of (a) the Purchase Price of such Qualified Security times (b) the Guaranteed Rate.

“Reference Market-Maker” means a leading dealer in the relevant markets selected by the Provider in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria that the Provider applies generally at the time in deciding whether to offer or to make an extension of credit and (b) to the extent practicable, from among such dealers having an office in the same city.

“Refunding Bonds” has the meaning specified in Section 4.3(c).

“Refunding Date” has the meaning specified in Section 4.3(c)(iii).

“Reserve Fund” means the fund created pursuant to Section 401 of the Indenture and designated thereunder as the “Debt Service Reserve Account”.

“S&P” means, Standard and Poor’s Rating Services, a Division of the McGraw-Hill Companies, Inc.

“Scheduled Reserve Amount” means, for each Delivery Date, \$51,351,531, which amount shall be subject to the provisions of Sections 4.1 and 4.2.

“Series 2002A Supplement” means, the Series Supplement relating to the series 2002A bonds dated as of June 1, 2002 between the Corporation and the Trustee.

“Series 2002B Supplement” means, the Series Supplement relating to the series 2002B bonds dated as of June 1, 2002 between the Corporation and the Trustee.

“Shortfall Amount” has the meaning specified in Section 8.7(a).

“Specified Indebtedness” means any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money or any guarantee in respect thereof, including without limitation, with respect to the Corporation, the Bonds.

“Termination Amount” means an amount, as determined by the Calculation Agent in good faith on the basis of the arithmetic mean of quotations from at least three Reference Market-Makers of the amount, if any, that each such Reference Market-Maker would require the Burdened Party to pay to the Reference Market-Maker (expressed as a positive number if the Burdened Party is the Provider and a negative number if the Burdened Party is the Corporation) or would pay to the Burdened Party (expressed as a negative number if the Burdened Party is the Provider and a positive number if the Burdened Party is the Corporation) in consideration of such Reference Market-Maker entering into an agreement with the Burdened Party (with such documentation as the Provider and the Reference Market-Maker may in good faith agree) which would have the effect of preserving for the Burdened Party the economic equivalent of its rights under this Agreement for the period commencing on the termination date of this Agreement and terminating on the Termination Date (assuming for these purposes that this Agreement had not terminated on the termination date and continued in full force through the Termination Date); provided, however, that:

(i) if more than three quotations are provided, the Termination Amount will be the arithmetic mean of such quotations, without regard to the quotations having the highest and lowest values,

(ii) if exactly three quotations are provided, the Termination Amount will be the quotation remaining after disregarding the highest and lowest quotations,

for purposes of clauses (i) and (ii), if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded, and

(iii) if the Calculation Agent is unable to obtain three such quotations, the Termination Amount shall be the amount, as reasonably determined by the Calculation Agent, to be the Burdened Party’s total losses and costs (expressed as a positive number if the Burdened Party is the Provider and a negative number if the Burdened Party is the Corporation),

or gains (expressed as a negative number if the Burdened Party is the Provider and a positive number if the Burdened Party is the Corporation) in connection with a termination of this Agreement, including any loss of bargain, cost of funding or, at the election of the Calculation Agent but without duplication, any loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position, and;

provided further, however, that in any event the Termination Amount shall also include (A) any unpaid amounts due as of the date of termination of this Agreement (including any amounts due under Section 8.7) and (B) if such Termination Amount is being paid in connection with a termination of this Agreement following an Event of Default or if any Termination Amount otherwise due hereunder is not paid when due, the Termination Amount shall also include any incidental costs and expenses incurred by the Burdened Party in connection with such termination and the enforcement of its rights hereunder (including costs of collection and reasonable attorneys' fees).

The Corporation's obligation to pay any Termination Amount shall be subordinate to the obligation to pay principal of and interest on the Bonds and shall be payable solely from amounts available to pay Operating Expenses under the Indenture.

"Termination Date" means June 1, 2042.

"Trustee Event of Default" means the occurrence of an event specified in Section 8.1.

SECTION II. PURCHASE AGREEMENT

Section 2.1 Purchase and Sale of Qualified Securities.

(a) The Dealer shall deliver (in which case the Dealer shall be deemed to be the Qualified Dealer for the purposes hereof) or cause a Qualified Dealer to deliver to the Trustee on each Delivery Date Qualified Securities selected by the Provider to the extent such securities are available on the open market.

(b) At the time of the delivery by the Qualified Dealer of any Qualified Securities in accordance with this Agreement, whether on or after a Delivery Date, the Trustee shall, out of funds available in the Reserve Fund under the Indenture, purchase such Qualified Securities and pay (i) to the Qualified Dealer, in its individual capacity, the lesser of (A) the Market Value and (B) the Purchase Price thereof, and (ii) to the Qualified Dealer as agent for the Provider, the Rate Differential Amount, if the Market Rate of the Qualified Securities exceeds the Guaranteed Rate.

(c) If the Dealer fails to deliver or cause a Qualified Dealer to deliver Qualified Securities as required hereunder by 4:30 p.m. New York City time on any Delivery Date or during the Dealer Cure Period, the Corporation hereby directs that the Trustee shall, on each such date, invest the Scheduled Reserve Amount on an overnight basis in Eligible Investments and if the Dealer's failure continues beyond the Dealer Cure Period, the Corporation hereby directs that the Trustee shall invest the Scheduled Reserve Amount in Eligible Investments with the longest possible maturities, provided such maturities are not later than the related Bond Payment Date.

(d) The Dealer is not required to own any Qualified Securities at the time of the Dealer's execution of this Agreement or at any time prior to the respective delivery dates thereof. The Dealer's failure to deliver or cause the delivery of Qualified Securities at any time shall not terminate or affect the Dealer's right to cause the delivery of Qualified Securities at any other time prior to the termination of this Agreement.

(e) All Qualified Securities delivered under this Agreement shall be delivered to the Trustee to the account specified in Section 10.1, in such manner as at the time is generally acceptable for delivery of Qualified Securities and shall be sold without recourse and free and clear of all liens, claims and encumbrances of the Provider, the Dealer or any third party. All Qualified Securities delivered under this Agreement shall be delivered to the Trustee on a "delivery versus payment" basis.

(f) The Dealer shall cause the Delivery Notice to be delivered to the Trustee at least two Business Days prior to the delivery of any Qualified Securities that are in book-entry form and at least two Business Days prior to the delivery of any Qualified Securities that are in certificated form, except that such notice shall not be required with respect to the delivery of Qualified Securities on the Closing Date.

(g) All payments required to be made by the Trustee under this Agreement shall be made in immediately available funds by means of a bank or Federal funds wire.

Section 2.2 Subsequent Deliveries. If any Qualified Securities previously delivered to the Trustee pursuant to this Agreement (collectively, the "Previously Purchased Securities") (i) mature prior to the Bond Payment Date for which such Previously Purchased Securities were delivered or (ii) have a Coupon Payment, the Dealer shall have the right, at any time on or after the maturity date of such Previously Purchased Securities or the date on which interest in respect of such Coupon Payment is received by the Trustee, subject to Section 2.1(f) hereof, to sell (in which case the Dealer shall be deemed to be the Qualified Dealer for the purposes hereof) or cause a Qualified Dealer to sell to the Trustee, with all or part of the proceeds of any such Previously Purchased Securities or the interest received in respect of such Coupon Payment, Qualified Securities equal in Maturity Amount to the Qualified Securities which have so matured or to the interest received in respect of such Coupon Payment.

SECTION III. PROVIDER OBLIGATIONS

Section 3.1 Payment of Guaranteed Rate by Provider.

(a) The Provider is obligated hereunder to make the payments described in this Section 3.1 in order to provide a guaranteed fixed rate of return, the Guaranteed Rate, to the Trustee on certain amounts held in the Debt Service Reserve Fund pursuant to the Indenture and invested hereunder. In the event that on any Delivery Date, the Market Rate exceeds the Guaranteed Rate, the Provider shall be obligated to make the payments to the Qualified Dealer described in this Section 3.1. In the event that on a Delivery Date, the Guaranteed Rate exceeds the Market Rate, the Provider shall receive from the Qualified Dealer the payments described in this Section 3.1. The payment obligations of the Provider under this Agreement shall be the rate payments described in this Section 3.1 and payments upon the occurrence of an event of default, as described in Section VIII hereof.

(b) In the event that the Market Rate of the Qualified Securities exceeds the Guaranteed Rate, the Qualified Dealer shall, as described in Section 2.1(b) above, receive, as agent for the Provider, the Rate Differential Amount from the Trustee and shall promptly pay to the Provider such Rate Differential Amount.

(c) In the event that the Guaranteed Rate exceeds the Market Rate of the Qualified Securities, the Provider shall promptly pay to the Qualified Dealer, as agent for the Trustee, the Rate Differential Amount.

(d) Upon the delivery of Qualified Securities in accordance with the terms of Section 2.2 above, the Qualified Dealer shall receive, as agent for the Provider, the excess, if any, of the Maturity Amount of such Qualified Securities over the Market Value thereof and shall promptly pay to the Provider such excess.

3.2 Downgrade of Guarantor. If the long-term senior unsecured debt rating of the Guarantor falls below "A-" by S&P or "A3" by Moody's or "A-" by Fitch (a "Downgrade Event"), the Provider shall, notify the Trustee and the Corporation within five (5) Business Days and within ten (10) Business Days thereof, at its own option, either (i) as security for its obligations hereunder, deliver collateral to the Trustee or a third party custodian designated by the Trustee as directed by the Corporation with the consent of the Provider, such collateral, free and clear of any third-party liens or claims, to be in a form acceptable to the Corporation and the Provider, but in any event having a Market Value, which shall be determined weekly by the Provider, equal to the Termination Amount, if any, that would be owed by the Provider upon a termination of this Agreement or (ii) enter into an agreement to assign its right, title and interest in this Agreement to a provider reasonably acceptable to the Corporation, which shall assume the obligations of the Provider hereunder. Upon the effective date of any assignment pursuant to clause (ii) above, (A) the Provider shall have no further rights against or obligations to the Trustee or the Corporation hereunder and the Trustee and the Corporation shall have the same rights against, and shall owe the same obligations to, the assignee as if such assignee had been named as a party to this Agreement instead of the Provider and (B) the obligations of the Guarantor under the guarantee provided pursuant to Section 7.1(h) shall terminate.

In the event the Provider fails to take one of the actions specified in clause (i) or clause (ii) above, the Corporation shall, have the right to immediately terminate this Agreement by giving notice thereof to the Provider with a copy to the Trustee, whereupon the Provider shall determine the Termination Amount and (i) if the Termination Amount is a negative number, the Provider shall promptly, but no later than one Business Day after notice that such amount is due, pay such amount, in immediately available funds, to the Corporation and (ii) if the Termination Amount is a positive number, the Provider may demand payment by the Corporation of the Termination Amount in which case the Corporation shall promptly, but no later than one Business Day after notice that such amount is due, pay, in immediately available funds, the Termination Amount to the Provider. If any such amount is not paid when due, the party owing such amount shall pay interest on such amount for each date such amount is due but not paid at the Default Rate.

SECTION IV. LIQUIDATION OF QUALIFIED SECURITIES; DEFEASANCE OR REFUNDING

Section 4.1 Liquidation of Qualified Securities to make a Debt Service Payment.

(a) If at any time the Trustee is required under the Indenture to withdraw any Qualified Securities from the Reserve Fund or use the proceeds thereof to make a Debt Service Payment, the Trustee shall promptly, but by no later than the Business Day following such withdrawal, give oral and written notice thereof to the Provider and shall in such notice specify (i) the aggregate Maturity Amount of the Qualified Securities which are being withdrawn (or the proceeds of which are being used) to make such Debt Service Payment, (ii) the Available Reserve Amount after giving effect to such withdrawal or use and (iii) the Bond Payment Date and Delivery Date to which such withdrawal relates. Following any such withdrawal to make a Debt Service Payment, the Scheduled Reserve Amount shall be reduced by the amount of such withdrawal. Notwithstanding anything to the contrary contained herein, the Trustee may not withdraw any amounts from the Reserve Fund for the purpose of reinvesting such amounts in any other investment obligation without the written consent of the Provider (which consent shall be at the sole discretion of the Provider).

(b) If the Reserve Fund is replenished after any Qualified Securities are withdrawn (or the proceeds thereof are used) to make a Debt Service Payment, the Trustee shall promptly, but by no later than the Business Day following such replenishment (whether a partial replenishment or a complete replenishment), give the Provider oral and written notice of such replenishment and the amount thereof (the "Replenishment Amount"). If such replenishment occurs prior to the earlier of (i) five (5) years from the date of the related withdrawal and (ii) the date on which the Reserve Fund must be fully replenished pursuant to the Indenture, the Provider shall cause the Dealer to sell (in which case the Dealer shall be deemed to be the Qualified Dealer for the purposes hereof) or cause a Qualified Dealer to sell the Trustee Qualified Securities at a price equal to the Purchase Price thereof. Provided that the Qualified Dealer delivering such Qualified Securities has delivered a Delivery Notice meeting the requirements of Section 2.1(f) hereof to the Trustee, the Trustee shall, concurrently with such delivery, purchase such securities. Following any purchase in accordance with this Section 4.1(b), the Scheduled Reserve Amount shall be increased by the amount of such replenishment. If the Reserve Fund has not been fully replenished within the period specified in the previous sentence, the Provider shall have the right to terminate this Agreement with respect to the portion of the Reserve Fund that was withdrawn and not replenished (the "Unreplenished Amount") by providing notice thereof to the Corporation with a copy to the Trustee. Upon such termination of such portion, the Provider shall determine the Termination Amount solely with respect to such Unreplenished Amount, as if the Unreplenished Amount were the Scheduled Reserve Amount and the Provider were the Burdened Party and (i) if the Termination Amount is a positive number, make demand upon the Corporation for the payment of the Termination Amount and (ii) if the Termination Amount is a negative number, pay such amount to the Corporation.

Section 4.2 Other Liquidation of Qualified Securities. If at any time the Trustee is required under the Indenture or otherwise directed by the Corporation to withdraw any Qualified Securities from the Reserve Fund or use the proceeds thereof for any purpose other than to make a Debt Service Payment (including, without limiting the foregoing, to make any payment required by Section 902(b) of the Indenture), the Trustee and the Corporation shall promptly, but by no later than the Business Day following such withdrawal, give oral and written notice thereof to the Provider and shall in such notice specify (i) the aggregate Maturity Amount

of the Qualified Securities which are being withdrawn (or the proceeds of which are being used), (ii) the Available Reserve Amount after giving effect to such withdrawal or use and (iii) the Bond Payment Date and Delivery Date to which such withdrawal relates. Upon any such withdrawal, the Provider shall have the right to terminate this Agreement with respect to the portion of the Reserve Fund that was withdrawn by providing notice thereof to the Corporation with a copy to the Trustee. Upon such termination of such portion, the Provider shall determine the Termination Amount solely with respect to such withdrawn amount, as if the withdrawn amount were the Scheduled Reserve Amount and the Provider were the Burdened Party and (i) if the Termination Amount is a positive number, make demand upon the Corporation for the payment of the Termination Amount and (ii) if the Termination Amount is a negative number, pay such amount to the Corporation. Upon such payment, the Scheduled Reserve Amount shall be reduced by the amount of such withdrawal.

Section 4.3 Defeasance or Refunding

(a) The Corporation may, by giving the Provider at least fifteen Business Days' prior notice, but without the consent of the Provider redeem, defease, repurchase or refund the Bonds as provided in the Indenture, provided that if the Corporation takes any such action (i) if the Termination Amount is a positive number, the Corporation shall pay or cause the Trustee to pay to the Provider the Termination Amount and (ii) if the Termination Amount is a negative number, the Provider shall pay such amount to the Trustee. If the Termination Amount is payable pursuant to this Section 4.3, the party owing such amount shall pay such amount promptly but by no later than the later of (A) one Business Day after receipt of notice of the Termination Amount from the Provider or (B) the date of such redemption, defeasance, repurchase or refunding. Such payment shall be made in immediately available funds, to or at the direction of the party to whom such Termination Amount is due.

(b) Immediately upon payment of the Termination Amount in accordance with this Section 4.3 this Agreement shall terminate. The Corporation agrees that it shall not direct the Trustee to redeem, defease, repurchase or refund the Bonds unless it shall have sufficient funds to pay any Termination Amount which may be due as provided herein.

(c) If pursuant to clause (a) above this Agreement would be terminated in connection with the issuance of bonds to refund the Bonds (the "Refunding Bonds") and a Termination Amount would be payable to the Provider, the Corporation may, by written notice to the Provider, request that the Provider continue this Agreement and have such Agreement apply to the Refunding Bonds. The Provider agrees that if it receives such a request it shall agree to so continue this Agreement with respect to the Refunding Bonds and the Bonds remaining outstanding after such refunding, provided that:

(i) the Provider receives such request (together with all relevant details relating thereto) at least 30 days in advance of the issuance of the Refunding Bonds;

(ii) the Refunding Bonds are to be issued under the existing Indenture or such other Indenture which is approved by the Provider and the Provider is otherwise satisfied with the bond documentation relating to the Refunding Bonds,

(iii) on or prior to the date the Bonds are to be refunded (the "Refunding Date") the Corporation and the trustee of the Refunding Bonds enter into such amendments of this Agreement with the Provider (the "Amended Agreement") as are necessary to have this Agreement pertain to the scheduled reserve amounts, delivery dates and bond payment dates applicable to the Refunding Bonds and to any Bonds which remain outstanding after giving effect to such refunding (the "Amended Cash Flows");

(iv) if as determined on the Refunding Date, the Termination Amount payable to the Provider of its investment rights with respect to the Scheduled Reserve Amounts, Delivery Dates and Bond Payment Dates which would be remaining hereunder on such date, assuming that the Bonds were not then refunded (the "Original Cash Flows") would be greater than the Termination Amount to the Provider of its investment rights with respect to the Amended Cash Flows, the Corporation shall on or before the Refunding Date pay to the Provider the amount of such difference;

(v) the last Delivery Date under the Amended Agreement is no later than the last Delivery Date hereunder;

(vi) the Refunding Bonds have a credit rating at least equivalent to the credit rating of the Bonds without giving effect to any bond insurance and are secured by the same security on a parity with or senior to the lien in favor of the Bonds;

(vii) at the time such request is received and on the Refunding Date no Corporation Event of Default or Trustee Event of Default has occurred and is continuing or would, with notice or the passage of time, result in such a default; and

(viii) the Provider receives any opinions and other assurances it may reasonably request to assure that the protections afforded it hereunder will continue under the Amended Agreement.

