TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA
700 H STREET, SUITE 3650
SACRAMENTO, CALIFORNIA 95814-1280
OFFICE (916) 874-8252

BOARD OF DIRECTORS:

SUE FROST, CHAIR
PATRICK KENNEDY, VICE CHAIR
NATHAN FLETCHER, DIRECTOR

FLORENCE EVANS, SECRETARY
BRITT FERGUSON, TREASURER / CONTROLLER

AGENDA

JANUARY 12, 2021 AT 8:30 AM
700 H STREET, SUITE 2450, AMERICAN RIVER ROOM
SACRAMENTO, CA 95814

-And-

TELEPHONE CONFERENCE
(Members may participate via teleconference)

PUBLIC COMMENT PROCEDURES

In compliance with directives of the County, State, and Centers for Disease Control and Prevention (CDC), this meeting is live stream and closed to public attendance. Meeting procedures are subject to change pursuant to guidelines related to social distancing and minimizing person-to-person contact.

Live Meeting Comment

Sign up to make a public comment during a live meeting. Registration opens when the agenda is posted 72-hours prior to the meeting date. Dial (916) 875-2501 to provide contact information. On the day of the meeting, callers will be contacted by phone and transferred to the meeting to make a comment on a specific agenda item or off-agenda item. Callers may sign up until public comments are closed for a specific item, respectively.

Written Comment

- Send an email comment to Boardclerk@saccounty.net. Include meeting date and agenda item number or off-agenda item. Contact information is optional.
- Mail a comment to 700 H Street, Suite 2450, Sacramento, CA 95814. Include meeting date and agenda item number or off-agenda item. Contact information is optional.
- Written comments are distributed to members and filed the record.

VIEW MEETING

The meeting will be streamed live through BlueJeans Events. Members of the public may watch and/or listen to the meeting as follows:

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Audio from a mobile device: https://primetime.bluejeans.com/a2m/live-event/shjvquac (Enter Event ID Code: **shjvquac**)

Teleconference (audio only) dial: (415) 466-7000 (Enter PIN Code: **1061585#**)

MEETING MATERIAL

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ACCOMODATIONS

Requests for accommodations pursuant to the Americans with Disabilities Act (ADA) should be made with the Clerk's Office by telephone at (916) 874-5411 (voice) and CA Relay Services 711 (for the hearing impaired) or email at BoardClerk@saccounty.net prior to the meeting.

ROLL CALL

PLEDGE OF ALLEGIANCE

AGENDA ITEMS

1. Approval Of Minutes From Prior Meeting

2. Consider Approval Of A Resolution Of The Board Of Directors Of The Tobacco Securitization Authority Of Northern California Approving The Form Of And Authorizing The Execution And Delivery Of An Amended And Restated Indenture And A Series 2021 Supplement And The Issuance Of One Or More Series Of Bonds With Respect Thereto, A First Supplement To Secured Loan Agreement, A Contract Of Purchase, An Offering Circular And A Continuing Disclosure Certificate And Other Actions In Connection Therewith

3. Public Comments

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA
700 H STREET, SUITE 3650
SACRAMENTO, CALIFORNIA 95814-1280
OFFICE (916) 874-8252

BOARD OF DIRECTORS:

SUE FROST, CHAIR
PATRICK KENNEDY, VICE CHAIR
NATHAN FLETCHER, DIRECTOR

FLORENCE EVANS, SECRETARY
BRITT FERGUSON, TREASURER/CONTROLLER

MINUTES

NOVEMBER 3, 2020 AT 8:30 AM
700 H STREET, 1st FLOOR, HEARING ROOM NO. 2
SACRAMENTO, CA 95814

-And-

TELEPHONE CONFERENCE
(Members may participate via teleconference)

PUBLIC COMMENT PROCEDURES

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ROLL CALL

Director Sue Frost called the meeting to order.
Director Nathan Fletcher was not present.

ATTENDEES

Britt Ferguson, Treasurer/Controller of the Authority
Colin Bettis, County Debt Officer
June Powells-Mays, County Counsel
Alma Muñoz, Assistant Clerk

AGENDA ITEMS

1. Approval of Minutes from Prior Meeting

   On a motion by Director Kennedy, seconded by Director Frost and carried by unanimous vote with those members present (Director Fletcher absent), approved the meeting minutes of October 6, 2020, as submitted.

2. Adopt Fiscal Year 2020-21 Revised Budget

On a motion by Director Frost, seconded by Director Kennedy and carried by unanimous vote with those members present (Director Fletcher absent), approved the Fiscal Year 2020-21 revised Budget as submitted.

3. Public Comments

No public comments were received.

Meeting adjourned at 8:40 a.m.

Respectfully submitted,

FLORENCE EVANS, Secretary
Tobacco Securitization Authority
of Northern California

ITEM 2

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA

700 H STREET, SUITE 3650
SACRAMENTO, CALIFORNIA 95814-1280
(916) 874-9039

BOARD OF DIRECTORS:

SUE FROST, CHAIR
PATRICK KENNEDY, VICE CHAIR
WILLIAM HORN, DIRECTOR

FLORENCE EVANS, SECRETARY
BRITT FERGUSON, INTERIM TREASURER/CONTROLLER

For the Agenda of:
January 12, 2021
8:30 a.m.

To: Board of Directors,
Tobacco Securitization Authority of Northern California

From: Britt Ferguson,
Interim Treasurer/Controller

Subject: Consider Approval Of A Resolution Of The Board Of Directors Of The Tobacco Securitization Authority Of Northern California Approving The Form Of And Authorizing The Execution And Delivery Of An Amended And Restated Indenture And A Series 2021 Supplement And The Issuance Of One Or More Series Of Bonds With Respect Thereto, A First Supplement To Secured Loan Agreement, A Contract Of Purchase, An Offering Circular And A Continuing Disclosure Certificate And Other Actions In Connection Therewith

RECOMMENDATIONS:

That the Board of Directors of the Tobacco Securitization Authority of Northern California (the Authority) take the following action:

- Adopt a resolution of the Board of Directors of the Tobacco Securitization Authority of Northern California approving the form of and authorizing the execution and delivery of an amended and restated indenture and a series 2021 supplement and the issuance of one or more series of bonds with respect thereto, a first supplemental to secured loan agreement, a

contract of purchase, an offering circular and a continuing disclosure certificate and certain other actions in connection therewith.