If the conditions described in paragraphs (i) through (viii) are satisfied but the Termination Amount to the Provider of its investment rights with respect to the Amended Cash Flows would be greater than the Termination Amount to the Provider of its investment rights with respect to the Original Cash Flows, the Provider may, at its option, pay the Corporation the amount of such difference or retain investment rights only with respect to such portion of the Amended Cash Flows as would have a Termination Amount equal to the Termination Amount of the Original Cash Flows.

SECTION V. REPRESENTATIONS AND WARRANTIES

Section 5.1 Representations and Warranties. Each party hereto represents and warrants to the other parties hereto that:

(a) it is duly organized and validly existing under the laws of its jurisdiction, incorporation or establishment;

(b) it has the power and the authority to enter into and perform its obligations under this Agreement (including, in the case of the Corporation and the Trustee, to pay the Termination Amount in accordance herewith and to enter into and perform its obligations under each of the Financing Documents to which it is a party);

(c) this Agreement has been duly authorized, executed and delivered by it and, assuming the due authorization, execution and delivery hereof by the other parties hereto, constitutes a legal, valid and binding obligation of it enforceable against it in accordance with the terms hereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity regardless of whether enforcement is sought in a proceeding in equity or at law;

(d) its execution and delivery of this Agreement and its performance of its obligations hereunder do not and will not constitute or result in a default under, a breach or violation of, or the creation of any lien or encumbrance on any of its property under, its charter or by-laws (or equivalent organizational documents), or any other agreement (including in the case of the Corporation and the Trustee, each of the Financing Documents to which it is a party), instrument, law, ordinance, regulation, judgment, injunction or order applicable to it or any of its property;

(e) all consents, authorizations and approvals requisite for its execution, delivery and performance of this Agreement have been obtained and remain in full force and effect and all conditions thereof have been duly complied with, and no other action by, and no notice to or filing with, any governmental authority or regulatory body is required for such execution, delivery or performance;

(f) there is no proceeding pending or threatened against it at law or in equity, or before any governmental instrumentality or in any arbitration, which would materially impair its ability to perform its obligations under this Agreement, and there is no such proceeding pending against it which purports or is likely to affect the legality, validity or enforceability of this Agreement;

(g) in the case of the Corporation:

(i) it has entered into this Agreement for purposes of managing its borrowings or investments by increasing the predictability of its cash flow from earnings on its investments and not for purposes of speculation;

(ii) the Scheduled Reserve Amount is the amount the Corporation is required to have on deposit in the Reserve Fund on each Delivery Date pursuant to Section 402 of the Indenture;

(iii) it has not entered into any other agreements providing for the forward delivery of Eligible Securities or for the investment of funds held in the Reserve Fund under the Indenture;

(iv) this Agreement is an Eligible Investment;

(v) it is not entitled to claim, and shall not assert any claim, with respect to itself or its revenues, assets or property (irrespective of the use or intended use thereof), of immunity on the grounds of sovereignty or similar grounds from suit, jurisdiction of any court, relief by way of injunction, order for specific performance or for recovery of property, attachment of its assets (whether before or after judgment, in aid of execution, or otherwise) and execution or enforcement of any judgment to which it or its revenues or assets or property might otherwise be entitled in any suit, action or proceeding relating to this Agreement in the courts of

any jurisdiction, nor may there be attributed to the Corporation or its revenues, assets or property any such immunity (nor shall such attribution be claimed by the Corporation);

(vi) there have been no withdrawals from the Reserve Fund or any other debt service reserve fund relating to obligations of the Corporation in order to cover a shortfall in amounts available to make payment of amounts due on such obligations;

(vii) its obligation to replenish the Reserve Fund pursuant to Section 402(a)(5) of the Indenture constitutes special limited obligation, payable solely out of Revenues (as defined in the Indenture); and

(viii) all amounts payable by the Corporation hereunder, including without limitation, any Termination Amount or any amount due pursuant to Section 8.7 shall constitute "Operating Expenses" as defined in the Indenture and shall be payable pursuant to the terms thereof.

(h) in the case of each of the Corporation and the Trustee:

(i) the Indenture has been duly authorized, executed and delivered by it;

(ii) assuming the due authorization, execution and delivery thereof by the other parties thereto, the Indenture the legal, valid and binding obligation of it, enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity regardless of whether enforcement is sought in a proceeding in equity or at law;

(iii) the Indenture is in full force and effect on the date hereof and no amendment, waiver or course of dealing has amended or terminated any of the terms thereof since the original execution and delivery of the Indenture, except such as may have been delivered to the Provider pursuant to Section 7.1(e); and

(iv) no "event of default" or event which would with the passage of time or the giving of notice constitute an event of default has occurred and is continuing with respect to itself under the Indenture and it has not received notice of the occurrence of any other "event of default" or event which would with the passage of time or the giving of notice constitute an event of default under the Indenture.

SECTION VI. COVENANTS AND ACKNOWLEDGEMENTS

Section 6.1 Covenants. Each party hereto covenants to the other parties hereto that so long as it shall have any obligations under this Agreement it shall:

(a) maintain in full force and effect all authorizations and agreements of and exemptions, consents, licenses, actions or approvals by, and all filings with or notices to, any governmental or other authority that are required to be obtained or made by such party with respect to this Agreement and will use all reasonable efforts to obtain or make any that may become necessary in the future;

(b) comply in all material respects with all applicable laws, rules, regulations and orders to which it may be subject if failure so to comply could materially impair its ability to perform its obligations under this Agreement;

(c) if it is the Corporation, not enter into any amendment or modification of the Indenture to which it is a party which could impair its ability to perform its obligations to the Provider hereunder except nothing contained herein shall restrict the Corporation's ability to issue additional bonds under the Indenture;

(d) if it is the Corporation, it shall not redeem, defease or refund the Bonds unless it shall have sufficient funds to pay the Termination Amount to the Provider pursuant to Section 4.3 and it shall not direct the Trustee to withdraw any funds or investments from the Reserve Fund unless it is required to do so under the Indenture in order to pay amounts then due on the Bonds; and

(e) if it is the Corporation, not permit any provider of any investment with respect to funds held under the Indenture to obtain a lien position with respect to excess funds held under the Indenture or funds that have otherwise been released from the lien of the Indenture.

Section 6.2 Additional Covenants of Corporation. In addition to its covenants under Section 6.1, the Corporation covenants to the other parties to this Agreement that so long as it shall have any obligations hereunder, it shall, in the event that the Available Reserve Amount on any Business Day is less than the Scheduled Reserve Amount for the immediately preceding Delivery Date (or, if such Business Day is a Delivery Date, for such Delivery Date), transfer such funds as are available for such purpose to the Reserve Fund in accordance with Section 402(a)(5) of the Indenture.

Section 6.3 Incorporated Provisions.

(a) The Corporation agrees that each of its covenants and other agreements in the Indenture (the "Incorporated Provisions") are incorporated herein as fully as if set forth herein and the Provider were a named beneficiary thereof (including, without limitation, the right to consent to certain actions subject to consent under the Indenture and the right to receive financial statements and other notices and information). The Corporation will observe, perform and fulfill each such agreement in the Indenture. If the Indenture ceases to be in effect prior to the termination of this Agreement, the Incorporated Provisions (other than those provisions requiring payments in respect of bonds, notes, warrants or other similar instruments issued under the Indenture) will remain in full force and effect for purposes of this Agreement as though set forth herein until such date on which all of the obligations of the Corporation under this Agreement have been fully satisfied. Any amendment, supplement, modification or waiver of any of the Incorporated Provisions without the prior written consent of the Provider shall have no force and effect with respect to this Agreement if such amendment, supplement, modification or waiver would adversely affect the rights or obligations of the Provider hereunder or the ability of the Trustee or the Corporation to perform its obligations hereunder. Any amendment, supplement or modification for which such consent is obtained and any amendment, supplement or modification for which such consent is not required shall be part of the Incorporated Provisions for purposes of this Agreement.

(b) The Corporation shall provide the Provider with at least ten (10) Business Days prior written notice of any proposed amendment, supplement or modification of the Incorporated Provisions whether or not the proposed amendment, supplement or modification will adversely affect the rights or obligations of the Provider under this Agreement. If the Corporation fails to comply with any Incorporated Provision, the Corporation (and the Trustee, if the Trustee shall have actual knowledge of such failure) shall provide written notice of such failure to the Provider within three (3) Business Day thereof.

Section 6.4 Roles of the Provider and the Dealer.

(a) It is expressly understood and agreed that for all purposes of this Agreement and the transactions contemplated hereby, each of the Provider and the Dealer has acted solely as independent contractor and has not acted as a financial or investment advisor, fiduciary or agent of or to the Corporation or the Trustee or any representative of the holders of the Bonds or for any other person.

(b) Neither the Provider nor the Dealer nor any of their respective directors, officers, employees, agents, affiliates or representatives have made any investigation with respect to or have any liability with respect to: (i) the tax-exempt status of the Bonds, (ii) the payment of any amounts owing on or with respect to the Bonds, (iii) the use or application by the Trustee or the Corporation of any moneys payable to the Trustee hereunder, (iv) any acts or omissions of the Corporation or the Trustee under, or with respect to, the validity, tax exemption or enforceability of, the Bonds or the Financing Documents, or (v) the Trustee's or the Corporation's performance of its obligations under the Bonds, the Financing Documents or any other agreement or instrument with respect to the Bonds. Without limiting the foregoing, neither the Provider nor the Dealer shall have any duty to ascertain whether the Trustee or the Corporation is in compliance with any applicable statute, regulation or law or the Financing Documents.

(c) The Corporation acknowledges that the economic terms of this Agreement have been individually negotiated by it and that, to the extent it has deemed necessary, it has consulted with its own legal, tax and investment advisors regarding its decision to enter into this Agreement. The Corporation understands that in entering into this Agreement pursuant to which it is agreeing upon the rate of return it will receive during the term of this Agreement on amounts held in the Reserve Fund and thereby minimizing the risks resulting from fluctuations in interest rates during the term hereof it is also foregoing the possibility of receiving greater returns on such amounts from such fluctuations.

Section 6.5 Termination Amount. Each of the Corporation and the Trustee understands that if under any of the circumstances provided herein (including upon the occurrence of a redemption or a defeasance of the Bonds on or prior to the last Delivery Date), a Termination Amount would be due from the Corporation or the Trustee, the size of such Termination Amount will vary depending, in large part, on prevailing interest rates at the time such Termination Amount is calculated; and provided that, with respect to the Trustee, payment of any such Termination Amount shall be subject to Section 9.2. Under certain market conditions the amount of the Termination Amount owed to the Provider by, as applicable, the Trustee or the Corporation, could be substantial. The Corporation's obligation to pay any Termination Amount shall be subordinate to the obligation to pay principal of and interest on the

Bonds and shall be payable solely from amounts available to pay Operating Expenses under the Indenture.

Section 6.6 Broker's Fees. The Corporation acknowledges that the Provider has paid \$165,015 as a broker's or arrangement fee to First Southwest Company.

SECTION VII. CLOSING CONDITIONS

Section 7.1 Closing Conditions. On or prior to the Closing Date the following shall occur:

(a) delivery to the Provider and the Corporation of an opinion of counsel to the Trustee, in the form of Exhibit A;

(b) delivery to the Trustee and the Corporation of an opinion of counsel to the Provider, in the form of Exhibit B;

(c) delivery to the Provider and the Trustee of an opinion of counsel to the Corporation, in the form of Exhibit C;

(d) delivery to the Provider of a copy of the official statement for the Bonds;

(e) delivery to the Provider of a copy of each of the Financing Documents, each certified by the Corporation as being a true and correct copy of such document as in full force and effect on the date hereof;

(f) delivery to the Provider of a copy of any consent received by the Corporation to enter into this Agreement;

(g) delivery to the Provider of a copy of the statutory or regulatory authority pursuant to which the Corporation is authorized to enter into this Agreement and a certified copy of any resolution or resolutions of the Corporation pursuant to which the Corporation is authorized to enter into this Agreement; and

(h) delivery to the Trustee and the Corporation from the Provider of a guaranty of the Guarantor substantially in the form of Exhibit E; and

(i) delivery to the Trustee and the Corporation of an opinion of counsel to the Provider with respect to certain bankruptcy matters.

SECTION VIII. DEFAULTS; TERMINATION

Section 8.1 Trustee Events of Default. The occurrence of any of the following events shall constitute a Trustee Event of Default:

(a) the Trustee shall fail for any reason other than (i) the occurrence and continuation of a Force Majeure Event which prevents, precludes or delays the Trustee's performance, (ii) the Corporation has not deposited at least the Scheduled Reserve Amount in the Reserve Fund or (iii) pursuant to a direction by the Corporation or the holders of the Bonds, to purchase, at the Purchase Price therefor, any Qualified Securities delivered by the Qualified Dealer or the Provider in accordance with this Agreement and such failure shall continue for

three (3) Business Days after notice from the Provider; provided that, the Provider shall be paid its Loss Amount by the Trustee or the Corporation, as calculated pursuant to Section 8.7; or

- (b) the Trustee is, at any time, Insolvent.

Section 8.2 Corporation Events of Default. The occurrence of any of the following events shall constitute a Corporation Event of Default:

- (a) the Trustee shall fail, for any reason (including any direction by the Corporation or the holders of the Bonds) other than as a result of the occurrence of a Force Majeure Event, to purchase, at the Purchase Price therefor, any Qualified Securities delivered by the Qualified Dealer or the Provider in accordance with this Agreement and such failure shall continue for three (3) Business Days after notice from the Provider; provided that the Provider shall be paid its Loss Amount by the Corporation, as calculated pursuant to Section 8.7;

- (b) the Corporation is at any time Insolvent; or

- (c) a Trustee Event of Default has occurred and is continuing.

Section 8.3 Provider Events of Default. The occurrence of any of the following events shall constitute a Provider Event of Default:

- (a) the Dealer shall fail, on any Delivery Date, to deliver or cause a Qualified Dealer to deliver Qualified Securities other than as a result of a Corporation Event of Default, a Trustee Event of Default or the occurrence of a Force Majeure Event and such failure is not cured within three Business Days after written notice thereof to the Provider and the Dealer from the Trustee or the Corporation (the "Dealer Cure Period");

- (b) any representation or warranty of the Provider contained in this Agreement proves to have been incorrect, false or misleading in any material respect as of the date on which it was made;

- (c) the Provider shall default in the performance of any covenant or obligation under this Agreement other than as described in clause (a) above, other than as a result of an Corporation Event of Default or a Trustee Event of Default, and such default is not cured within five Business Days of notice thereof from the Trustee or the Corporation;

- (d) the Guarantor is at any time Insolvent; or

- (e) the Guarantor consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer either (i) the resulting or surviving or transferee entity fails to assume all the obligations of the Guarantor under this Agreement or the Guarantee or by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement or (ii) the long-term senior unsecured debt rating of the resulting or surviving or transferee entity is below "A-" by S&P or "A3" by Moody's or "A-" by Fitch.

Section 8.4 Remedies Upon Occurrence of a Trustee Event of Default. Upon the occurrence of a Trustee Event of Default, the Provider shall have the right to:

- (a) instruct the Dealer to redeliver or cause the Qualified Dealer to redeliver to the Trustee or sell to any other purchaser the Qualified Securities which were to be delivered

in connection with any Delivery Date and which have not theretofore been delivered to and purchased by the Trustee and make demand for the payment of its losses (calculated in accordance with Section 8.7) arising out of the Trustee's failure to purchase such Qualified Securities; and/or

(b) immediately terminate this Agreement by giving notice thereof to the Trustee with a copy to the Corporation and, subject to Section 9.2, (i) if the Termination Amount is a positive number, make demand upon the Trustee for the payment of the Termination Amount, and (ii) if the Termination Amount is a negative number, pay such Termination Amount to the Trustee.

If the Termination Amount is payable pursuant to this Section 8.4(b), subject again to Section 9.2, the party owing such amount shall promptly, but by no later than one Business Day after notice that such amount is due from the party to whom such Termination Amount is due, pay such amount, in immediately available funds, to the party to whom such Termination Amount is due. If any such amount is not paid when due, the party owing such amount shall pay interest on such amount for each date such amount is due and not paid at the Default Rate. Any amounts payable pursuant to Section 8.7 shall be payable upon demand as provided therein.

Section 8.5 Remedies Upon Occurrence of Corporation Event of Default.

Upon the occurrence of a Corporation Event of Default, the Provider shall have the right to:

(a) instruct the Dealer to redeliver or cause the Qualified Dealer to redeliver to the Trustee or sell to any other purchaser the Qualified Securities which were to be delivered in connection with any Delivery Date and which have not theretofore been delivered to and purchased by the Trustee and make demand for the payment of its losses (calculated in accordance with Section 8.7) arising out of the Trustee's failure to purchase such Qualified Securities; and/or

(b) immediately terminate this Agreement by giving notice thereof to the Corporation with a copy to the Trustee, and (i) if the Termination Amount is a positive number, make demand upon the Corporation for the payment of the Termination Amount and (ii) if the Termination Amount is a negative number, pay such amount to the Corporation.

If a Termination Amount is payable pursuant to this Section 8.5(b), the party owing such amount shall promptly, but by no later than one Business Day after notice that such amount is due from the party to whom such Termination Amount is due, pay such amount, in immediately available funds, to or at the direction of the party to whom such Termination Amount is due. If any such amount is not paid when due, the party owing such amount shall pay interest on such amount for each date such amount is due but not paid at the Default Rate. Any amounts payable pursuant to Section 8.7 shall be payable upon demand as provided therein.

Section 8.6 Remedies Upon Occurrence of a Provider Event of Default. Upon

the occurrence of a Provider Event of Default, the Corporation shall have the right to:

(a) if such default is a default under Section 8.3(a), apply the Scheduled Reserve Amount to purchase Eligible Investments in accordance with Section 3.4 hereof and make demand for the payment of its losses in connection therewith, calculated as provided in Section 8.7(b);

(b) if such default is a default under Section 8.3(a) and the Provider has failed to pay the Corporation's losses (as described in Section 8.7(b)) upon demand therefor or if such default is a default under Sections 8.3(b), (c), (d) or (e) hereof, immediately terminate this Agreement by giving notice thereof to the Provider with a copy to the Trustee, whereupon the Provider shall determine the Termination Amount and (i) if the Termination Amount is a negative number, the Provider shall promptly, but no later than one Business Day after notice that such amount is due, pay such amount, in immediately available funds, to the Corporation and (ii) if the Termination Amount is a positive number, the Provider may demand payment by the Corporation of the Termination Amount in which case the Corporation shall promptly, but no later than one Business Day after notice that such amount is due, pay, in immediately available funds, the Termination Amount to the Provider. If any such amount is not paid when due, the party owing such amount shall pay interest on such amount for each date such amount is due but not paid at the Default Rate. Notwithstanding anything to the contrary in this Agreement, if the Provider fails to determine the Termination Amount within three Business Days of notice from the Corporation or the Trustee of the occurrence of a Provider Event of Default then the Corporation (or if so directed by the Corporation, the Trustee) shall make such determination as if it were the Provider and the amount as so determined by the Corporation (or the Trustee) shall for purposes of this Section 8.6 be deemed the Termination Amount.

Section 8.7 Loss Amount if Failed or Late Purchase.

(a) If (i) the Trustee fails to apply any funds in the Reserve Fund to purchase any Qualified Securities delivered by the Qualified Dealer in accordance with this Agreement or (ii) on any Delivery Date the amount in the Reserve Fund available to purchase Qualified Securities is less than the Scheduled Reserve Amount, the Trustee, in the case of clause (i) or the Corporation in the case of clause (ii), shall pay to the Provider, as liquidated damages for its losses and not as a penalty, on demand by the Provider, the sum (the "Loss Amount") of (w) interest on the Purchase Price (or, if such Qualified Securities are delivered pursuant to Section 2.2, the Maturity Amount thereof) at the Default Rate of the Qualified Securities which the Qualified Dealer tendered for delivery to, but were not purchased by, the Trustee for each day from and including the delivery date thereof to but excluding the date on which such securities are resold to a third party or to the Trustee, (x) the excess, if any, of the Purchase Price (or, if such Qualified Securities are delivered pursuant to Section 2.2, the Maturity Amount thereof) of such Qualified Securities over the amount received by the Qualified Dealer upon such resale of the securities (the "Shortfall Amount"), (y) interest at the Default Rate on the Shortfall Amount from and including the resale date to but excluding the date on which the Trustee or the Corporation, as applicable, compensates the Provider for its losses as described herein, and (z) any incidental costs and expenses including reasonable legal fees and expenses ("Incidental Expenses") incurred by the Provider in connection with the Trustee's failure to so purchase such Qualified Securities; provided that if the Provider elects not to direct the Dealer to redeliver or cause the Qualified Dealer to redeliver the Qualified Securities to the Trustee or resell such Qualified Securities to a third party, the Provider's damages shall be calculated as the sum of (x) the excess of the Purchase Price (or, if such Qualified Securities are delivered pursuant to Section 2.2, the Maturity Amount thereof) of the Qualified Securities which the Trustee failed to purchase over the Market Value thereof, (y) interest at the Default Rate on such excess from the date of attempted delivery to the Trustee in accordance with this Agreement to but excluding the date on which the Trustee or the Corporation, as applicable, compensates the Provider for its

losses and (z) any Incidental Expenses. Notwithstanding the foregoing, if the Dealer does not on any date deliver or cause the delivery of Qualified Securities because the amount in the Reserve Fund is less than the Scheduled Reserve Amount, the Loss Amount shall equal the sum of (y) the amount, if any, by which the aggregate Purchase Price of the Qualified Securities which the Dealer could have delivered or caused to be delivered exceeds the market value thereof (as reasonably determined by the Dealer as of the date such tender was to be made) and (z) interest on such amount at the Default Rate for each date from the date such securities could have been delivered to the next succeeding Bond Payment Date plus Incidental Expenses. The Corporation's obligation to pay any amounts due pursuant to this Section 8.7(a) shall be subordinate to the obligation to pay principal of and interest on the Bonds and shall be payable solely from amounts available to pay Operating Expenses under the Indenture.

(b) If there is a Provider Event of Default as described in Section 8.3(a) hereof, the amount of losses payable by the Provider upon demand therefor pursuant to Section 8.6(a) shall equal the excess, if any, of (i) interest the Trustee would have earned on the Scheduled Reserve Amount had the Scheduled Reserve Amount been invested in Qualified Securities at the Guaranteed Rate (the "Guaranteed Interest") over the amount of the (ii) interest the Trustee actually earned by investing the related Scheduled Reserve Amount in Eligible Investments in accordance with Section 2.1(c) hereof (or if the Trustee fails to invest such Scheduled Reserve Amount in Eligible Investments in accordance with Section 2.1(c), the amount of interest the Trustee would have earned on such Scheduled Reserve Amount had the Trustee complied with the requirements of Section 2.1(c) hereof). In the event that the Trustee fails to purchase, at the Purchase Price therefor, any Qualified Securities delivered by the Qualified Dealer or the Provider in accordance with this Agreement as a result of a Force Majeure Event, the Provider shall not be liable for any portion of Guaranteed Interest accruing during such failure and shall not be liable for the payment of the Guaranteed Rate during such failure.

Section 8.8 Application of Excess Funds. The Corporation hereby directs the Trustee and the Trustee agrees that if at any time any amounts are due the Provider from the Corporation in connection with a Corporation Event of Default, the Trustee shall, upon demand from the Provider, and without further direction or instruction from the Corporation, apply any funds available under the Indenture which are not subject to the lien of the Indenture (including any funds which would otherwise be released to the Corporation) to the payment of such amounts.

Section 8.9 Limited Rights Against the Reserve Fund. Neither the Provider nor the Dealer shall have any right to any amounts held in the Reserve Fund except as expressly provided herein upon the delivery of a Qualified Security in accordance with this Agreement.

Section 8.10 No Waiver; Remedies Cumulative. No failure or delay on the Provider's part in exercising any right or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any other right or remedy. The Provider's rights and remedies hereunder are cumulative and not exclusive of any rights or remedies provided by law, this Agreement or otherwise. None of the terms or provisions of this Agreement may be waived, modified or amended except in a writing duly signed by the Trustee, the Corporation, the Dealer and the Provider.

SECTION IX. THE TRUSTEE

Section 9.1 Direction to Trustee; Acceptance by Trustee. The Corporation hereby directs the Trustee, pursuant to Section 405 of the Indenture, to enter into this Agreement. By execution and delivery of this Agreement, the Trustee accepts its duties and obligations hereunder.

Section 9.2 Liability of the Trustee.

(a) The Trustee shall not be liable under this Agreement for any Termination Amount due to any person for any action taken or neglected to be taken in performing or attempting to perform its obligations hereunder or preserving or seeking to preserve the funds it maintains under the Indenture or to purchase the Qualified Securities tendered pursuant to this Agreement, except for actions arising from its negligence or willful misconduct or from its intentional or knowing non-performance of its obligations under this Agreement or for a breach of its covenant contained in Section 6.1(c) or for a breach of its representations or warranties under this Agreement.

(b) The Corporation hereby acknowledges that, with respect to the Trustee's performance under this Agreement, the Trustee shall, as between the Corporation and the Trustee, be entitled to the benefit of each covenant and other agreement contained in the Indenture limiting the liability of and granting rights to the Trustee.

Section 9.3 Payment of Trustee Fees. Neither the Provider nor the Dealer has any liability or responsibility for payment of the Trustee's fees or expenses for its services hereunder, including any such fees or expenses arising out of or in connection with the liquidation of the Qualified Securities as provided herein.

Section 9.4 Trustee Cooperation. The Trustee shall not make any payments or distributions from the Reserve Fund other than payments or distributions (i) required by this Agreement or (ii) to make payments required by the Indenture.

Section 9.5 Successor Trustee. If the Trustee shall resign or be discharged from its duties and obligations under the Indenture, the Corporation shall appoint a successor Trustee pursuant to the terms of the Indenture; provided, however, the successor trustee shall be reasonably acceptable to the Provider and the Dealer. The Corporation agrees that if the Trustee fails for any reason to perform its duties to the Provider or the Dealer under this Agreement in accordance with the terms hereof, or is at any time Insolvent or breaches in any material respect its representations and warranties to the Provider and the Dealer hereunder, the Corporation shall promptly, upon request of the Provider or the Dealer, to the extent permitted by the Indenture, use its best efforts to (i) recommend to the Holders (as defined in the Indenture) of the Bonds that the Trustee be removed and (ii) appoint a successor Trustee acceptable to the Provider and the Dealer.

SECTION X. MISCELLANEOUS

Section 10.1 Notices and Delivery Instructions. All notices, demands or other communications hereunder shall be given or made in writing and shall be delivered personally, or sent by certified or registered mail, postage prepaid, return receipt requested, or overnight delivery service, telex or telecopy to the party to whom they are directed at the following

addresses, or at such other addresses as may be designated by notice from such party to all other parties:

To the Provider:

Morgan Stanley Capital Services Inc.
Municipal Capital Markets Desk
1221 Avenue of the Americas, 30th Floor
New York, NY 10020
Attn: Greg Pacelli
Telephone: (212) 762-7415
Telecopy: (212) 762-8227

To the Dealer:

Morgan Stanley & Co. Incorporated
1221 Ave of the Americas, 30th Floor
New York, NY 10020
Attn: Greg Pacelli
Telephone: (212) 762-7415
Telecopy: (212) 762-8227

To the Trustee:

Wells Fargo Bank, National Association
213 Court Street
Middletown, CT 06457

Attention: Robert L. Reynolds
Telephone: (860) 704-6216
Telecopy: (860) 704-6219

WIRE INSTRUCTIONS - CASH

Wells Fargo Bank
ABA# 091000019
Beneficiary: Corporate Trust Services
Account #: 0001038377
REF: Tobacco Settlement Debt Serv. Reserve
(SEI 12768103)
Attn: Joseph O'Donnell

DELIVERY INSTRUCTIONS-SECURITIES

DTC
DTC # 2027
Account # 94866
SEI # 12768103

Tobacco Settlement Debt Serv. Reserve

Fed

WF MPLS/TRUST

ABA# 091000019

Account: 1818-7 Trust Clearing

SEI# 12768103

Tobacco Settlement Debt Serv. Reserve

To the Corporation:

Tobacco Settlement Financing Corporation

One Capitol Hill

Providence, RI 02908

Attention: Rosemary Booth Gallogly

Telephone: (401) 222-6300

Telecopy: (401) 222-6410

Corporation's Tax Payer I.D.# 36-4499925

Any notice, demand or other communication given in a manner prescribed in this Section shall be deemed to have been delivered on receipt.

Section 10.2 Binding Effect; Transfer.

(a) This Agreement shall be binding upon the Trustee, the Corporation, the Dealer and the Provider and upon their respective permitted successors and transferees.

(b) The Provider shall be entitled to transfer this Agreement, and its interests and obligations hereunder (i) without the consent of the Corporation to any subsidiary or affiliate of the Provider, or to any office, branch, or subsidiary of any affiliate of the Provider by giving written notice to the Corporation and the Trustee of such transfer and the name of the transferee and (ii) with the Corporation's prior written consent (such consent not to be unreasonably withheld or delayed) and upon notice to the Trustee to any other person. Such transferee shall immediately assume the rights and obligations of the Provider hereunder and upon such transfer shall for all purposes become the Provider under this Agreement.

(c) The Dealer shall be entitled to transfer this Agreement, and its interests and obligations hereunder (i) without the consent of the Corporation to any subsidiary or affiliate of the Dealer or the Provider, or to any office, branch, or subsidiary of any affiliate of the Dealer or the Provider by giving written notice to the Corporation and the Trustee of such transfer and the name of the transferee and (ii) with the Corporation's prior written consent (such consent not to be unreasonably withheld or delayed) and upon notice to the Trustee to any other person. Such transferee shall immediately assume the rights and obligations of the Dealer hereunder and upon such transfer shall for all purposes become the Dealer under this Agreement.

(d) Neither the Corporation nor the Trustee may transfer this Agreement without the prior written consent of the Provider, the Dealer and the other party.

Section 10.3 Limitation. Nothing expressed or implied herein is intended or shall be construed to confer upon any person, firm or corporation other than the parties hereto, any right, remedy or claim by reason of this Agreement or any term hereof, and all terms contained herein shall be for the sole and exclusive benefit of the parties hereto, and their successors and permitted transferees.

Section 10.4 Severability. If one or more provisions of this Agreement or the applicability of any such provisions to any set of circumstances shall be determined to be invalid or ineffective for any reason, such determination shall not affect the validity and enforceability of the remaining provisions or the applicability of the same provisions or any of the remaining provisions to other circumstances.

Section 10.5 Amendments, Changes and Modifications. This Agreement may be amended or any of its terms modified only by a written document authorized, executed and delivered by each of the parties hereto.

Section 10.6 Counterparts. This Agreement may be executed in one or more counterparts and when each party hereto has executed at least one counterpart, this Agreement shall become binding on all parties and such counterparts shall be deemed to be one and the same document.

Section 10.7 Termination. Unless earlier terminated pursuant to Sections 3.2, 4.3, 8.4, 8.5, 8.6 or 10.13, this Agreement shall terminate on the later of the Termination Date and the date on which the Trustee and the Corporation have satisfied all of their obligations hereunder.

Section 10.8 Entire Agreement. This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.

Section 10.9 Delivery of Financial Statements. The Corporation agrees that it will deliver to the Provider its annual financial statements, promptly upon their availability.

Section 10.10 Submission to Jurisdiction. The Provider, the Dealer, the Trustee and the Corporation each hereby irrevocably submits to the non-exclusive jurisdiction of any court of the State of New York located in the Borough of Manhattan or the United States District Court for the Southern District of the State of New York located in the Borough of Manhattan for the purpose of any suit, action or other proceeding arising out of this Agreement, or any of the agreements or transactions contemplated hereby, at the election of the party initiating any such suit, action or other proceeding, which is brought by or against the Provider, the Dealer, the Trustee or the Corporation, and the parties each hereby irrevocably agrees that all claims in respect of any such suit, action or proceeding may be heard and determined by any such court and each of the Provider, the Dealer, the Trustee and the Corporation acknowledges that it is subject to suit in such courts with respect to enforcement of its obligations hereunder.

Section 10.11 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflict of law principles.

Section 10.12 Waiver of Jury Trial. Each party waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any proceedings relating to this Agreement.

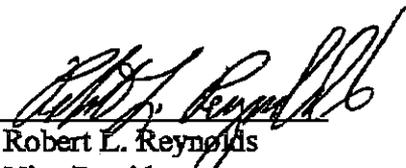
Section 10.13 Optional Termination. The Corporation shall have the right to terminate this Agreement, upon at least ten (10) Business Days' prior written notice to the Provider, the Trustee, S&P and Moody's, whereupon the Burdened Party shall determine the Termination Amount and (i) if the Termination Amount is a negative number, the Provider shall promptly, but no later than one Business Day after notice that such amount is due, pay such amount, in immediately available funds, to the Corporation and (ii) if the Termination Amount is a positive number, the Provider may demand payment by the Corporation of the Termination Amount in which case the Corporation shall promptly, but no later than one Business Day after notice that such amount is due, pay, in immediately available funds, the Termination Amount to the Provider. If any such amount is not paid when due, the party owing such amount shall pay interest on such amount for each date such amount is due but not paid at the Default Rate. The Corporation agrees that it shall not exercise its right to terminate this Agreement pursuant to this Section 10.13 unless it shall have sufficient funds available to pay any Termination Amount which may be due in accordance herewith.

Section 10.14 Nonpetition Covenant. Notwithstanding any prior termination of this Agreement, the Provider and the Trustee covenant and agree that they shall not, prior to the date which is one year and one day after the termination of this Agreement, petition or otherwise invoke or cause the Corporation to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against the Corporation under any Federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator or other similar official of the Corporation or any substantial part of its property, or ordering the winding up or liquidation of the affairs of the Corporation.

Section 10.15 Subordinate Obligation. Notwithstanding anything contained herein to the contrary, the Corporation's obligation to pay any amounts due to the Provider pursuant to the terms of this Agreement shall be subordinate to the obligation to pay principal of and interest on the Bonds and shall be payable solely from amounts available to pay Operating Expenses under the Indenture.