BACKGROUND:

On October 10, 2000, the Sacramento County Board of Supervisors approved Joint Exercise of Powers Agreements with the County of San Diego to create two joint powers authorities for the express purpose of facilitating a tobacco revenues securitization for each county. The County of San Diego approved the agreements on October 17, 2000. The Tobacco Securitization Authority of Northern California is the governmental entity that issued bonds on behalf of Sacramento County. The Tobacco Securitization Authority of Southern California issued bonds on behalf of San Diego County.

On August 23, 2001, the Authority issued its Tobacco Settlement Asset-Backed Bonds, Series 2001, in the amount of $199,620,000 (2001 Bonds), and maturing in June 2041, secured by the anticipated revenues from the national Tobacco Litigation Settlement (TLS). This allowed the County to sell its entire revenue stream from the TLS payments to the Sacramento County Tobacco Securitization Corporation (Corporation), thereby shifting all of the risk of the receipt of TLS payments to investors, in exchange for a large up-front payment in the form of bond proceeds, which funded an Endowment Fund and funding for capital projects.

On December 6, 2005, the Authority issued its Tobacco Settlement Asset-Backed Bonds, Series 2005 Refunding, in the amount of $255,486,288 (2005 Bonds), and maturing in June 2045. This issuance refunded the 2001 Bonds and provided an additional $63,225,245 in bond proceeds for capital projects.

DISCUSSION:

As of December 1, 2020, there was be $263.5 million of principal outstanding of the 2005 Bonds, including accreted interest on the Capital Appreciation Bonds (CABs). Should the Authority not take action to approve the attached financing and related documents, it is estimated that there will be a payment default on the 2005 Bonds beginning on June 1, 2038. The following table describes the

outstanding 2005 Bonds in greater detail with how they are expected to be paid and if there will be a draw on reserves to make a payment.

Series 2005 Outstanding Bonds										
Maturity Date (6/1)	Series	Description	Coupon	Issued ($000s)	Outstanding ($000s)*	Original Expected Maturity	Expected Payment Default**	Paid with Reserve Draw**	Expected Maturity**	Ratings (M/S&P)
2023	2005A-1	Sr. Turbo	4.750%	$45,825	$16,215	2015	N/A	Yes	2023	Baa1/BBB
2027	2005A-2	Sr. Turbo	5.400%	12,469	14,235	2017	N/A	Yes	2027	B2/B
2038	2005A-1	Sr. Turbo	5.375%	87,290	87,290	2024	2038	Yes	2047	B3/B-
2045	2005A-1	Sr. Turbo	5.500%	86,570	86,570	2028	2038	N/A	2047	B3/B-
2045	2005B	Sub. CAB	5.900%	11,674	27,905	2030	2045	N/A	2058	NR/CCC-
2045	2005C	Sub. CAB	6.700%	11,659	31,302	2033	2045	N/A	Never	NR/CCC-
				$255,486	**$263,517**					

*CABs accreted value as of 12/1/2020
**Assumes IHS forecast and future Non-Participating Manufacturer Adjustment

Currently there is an opportunity to refund all or a portion of the 2005 Bonds and take advantage of low interest rates. In order for any refunding bonds, secured and payable solely from Tobacco Settlement Revenues (TSRs), to be issued on a tax-exempt basis, the County must retain a substantial interest in the TSRs with a present value of at least 10% of the present value of the entire TSR stream. Should the refunding not produce sufficient residual value to pass this so-called Debt/Equity Test, taxable refunding bond could also be issued.

The Tobacco Securitization Authority of Northern California Tobacco Settlement Asset-Backed Refunding Bonds (Sacramento County Tobacco Securitization Corporation), Series 2021 (the Series 2021 Bonds) are anticipated to be issued as Class 1 and Class 2 Senior Bonds, which is a modern “senior/subordinate” structure that can be issued in a “senior” capacity to the existing subordinate CABs to provide the maximum structural flexibility if a partial refunding is the better option. This will allow maximum flexibility should the market change in a way that does not allow a full refunding of the 2005 Bonds.

The structure is anticipated to include: (i) Class 1 Fixed Amortization Serial Bonds maturing through 2040 and a traditional term bond maturing in 2049 with mandatory sinking fund requirements (collectively, the “Series 2021A Bonds”), (ii) Class 2 Turbo bonds with stated maturity dates in 2030 and 2049

(collectively, the "Series 2021B-1 Bonds"), and (iii) Class 2 Turbo CABs with a stated maturity date of 2060 (the "Series 2021B-2 Bonds").

The amount of each of the Series of Series 2021 Bonds will be issued at an amount to achieve the highest rating available within each maturity from S&P and the ratings will range as shown in the following table. The CABs will not be rated.

Series	Type	Final Maturity	Estimated Par	Assumed Rating
2021-A-1 Class 1 Senior Bonds	Serial	6/1/2040	$ 124,625,000	A and A-
2021-A-1 Class 1 Senior Bonds	Term	6/1/2049	$ 37,505,000	BBB+
2021-B-1 Class 2 Senior Bonds	Turbo Term	6/1/2030	$ 6,200,000	BBB+
2021-B-1 Class 2 Senior Bonds	Turbo Term	6/1/2049	$ 26,800,000	BBB-
2021-B-2 Class 2 Senior Bonds	Turbo CAB	6/1/2060	$ 79,696,789	NR

The following table represents estimated sources and uses and contains required information as required by SB 1029 (Government Code Section 5852.1) and is based on interest rates as of December 2, 2020 as provided by the Underwriter for the Series 2021 Bonds, Jefferies, LLC. It is estimated that with the issuance of the bonds there is a potential for TSRs to be remitted to the Corporation on behalf of the County in Fiscal Year 2050/2051, rather than never remitting TSRs back to the Corporation on behalf of the County absent a refunding.