IN WITNESS WHEREOF, the Trustee, the Corporation, the Dealer and the Provider have caused this Debt Service Reserve Fund Agreement to be executed by their respective duly authorized officers, all as of the date and year first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Trustee

By: 
Name: Robert L. Reynolds
Title: Vice President

TOBACCO SETTLEMENT FINANCING CORPORATION

By: _____
Name:
Title:

MORGAN STANLEY CAPITAL SERVICES INC.

By: _____
Name:
Title:

MORGAN STANLEY & CO. INCORPORATED

By: _____
Name:
Title:

IN WITNESS WHEREOF, the Trustee, the Corporation, the Dealer and the Provider have caused this Debt Service Reserve Fund Agreement to be executed by their respective duly authorized officers, all as of the date and year first above written.

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Trustee

By: _____
Name:
Title:

TOBACCO SETTLEMENT FINANCING
CORPORATION

By: *Rosemary Booth Gallogly*
Name: *Rosemary Booth Gallogly*
Title: *Chairperson*

MORGAN STANLEY CAPITAL
SERVICES INC.

By: _____
Name:
Title:

MORGAN STANLEY & CO. INCORPORATED

By: _____
Name:
Title:

07/12/2002 11:55 FAX
CLIFFORDCHANCE 004
IN WITNESS WHEREOF, the Trustee, the Corporation, the Dealer and the Provider have caused this Debt Service Reserve Fund Agreement to be executed by their respective duly authorized officers, all as of the date and year first above written.

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Trustee

By: _____
Name:
Title:

TOBACCO SETTLEMENT FINANCING
CORPORATION

By: _____
Name:
Title:

MORGAN STANLEY CAPITAL
SERVICES INC.

By: 
Name: KEVIN R. SEMPER
Title: VP

MORGAN STANLEY & CO. INCORPORATED

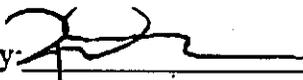
By: 
Name:
Title: **Ronald L. Windisch**
Managing Director

EXHIBIT E

ADDITIONAL ELIGIBLE SECURITIES

- (i) non-callable direct obligations of the United States of America, non-callable and non-prepayable direct federal agency obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America, non-callable direct obligations of the United States of America which have been stripped by the United States Treasury itself or by any Federal Reserve Bank (not including "CATS," "TIGRS" and "TRS") and the interest components of REFCORP bonds for which the underlying bond is non-callable (or non-callable before the due date of such interest component) for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form, and shall exclude investments in mutual funds and unit investment trusts;
- (ii) obligations timely maturing and bearing interest (but only to the extent that the full faith and credit of the United States of America are pledged to the timely payment thereof);
- (iii) direct obligations of, or obligations guaranteed as to timely payment of principal and interest by, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, any Federal Home Loan Bank, the Export-Import Bank of the United States, the Federal Financing Bank, the Government National Mortgage Association, the Farmers' Home Administration, the Federal Home Loan Mortgage Company, the Federal Housing Administration, the Private Export Funding Corporation, the Federal Farm Credit Bank, the Resolution Trust Company, the Student Loan Marketing Association, or the Federal Farm Credit System;
- (iv) commercial or finance company paper that has a short-term rating of A-1 or higher by S&P, P-1 or higher by Moody's and F1 or higher by Fitch (if then rated by Fitch), issued by a corporation that has a long-term senior unsecured unenhanced debt rating of A+ or higher by S&P or A1 or higher by Moody's.
- (v) commercial or finance company paper that has a short-term rating of A-1 or higher by S&P, P-1 or higher by Moody's and F1 or higher by Fitch (if then rated by Fitch), issued by a corporation that has a long-term senior unsecured unenhanced debt rating of A or lower by S&P and A2 or lower by Moody's; provided, that securities issued by any such corporation will not be Eligible Securities to the extent that delivery thereof by the Qualified Dealer would cause the then outstanding principal amount of securities issued by such corporation that are then held in the Reserve Fund to exceed 20% of the aggregate principal amount of all Eligible

Securities previously delivered by the Qualified Dealer pursuant to this Agreement and then held in the Reserve Fund.

DEBT SERVICE FORWARD DELIVERY AGREEMENT

This Debt Service Forward Delivery Agreement (this "Agreement"), dated as of June 27, 2002, by and among WELLS FARGO BANK, NATIONAL ASSOCIATION, not in its individual capacity but solely as trustee (the "Trustee"), TOBACCO SETTLEMENT FINANCING CORPORATION (the "Issuer") and BEAR STEARNS CAPITAL MARKETS INC. (the "Provider").

ARTICLE I
DEFINITIONS

For purposes of this Agreement, unless the context clearly indicates otherwise, the words and terms defined in this Section I have the respective meanings given to them herein:

"Actual Deposit Amount" has the meaning specified in Section 2.1(a).

"Bond Payment Date" means with respect to each Delivery Date, each date identified as a "Bond Payment Date" on Exhibit A unless such date is not a Business Day, in which case "Bond Payment Date" means the immediately succeeding Business Day.

"Bonds" means, collectively, The Tobacco Settlement Financing Corporation Tobacco Settlement Asset-Backed Bonds Series 2002A (Tax-Exempt) in the aggregate principal amount of \$649,730,000, dated June 27, 2002, and Series 2002B (Taxable) in the aggregate principal amount of \$35,660,000, dated June 27, 2002.

"Burdened Party" means (i) in the case of (A) an Issuer Event of Default or Trustee Event of Default, (B) a termination of this Agreement by the Issuer pursuant to Section 3.1 following a redemption, defeasance or refunding of the Bonds, or (C) an optional termination of this Agreement by the Issuer pursuant to Section 10.13, the Provider, and (ii) in the case of (A) a Provider Event of Default, or (B) a termination of this Agreement by the Issuer or a calculation of the Termination Amount pursuant to Section 5.5 following a Downgrade, the Issuer.

"Business Day" means any day other than (a) a Saturday or Sunday, (b) a day on which banking institutions in New York, New York are authorized or required by law to close, or (c) a day on which the Provider is required by law to close.

"Closing Date" means June 27, 2002.

"Collateral Amount" means an amount equal to (i) if the Termination Amount as determined on the valuation date would be an amount payable by the Provider, the Termination Amount, and (ii) if the Termination Amount as determined on the valuation date would not be an amount payable by the Provider, zero.

"Collateral Securities" has the meaning specified in Section 5.5.

“Coupon Payment” means, for any Qualified Security, a payment of interest which is due to be paid thereon after delivery of such Qualified Security to the Trustee and prior to the scheduled maturity of such Qualified Security.

“Dealer” means a leading dealer in the relevant market selected by the Provider in good faith and reasonably acceptable to the Issuer from among dealers of the highest credit standing which satisfy all the criteria that the Provider applies generally at the time in deciding whether to offer or to make an extension of credit.

“Debt Service Fund” means collectively, the funds created pursuant to Section 401 of the Indenture and designated thereunder as the Debt Service Account and the Capitalized Interest Account.

“Default Rate” means a rate per annum equal to the Federal Funds Rate plus 1% per annum.

“Delivery Date” means each date identified as a “Delivery Date” on Exhibit A unless such date is not a Business Day, in which case “Delivery Date” means the immediately succeeding Business Day.

“Delivery Notice” means a notice substantially in the form of Exhibit E or in such other form as provided by the Provider or the Qualified Dealer containing at least the information set forth in Exhibit E.

“Delivery Period” means, for any Delivery Date, the period commencing on such Delivery Date and terminating on the related Bond Payment Date.

“Differential” means the amount, if any, by which the Purchase Price of any Qualified Security delivered hereunder exceeds the Market Value thereof.

“Earned Interest” means the amount of interest the Trustee actually earned by investing the related Actual Deposit Amount in Permitted Investments as provided by Section 2.1(d) hereof; provided that if the Trustee fails to invest such Actual Deposit Amount in Permitted Investments as provided by Section 2.1(d), “Earned Interest” shall equal an amount equal to the interest the Trustee would have earned based on the prevailing rates for Permitted Investments at such time had the Trustee invested such Actual Deposit Amount in Permitted Investments as provided in Section 2.1(d).

“Eligible Securities” means the securities identified in Exhibit H hereto.

“Federal Funds Rate” means, for any day, the rate set forth on H.15 (519) for that day opposite the caption “Fed Funds (Effective).”

“Financing Documents” means the Indenture and the Sale Agreement.

“Fitch” means Fitch Ratings.

“Force Majeure Event” means flooding, lightening, fire, severe weather, earthquake or other natural disaster or war, revolution, act of terrorism, riot or civil unrest and related acts of civil of military authorities.

“Guaranteed Interest” has the meaning specified in Section 7.7(b).

“Guaranteed Rate” means a rate per annum equal to 4.013%, assuming that the interest on the applicable security were compounded semi-annually on the basis of a year of 360 days with twelve thirty day months.

“Guarantor” means The Bear Stearns Companies Inc., a Delaware corporation.

“H.15 (519)” means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System.

“Incidental Expenses” has the meaning specified in Section 7.7(a).

“Indenture” means the Indenture by and between the Issuer and the Trustee, dated as of June 1, 2002.

“Insolvent” means (i) either the Trustee, the Issuer, the Provider or the Guarantor as the case may be, shall (1) commence a voluntary case under the federal bankruptcy laws (as in effect on the date of this Agreement or hereafter), (2) file a petition seeking to take advantage of any other law, relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, (3) consent to any petition filed against it in an involuntary case under such bankruptcy or insolvency or other laws, (4) apply for or consent to the appointment of, or the taking of possession by, a trustee, receiver, custodian, liquidator or the like for itself or for all or a substantial part of its property, (5) admit in writing its inability to pay, or generally not be paying, its debts as they come due, (6) make a general assignment for the benefit of creditors, or (7) take any official action for the purpose of effecting any of the foregoing; or (ii) a case or other proceeding shall be commenced against either the Trustee, the Issuer, the Provider or the Guarantor, as the case may be, in any court of competent jurisdiction seeking (1) relief under the federal bankruptcy laws (as in effect on the date of this Agreement or hereafter) or under any other law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, or (2) the appointment of a trustee, receiver, custodian, liquidator or the like for the Trustee, the Issuer, the Provider or the Guarantor, as the case may be, or for all or a substantial part of its property, and any such case or proceeding shall continue undismissed and unstayed for a period of 60 consecutive calendar days, or an order granting the relief requested in any such case or proceeding against such party shall be entered and shall remain in effect and unstayed for a period of 60 consecutive days.

“Issuer Event of Default” means the occurrence of an event specified in Section 7.2.

“Loss Amount” has the meaning specified in Section 7.7(a).

“Market Value” means, with respect to any Qualified Security, the market value thereof on the date of delivery (including accrued interest thereon) as specified by the Provider or the Qualified Dealer delivering such Qualified Security.

“Maturity Amount” means, with respect to any Qualified Security delivered in respect of a Delivery Date, the amount, payable in cash, representing the principal and interest (including any Coupon Payments) due thereon on or prior to its maturity date.

“Maximum Deposit Amount” means, with respect to each Delivery Date, the amount identified as the “Maximum Deposit Amount” on Exhibit A.

“Minimum Deposit Amount” means, with respect to each Delivery Date, the amount identified as the “Minimum Deposit Amount” on Exhibit A.

“Moody’s” means Moody’s Investors Service.

“Permitted Investments” has the meaning given to the term Eligible Investments in the Indenture.

“Provider Cure Period” has the meaning specified in Section 7.3(a).

“Provider Event of Default” means the occurrence of an event specified in Section 7.3.

“Purchase Price” means, for any Qualified Security delivered pursuant to Section 2.1 hereof, that price for such security, as set forth in the Delivery Notice, which will produce a rate of return on such security for the period from (and including) the Delivery Date to (but excluding) the maturity date of such Qualified Security of the Guaranteed Rate.

“Qualified Dealer” means Bear, Stearns & Co. Inc., its successors or assigns or any other dealer in Eligible Securities.

“Qualified Securities” means, in connection with any security delivered pursuant to Section 2.1 hereof, Eligible Securities which (i) mature not later than the related Bond Payment Date, and (ii) have an aggregate Purchase Price which does not exceed the related Actual Deposit Amount.

“S&P” means Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc.

“Sale Agreement” means the Purchase and Sale Agreement, dated as of June 1, 2002, between the State and the Issuer, as originally executed and as it may be amended or supplemented from time to time in accordance with the terms thereof.

“Shortfall Amount” has the meaning specified in Section 7.7.

“State” means the State of Rhode Island and Providence Plantations.

“Subsequent Delivery Purchase Price” means, with respect to each Eligible Security delivered pursuant to Section 2.3 hereof, that price for such security, as set forth in the Delivery Notice, which will produce a rate of return on such security for the period from (and including) the date such Eligible Security is delivered to (but excluding) the maturity date of such Eligible Security, of the Guaranteed Rate.

“Termination Amount” means an amount, as determined by the Provider in good faith on the basis of the arithmetic mean of quotations from at least three Dealers, of the amount, if any, that each such Dealer would require the Burdened Party to pay to the Dealer (expressed as a positive number if the Burdened Party is the Provider and a negative number if the Burdened Party is the Issuer) or would pay to the Burdened Party (expressed as a negative number if the Burdened Party is the Provider and a positive number if the Burdened Party is the Issuer) in consideration of such Dealer entering into an agreement with the Burdened Party (with such documentation as the Dealer and the Provider may in good faith agree) which would have the effect of preserving for the Burdened Party the economic equivalent of its investment rights under this Agreement for the period commencing on the termination date of this Agreement and terminating on the last Bond Payment Date set forth on Exhibit A (assuming for these purposes that this Agreement had not terminated on the termination date and continued in full force through such last Bond Payment Date); provided, however, that:

(i) if more than three quotations are provided, the Termination Amount will be the arithmetic mean of such quotations, without regard to the quotations having the highest and lowest values,

(ii) if exactly three quotations are provided, the Termination Amount will be the quotation remaining after disregarding the highest and lowest quotations,

for purposes of clauses (i) and (ii), if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded, and

(iii) if the Provider is unable to obtain three such quotations, the Termination Amount shall be the amount, as reasonably determined in good faith by the Provider, to be the Burdened Party’s total losses and costs (expressed as a positive number if the Burdened Party is the Provider and a negative number if the Burdened Party is the Issuer), or gains (expressed as a negative number if the Burdened Party is the Provider and a positive number if the Burdened Party is the Issuer) in connection with a termination of this Agreement, including any loss of bargain, cost of funding or, at the election of the Provider (if it is the Burdened Party) but without duplication, any loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position; and

provided further, that in any event (A) the Termination Amount shall also include any unpaid amounts due as of the date of termination of this Agreement (including any amounts due under Section 7.7), (B) if such Termination Amount is being paid in connection with a termination of this Agreement following an Event of Default or if any Termination Amount otherwise due hereunder is not paid when due, the Termination Amount shall also include any incidental costs and expenses incurred by the Burdened Party in connection with such termination and the

enforcement of its rights hereunder (including costs of collection and reasonable attorneys' fees), and (C) any payment of such Termination Amount by the Issuer shall be in accordance with Section 8.1.

"Trustee Event of Default" means the occurrence of an event specified in Section 7.1.

"Value" means (i) with respect to cash, the amount thereof, and (ii) with respect to securities, 102% of the market value thereof.

ARTICLE II

PURCHASE AGREEMENT

Section 2.1 Purchase and Sale of Qualified Securities.

(a) The Trustee shall notify the Provider at least one (1) Business Day prior to each Delivery Date of the amount that will be deposited into the Debt Service Fund on such Delivery Date (such amount, the "Actual Deposit Amount"). The Trustee shall not specify an Actual Deposit Amount for a Delivery Date greater than the Maximum Deposit Amount for such Delivery Date. The Trustee shall specify an Actual Deposit Amount for a Delivery Date that is less than the Maximum Deposit Amount (but not less than the Minimum Deposit Amount) only if and to the extent that (i) the Maximum Deposit Amount shall not have been deposited in the Debt Service Fund on or before the related Delivery Date, or (ii) all or any portion of the amount deposited in the Debt Service Fund in respect of the related Delivery Date is applied to one or more Extraordinary Payments (as such term is defined in the Indenture) pursuant to Section 402(b)(6), or redeemed pursuant to Sections 402(b)(9) and 404(e), of the Indenture.

(b) The Provider shall cause a Qualified Dealer to deliver to the Trustee, at any time on or after each Delivery Date, in accordance with the delivery requirements of Section 2.2 hereof, Qualified Securities selected by the Provider or the Qualified Dealer.

(c) At the time of the delivery by the Provider of any Qualified Securities in accordance with this Agreement, whether on or after a Delivery Date, the Trustee shall, out of funds available in the Debt Service Fund or otherwise provided by the Issuer for that purpose, purchase such Qualified Securities and pay to the Qualified Dealer or the Provider, as applicable, in accordance with Section 2.2(b)(ii) hereof, an amount equal to the Purchase Price thereof.

(d) If on any Delivery Date the Provider does not cause a Qualified Dealer to deliver any Qualified Securities, or the Qualified Dealer delivers Qualified Securities which have an aggregate Purchase Price which is less than the Actual Deposit Amount, the Trustee shall invest, until the earlier of the related Bond Payment Date and the date on which such funds are applied to purchase Qualified Securities in accordance with this Agreement, that portion of the Actual Deposit Amount not applied to purchase Qualified Securities on such Delivery Date on an overnight basis in Permitted Investments.

(e) Neither the Provider nor the Qualified Dealer is required to own any Qualified Securities at the time of the Provider's execution of this Agreement or at any time prior to the respective Delivery Dates thereof. Except as expressly provided herein, the Provider's

failure to deliver Qualified Securities at any time shall not terminate or affect the Provider's right to deliver Qualified Securities at any other time prior to the termination of this Agreement.

Section 2.2 Delivery; Payment.

(a) All Qualified Securities delivered under this Agreement shall be delivered to the Trustee to the account specified in Section 10.1 hereof, in such manner as at the time is generally acceptable for delivery of Qualified Securities. All Qualified Securities delivered under this Agreement shall be delivered to the Trustee on a "delivery versus payment" basis and shall be delivered free and clear of all liens, claims and encumbrances of the Qualified Dealer or any third party.

(b) (i) The Provider shall cause the Delivery Notice to be delivered to the Trustee at least one (1) Business Day prior to the delivery of any Qualified Securities which are in book-entry form and at least two (2) Business Days prior to the delivery of any Qualified Securities which are in certificated form.

(ii) Concurrently with the delivery of such Qualified Securities, the Trustee shall, subject to clause (iii) below, pay the Qualified Dealer delivering such Qualified Securities, in its individual capacity, the lesser of the Purchase Price and the Market Value thereof, and to the Qualified Dealer as agent for the Provider, the Differential, if any.

(iii) The Provider may in the Delivery Notice, direct the Trustee to pay (A) to the Qualified Dealer, the lesser of the Purchase Price and the Market Value of any Qualified Securities delivered to the Trustee hereunder, and (B) to the Provider, the Differential, if any. Any such payment to the Provider shall be at the Provider's account as set forth in Section 10.1.

(iv) All payments to be made hereunder (either to the Provider or the Qualified Dealer) shall be made in immediately available funds by means of a bank or Federal funds wire.

Section 2.3 Subsequent Deliveries. If any Qualified Securities delivered by a Qualified Dealer pursuant to Section 2.1 hereof or this Section 2.3 mature or have a Coupon Payment prior to the Bond Payment Date for which such Qualified Securities were delivered, the Provider shall, subject to Section 2.2(b)(i), deliver or cause to be delivered to the Trustee, at any time on or after the maturity date (or date of such Coupon Payment) of such previously sold Qualified Securities, Eligible Securities that (i) mature not later than the immediately following Bond Payment Date, and (ii) have an aggregate Subsequent Delivery Purchase Price that is as close as possible, but does not exceed the proceeds of such matured security (or the amount of such Coupon Payment), to the extent such securities are available in the open market. If the Provider does not cause a Qualified Dealer to deliver such Eligible Securities on the maturity date (or date of such Coupon Payment) of such previously sold Qualified Securities, the Trustee shall hold such proceeds uninvested and keep such proceeds available to effect a purchase of such Eligible Securities for the balance of the Delivery Period pending any delivery from a Qualified Dealer as directed by the Provider. If the Provider causes to be delivered to the

Trustee such Eligible Securities, the Trustee shall purchase such Eligible Securities at the Subsequent Delivery Purchase Price thereof in the manner set forth in Section 2.2. No failure on the Provider's part to cause a Qualified Dealer to deliver Qualified Securities under this Section 2.3 shall terminate or affect the Provider's right to cause future sales of Qualified Securities in accordance with this Agreement.

Section 2.4 Direction by Issuer to Trustee. The Issuer hereby irrevocably instructs the Trustee and the Trustee agrees to take the actions and to make the purchases required hereby.

ARTICLE III **DEFEASANCE OR REFUNDING**

Section 3.1 Defeasance or Refunding.

(a) The Issuer may, by giving the Provider at least fifteen (15) Business Days' prior notice, but without the consent of the Provider, redeem (except as provided in the last sentence of this clause (a)), defease, refund, or repurchase the Bonds as provided in the Indenture, provided that if the Issuer takes any such action (i) if the Termination Amount (as provided to the Trustee in writing by the Provider) is a positive number, the Issuer shall pay or cause the Trustee to pay, from funds in the Debt Service Fund or otherwise provided by the Issuer, to the Provider in immediately available funds the Termination Amount, and (ii) if the Termination Amount is a negative number, the Provider shall pay such amount to the Trustee. If a Termination Amount is payable pursuant to this Section 3.1, the party owing such amount shall pay, or cause to be paid, such amount promptly but by no later than the later of (A) one (1) Business Day after receipt of notice of the Termination Amount from the Provider, or (B) the date of such redemption, defeasance or refunding. Such payment shall be made in immediately available funds, to or at the direction of the party to whom such Termination Amount is due. Notwithstanding the foregoing, the Termination Amount shall not be payable solely as a result of a redemption of the Bonds under Sections 402(b)(9) and 404(e) of the Indenture, and no provision of this Section 3.1 shall apply to such a redemption.

(b) Immediately upon payment of the Termination Amount in accordance with this Section 3.1 this Agreement shall terminate. The Issuer agrees that it shall not direct the Trustee to redeem, defease, refund or repurchase the Bonds unless it shall have sufficient funds to pay any Termination Amount which may be due as provided herein.

(c) If pursuant to clause (a) above this Agreement would be terminated in connection with a refunding of the Bonds and a Termination Amount would be payable to the Provider, the Issuer may, by written notice to the Provider, request that the Provider continue this Agreement and have it apply to such refunding Bonds (the "Refunding Bonds"). The Provider agrees that if it receives such a request it shall agree to so continue this Agreement with respect to the Refunding Bonds and the Bonds remaining outstanding after such refunding, provided that:

(i) the Provider receives such request (together with all relevant details relating thereto) at least fifteen (15) days in advance of the issuance of such Refunding Bonds;

(ii) the Refunding Bonds are to be issued under the existing Indenture or such other Indenture which is approved by the Provider and the Provider is otherwise satisfied with the Bond documentation relating to the Refunding Bonds;

(iii) on or prior to the date the Bonds are to be refunded (the "Refunding Date") the Issuer and the trustee of the Refunding Bonds enter into such amendments of this Agreement with the Provider (the "Amended Agreement") as are necessary to have this Agreement pertain to the deposit amounts, delivery dates and bond payment dates applicable to the Refunding Bonds and to any Bonds which remain outstanding after giving effect to such refunding (the "Amended Cash Flows");

(iv) if as determined on the Refunding Date, the Termination Amount to the Provider of its investment rights with respect to the Scheduled Reserve Amounts, Delivery Dates and Bond Payment Dates which would be remaining hereunder on such date, assuming that the Bonds were not then refunded (the "Original Cash Flows") would be greater than the Termination Amount to the Provider of its investment rights with respect to the Amended Cash Flows, the Issuer shall on or before the Refunding Date pay to the Provider the amount of such difference;

(v) the last Delivery Date under the Amended Agreement is no later than the last Delivery Date hereunder;

(vi) the Refunding Bonds have a credit rating at least equivalent to the credit rating of the Bonds without giving effect to any bond insurance;

(vii) at the time such request is received and on the Refunding Date no Issuer Event of Default or Trustee Event of Default has occurred or would, with notice or the passage of time, result in such a default; and

(viii) the Provider receives any opinions and other assurances it may reasonably request to assure that the protections afforded it hereunder will continue under the Amended Agreement.

If the conditions described in paragraphs (i) through (viii) are satisfied but the Termination Amount to the Provider of its investment rights with respect to the Amended Cash Flows would be greater than the Termination Amount to the Provider of its investment rights with respect to the Original Cash Flows, the Provider may, at its option, pay the Issuer the amount of such difference or retain investment rights only with respect to such portion of the Amended Cash Flows as would have a Termination Amount equal to the Termination Amount of the Original Cash Flows.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES

Section 4.1 Representations and Warranties. Each party hereto represents and warrants to the other parties hereto that:

(a) it is duly organized and validly existing under the laws of its jurisdiction, incorporation or establishment;

(b) it has the power and the authority to enter into and perform its obligations under this Agreement (including, in the case of the Issuer or the Trustee, to pay the Termination Amount in accordance herewith and to enter into and perform its obligations under the Financing Documents to which it is a party);

(c) this Agreement has been duly authorized, executed and delivered by it and, assuming the due authorization, execution and delivery hereof by the other parties hereto, constitutes a legal, valid and binding obligation of it enforceable against it in accordance with the terms hereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity regardless of whether enforcement is sought in a proceeding in equity or at law;

(d) its execution and delivery of this Agreement and its performance of its obligations hereunder do not and will not constitute or result in a default under, a breach or violation of, or the creation of any lien or encumbrance on any of its property under, its charter or by-laws (or equivalent organizational documents), or any other agreement (including in the case of the Issuer and the Trustee, the Financing Documents to which it is a party), instrument, law, ordinance, regulation, judgment, injunction or order applicable to it or any of its property;

(e) all consents, authorizations and approvals requisite for its execution, delivery and performance of this Agreement have been obtained and remain in full force and effect and all conditions thereof have been duly complied with, and no other action by, and no notice to or filing with, any governmental authority or regulatory body is required for such execution, delivery or performance;

(f) there is no proceeding pending or threatened against it at law or in equity, or before any governmental instrumentality or in any arbitration, which would materially impair its ability to perform its obligations under this Agreement, and there is no such proceeding pending against it which purports or is likely to affect the legality, validity or enforceability of this Agreement;

(g) in the case of the Issuer:

(i) it is not entitled to claim immunity on the grounds of sovereignty or other similar grounds with respect to itself or its revenues or assets (irrespective of their use or intended use) from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after

judgment) or (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be made subject to in any suit, action or proceedings relating to the Agreement in the courts of any jurisdiction and no such immunity (whether or not claimed) may be attributed to it or its revenues or assets;

(ii) the Issuer has entered into this Agreement for purposes of managing its borrowings or investments by increasing the predictability of its cash flow from earnings on its investments and not for purposes of speculation; and

(iii) no "event of default" or event which would with the passage of time or the giving of notice constitute an event of default has occurred and is continuing under the Financing Documents to which it is a party; and

(h) in the case of each of the Issuer and the Trustee:

(i) each of the Financing Documents to which it is a party has been duly authorized, executed and delivered by it;

(ii) assuming the due authorization, execution and delivery thereof by the other parties thereto, each of the Financing Documents to which it is a party constitutes a legal, valid and binding obligation of it, enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity regardless of whether enforcement is sought in a proceeding in equity or at law;

(iii) each of the Financing Documents to which it is a party is in full force and effect on the date hereof and no amendment, waiver or course of dealing has amended or terminated any of the terms thereof since the original execution and delivery of such Financing Documents, except such as may have been delivered to the Provider pursuant to Section 6.1(g) hereof;

(iv) it has not entered into any agreements providing for the forward delivery of Eligible Securities or for the investment of funds held in the Debt Service Fund under the Indenture except for this Agreement; and

(v) the Eligible Securities are Eligible Investments under the Indenture.

ARTICLE V **COVENANTS**

Section 5.1 Covenants. Each of the Provider, the Issuer and the Trustee covenants to the other parties to this Agreement that so long as it shall have any obligations under this Agreement it shall:

(a) maintain in full force and effect all authorizations and agreements of and exemptions, consents, licenses, actions or approvals by, and all filings with or notices to, any governmental or other authority that are required to be obtained or made by such party with respect to this Agreement and will use all reasonable efforts to obtain or make any that may become necessary in the future;

(b) comply in all material respects with all applicable laws, rules, regulations and orders to which it may be subject if failure so to comply could materially impair its ability to perform its obligations under this Agreement;

(c) if it is the Issuer, not enter into any amendment or modification of the Financing Documents to which it is a party which could impair its ability to perform its obligations to the Provider hereunder; and

(d) if it is the Issuer, it shall not redeem, defease, repurchase or refund the Bonds unless it shall have sufficient funds to pay the Termination Amount to the Provider pursuant to Section 3.1.

Section 5.2 Incorporated Provisions.

(a) The Issuer agrees that each of its covenants and other agreements in the Financing Documents to which it is a party (the "Incorporated Provisions") are incorporated herein as fully as if set forth herein and the Provider were a named beneficiary thereof (including, without limitation, the right to consent to certain actions subject to consent under such Financing Documents and the right to receive financial statements and other notices and information). The Issuer will observe, perform and fulfill each such agreement in such Financing Documents. If any of such Financing Documents ceases to be in effect prior to the termination of this Agreement, the Incorporated Provisions (other than those provisions requiring payments in respect of bonds, notes, warrants or other similar instruments issued under such Financing Documents) will remain in full force and effect for purposes of this Agreement as though set forth herein until such date on which all of the obligations of the Issuer under this Agreement have been fully satisfied. Any amendment, supplement, modification or waiver of any of the Incorporated Provisions which would adversely affect the rights or obligations of the Provider under this Agreement and which are made without the prior written consent of the Provider shall have no force and effect with respect to this Agreement. Any amendment, supplement or modification for which such consent is obtained shall be part of the Incorporated Provisions for purposes of this Agreement.

(b) The Issuer shall provide the Provider with at least ten (10) Business Days' prior written notice of any proposed amendment, supplement or modification of the Incorporated Provisions whether or not the proposed amendment, supplement or modification would adversely affect the rights or obligations of the Provider under this Agreement. If the Issuer fails to comply with any Incorporated Provision, the Issuer shall provide written notice of such failure to the Provider within one (1) Business Day thereof.

(c) The Issuer and the Provider agree that all the covenants and other agreements in the Indenture limiting the liability of, and granting rights to, the Trustee are incorporated herein as fully set forth therein.

Section 5.3 Role of the Provider.

(a) It is expressly understood and agreed that for all purposes of this Agreement and the transactions contemplated hereby, the Provider has acted solely as independent contractor and has not acted as a financial or investment advisor, fiduciary or agent of or to the Issuer, the Issuer or the Trustee or any representative of the holders of the Bonds or for any other person.

(b) Neither the Provider nor any of its directors, officers, employees, agents, affiliates or representatives have made any investigation with respect to or have any liability with respect to: (i) the tax-exempt status of the Bonds, (ii) the payment of any amounts owing on or with respect to the Bonds, (iii) the use or application by the Trustee or the Issuer of any moneys payable to the Trustee hereunder, (iv) any acts or omissions of the Issuer or the Trustee under, or with respect to, the validity, tax exemption or enforceability of, the Bonds or the Financing Documents, or (v) the Issuer's or the Trustee's performance of its obligations under the Bonds or the Financing Documents or any other agreement or instrument with respect to the Bonds. Without limiting the foregoing, the Provider shall have no duty to ascertain whether the Issuer or the Trustee is in compliance with any applicable statute, regulation or law or the Financing Documents.

(c) The Issuer acknowledges that the economic terms of this Agreement have been individually negotiated by it and that, to the extent it has deemed necessary, it has consulted with its own legal, tax and investment advisors regarding its decision to enter into this Agreement. The Issuer understands that in entering into this Agreement pursuant to which it is agreeing upon the rate of return it will receive during the term of this Agreement on amounts held in the Debt Service Fund and thereby minimizing the risks resulting from fluctuations in interest rates during the term hereof it is also foregoing the possibility of receiving greater returns on such amounts from such fluctuations.

Section 5.4 Termination Amount. Each of the Issuer and the Trustee understands that if under any of the circumstances provided herein (including upon the occurrence of a redemption or a defeasance of the Bonds on or prior to the last Delivery Date), a Termination Amount would be due from the Issuer or the Trustee, the size of such Termination Amount will vary depending, in large part, on prevailing interest rates at the time such Termination Amount is calculated. Under certain market conditions the amount of the Termination Amount owed the Provider by, as applicable, the Trustee or the Issuer, could be substantial; provided, however, that the payment of the Termination Amount by the Issuer shall be limited to the sources of payment described in Section 8.1 hereof.

Section 5.5 Downgrade.

(a) If the long-term senior unsecured debt rating of the Guarantor is suspended or withdrawn or falls below "A-", in the case of S&P, below "A3", in the case of

Moody's, or below "A-", in the case of Fitch (if then rated by Fitch) (a "Downgrade"), the Provider shall notify the Trustee and the Issuer within five (5) Business Days of such Downgrade and, at the discretion of the Trustee or the Issuer within ten (10) Business Days of such notice, at the Provider's election, either (i) cause Eligible Securities to be delivered to an independent custodian selected by the Provider (the "Custodian") having a Value, on a marked-to-market basis which shall be determined weekly, at least equal to the Collateral Amount (such Eligible Securities, "Collateral Securities"), (ii) provide a guarantee of its obligations hereunder from an entity that has a long-term senior unsecured debt rating by S&P, Moody's or Fitch (if then rated by Fitch) of at least "A-," "A3" and "A-," respectively, or (iii) assign its right, title and interest in this Agreement to a provider that has (or whose obligations are guaranteed by an entity that has) a long-term senior unsecured debt rating by S&P, Moody's or Fitch (if then rated by Fitch) of at least "A," "A3" and "A-," respectively. Upon the effective date of any such assignment, the Provider shall have no further rights against or obligations to the Issuer or the Trustee hereunder and the Issuer and the Trustee shall have the same rights against, and shall owe the same obligations to, the assignee as if such assignee had been named as a party to this Agreement instead of the Provider.

(b) If at any time the long-term senior unsecured debt rating and the short-term rating of the Guarantor are at least "A-", in the case of S&P, at least "A3", in the case of Moody's, and at least "A-", in the case of Fitch (if then rated by Fitch), the Custodian shall return, within one (1) Business Day of notice thereof, any Collateral Securities delivered pursuant to this Section 5.5.