Good Faith Estimate			
Sources:			
Bond Proceeds			
Par Amount		$	237,321,789
Net Premium		$	25,611,824
Other Sources of Funds			
Senior Liquidity Reserve Account		$	15,750,128
Total Sources		$	278,683,740
Uses:			
Refunding Escrow Deposits:			
Cash Deposit		$	266,127,667
Other Fund Deposits:			
Class 1 Liquidity Reserve Account		$	9,011,425
Class 2 Liquidity Reserve Account		$	1,425,250
Subtotal Other Fund Deposits		$	10,436,675
Delivery Date Expenses:			
Cost of Issuance		$	685,488
Underwriter's Discount		$	1,433,910
Subtotal Delivery Date Expenses		$	2,119,399
Total Uses:		$	278,683,740

Bond Summary Statistics Estimated		
All In True Interest Cost		3.53%
Par Amount		$ 237,321,789
Total Interest		$ 81,546,513
Total Debt Service		$ 410,732,278
Average Annual Debt Service		$ 14,490,751
PV Savings @5%*		$ 61,218,269
PV Savings as a percentage		23.18%
*Savings analysis limited to 2080 (Revenues assumed in perpituity from 2050)		

County Debt Utilization Committee

On December 18, 2020 the County Debt Utilization Committee (CDUC) comprised of County Counsel, Interim Chief Fiscal Officer (Cindy Nichol), Administrative Services Deputy County Executive, Public Works and Infrastructure Deputy County Executive/Interim Municipal Services County Executive, Director of Finance, and the County Debt Officer met to consider the issuance of the Series 2021 Bonds. At that time the CDUC recommended that the Board of Supervisors, Board of the Authority and the Board of the Authority approve the issuance as described above.

Legal Issues

The underlying legal documents related to this financing have been prepared by the County's Bond Counsel (Orrick, Herrington & Sutcliffe LLP) or the Disclosure Counsel (Hawkins Delafield and Wood LLP) and reviewed by the County Counsel's Office. County Counsel has reviewed and approved this item including the resolution and the attachments.

Respectfully submitted,

Britt Ferguson
Authority Interim Treasurer/Controller

Attachments: Item 2

Resolution
ATT 1 – Amended And Restated Indenture
ATT 2 – Series 2021 Supplement
ATT 3 – First Supplement to Secured Loan Agreement
ATT 4 – Contract of Purchase
ATT 5 – Preliminary Offering Circular
ATT 6 – Continuing Disclosure Certificate
ATT 7 – Post-Issuance Services Agreement
ATT 8 – Debt Management Policy

cc: Colin Bettis, County Debt Officer
Michele Crichlow, Debt Finance Manager, County of San Diego

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA

RESOLUTION NO. 21-001

RESOLUTION OF THE BOARD OF DIRECTORS OF THE TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN AMENDED AND RESTATED INDENTURE AND A SERIES 2021 SUPPLEMENT AND THE ISSUANCE OF ONE OR MORE SERIES OF BONDS WITH RESPECT THERETO, A FIRST SUPPLEMENT TO SECURED LOAN AGREEMENT, A CONTRACT OF PURCHASE, AN OFFERING CIRCULAR AND A CONTINUING DISCLOSURE CERTIFICATE AND CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

WHEREAS, pursuant to Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (Sections 6500-6599) (the "Act"), two or more public agencies may by agreement jointly exercise any power common to the contracting parties;

WHEREAS, the Act authorizes public agencies by agreement to create a joint exercise of powers entity which has the power to exercise any powers common to the participating public agencies as specified in such agreement and to exercise the additional powers granted to it pursuant to the Act;

WHEREAS, pursuant to the Act, the County of Sacramento (the "County") and the County of San Diego entered into a joint exercise of powers agreement (as amended, the "Agreement") pursuant to which the Tobacco Securitization Authority of Northern California (the "Authority") was created;

WHEREAS, the County of Sacramento (the "County") was previously entitled to be paid certain payments (such right to be paid, the "Sacramento County Tobacco Settlement Revenues") payable to the State of California (the "State") pursuant to the Master Settlement Agreement among a number of jurisdictions, including the State, and certain tobacco manufacturing companies, all pursuant to a Memorandum of Understanding dated August 5, 1998 and an Agreement Regarding Interpretation of the Memorandum of Understanding, dated January 18, 2000;

WHEREAS, in 2001, the County sold the Sacramento County Tobacco Settlement Revenues to the Sacramento County Tobacco Securitization Corporation (the "Corporation") pursuant to a purchase and sale agreement to obtain money to fund public capital improvements and programs deemed necessary to meet the social needs of the population of the County, all as provided by law;

WHEREAS, in order to fund the purchase price for the Sacramento County Tobacco Settlement Revenues, the Corporation pledged and assigned all of its rights to the Sacramento County Tobacco Settlement Revenues to the Authority to secure repayment of a loan (the "2001 Loan") made by the Authority to the Corporation under the terms of a secured loan agreement;

WHEREAS, the 2001 Loan was funded from the proceeds of the Authority's Tobacco Settlement Asset-Backed Bonds (Sacramento County Tobacco Securitization Corporation), Series 2001A and Series 2001B (the "Series 2001 Bonds"), which Series 2001 Bonds were payable solely from the 2001 Loan payments made by the Corporation from the Sacramento County Tobacco Settlement Revenues;

WHEREAS, in 2005, the Authority issued its Tobacco Settlement Asset-Backed Bonds (Sacramento County Tobacco Securitization Corporation), Series 2005 (the "Series 2005 Bonds"), pursuant to an Indenture, dated as of December 1, 2005 (the "Original Indenture"), as supplemented by a Series 2005 Supplement, dated as of December 1, 2005 (the "2005 Supplement"), each between the Authority and The Bank of New York Mellon Trust Company, N.A. (formerly, The Bank of New York Trust Company, N.A.), as trustee (the "Trustee");

WHEREAS, concurrently with the execution and delivery of the Original Indenture and the Series 2005 Supplement, the Authority executed and delivered the Secured Loan Agreement, dated as of December 1, 2005 (the "Original Loan Agreement"), between the Corporation and the Authority;

WHEREAS, under the Original Loan Agreement, the Corporation pledged and assigned all of its rights in the Sacramento County Tobacco Settlement Revenues to the Authority to secure repayment of a loan (the "2005 Loan") made by the Authority to the Corporation for the purpose of refunding the Series 2001 Bonds;