(c) If the Provider fails to take any of the actions required by Section 5.5(a) hereof as and when required, the Issuer shall have the right to immediately terminate this Agreement by giving notice thereof to the Provider with a copy to the Trustee; whereupon Provider shall determine the Termination Amount and (i) if the Termination Amount is a negative number, the Provider shall promptly, but no later than one Business Day after notice that such amount is due, pay such amount, in immediately available funds, to the Issuer, and (ii) if the Termination Amount is a positive number, the Provider may demand payment by the Issuer of the Termination Amount in which case the Issuer shall promptly, but no later than one Business Day after notice that such amount is due, pay, in immediately available funds, the Termination Amount to the Provider. If any such amount is not paid when due, the party owing such amount shall pay interest on such amount for each date such amount is due but not paid at the Default Rate.

Section 5.6 Broker's Fees. Each of the Issuer and the Trustee acknowledges that the Provider has paid a broker's or arrangement fee to First Southwest Company in connection with this Agreement. Upon written request from the Issuer, the Provider will provide such other information regarding such commissions or fees as may be reasonably requested.

ARTICLE VI

CONDITIONS PRECEDENT

Section 6.1 Conditions Precedent. The performance of the obligations of the parties hereunder are conditioned upon satisfaction of the following conditions:

(a) delivery to the Provider and the Issuer of an opinion of counsel to the Trustee, in the form of Exhibit B;

(b) delivery to the Provider and the Trustee of an opinion of counsel to the Issuer, in the form of Exhibit C;

(c) delivery to the Issuer and the Trustee of opinions of counsel to the Provider, in the form of Exhibit D and Exhibit G;

(d) delivery to the Issuer of a Guarantee of Guarantor, substantially in the form of Exhibit F;

(e) delivery to the Provider of a copy of any consent(s) received by the Issuer to enter into this Agreement;

(f) delivery to the Provider of a copy of the statutory or regulatory authority pursuant to which the Issuer is authorized to enter into this Agreement and a certified copy of any resolution(s) of the Issuer pursuant to which the Issuer is authorized to enter into this Agreement;

(g) delivery to the Provider by the Issuer of a copy of the official statement for the Bonds; and

(h) delivery to the Provider by the Issuer of a copy of each of the Financing Documents, certified by an authorized officer as being a true and correct copy of such document as in full force and effect on the date hereof.

ARTICLE VII

DEFAULTS; TERMINATION

Section 7.1 Trustee Events of Default. The occurrence of any of the following events shall constitute a Trustee Event of Default:

(a) the Trustee shall fail for any reason other than (i) the occurrence and continuation of a Force Majeure Event which prevents, precludes or delays the Trustee's performance, or (ii) the Issuer has not deposited at least the related Minimum Deposit Amount in the Debt Service Fund, to purchase, at the Purchase Price therefor, any Qualified Securities delivered by the Qualified Dealer or Provider in accordance with this Agreement and such failure shall continue for three (3) Business Days after notice from the Provider; provided that, the Provider shall be paid its Loss Amount by the Trustee or the Issuer, as calculated pursuant to Section 7.7(a); or

(b) the Trustee is, at any time, Insolvent.

Section 7.2 Issuer Events of Default. The occurrence of any of the following events shall constitute an Issuer Event of Default:

(a) the Trustee shall fail, for any other reason, to purchase, at the Purchase Price therefor, any Qualified Securities delivered by the Qualified Dealer or the Provider in accordance with this Agreement and such failure shall continue for three (3) Business Days after notice from the Provider; provided that the Provider shall be paid its Loss Amount by the Issuer, as calculated pursuant to Section 7.7(a);

(b) the Issuer is, at any time, Insolvent; or

(c) a Trustee Event of Default has occurred and is continuing.

Section 7.3 - Provider Events of Default. The occurrence of any of the following events shall constitute a Provider Event of Default:

(a) the Provider shall fail to deliver or to cause a Qualified Dealer to deliver Qualified Securities satisfying the requirements of Section 2.1 on a Delivery Date or Eligible Securities satisfying the requirements of Section 2.3 hereof, in either case other than as a result of an Issuer Event of Default or a Trustee Event of Default, and such failure shall not be cured within three (3) Business Days after written notice thereof to the Provider from the Trustee or the Issuer (the "Provider Cure Period");

(b) the Provider shall default in the performance of any covenant or obligation under this Agreement, other than as described in clause (a) above, other than as a result of an Issuer Event of Default or a Trustee Event of Default, and such default is not cured within five (5) Business Days of notice thereof from the Issuer or the Trustee;

(c) any representation or warranty of the Provider contained in this Agreement proves to have been incorrect, false or misleading in any material respect as of the date on which it was made;

(d) the Provider or the Guarantor is at any time Insolvent; or

(e) the Guarantor defaults in the performance of, or disaffirms, any of its obligations under the Guaranty.

Section 7.4 Remedies Upon Occurrence of Trustee Event of Default. Upon the occurrence of a Trustee Event of Default, the Provider shall have the right to:

(a) to redeliver or cause a Qualified Dealer to redeliver to the Trustee or sell to any other purchaser the Qualified Securities which were to be delivered in connection with any Delivery Date and which have not theretofore been delivered to and purchased by the Trustee and, subject to Section 9.2, make demand for the payment of its losses (calculated in accordance with Section 7.7) arising out of the Trustee's failure to purchase such Qualified Securities; and/or

(b) immediately terminate this Agreement by giving written notice thereof to the Trustee with a copy to the Issuer and, subject to Section 9.2, (i) if the Termination Amount is a positive number, make demand upon the Trustee for the payment of the Termination Amount,

directed by the Issuer, the Trustee) shall make such determination as if it were the Provider and the amount as so determined by the Issuer (or the Trustee) shall for purposes of this Section 7.6 be deemed the Termination Amount.

Section 7.7 Loss Amount if Failed or Late Purchase.

(a) Subject to Section 9.2, if (i) the Trustee fails to purchase any Qualified Securities delivered by the Provider or a Qualified Dealer in accordance with this Agreement, or (ii) if on any Delivery Date the amount in the Debt Service Fund available to purchase Qualified Securities is less than the Actual Deposit Amount, the Trustee, in the case of clause (i), or the Issuer, in the case of clause (ii), shall pay to the Provider as liquidated damages for its losses and not as a penalty, on demand by the Provider, the sum (the "Loss Amount") of (w) interest at the Default Rate on the Purchase Price of such Qualified Securities which the Provider or the Qualified Dealer tendered for delivery to, but were not purchased by, the Trustee for each day from and including the delivery date thereof to but excluding the date on which such securities are resold to a third party or to the Trustee, (x) the excess, if any, of the Purchase Price of such Qualified Securities over the amount received by the Provider or the Qualified Dealer upon such resale of the securities (the "Shortfall Amount"), (y) interest at the Default Rate on the Shortfall Amount from and including the resale date to but excluding the date on which the Trustee or the Issuer, as applicable, compensates the Provider for its losses as described herein, and (z) any incidental costs and expenses including reasonable legal fees and expenses ("Incidental Expenses") incurred by the Provider in connection with the Trustee's failure to so purchase such Qualified Securities.

(b) If there is a Provider Event of Default as described in Section 7.3(a) hereof, and provided that the Issuer has not exercised its right to terminate this Agreement as provided herein (in which case the Termination Amount shall be due), the amount of losses that shall be payable by the Provider on demand therefor shall be the excess, if any, of the interest the Trustee would have earned on the related Actual Deposit Amount had such Actual Deposit Amount been invested at the Guaranteed Rate (the "Guaranteed Interest") over the amount of the interest the Trustee actually earned by investing the such Actual Deposit Amount in Permitted Investments as provided by Section 2.1(d) hereof; provided that if the Trustee fails to invest such Actual Deposit Amount in Permitted Investments as provided by Section 2.1(d), the amount of losses payable by the Provider shall be equal to the excess, if any, of the Guaranteed Interest over an amount equal to the interest the Trustee would have earned based on the prevailing rates for Permitted Investments at such time had the Trustee invested such Actual Deposit Amount in Permitted Investments as provided in Section 2.1(d).

Section 7.8 Application of Excess Funds. The Issuer hereby directs the Trustee and the Trustee agrees that if at any time any amounts are due the Provider from the Issuer in connection with an Issuer Event of Default, the Trustee shall, upon demand from the Provider, and without further direction or instruction from the Issuer, apply any funds available under the Indenture which are not subject to the lien of the Indenture (including any funds which would otherwise be released to the Issuer) to the payment of such amounts.

Section 7.9 Limited Rights Against Debt Service Fund. Neither the Provider nor any Qualified Dealer shall have any right to any amounts held in the Debt Service Fund except as

expressly provided herein upon the delivery of a Qualified Security in accordance with this Agreement.

Section 7.10 No Waiver; Remedies Cumulative. No failure or delay on any party's part in exercising any right or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any other right or remedy. Each party's rights and remedies hereunder are cumulative and not exclusive of any rights or remedies provided by law, this Agreement or otherwise. None of the terms or provisions of this Agreement may be waived, modified or amended except in a writing duly signed by the Trustee, the Issuer and the Provider.

ARTICLE VIII **SOURCE OF PAYMENT**

Section 8.1 Source of Payment for Issuer's Obligations. The Issuer and the Provider acknowledge that the payment of a Termination Amount and/or Loss Amount owed by the Issuer hereunder shall be treated as Operating Expenses payable solely pursuant to Section 402 of the Indenture. The Issuer hereby directs the Trustee and the Trustee hereby agrees to treat any written demand from the Provider for the payment of a Termination Amount and/or Loss Amount hereunder as an Officer's Certificate (as defined in the Indenture) to pay for such Termination Amount and/or Loss Amount as an Operating Expense (as defined in the Indenture) in accordance with Section 402(a)(8) of the Indenture.

ARTICLE IX **THE TRUSTEE**

Section 9.1 Acceptance by Trustee. The Issuer hereby directs the Trustee to enter into this Agreement, and by execution and delivery hereof, the Trustee accepts its duties and obligations hereunder, subject to the rights and limitations on liability provided to the Trustee under the Indenture.

Section 9.2 Liability of the Trustee. The Trustee shall not be liable to any person for any action taken or neglected to be taken in performing or attempting to perform its obligations hereunder or preserving or seeking to preserve the funds it maintains under the Indenture or to purchase the Qualified Securities tendered pursuant to this Agreement, except for actions arising from its negligence or willful misconduct or from its intentional or knowing non-performance of its obligations hereunder or for a breach of its representations or warranties or from a breach of its covenant under Section 5.1(c).

Section 9.3 Payment of Trustee Fees. The Trustee's fees for its services hereunder have been paid to the Trustee by the Issuer and ongoing expenses, including reasonable legal fees, will be billed by the Trustee to the Issuer as incurred. The Provider has no liability or responsibility for payment of the Trustee's fees or expenses for its services hereunder, including any such fees or expenses arising out of or in connection with the liquidation of the Qualified Securities as provided herein.

Section 9.4 Trustee Cooperation.

(a) The Trustee shall not act in contravention of its obligations hereunder or invest amounts in the Debt Service Fund other than pursuant to this Agreement, provided that this Agreement does not conflict with the terms of the Indenture, in which case the terms of the Indenture shall prevail.

(b) The Trustee shall not make any payments or distributions from the Debt Service Fund other than payments or distributions (i) to make scheduled payments of principal of and interest on the Bonds or as otherwise required under the Indenture, or (ii) required by this Agreement.

Section 9.5 Successor Trustee. If the Trustee shall resign or be discharged from its duties and obligations under the Indenture, the Issuer shall appoint a successor Trustee pursuant to the terms of the Indenture. The Issuer agrees that if the Trustee fails for any reason to perform its duties to the Provider under this Agreement in accordance with the terms hereof, or is at any time Insolvent or breaches in any material respect its representations and warranties to the Provider hereunder, the Issuer shall promptly, upon request, of the Provider, appoint a successor Trustee acceptable to the Provider.

ARTICLE X
MISCELLANEOUS

Section 10.1 Notices and Delivery Instructions. All notices, demands or other communications hereunder shall be given or made in writing and shall be delivered personally, or sent by certified or registered mail, postage prepaid, return receipt requested, or overnight delivery service, telex or telecopy to the party to whom they are directed at the following addresses, or at such other addresses as may be designated by notice from such party to all other parties:

To the Provider:

Bear Stearns Capital Markets Inc.
383 Madison Avenue
New York, New York 10179
Attention: Matthew Redshaw
Telephone: (212) 272-1253
Telecopy: (212) 272-1634

Bank Name: Citibank, N.A.
ABA #: 021-0000-89
Account Name: Bear Stearns Capital Markets Inc.
Account # 0925-3186

To the Trustee:

Wells Fargo Bank, National Association

213 Court St. – Suite 703
Middletown, CT 06457
Attention: Corporate Trust Services
Telephone: (860) 704-6216
Telecopy: (860) 704-6219

Account Name and Number:

[FOR DELIVERY OF BOOK-ENTRY GOVERNMENT OBLIGATIONS]

For delivery of obligations to The Depository Trust Company:

DTC #: 2027
Account #: 94866
SEI#: 12768102
Account Name: Tobacco Settlement Debt Service

For delivery of obligations to the Federal Reserve:

Federal Reserve Bank of Minneapolis
Wells Fargo MPLS/Trust
ABA#: 091000019
Account #: 1818-7 Trust Clearing
SEI#: 12768102
Account Name: Tobacco Settlement Debt Service

To the Issuer:

Tobacco Settlement Financing Corporation
One Capitol Hill
Providence, RI 02908
Attention: Rosemary Booth Gallogly
Telephone: (401) 222-6300
Telecopy: (401) 222-6410

Any notice, demand or other communication given in a manner prescribed in this Section 10.1 shall be deemed to have been delivered on receipt.

Section 10.2 Binding Effect; Transfer. This Agreement shall be binding upon the Trustee, the Issuer and the Provider and upon their respective permitted successors and transferees. The Provider shall be entitled to transfer this Agreement, and its interests and obligations hereunder (i) without the consent of the Issuer to any subsidiary or affiliate of the Provider, or to any office, branch, or subsidiary of any affiliate of the Provider by giving written notice to the Issuer and the Trustee of such transfer and the name of the transferee and (ii) with the Issuer's prior written consent (such consent not to be unreasonably withheld or delayed) and upon notice to the Trustee to any other person; provided however, that if the Issuer has not

consented or objected to such transfer in writing within ten Business Days of the Provider's request therefor, the Issuer's consent shall be deemed to have been given and the Provider may transfer the Agreement. Such transferee shall immediately assume the rights and obligations of the Provider hereunder and upon such transfer shall for all purposes become the Provider hereunder. Neither the Issuer nor the Trustee may transfer this Agreement without the prior written consent of the Provider and the other party except that the Trustee may transfer this Agreement to any successor trustee under the Indenture.

Section 10.3 Limitation. Nothing expressed or implied herein is intended or shall be construed to confer upon any person, firm or corporation other than the parties hereto, any right, remedy or claim by reason of this Agreement or any term hereof, and all terms contained herein shall be for the sole and exclusive benefit of the parties hereto, and their successors and permitted transferees.

Section 10.4 Counterparts. This Agreement may be executed in one or more counterparts and when each party hereto has executed at least one counterpart, this Agreement shall become binding on all parties and such counterparts shall be deemed to be one and the same document.

Section 10.5 Severability. If one or more provisions of this Agreement or the applicability of any such provisions to any set of circumstances shall be determined to be invalid or ineffective for any reason, such determination shall not affect the validity and enforceability of the remaining provisions or the applicability of the same provisions or any of the remaining provisions to other circumstances.

Section 10.6 Amendments, Changes and Modifications. This Agreement may be amended or any of its terms modified only by a written document authorized, executed and delivered by each of the parties hereto and the Trustee shall deliver copies of such document to S&P and Fitch.

Section 10.7 Termination. Unless earlier terminated pursuant to Section 3.2, 5.5, 7.4, 7.5 or 7.6 hereof, this Agreement shall terminate on the later of the last Bond Payment Date set forth in Exhibit A and the date on which the Trustee and the Issuer have satisfied all of their obligations hereunder.

Section 10.8 Entire Agreement. This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.

Section 10.9 Delivery of Financial Statements. The Issuer agrees that it will deliver to the Provider its annual audited financial statements, promptly upon their availability.

Section 10.10 Submission to Jurisdiction. The Provider, the Trustee and the Issuer each hereby irrevocably submits to the non-exclusive jurisdiction of any court of the State of New York located in the Borough of Manhattan or the United States District Court for the Southern District of the State of New York located in the Borough of Manhattan for the purpose of any suit, action or other proceeding arising out of this Agreement, or any of the agreements or

transactions contemplated hereby, at the election of the party initiating any such suit, action or other proceeding, which is brought by or against the Provider, the Trustee or the Issuer, and the parties each hereby irrevocably agrees that all claims in respect of any such suit, action or proceeding may be heard and determined by any such court.

Section 10.11 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to conflict of law principles.

Section 10.12 Use of Qualified Dealer. The Provider may use a Qualified Dealer in effecting the sales of Qualified Securities as contemplated herein, but this shall not affect the Provider's liability hereunder.

Section 10.13 Optional Termination. The Issuer shall have the right to terminate this Agreement, upon at least ten (10) Business Days' prior written notice to the Provider, the Trustee, S&P, Moody's and Fitch, whereupon the Provider shall determine the Termination Amount and (i) if the Termination Amount is a negative number, the Provider shall promptly, but no later than one (1) Business Day after notice that such amount is due, pay such amount, in immediately available funds, to the Issuer and (ii) if the Termination Amount is a positive number, the Provider may demand payment by the Issuer of the Termination Amount in which case the Issuer shall promptly, but no later than one (1) Business Day after notice that such amount is due, pay, in immediately available funds, the Termination Amount to the Provider. If any such amount is not paid when due, the party owing such amount shall pay interest on such amount for each date such amount is due but not paid at the Default Rate. The Issuer agrees that it shall not exercise its right to terminate this Agreement pursuant to this Section 10.13 unless it shall have sufficient funds available to pay any Termination Amount which may be due in accordance herewith.

Section 10.14 Nonpetition Covenants. Neither the Trustee nor the Provider shall, for the period beginning on such first date and ending on the date which is one (1) year and one (1) day after the first date on which (a) there are no outstanding Bonds and (b) the Provider has certified that this Agreement has terminated and that there are no other or further payment obligations of the Issuer pursuant to this Agreement, acquiesce, petition or otherwise invoke or cause the Issuer to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against the Issuer under any Federal or state bankruptcy, insolvency or similar law or appointing a receiver, liquidator, assignee, trustee, custodian or other similar official for the Issuer or any substantial part of its property, or ordering the winding up or liquidation of the affairs of the Issuer; *provided*, that the foregoing shall not limit the right of the Provider or the Trustee to name the Issuer as a party in any action or suit or in the exercise of any other remedy in respect of this Agreement.

Section 10.15 Waiver of Jury Trial. Each party hereby irrevocably waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any suit, action or proceeding relating to this Agreement. Each party (i) certifies that no representative, agent or attorney of the other party has represented, expressly or otherwise, that such other party would not, in the event of such a suit, action or proceeding, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other party have been induced to enter into this Agreement, by, among other things, the mutual waivers and certifications in this section.

Section 10.16 Waiver of Set off. Each of the parties hereto hereby waives any and all right it may have to set-off against its obligations arising hereunder by reason of any claim it may have against the other party hereto.

IN WITNESS WHEREOF, the Trustee, the Issuer and the Provider have caused this Debt Service Forward Delivery Agreement to be executed by their respective duly authorized officers, all as of the date and year first above written.

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as trustee

By: _____
Name:
Title:

TOBACCO SETTLEMENT FINANCING
CORPORATION

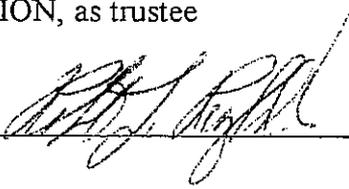
By: _____
Name:
Title:

BEAR STEARNS CAPITAL MARKETS INC.

By: _____
Name:
Title:

IN WITNESS WHEREOF, the Trustee, the Issuer and the Provider have caused this Debt Service Forward Delivery Agreement to be executed by their respective duly authorized officers, all as of the date and year first above written.

WELLS FARGO BANK, NATIONAL ASSOCIATION, as trustee

By: 
Name:
Title:

TOBACCO SETTLEMENT FINANCING CORPORATION

By: Rosemary Booth Gallogly
Name:
Title:

BEAR STEARNS CAPITAL MARKETS INC.

By: _____
Name:
Title:

IN WITNESS WHEREOF, the Trustee, the Issuer and the Provider have caused this Debt Service Forward Delivery Agreement to be executed by their respective duly authorized officers, all as of the date and year first above written.

**WELLS FARGO BANK, NATIONAL
ASSOCIATION, as trustee**

By: _____
Name:
Title:

**TOBACCO SETTLEMENT FINANCING
CORPORATION**

By: _____
Name:
Title:

BEAR STEARNS CAPITAL MARKETS INC.

By: *T. Murray*
Name: *Timothy Murray*
Title: *Senior Managing Director*

EXHIBIT A

<u>Delivery Date</u>	<u>Bond Payment Date</u>	<u>Minimum Deposit Amount</u>	<u>Maximum Deposit Amount</u>
6/27/2002	12/01/2002	\$54,540,736.13	\$54,540,736.13
12/01/2002	6/01/2003	\$38,507,524.46	\$38,507,524.46
6/01/2003	12/01/2003	\$19,445,700.53	\$19,445,700.53
4/25/2004	6/01/2004	\$0	\$46,660,856.00
6/01/2004	12/1/2004	\$0	\$20,199,143.00
4/25/2005	6/01/2005	\$0	\$47,173,021.00
6/01/2005	12/1/2005	\$0	\$19,997,152.00
4/25/2006	6/01/2006	\$0	\$47,786,525.00
6/01/2006	12/1/2006	\$0	\$19,797,180.00
4/25/2007	6/01/2007	\$0	\$48,403,208.00
6/01/2007	12/1/2007	\$0	\$19,599,208.00
4/25/2008	6/01/2008	\$0	\$59,295,046.00
6/01/2008	12/1/2008	\$0	\$19,403,216.00
4/25/2009	6/01/2009	\$0	\$60,128,123.00
6/01/2009	12/1/2009	\$0	\$19,209,184.00
4/25/2010	6/01/2010	\$0	\$60,917,921.00
6/01/2010	12/1/2010	\$0	\$19,017,092.00
4/25/2011	6/01/2011	\$0	\$61,781,468.00
6/01/2011	12/1/2011	\$0	\$18,826,921.00
4/25/2012	6/01/2012	\$0	\$62,643,765.00
6/01/2012	12/1/2012	\$0	\$18,638,652.00
4/25/2013	6/01/2013	\$0	\$63,462,233.00
6/01/2013	12/1/2013	\$0	\$18,452,265.00
4/25/2014	6/01/2014	\$0	\$64,260,333.00
6/01/2014	12/1/2014	\$0	\$18,267,743.00
4/25/2015	6/01/2015	\$0	\$65,041,494.00
6/01/2015	12/1/2015	\$0	\$18,085,065.00
4/25/2016	6/01/2016	\$0	\$65,952,622.00
6/01/2016	12/1/2016	\$0	\$17,904,215.00
4/25/2017	6/01/2017	\$0	\$66,861,925.00
6/01/2017	12/1/2017	\$0	\$17,725,173.00
4/25/2018	6/01/2018	\$0	\$64,098,782.00
6/01/2018	12/1/2018	\$0	\$17,547,921.00
4/25/2019	6/01/2019	\$0	\$64,937,491.00
6/01/2019	12/1/2019	\$0	\$17,372,442.00
4/25/2020	6/01/2020	\$0	\$65,756,143.00
6/01/2020	12/1/2020	\$0	\$17,198,717.00
4/25/2021	6/01/2021	\$0	\$66,652,613.00
6/01/2021	12/1/2021	\$0	\$17,026,730.00
4/25/2022	6/01/2022	\$0	\$67,539,203.00

* If any Delivery Date or Bond Payment Date specified above is not a Business Day, such date will be the immediately succeeding Business Day.

EXHIBIT B

[LETTERHEAD OF COUNSEL TO TRUSTEE]

June 27, 2002

Tobacco Settlement Financing Corporation

Bear Stearns Capital Markets Inc.
New York, New York

Re: Tobacco Settlement Financing Corporation
Tobacco Settlement Asset-Backed Bonds,
Series 2002A (Tax-Exempt) and Series 2002B (Taxable)

Dear Sirs:

We have acted as counsel to Wells Fargo Bank, National Association (the "Trustee") in connection with the execution and delivery by the Trustee of the Debt Service Forward Delivery Agreement, dated as of June 27, 2002 (the "Agreement"), by and among the Trustee, Tobacco Settlement Financing Corporation, as Issuer (the "Issuer"), and Bear Stearns Capital Markets Inc. ("BSCM"). Capitalized terms used herein and not defined herein have the respective meanings given to them in the Agreement.

In rendering this opinion, we have examined, among other things, copies of the Agreement and the Indenture.

In connection with the foregoing, we have also examined originals or copies satisfactory to us of all such corporate records, agreements, certificates and other documents as we have deemed relevant and necessary as a basis for the opinions hereinafter expressed. In such examination we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity with the original documents of all documents submitted to us as copies.

In giving the opinions expressed below we do not purport to be experts in or generally familiar with or qualified to express legal opinions based on the laws of any jurisdiction other than the federal laws of the United States of America and the laws of the State of [] (the "State").

Based upon the foregoing examination and review, we are of the opinion that:

(i) The Trustee has full legal right, power and authority to enter into the Agreement and the Indenture.

(ii) The Agreement and the Indenture have been duly authorized, executed and delivered by the Trustee.

(iii) Assuming for purposes of the opinion expressed in this paragraph (iii) that State law and New York law are the same, the Agreement is a legal, valid and binding obligation of the Trustee, enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(iv) The execution and delivery by the Trustee of the Agreement and the performance of its obligations thereunder do not and will not conflict with or constitute or result in a default under, a breach or violation of, or the creation of any lien or encumbrance on any of its property under, its charter or by-laws, or the Financing Documents.

(vi) The Indenture is a legal, valid and binding obligation of the Trustee, enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

We are furnishing this opinion to you solely for your benefit and no other person is entitled to rely hereon. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

EXHIBIT C

[LETTERHEAD OF COUNSEL TO ISSUER]

June 27, 2002

Wells Fargo Bank, National Association

Bear Stearns Capital Markets Inc.
New York, New York

Re: Tobacco Settlement Financing Corporation
Tobacco Settlement Asset-Backed Bonds,
Series 2002A (Tax-Exempt) and Series 2002B (Taxable)

Dear Sirs:

I have acted as counsel to Tobacco Settlement Financing Corporation (the "Issuer") in connection with its execution and delivery of the Debt Service Forward Delivery Agreement, dated as of June 27, 2002 (the "Agreement"), by and among Bear Stearns Capital Markets Inc. ("BSCM"), Wells Fargo Bank, National Association, as Trustee (the "Trustee"), and the Issuer and the Issuer's execution and delivery of the Financing Documents. Capitalized terms used herein and not defined herein have the respective meanings given to them in the Agreement.

In rendering this opinion, we have examined, among other things, copies of the Agreement and the Financing Documents.

In connection with the foregoing, we have also examined originals or copies satisfactory to us of all such corporate records, agreements, certificates and other documents as we have deemed relevant and necessary as a basis for the opinions hereinafter expressed. In such examination we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity with the original documents of all documents submitted to us as copies.

In giving the opinions expressed below we do not purport to be experts in or generally familiar with or qualified to express legal opinions based on the laws of any jurisdiction other than the federal laws of the United States of America and the laws of the State of Rhode Island and Providence Plantations (the "State").

Based upon the foregoing examination and review, we are of the opinion that:

(i) The Issuer has full legal right, power and authority to enter into the Agreement and the Financing Documents and to authorize and direct the Trustee, pursuant to the Agreement, to make purchases of the Qualified Securities in accordance with the terms therein.

(ii) The Agreement and the Financing Documents have been duly authorized, executed and delivered by the Issuer.

(iii) The stipulation of New York law as the governing law of the Agreement is enforceable under the laws of the State.

(iv) Assuming for purposes of the opinion expressed in this paragraph (iv) that State law and New York law are the same in all respects material to this opinion, the Agreement is a legal, valid and binding obligation of the Issuer, enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(v) The execution and delivery by the Issuer of the Agreement and the performance of its obligations thereunder do not and will not conflict with or constitute or result in a default under, a breach or violation of, or the creation of any lien or encumbrance on any of its property under its charter or by-laws, or the Financing Documents, or any other agreement, instrument, judgment, injunction or order applicable to it or any of its property.

(vi) Each of the Financing Documents is a legal, valid and binding obligation of the Issuer, enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(vii) The Issuer is not entitled to claim immunity on the grounds of sovereignty or other similar grounds with respect to itself or its revenues or assets (irrespective of their use or intended use) from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) or (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be subject to in any suit, action or proceedings relating to the Agreement in the courts of any jurisdiction and no such immunity (whether or not claimed) may be attributed to such party or its revenues or assets.

(viii) All consents, authorizations and approvals requisite for the Issuer's execution, delivery and performance of the Agreement have been obtained and remain in full force and effect and all conditions thereof have been duly complied with, and no other action by, and no notice to or filing with, any governmental authority, regulatory body or any other entity is required for such execution, delivery or performance.

We are furnishing this opinion to you solely for your benefit and no other person is entitled to rely hereon. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

EXHIBIT D

[LETTERHEAD OF COUNSEL TO BSCM]

June 27, 2002

Tobacco Settlement Financing Corporation

Wells Fargo Bank, National Association

Re: Tobacco Settlement Financing Corporation
Tobacco Settlement Asset-Backed Bonds,
Series 2002A (Tax-Exempt) and Series 2002B (Taxable)

Dear Sirs:

I have acted as counsel to Bear Stearns Capital Markets Inc., a Delaware corporation ("BSCM"), in connection with the execution and delivery by BSCM of the Debt Service Forward Delivery Agreement, dated June 27, 2002 (the "Agreement"), by and among BSCM, Tobacco Settlement Financing Corporation (the "Issuer") and Wells Fargo Bank, National Association, as the Trustee (the "Trustee"). Capitalized terms used herein and not defined herein have the respective meanings given to them in the Agreement.

In rendering this opinion, I or my staff working under my supervision have examined the Agreement and such other documents as I have deemed necessary as a basis for the opinions hereinafter expressed, and have also examined originals or copies satisfactory to me of all such corporate records, agreements, certificates and other documents as we have deemed relevant and necessary as a basis for the opinions hereinafter expressed. In such examination we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity with the original documents of all documents submitted to us as copies.

In giving the opinions expressed below, I do not purport to be an expert in or generally familiar with or qualified to express legal opinions based on the laws of any jurisdiction other than the federal laws of the United States, the laws of the State of New York and the general corporation laws of the State of Delaware, and the opinions expressed herein are limited to the federal laws of the United States, the laws of the State of New York and the general corporation laws of the State of Delaware.

Based upon the foregoing examination and review, I am of the opinion that:

(i) BSCM is a company duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has full legal right, power and authority to enter into the Agreement.

(ii) The Agreement has been duly authorized, executed and delivered by BSCM.

(iii) The Agreement constitutes the legal, valid and binding obligation of BSCM, enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(iv) The execution and delivery by BSCM of the Agreement and the performance of its obligations thereunder do not and will not conflict with or constitute or result in a default under, a breach or violation of, or the creation of any lien or encumbrance on any of its property under its charter or by-laws, or any other agreement, instrument, judgment, injunction or order applicable to it or any of its property.

(v) All consents, authorizations and approvals requisite for BSCM's execution, delivery and performance of the Agreement have been obtained and remain in full force and effect and all conditions thereof have been duly complied with, and no other action by, and no notice to or filing with, any governmental authority, regulatory body or any other entity is required for such execution, delivery or performance.

I am furnishing this opinion to you solely for your benefit and no other person is entitled to rely hereon. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

Mark E. Lehman
Executive Vice President and
General Counsel

EXHIBIT E

DEBT SERVICE FORWARD DELIVERY AGREEMENT

DELIVERY NOTICE

[Date of Notice]

[Qualified Dealer]

Security will be delivered by Qualified Dealer to:

[account information as provided in Section 10.1 of Debt Service Forward Delivery Agreement]

Date of Delivery:

Security	Interest Maturity	CUSIP	Am't Due at Maturity ("Maturity Amount")	(if any) Date
----------	-------------------	-------	---	---------------

Purchase Price:

Market Value	= \$[]
Differential	= \$[]

Payment Instructions:

Maturity Amount to be paid as follows:

[Market Value to be paid to Qualified Dealer in its individual capacity; and the Differential to be paid to Qualified Dealer in its capacity as agent for [PROVIDER] at the following account]:

[or]

[Market Value to be paid to Qualified Dealer Differential to be [PROVIDER] at the following accounts]:

[Account Information]

EXHIBIT F

Form of Guaranty

GUARANTY, dated as of June 27, 2002, of THE BEAR STEARNS COMPANIES INC., a Delaware corporation (the "Guarantor"), in favor of Wells Fargo Bank, National Association, as trustee (the "Beneficiary") under that certain Indenture dated as of June 1, 2002, by and between Tobacco Settlement Financing Corporation and the Beneficiary.

1. Guaranty

- (i) To induce the Beneficiary to enter into a Debt Service Forward Delivery Agreement as of even date herewith and one or more sales of Eligible Securities on various dates (together, the "Agreement"; terms capitalized but not otherwise defined herein being used herein as therein defined) with Bear Stearns Capital Markets Inc. ("BSCM"), subject to the terms and conditions set forth herein, the Guarantor irrevocably and unconditionally guarantees to the Beneficiary, its successors and permitted assigns, the prompt payment by BSCM, on demand, of any amount due and payable by BSCM to the Beneficiary under the Agreement, subject to any applicable grace period thereunder (the "Obligations").
- (ii) The Guarantor hereby waives acceptance of this Guaranty, diligence, promptness, presentment, demand on BSCM for payment, protest of nonpayment, and all notices of any kind. In addition, the Guarantor's obligations hereunder shall not be affected by the existence, validity, enforceability, perfection, or extent of any collateral therefor. The Beneficiary shall not be obligated to proceed against BSCM before claiming under the Guaranty nor to file any claim relating to the Obligations in the event that BSCM becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of the Beneficiary so to file shall not affect the Guarantor's obligations hereunder. The Guarantor agrees that its obligations under this Guaranty constitute a guaranty of payment and not of collection.

2. Consents, Waivers and Renewals

The Guarantor agrees that the Beneficiary, may at any time and from time to time, either before or after the maturity thereof, without notice to or further consent of the Guarantor, extend the time of payment of, exchange or surrender any collateral for, or renew any of the Obligations, and may also make any agreement with BSCM or with any other party to or person liable on any of the Obligations, or interested therein, for the extension, renewal, payment, compromise, discharge or release thereof, in whole or in part, or for any modification of the terms thereof or of any agreement between the Beneficiary and BSCM or any such other party or person, without in any way impairing or affecting this Guaranty. The Guarantor agrees that the Beneficiary may resort to the Guarantor for payment of any of the Obligations, whether or not the Beneficiary shall have resorted to any collateral security, or shall have proceeded against any other obligor principally or secondarily obligated with respect to any of the Obligations.