WHEREAS, in order to achieve interest rate savings, the Authority desires to refund through redemption and defeasance or open market purchase and cancellation all or a portion of the Series 2005 Bonds through the issuance of one or more series of its Tobacco Settlement Asset-Backed Refunding Bonds (Sacramento County Tobacco Securitization Corporation), Series 2021 (collectively, the "Series 2021 Bonds"), pursuant an Amended and Restated Indenture (the "Amended and Restated Indenture"), which amends and restates the Original Indenture in accordance with Section 10.01 of the Original Indenture, as supplemented by a Series 2021 Supplement (the "Series 2021 Supplement"), between the Authority and the Trustee (the Original Indenture, as amended and restated by the Amended and Restated Indenture, collectively with the Series 2005 Supplement and the Series 2021 Supplement, are hereafter referred to herein as the "Indenture");

WHEREAS, the Series 2021 Bonds are intended to be issued as Refunding Bonds under the Original Indenture;

WHEREAS, the Authority intends to loan the net proceeds of the Series 2021 Bonds to the Corporation pursuant to a supplement to the Original Loan Agreement (the "First Supplement to Loan Agreement" and together with the Original Loan Agreement, the "Loan Agreement"), between the Authority and the Corporation;

WHEREAS, in connection with the foregoing, the Authority also desires to execute and deliver a contract of purchase (the "Contract of Purchase") and a continuing disclosure certificate or agreement (the "Continuing Disclosure Certificate") and approve the form of offering circular relating to the Series 2021 Bonds (the "Offering Circular");

WHEREAS, the Authority intends to adopt the terms of the Debt Management Policy as its local debt policies, and the Authority's sale and issuance of the Series 2021 Bonds as contemplated by this Resolution is in compliance with the Debt Management Policy; and

WHEREAS, there have been presented to the Board of Directors (the "Board") of the Authority the following documents and agreements:

(1) A proposed form of Amended and Restated Indenture,

(2) A proposed form of Series 2021 Supplement,

(3) A proposed form of First Supplement to Loan Agreement,

(4) A proposed form of Contract of Purchase,

(5) A proposed form of Continuing Disclosure Certificate,

(6) A proposed form of Offering Circular to be used in connection with the offering and sale of the Bonds,

(7) A proposed form of Post-Issuance Services Agreement, and

(8) A proposed form of Debt Management Policy.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Board of Directors of the Authority, as follows:

Section 1. The Authority finds and determines that the foregoing recitals are true and correct.

Section 2. Pursuant to the Act and the Amended and Restated Indenture, the Authority is hereby authorized to issue one or more series of its bonds designated as the Tobacco Securitization Authority of Northern California Tobacco Settlement Asset-Backed Refunding Bonds, with appropriate series designation, in a combined aggregate initial principal amount (taking into account the initial principal amount of any capital appreciation bonds) not to exceed three hundred million dollars ($300,000,000). The Series 2021 Bonds shall be issued and secured in accordance with the terms of, and shall be in the form set forth in, the Amended and Restated Indenture and Series 2021 Supplement presented at this meeting, provided that (i) the final maturity of the Series 2021 Bonds shall not exceed June 1, 2060, (ii) the Series 2021 Bonds shall have a maximum true interest cost of 5.00%, and (iii) such refunding of the Series 2005 Bonds produces a net present value savings of at least 3.00% of the principal amount of the Series 2005 Bonds to be refunded. The Series 2021 Bonds shall be executed by the manual or facsimile signature of the Chair of the Authority or the Vice Chair of the Authority, and attested by the manual or facsimile signature of the Secretary of the Authority.

Section 3. The form of the Amended and Restated Indenture as presented to this meeting is hereby approved. Each member of the Board, the Chair, the Vice Chair, and the Treasurer/Controller of the Authority (each, an "Authorized Officer") is hereby authorized and

directed to execute and deliver the Amended and Restated Indenture on behalf of the Authority, which shall be in substantially the form presented to this meeting, with such changes therein, deletions therefrom and additions thereto as such Authorized Officer shall approve, which approval shall be conclusively evidenced by the execution and delivery of the Amended and Restated Indenture. For avoidance of doubt, the Chief Fiscal Officer of the County (including any person acting as interim Chief Fiscal Officer) is acting as the Treasurer/Controller of the Authority.

Section 4. The form of the Series 2021 Supplement as presented to this meeting is hereby approved. Each Authorized Officer is hereby authorized and directed to execute and deliver the Series 2021 Supplement on behalf of the Authority, which shall be in substantially the form presented to this meeting, with such changes therein, deletions therefrom and additions thereto as such Authorized Officer shall approve, which approval shall be conclusively evidenced by the execution and delivery of such Series 2021 Supplement. The number of series or subseries, principal amounts, accreted value at maturity, dated date, maturity dates or dates, interest rate or rates, accretion rate or rates, interest payment dates, denominations, forms, registration privileges, manner of execution, place or places of payment, terms of redemption, designation as taxable, tax-exempt, current interest, capital appreciation or convertible capital appreciation bond and other terms of the Series 2021 Bonds shall be as provided in the Series Supplement, as finally executed.

Section 5. The form of the First Supplement to Loan Agreement as presented to this meeting is hereby approved. Each Authorized Officer is hereby authorized and directed to execute and deliver the First Supplement to Loan Agreement on behalf of the Authority, which shall be in substantially the form presented to this meeting, with such changes therein, deletions therefrom and additions thereto as such Authorized Officer shall approve, which approval shall be conclusively evidenced by the execution and delivery of the First Supplement to Loan Agreement.

Section 6. The form of the Contract of Purchase as presented to this meeting is hereby approved, provided that, the aggregate underwriting discount shall not exceed 0.65 percent (0.65%) of the aggregate initial principal amount of the Series 2021 Bonds. Each Authorized Officer is hereby authorized and directed to execute and deliver the Contract of Purchase on behalf of the Authority, which shall be in substantially the form presented to this meeting, with such changes therein, deletions therefrom and additions thereto as such Authorized Officer shall approve, which approval shall be conclusively evidenced by the execution and delivery of such Contract of Purchase.

Section 7. The form of the Continuing Disclosure Certificate as presented to this meeting is hereby approved. Each Authorized Officer is hereby authorized and directed to execute and deliver the Continuing Disclosure Certificate on behalf of the Authority, which shall be in substantially the form presented to this meeting, with such changes therein, deletions therefrom and additions thereto as such Authorized Officer shall approve, which approval shall be conclusively evidenced by the execution and delivery of such Continuing Disclosure Certificate.

Section 8. The form of the Offering Circular in preliminary form as presented to this meeting is hereby approved. Each Authorized Officer is hereby authorized and directed to execute and deliver Offering Circular on behalf of the Authority, which shall be in substantially the form presented to this meeting, with such changes therein, deletions therefrom and additions thereto as such member shall approve, which approval shall be conclusively evidenced by the execution and delivery of such Offering Circular. Each Authorized Officer is hereby authorized to cause the Offering Circular to be deemed final as of its date and to be distributed to the potential purchasers of the Series 2021 Bonds in substantially the form presented to this meeting with such changes, insertions and deletions therein as the officer deeming the Offering Circular final may approve, such approval to be conclusively evidenced by deeming the Offering Circular final. The Offering Circular in final form is also authorized to be distributed to the purchasers of the Series 2021 Bonds.

Section 9. The Series 2021 Bonds, when so executed, shall be delivered to the Trustee for authentication by the Trustee. The Trustee is hereby requested and directed to authenticate the Series 2021 Bonds by executing the Trustee's Certificate of Authentication appearing thereon, and to deliver the Series 2021 Bonds, when duly executed and authenticated, to the purchaser or purchasers thereof in accordance with written instructions executed on behalf of the Authority by an Authorized Officer, which any Authorized Officer, acting alone, is authorized and directed, for and on behalf of the Authority, to execute and deliver to the Trustee. Such instructions shall provide for the delivery of the Series 2021 Bonds to the purchaser or purchasers thereof, upon payment of the purchase price thereof.

Section 10. The refunding of all or a portion of the Series 2005 Bonds is hereby approved. Each Authorized Officer is hereby authorized and directed to make or approve any additions, deletions or modifications to the documents approved hereby and to do any and all things and to execute any and all documents which they may deem necessary or desirable in order to implement the refinancing of all or a portion of the Series 2005 Bonds.

Section 11. The Treasurer of the Authority is hereby authorized to take all actions necessary to direct investment of funds under the Indenture.

Section 12. The form of Post-Issuance Services Agreement, between the Authority and BLX Group, a subsidiary of Orrick, Herrington & Sutcliffe LLP, as presented to this meeting is hereby approved. Each Authorized Officer is hereby authorized and directed to execute and deliver the Post-Issuance Services Agreement on behalf of the Authority, which shall be in substantially the form presented to this meeting, with such changes therein, deletions therefrom and additions thereto as such member shall approve, which approval shall be conclusively evidenced by the execution and delivery of the Post-Issuance Services Agreement.

Section 13. The form of Debt Management Policy, as presented to this meeting is hereby approved, and the Series 2021 Bonds authorized to be issued pursuant to this Resolution are consistent with such Debt Management Policy.

Section 14. All actions heretofore taken by the officers and employees of the County of Sacramento on behalf of the Authority with respect to the issuance of the Series 2021 Bonds, including the execution of a rating agency engagement letter with respect to the Series 2005

Bonds and/or the Series 2021 Bonds with Standard & Poor's Ratings Service, or in connection with or related to any of the agreements or documents referred to herein, are hereby approved, confirmed, and ratified.

Section 15. Each Authorized Officer is hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all additional agreements, documents and certificates in connection with the issuance of the Series 2021 Bonds and the refunding of the Series 2005 Bonds, including but not limited to certificates related to the issuance of the Series 2021 Bonds and the amendment and restatement of the Original Indenture, tax certificates, escrow agreements, administrative services agreements and other documents which they may deem necessary or desirable in order to implement the Amended and Restated Indenture, the Series 2021 Supplement, the First Amendment to Loan Agreement, the Contract of Purchase, the Continuing Disclosure Certificate, the Offering Circular or the Post-Issuance Services Agreement and otherwise to carry out, give effect to and comply with the terms and intent of this resolution; and all such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 16. The Board hereby approves the execution and delivery of any and all agreements, documents, certificates and instruments referred to herein with electronic signatures under the California Uniform Electronic Transactions Act and digital signatures under Section 16.5 of the Government Code using DocuSign.

Section 17. This resolution shall take effect immediately upon its adoption.

ON A MOTION by Director _____, and seconded by Director _____, the foregoing resolution was passed and adopted by the Board of Directors of the Tobacco Securitization Authority of Northern California, State of California, this 12th day of January, 2021, by the following vote, to wit:

AYES: Directors

NOES: Directors

ABSENT: Directors

ABSTAIN: Directors

RECUSAL: Directors
(PER POLITICAL REFORM ACT (§ 18702.5))

_____
Chair of the Board of Directors of the
Tobacco Securitization Authority of Northern California

ATTEST:

_____
Secretary of the Board of Directors of the
Tobacco Securitization Authority of Northern California

ATTACHMENT 1

AMENDED AND RESTATED INDENTURE

between the

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA,
as Issuer

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

Dated as of [_____] 1, 2021

Amending and restating that Indenture, dated as of December 1, 2005, between the Tobacco Securitization Authority of Northern California and The Bank of New York Mellon Trust Company, N.A.

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AMENDED AND RESTATED INDENTURE

This AMENDED AND RESTATED INDENTURE (the "**Amended and Restated Indenture**"), is dated as of [_____] 1, 2021, between the TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA (the "**Issuer**"), a public entity of the State of California, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (formerly known as The Bank of New York Trust Company, N.A.), as trustee (the "**Trustee**").