3. Expenses

The Guarantor agrees to pay on demand all out-of-pocket expenses (including without limitation the reasonable fees and disbursements of the Beneficiary's counsel) incurred in the enforcement or protection of the rights of the Beneficiary hereunder; provided that the Guarantor shall not be liable for any expenses of the Beneficiary if no payment under this Guaranty is due.

4. Subrogation

The Guarantor will not exercise any rights that it may acquire by way of subrogation until all Obligations to the Beneficiary shall have been paid in full. If any amount shall be paid to the Guarantor in violation of the preceding sentence, such amount shall be held for the benefit of the Beneficiary and shall forthwith be paid to the Beneficiary to be credited and applied to the Obligations, whether matured or unmatured. Subject to the foregoing, upon payment of all the Obligations, the Guarantor shall be subrogated to the rights of the Beneficiary against BSCM and the Beneficiary agrees to take at the Guarantor's expense such steps as the Guarantor may reasonably request to implement such subrogation.

5. Cumulative Rights

No failure on the part of the Beneficiary to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Beneficiary of any right, remedy or power hereunder preclude any other or future exercise of any right, remedy or power. Each and every right, remedy and power hereby granted to the Beneficiary or allowed it by law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by the Beneficiary from time to time.

6. Representations and Warranties

- (i) The Guarantor is a corporation duly existing under the laws of the State of Delaware.
- (ii) The execution, delivery and performance of this Guaranty have been duly authorized by all necessary corporate action and do not conflict with any provision of law or any regulation or of the Guarantor's charter or by-laws or of any agreement binding upon it.
- (iii) No consent, licenses, approvals and authorizations of and registrations with or declarations to any governmental authority are required in connection with the execution, delivery and performance of this Guaranty.
- (iv) This Guaranty constitutes the legal, valid and binding obligation of the Guarantor, enforceable against the Guarantor in accordance with its terms, subject as to enforcement to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles.

7. Continuing Guaranty

The Guaranty shall remain in full force and effect and be binding upon the Guarantor and its successors and permitted assigns, and inure to the benefit of the Beneficiary and its successors and permitted assigns, until all of the Obligations have been satisfied in full. In the event that any payment by BSCM in respect of any Obligations is rescinded or must otherwise be returned for any reason whatsoever, the Guarantor shall remain liable hereunder in respect of such Obligations as if such payment had not been made.

8. Notices

All notices in connection with this Guaranty shall be deemed effective, if in writing and delivered in person or by courier, on the date delivered to the following address (or such other address which the Guarantor shall notify the Beneficiary of in writing):

THE BEAR STEARNS COMPANIES, INC.
383 Madison Avenue
New York, New York 10179
Attention: Derivatives – 7th Floor

With a copy to: **Legal – 6th Floor**

9. Governing Law and Jurisdiction

The Guaranty shall be governed by, and construed in accordance with, the laws of the State of New York, without reference to choice of law doctrine.

IN WITNESS WHEREOF, this Guaranty has been duly executed and delivered by the Guarantor to the Beneficiary as of the date first above written.

THE BEAR STEARNS COMPANIES INC.

By: _____
Name:
Title:

EXHIBIT G

[Form of Provider's Bankruptcy Opinion]

June 27, 2002

Wells Fargo Bank, National Association

Tobacco Settlement Financing Corporation

Re: Tobacco Settlement Financing Corporation
Tobacco Settlement Asset-Backed Bonds
Series 2002A (Tax-Exempt) and Series 2002B (Taxable)

Ladies and Gentlemen:

We have acted as counsel to Bear Stearns Capital Markets Inc. (the "Provider") in connection with its execution and delivery of the Debt Service Forward Delivery Agreement (the "Agreement"), dated as of June 27, 2002, by and among the Provider, Wells Fargo Bank, National Association, as trustee (the "Trustee"), and Tobacco Settlement Financing Corporation (the "Issuer"). Capitalized terms used herein have the respective meanings given to them in the Agreement.

In rendering this opinion, we have reviewed such documents and made such investigations of law as we have deemed relevant and necessary. The opinions expressed below are limited to the laws of the State of New York and the federal bankruptcy law ("Bankruptcy Law").

The transaction (the "Transaction") involves the following steps:

- (i) on each Delivery Date, the Trustee expects to have on deposit in the Debt Service Fund an amount equal to at least the Actual Deposit Amount;
- (ii) on each Delivery Date, the Provider may cause a Qualified Dealer to sell to the Trustee Qualified Securities for an aggregate Purchase Price not greater than the Actual Deposit Amount;
- (iii) concurrently with the delivery by a Qualified Dealer of Qualified Securities, the Trustee is required under the Agreement to purchase such Qualified Securities and to pay to the Provider an amount equal to the Purchase Price thereof;
- (iv) the Provider is not itself selling or otherwise disposing of any Qualified Securities to the Trustee, but as consideration for its promise to cause the sale of Qualified Securities at the price described in paragraph (iii) above, it will receive the Differential in respect of any sale by a Qualified Dealer to the Trustee of the Qualified Securities; and

- (v) in consideration of its delivery of Qualified Securities, the Qualified Dealer concurrently with such delivery will receive payment of the Market Value of such securities and, as described in clause (iv), will pay the Differential to the Provider.

You have requested our opinion as to whether, following the transfer of the Qualified Securities from the Qualified Dealer to the Trustee, in the event of the bankruptcy of the Provider under the title 11 of the United States Code (the "Bankruptcy Code"), the bankruptcy court, in a competently presented case, would hold that (i) neither the Qualified Securities nor any other part of the Debt Service Fund constitute property of the bankruptcy estate of the Provider under section 541 of the Bankruptcy Code, (ii) payments from the Debt Service Fund would be subject to the automatic stay pursuant to section 362 of the Bankruptcy Code, and (iii) such payments would be recoverable by the bankruptcy trustee as a voidable preference pursuant to section 547 of the Bankruptcy Code.

In giving this opinion, we have assumed:

- (i) the genuineness of all signatures;
- (ii) the authenticity and completeness of all documents submitted to us as originals;
- (iii) the conformity to original documents of all documents submitted to us as copies and the authenticity and completeness of such original documents;
- (iv) the accuracy of all representations as to fact made by the Provider in the Agreement;
- (v) that the Agreement and the Financing Documents are legally binding upon and enforceable against the parties thereto;
- (vi) that, except as provided in the Agreement, the Provider has and will have no contractual rights or obligations with respect to Qualified Securities or the proceeds thereof and that, other than the Agreement, there are no agreements between the Provider, on the one hand, and the Issuer or the Trustee, on the other hand, relating to any Qualified Securities or the proceeds thereof;
- (vii) that the Provider entered into the Agreement in the ordinary course of its business and without the intention to hinder, delay or defraud any of its creditors and each Transaction will be undertaken without the intention to hinder, delay or defraud any creditors of the Provider;
- (viii) that the Purchase Price of the Qualified Securities has been set in accordance with current market prices and represents reasonable equivalent value and fair and equivalent consideration for the Provider's undertaking of its obligations under the Agreement;
- (ix) that none of the Qualified Securities will be treated as assets of the Provider under generally accepted accounting principles or any applicable tax or regulatory accounting principles;

(x) that the factual representations made by the Provider in the attached certificate are true and correct on the date hereof; and

(xi) that the description of the Transaction set forth above is correct in all material respects.

In characterizing a transfer of property as a sale or a pledge to secure indebtedness, no court, to the best of our knowledge, has addressed a factual pattern similar to that presented by the transfer of Qualified Securities by the Qualified Dealer to the Trustee and the execution of the Agreement by the Provider, pursuant to the transaction as summarized above. Courts that have made a determination that a particular transaction constitutes either a sale or a secured loan have examined all the facts and circumstances of the transaction. The terms used by the parties in the documentation, while considered by courts in determining the intent of the parties, are not controlling. Courts will independently evaluate the facts and circumstances underlying the transaction.

Facts and circumstances which courts have considered to be consistent with a sale include:

- (i) the use of language in the documentation reflecting the intent to effectuate a sale or absolute transfer;
- (ii) the absence of any fixed date for repayment of money received by the transferor;
- (iii) the absence of a fixed rate of interest payable to the transferee based on the amount paid by the transferee to the transferor;
- (iv) the absence of any intent to evade a statutory proscription or public policy, such as those relating to usury or disclosure;
- (v) the absence of any equity in the transferred asset or any other cash flow from the asset which is required to be returned to the transferor;
- (vi) the absence of any guarantee by the transferor of the timely payment of a transferred asset, any required repurchase thereof or any other form of recourse;
- (vii) the transferee or its bona fide agent taking delivery of the transferred asset; and
- (viii) notification of account debtors of an absolute assignment and requiring that payment be made directly to the transferee.

Factors which have caused courts to find a loan rather than a sale include:

- (i) language in the documentation referring to lending, interest rates or to collateral security;
- (ii) the presence of a guarantee by the transferor or the obligation of the transferor to repurchase the transferred assets if not paid within a specified period of time;

- (iii) the transferor's continued control over the assets and commingling of collections thereof with those of other assets and property of the transferor;
- (iv) the transferor retaining the right to modify the terms of the transferred assets; and
- (v) creditors of the transferor not being aware that the assets have been transferred.

No provision of the Agreement is inconsistent with the intent of the Provider and the Issuer to effectuate a purchase by the Trustee and sale by the Qualified Dealer of the Qualified Securities. Furthermore, as noted above, the transfer of the Qualified Securities will be treated as a sale for accounting purposes. The Provider will retain no control over the Qualified Securities and will have no right to modify any term of the Qualified Securities.

The forward prices of the Qualified Securities to be delivered under the terms of the Agreement, taking into account the Provider's right to receive payments under the Agreement, have been set in accordance with current market prices for forward sales of such securities and represent reasonable equivalent value and fair equivalent consideration for the sale of the Qualified Securities. Neither the Provider nor the Trustee has any right to the return of such consideration following the transfer of the Qualified Securities to the Trustee, although it should be noted that the Agreement contains standard market-based cash-settlement provisions pursuant to which one party may owe a termination amount to another party upon the early termination of the Agreement. Upon the sale of the Qualified Securities, such Qualified Securities will be held by and registered in the name of the Trustee in the Debt Service Fund. The Debt Service Fund is held at an account maintained by and in the name of the Trustee for the benefit of the bondholders.

A transferee's obligation to reconvey to the transferor any amounts in excess of a certain balance may be indicative of a loan, rather than a sale. A transfer may be recharacterized as a pledge to secure a loan if the transferee must account to the transferor for any surplus received from the transferred assets over the amount of the "debt." Pursuant to the terms of the Agreement, the Provider will not have any direct interest in the Qualified Securities.

Courts have placed great weight on whether the purported buyer has direct or indirect recourse to the purported seller in the event of defaults on transferred assets. While it appears that if a seller of receivables assumes all risk of loss the transaction will likely be characterized as a loan, courts have generally recognized the existence of limited recourse to a seller while still treating the seller's asset transfer as a sale. In this instance, neither the Trustee nor the Issuer has recourse against the Provider in the event of a default on the Qualified Securities.

Based on the foregoing, we are of the opinion that, upon the commencement of a case under the Bankruptcy Code by or against the Provider, in a competently presented case, the bankruptcy court would hold that (i) neither the Qualified Securities delivered at any time to the Trustee by a Qualified Dealer purchased with any funds from the Debt Service Fund nor any other part of the Debt Service Fund would constitute property of the bankruptcy estate of the Provider under section 541 of the Bankruptcy Code, (ii) payments from the Debt Service Fund to the registered owners of the Bonds that are paid with any funds from the Debt Service Fund or the proceeds of any Qualified Securities purchased with any funds from the Debt Service Fund would not be

subject to the automatic stay provided by section 362 of the Bankruptcy Code, and (iii) such payments would not be recoverable by the bankruptcy trustee as a voidable preference pursuant to section 547 thereof. This opinion is not to be construed as expressing any view as to whether a court, in the exercise of its equitable powers, may temporarily restrain payments out of the Debt Service Fund in order for the court to ascertain the facts and examine the law.

In rendering this opinion we have limited our review to the Agreement and such other matters of New York law and federal Law as we have deemed necessary in order to render the opinions set forth above. We have not examined any documents relating to the issuance, sale, and delivery of the Bonds other than as set forth above and express no opinion with respect to any such other documents or with respect to any other legal matters related to the Bonds including, without limitation, the validity and enforceability of the Bonds, the exclusion of interest thereon from gross income of the holders thereof for federal income tax purposes, and compliance by the Issuer and other parties with the securities laws of the United States of America and the "blue sky" and other securities laws of the jurisdictions in which the Bonds may have been sold and delivered.

We are furnishing this opinion to you solely for your benefit and no other person is entitled to rely hereon. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Very truly yours,

CERTIFICATION

Reference is made to the Debt Service Forward Delivery Agreement, dated as of June 27, 2002 (the "Agreement"), by and among Bear Stearns Capital Markets Inc. (the "Provider"), Wells Fargo Bank, National Association, as trustee (the "Trustee"), and Tobacco Settlement Financing Corporation (the "Issuer"). Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Agreement. The undersigned, being a duly authorized officer of the Provider, hereby certifies in connection with the Provider's execution and delivery of the Agreement and the rendition of a legal opinion by Katten Muchin Zavis Rosenman dated the date hereof concerning certain issues of federal bankruptcy law (the "Opinion"), that:

1. The Provider entered into the Agreement in the ordinary course of its business and without the intention to hinder, delay or defraud its creditors and will enter into each of the Transactions (as such term is defined in the Opinion) without the intention to hinder, delay or defraud its creditors.
2. The Purchase Price of the Qualified Securities has been set in accordance with current market prices and represent reasonable equivalent value and fair and equivalent consideration for the Provider's undertaking of its obligations under the Agreement.
3. Except as provided in the Agreement, the Provider has and will have no contractual rights or obligations with respect to any Qualified Securities or the proceeds thereof, and that, other than the Agreement, there are no agreements between the Provider, on the one hand, and the Issuer or the Trustee, on the other hand, relating to any Qualified Securities or the proceeds thereof.
4. None of the Qualified Securities will be treated as assets of the Provider under generally accepted accounting principles or any applicable tax or regulatory accounting principles.
5. The Provider is solvent and has, and will have after giving effect to the Agreement, sufficient capital to conduct its business and to pay its debts as they become due.

IN WITNESS WHEREOF, the undersigned has hereunto set his official signature this _____ day of June, 2002.

BEAR STEARNS CAPITAL MARKETS INC.

By: _____
Name:
Title:

EXHIBIT H

ELIGIBLE SECURITIES

(i) non-callable direct obligations of the United States of America, non-callable and non-prepayable direct federal agency obligations the timely payment of principal of and interest on which are fully and unconditionally guaranteed by the United States of America, non-callable direct obligations of the United States of America which have been stripped by the United States Treasury itself or by any Federal Reserve Bank (not including "CATS," "TIGRS" and "TRS" unless the Issuer obtains Rating Confirmation with respect thereto) and the interest components of REFCORP bonds-for which the underlying bond is non-callable (or non-callable before the due date of such interest component) for which separation of principal and interest is made by request to the Federal Reserve Bank of New York in book-entry form, and shall exclude investments in mutual funds and unit investment trusts;

(ii) obligations timely maturing and bearing interest (but only to the extent that the full faith and credit of the United States of America are pledged to the timely payment thereof);

(iii) certificates evidencing ownership of the right to the payment of the principal of and interest on obligations described in clause (ii), provided, that such obligations are held in the custody of a bank or trust company satisfactory to the Trustee in a segregated trust account in the trust department separate from the general assets of such custodian;

(iv) bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (y) which are not callable at the option of the obligor or otherwise prior to maturity or as to which irrevocable notice has been given by the obligor to call such bonds or obligations on the date specified in the notice, and (z) timely payment of which is fully secured by a fund consisting only of cash or obligations of the character described in clause (i), (ii) or (iii) which fund may be applied only to the payment when due of such bonds or other obligations;

(v) direct obligations of, or obligations guaranteed as to timely payment of principal and interest by, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association or the Federal Farm Credit System;

(vi) demand and time deposits in or certificates of deposit of, or bankers' acceptances issued by, any bank or trust company, savings and loan association or savings bank, payable on demand or on a specified date no more than three months after the date of issuance thereof, if such deposits or instruments are rated at least A-1 by S&P, P-1 by Moody's and F1 by Fitch (if then rated by Fitch);

(vii) certificates, notes, warrants, bonds, obligations or other evidences of indebtedness of a state or a political subdivision thereof receiving one of the two highest long term unsecured debt ratings (without regard to rating subcategories) by S&P and by Fitch (if then rated by Fitch);

(viii) commercial or finance company paper (including both non-interest-bearing discount obligations and interest bearing obligations payable on demand or on a specified date

not more than three months after the date of issuance thereof) that is rated A-1 by S&P, P-1 by Moody's and F1 by Fitch (if then rated by Fitch);

(ix) securities bearing interest or sold at a discount (payable on demand or on a specified date no more than three months after the date of issuance thereof) that are issued by any corporation incorporated under the laws of the United States of America or any state thereof and rated at least P-1 by Moody's, A-1 by S&P and F1 by Fitch (if then rated by Fitch) at the time of such investment or contractual commitment providing for such investment; provided, that securities issued by any such corporation will not be Eligible Securities to the extent that investment therein would cause the then outstanding principal amount of securities issued by such corporation that are then held to exceed 20% of the aggregate principal amount of all Eligible Securities then held; and

(x) other obligations or securities that are non-callable and that are acceptable to each Rating Agency (as such term is defined in the Indenture).

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