RECITALS:

WHEREAS, the Indenture, dated as of December 1, 2005 (the "**Original Indenture**"), as supplemented by that Series 2005 Supplement, dated as of December 1, 2005 (the "**Series 2005 Supplement**"), each between the Issuer and The Bank of New York Mellon Trust Company, N.A. (formerly known as The Bank of New York Trust Company, N.A.), were executed and delivered in connection with the issuance of the Series 2005 Bonds (as defined herein);

WHEREAS, concurrently with the execution and delivery of the Original Indenture and the Series 2005 Supplement, the Issuer executed and delivered the Secured Loan Agreement, dated as of December 1, 2005 (the "**Original Loan Agreement**"), between the Sacramento County Tobacco Securitization Corporation, a California nonprofit public benefit corporation (the "**Corporation**") and the Issuer;

WHEREAS, proceeds from the issuance of the Series 2005 Bonds were loaned to the Corporation in accordance with the Original Loan Agreement and applied to refund certain bonds the Issuer previously issued (as further defined herein, the "**Series 2001 Bonds**");

WHEREAS, at the time of issuance of the Series 2001 Bonds, the Corporation used proceeds of the Series 2001 Bonds to buy all right, title and interest of the County of Sacramento (the "**County**") to certain Tobacco Settlement Revenues (as defined herein) pursuant to that Purchase and Sale Agreement, dated as of July 1, 2001 (the "**Purchase and Sale Agreement**"), between the County and the Corporation, and to make a grant to the County to be used for the benefit of the County and its residents in connection with one or more specific capital projects;

WHEREAS, in order to achieve interest rate savings, the Issuer desires to refund through redemption and defeasance (i) all of the Outstanding Series 2005 Senior Bonds (as defined herein), (ii) [all][a portion] of the Outstanding Series 2005 First Subordinate Bonds (as defined herein), and (iii) [all][a portion] of the Outstanding Series 2005 Second Subordinate Bonds (as defined herein) (such refunded bonds, collectively, the "**Series 2005 Refunded Bonds**"), and for that purpose the Issuer has determined to issue its Tobacco Settlement Asset-Backed Refunding Bonds, Series 2021 Senior Bonds, consisting of Series 2021A Class 1 Senior Bonds, Series 2021B-1 Class 2 Senior Bonds, and Series 2021B-2 Class 2 Senior Bonds (collectively, the "**Series 2021 Senior Bonds**") pursuant to a Series 2021 Supplement to this Amended and Restated Indenture, dated as of [_____] 1, 2021 (the "**Series 2021 Supplement**"), between the Issuer and the Trustee, which amends and restates the Original Indenture (the Original Indenture, as amended and restated by the Amended and Restated Indenture, collectively with the Series 2005 Supplement and the Series 2021 Supplement, are hereafter referred to herein as the "**Indenture**");

WHEREAS, this Amended and Restated Indenture and Series 2021 Supplement are intended to provide for the issuance of the Series 2021 Senior Bonds as Refunding Bonds under the Original Indenture;

WHEREAS, the Series 2005 Supplement is not being amended or supplemented at this time (all references to the Indenture in the Series 2005 Supplement shall mean this Indenture);

WHEREAS, the Series 2021 Senior Bonds will be payable from and secured solely by the Collateral pledged under the Original Indenture (with the Series 2021A Class 1 Senior Bonds to be further secured by amounts on deposit in the Class 1 Senior Liquidity Reserve Subaccount, and the Series 2021B-1 Class 2 Senior Bonds to be further secured by amounts on deposit in the Class 2 Senior Liquidity Reserve Subaccount);

WHEREAS, [Section 3.01(b)(1) of the Original Indenture provides that Refunding Bonds may be issued to refund all Outstanding Series 2005 Bonds in whole (including the funding of defeasance escrows and deposits to Accounts in connection with such issuance)][Section 3.01(b)(ii) of the Original Indenture provides that Refunding Bonds may be issued to refund the Outstanding Series 2005 Bonds in part (including the funding of defeasance escrows and deposits to Accounts in connection with such issuance) but only if upon the issuance of such Refunding Bonds: (A) the amount on deposit in the Senior Liquidity Reserve Account will be at least equal to the Senior Liquidity Reserve Requirement; (B) no Event of Default shall have occurred and be continuing; (C) the weighted average life of each Turbo Term Bond that will remain Outstanding after the date of issuance of the Refunding Bonds as computed on the basis of new projections on the date of issuance of the Refunding Bonds will not exceed (x) the remaining weighted average life of each such Turbo Term Bond as computed by the Issuer on the basis of new projections assuming that no such Refunding Bonds are issued plus (y) one year; and (D) a Rating Confirmation is received for any Bonds that will remain Outstanding after the date of issuance of the Refunding Bonds which are then rated by a Rating Agency];

WHEREAS, Section 10.01(a)(i) of the Original Indenture provides that the Original Indenture may be supplemented or amended in writing by the Issuer and the Trustee under certain conditions;

WHEREAS, the Issuer will loan the net proceeds of the Series 2021 Senior Bonds to the Corporation pursuant to a supplement to the Original Loan Agreement, dated as of [_____] 1, 2021 (the "**First Supplement to Loan Agreement**" and together with the Original Loan Agreement, the "**Loan Agreement**"), between the Issuer and the Corporation; and

WHEREAS, the Issuer has determined that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and the entering into of this Amended and Restated Indenture do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Amended and Restated Indenture;

NOW, THEREFORE, the parties hereto agree, as follows:

ARTICLE I

INTRODUCTION AND DEFINITIONS

Section 1.01 This Indenture and the Parties. This Amended and Restated Indenture is between the Issuer and the Trustee and their respective successors or assigns.

Section 1.02 Definitions and Interpretation. In addition to terms defined elsewhere in this Indenture, the following words and terms as used in this Indenture shall have the following meanings unless the context or use clearly indicates another or different meaning or intent:

"1934 Act" has the meaning given to such term in Section 6.10 of this Indenture.

"Accounts" means the accounts established under the provisions of this Indenture.

"Accreted Value" means, with respect to any Capital Appreciation Bond, an amount equal to the initial principal amount of such Bond, plus interest accrued thereon from its date, compounded on each Distribution Date, commencing on the first Distribution Date after its issuance (through and including the Maturity Date or earlier redemption date of such Bond, or in the case of a Convertible Bond, through and excluding the applicable Conversion Date or earlier redemption date of such Bond) at the "original issue yield" for such Bond, as set forth in the related Series Supplement or in an exhibit thereto; provided, however, that the Issuer shall calculate or cause to be calculated the Accreted Value on any date other than a Distribution Date set forth in the related Series Supplement or in an exhibit thereto by straight line interpolation of the Accreted Values as of the immediately preceding and succeeding Distribution Dates. In performing such calculation, the Issuer shall be entitled to engage and rely upon a firm of accountants, consultants or financial advisors with appropriate knowledge and experience (which may include BLX Group LLC (formerly known as BondLogistix LLC)). The Trustee may conclusively rely upon such calculations. The term "original issue yield" means, with respect to any particular Bond, the yield to the applicable Maturity Date of such Bond from the initial date of delivery thereof calculated on the basis of semiannual compounding on each Distribution Date.

"Additional Subordinate Bonds" has the meaning given to such term in Section 3.01(c) of this Indenture.

"ARIMOU" means the Agreement Regarding the Interpretation of the Memorandum of Understanding, among the State and certain other signatories thereto, as originally executed and as it may be amended or supplemented from time to time.

"Authorized Denomination" means the authorized denomination of any Series of Bonds as set forth in the applicable Series Supplement.

"Authorized Officer" means, (i) in the case of the Issuer, each member of the Board of Directors, the Chair, the Vice Chair or Treasurer/Controller of the Issuer, and any other person authorized to act hereunder by appropriate Written Notice from an Authorized Officer of the Issuer to the Trustee, and (ii) in the case of the Trustee, any officer assigned to the Corporate

Trust Office including any managing director, vice president, assistant vice president, assistant treasurer, assistant secretary or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and having direct responsibility for the administration of this Indenture, and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"Basic Documents" means this Indenture, the Purchase and Sale Agreement, the Loan Agreement, the Issuer Tax Certificate, the Corporation Tax Certificate and the County Tax Certificate, or any similar documents relating to Additional Subordinate Bonds or bonds issued by the Issuer to refund the Bonds.

"Board of Directors" means the governing board of the Issuer.

"Bond Obligation" means, as of any given date of calculation, (a) with respect to any Outstanding Current Interest Bond, the principal amount of such Current Interest Bond, (b) with respect to any Outstanding Capital Appreciation Bond prior to its Maturity Date, the Accreted Value thereof as of such date, and (c) with respect to any Outstanding Capital Appreciation Bond on and after its Maturity Date, its Accreted Value on its Maturity Date.

"Bond Year" means, for so long as Bonds are Outstanding, the twelve-month period ending each May 31.

"Bonds" means the outstanding Series 2005 Bonds, Series 2021 Senior Bonds, any Refunding Bonds and any Additional Subordinate Bonds.

"Book-Entry System" means a book-entry system established and operated for the recording of the Owners of the Bonds pursuant to Section 3.05(a) of this Indenture.

"Business Day" means any day other than a Saturday, a Sunday, or a day on which banking institutions in New York, New York, Sacramento, California, or the city in which the Corporate Trust Office is located are required or authorized by law to be closed.

"California Escrow" means the account established and maintained for the benefit of the State under the California Escrow Agreement.

"California Escrow Agent" means Citibank, N.A., acting in its capacity as escrow agent under the California Escrow Agreement, or its successor in such capacity, as provided in the California Escrow Agreement.

"California Escrow Agreement" means that certain escrow agreement, dated April 12, 2000, as amended by the first amendment to escrow agreement, dated July 19, 2001, between the Attorney General of the State, on behalf of the State and the California Escrow Agent, as originally executed and as it may be amended or supplemented from time to time in accordance with the terms thereof.

"Capital Appreciation Bond" means a Bond (including, as the context requires, a Convertible Bond prior to the applicable Conversion Date), the interest on which is compounded

on each Distribution Date, commencing on the first Distribution Date after its issuance through (1) and including the Maturity Date or earlier redemption date of such Bond in the case of a Capital Appreciation Bond which is not a Convertible Bond, or (2) and excluding the Conversion Date or earlier redemption date in the case of a Convertible Bond.

"Capitalized Interest Subaccount" means the subaccount of the Senior Debt Service Account held by the Trustee pursuant to Section 5.01(b) of this Indenture.

"Class 1 Senior Bonds" means the Series 2021A Bonds and any Refunding Bonds identified as Class 1 Senior Bonds in a Series Supplement.

"Class 1 Senior Liquidity Reserve Requirement" means, for as long as any Series 2021A Bonds are Outstanding, an amount equal to $[_____], and otherwise $0; provided, however, that at the option of the Issuer, with a Rating Confirmation for any Bonds which are then rated by a Rating Agency, the Class 1 Senior Liquidity Reserve Requirement applicable on and after June 1, 2030 may be changed to an amount equal to Maximum Annual Class 1 Senior Bond Debt Service each year for as long as any Class 1 Senior Bonds are Outstanding, and otherwise $0.

"Class 1 Senior Liquidity Reserve Subaccount" means the respective subaccount so named within the Senior Liquidity Reserve Account established by the Trustee pursuant to Section 5.01(e) of this Indenture.

"Class 2 Payment Default" means a failure to pay when due interest or principal or Accreted Value at maturity on any Class 2 Senior Bonds.

"Class 2 Senior Bonds" means the Series 2021B-1 Bonds, Series 2021B-2 Bonds and any Refunding Bonds identified as Class 2 Senior Bonds in a Series Supplement.

"Class 2 Senior Liquidity Reserve Requirement" means an amount equal to $[_____] for so long as any Series 2021B-1 Bonds are Outstanding and an amount equal to $0 when no Series 2021B-1 Bonds are Outstanding, which amount may (but is not required to) be amended upon the issuance of Refunding Bonds that constitute Class 2 Senior Bonds in accordance with the applicable Series Supplement.

"Class 2 Senior Liquidity Reserve Subaccount" means the respective subaccount so named within the Senior Liquidity Reserve Account established by the Trustee pursuant to Section 5.01(e) of this Indenture. The Series 2021B-1 Bonds are secured by the Class 2 Senior Liquidity Reserve Subaccount, and the Series 2021B-2 Bonds are not secured by the Class 2 Senior Liquidity Reserve Subaccount.

"Closing Date" means [_____], 2021.

"Code" means the Internal Revenue Code of 1986, as amended.

"Collateral" has the meaning ascribed thereto in Section 2.01 of this Indenture.

"Collections" means all funds collected with respect to TSRs, amounts paid to the Issuer under any Swap Contract.

"Collections Account" means the Account held by the Trustee pursuant to Section 5.01(a) of this Indenture.

"Consent Decree" means that certain consent decree and final judgment entered by the Superior Court of the State of California, County of San Diego on December 9, 1998 in Case No. J.C.C.P. 4041.

"Continuing Disclosure Undertaking" means, as applicable, (i) that undertaking specified in Section 6.10 hereof, with the Trustee as dissemination agent, (ii) that Continuing Disclosure Certificate, dated the Closing Date, for the Series 2021 Senior Bonds, as originally executed and as it may be amended or supplemented from time to time in accordance with the terms thereof, and (iii) any undertaking with respect to a Series of Bonds subject to the Rule as required by Section 6.11 as set forth in the applicable Series Supplement.

"Conversion Date" means the date set forth in the applicable Series Supplement on and after which a Convertible Bond is deemed a Current Interest Bond and after which the Owners shall be entitled to current payments of interest on each Distribution Date.

"Convertible Bond" means a Capital Appreciation Bond which is deemed to be a Current Interest Bond after the applicable Conversion Date.

"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 Indenture, located at 100 Pine Street, Suite 3200, San Francisco, CA 94111, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

"Corporation" means the Sacramento County Tobacco Securitization Corporation, a nonprofit public benefit corporation created under the California Nonprofit Public Benefit Corporation Law.

"Corporation Tobacco Assets" has the meaning ascribed thereto in Section 3.01 of the Loan Agreement.

"Corporation Tax Certificate" means the Corporation Tax Certificate executed by the Corporation at the time of issuance of the Series 2005 Bonds, the Series 2021 Senior Bonds, and each subsequent Series of Tax-Exempt Bonds, each as originally executed and as it may be amended or supplemented from time to time in accordance with the terms thereof.

"Costs of Issuance" means any item of expense directly or indirectly payable or reimbursable by the Issuer and related to the authorization, sale and issuance of Bonds, including, but not limited to, underwriting fees, auditors' or accountants' fees, printing costs, costs of reproducing documents, filing and recording fees, fees and expenses of fiduciaries, including the Trustee, legal fees and charges, professional consultants' fees, costs of credit

ratings, fees and charges for execution, transportation and safekeeping of Bonds, governmental charges, initial charges to acquire liability insurance and other costs, charges, and fees in connection with the foregoing.

"Costs of Issuance Account" means the account held by the Trustee pursuant to Sections 5.01(k) and 7.07 of this Indenture, or a similar account held by the Trustee pursuant to a Series Supplement in connection with Refunding Bonds or Additional Subordinate Bonds.

"Counsel" means nationally recognized bond counsel or such other counsel as may be selected by the Issuer for a specific purpose hereunder.

"County" means the County of Sacramento, a political subdivision of the State.

"County Tax Certificate" means the County Tax Certificate executed by the County at the time of issuance of the Series 2005 Bonds, the Series 2021 Senior Bonds, and each subsequent Series of Tax-Exempt Bonds, each as originally executed and as it may be amended or supplemented from time to time in accordance with the provisions thereof.

"Current Interest Bond" means a Bond (including, as the context requires, a Convertible Bond on and after the applicable Conversion Date), the interest on which is payable currently on each Distribution Date after the applicable Conversion Date.

"Dealer" has the meaning given to such term in Section 6.10 of this Indenture.

"Default Rate" means (i) the rate of interest per annum set forth in a Series Supplement at which the First Subordinate Bonds, Second Subordinate Bonds and Additional Subordinate Bonds will accrete on and during the continuance of a Subordinate Payment Default for such Bonds; (ii) with respect to the Series 2021 Senior Bonds, that rate of interest per annum that accrues on a Capital Appreciation Bond from and after its Maturity Date as set forth in the Series 2021 Supplement; and (iii) with respect to any Refunding Bonds or Additional Subordinate Bonds that constitute Capital Appreciation Bonds, the rate of interest per annum set forth in a Series Supplement authorizing the issuance of such Bonds.

"Defeasance Collateral" means money and:

(a) direct obligations of the United States government, which are not redeemable at the option of the issuer thereof;

(b) (i) obligations of the State; (ii) obligations, the timely payment of the principal and interest on which are unconditionally guaranteed by the State or the United States government; (iii) certificates of deposit of banks or trust companies in the State, secured, if the Issuer shall so require, by obligations of the United States of America or of the State of a market value equal at all times to the amount of the deposit; (iv) notes, bonds, debentures, mortgages and other evidences of indebtedness, issued or guaranteed at the time of the investment by the United States Postal Service, Fannie Mae, FHLMC, the Student Loan Marketing Association, the Federal Farm Credit System, or any other United States government sponsored agency; (v) notes, bonds, debentures, mortgages and other evidences of indebtedness, issued or guaranteed at the time of investment by the Asian Development Bank, Bank Noderlandse Gementen, European

Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank and International Bank for Reconstruction and Development; or (vi) general obligation bonds and notes of any state other than the State, and bonds and notes of any county (other than the County), city, fire district or school district of the State; provided that the above-listed investments are not redeemable at the option of the issuer thereof and which shall be rated at the time of the investment in the highest long-term rating category by each Rating Agency;

(c) any depositary receipt issued by an Eligible Bank as custodian with respect to any Defeasance Collateral which is specified in clause (a) above and held by such Eligible Bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal of or interest on any such Defeasance Collateral which is so specified and held, provided that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the Defeasance Collateral or the specific payment of principal or interest evidenced by such depositary receipt;

(d) any certificate of deposit specified in the definition of "Eligible Investments" below, including certificates of deposit issued by the institution acting as Trustee or as a Paying Agent or by an affiliate of the institution acting as Trustee or a Paying Agent, secured by obligations specified in clause (a) above of a market value equal at all times to the amount of the deposit, which shall be rated at the time of the investment in the highest long-term rating category by each Rating Agency; or

(e) investment arrangements that are rated, or with providers whose senior unsecured debt obligations are rated, in the highest long-term and short-term rating category by each Rating Agency.

"Defeased Bonds" means Bonds that remain in the hands of their Owners but are no longer deemed Outstanding because they have been defeased in accordance with the provisions of Section 2.02 of this Indenture.

"Defeased Turbo Term Bonds" means Turbo Term Bonds for which a defeasance escrow has been established pursuant to Section 2.02(c) of this Indenture.

"Deposit Date" means the date of actual receipt by the Trustee of any Collections relating to the TSRs.

"Depository" means DTC and any substitute for or successor to such depository that shall, at the request of the Issuer, maintain a Book-Entry System with respect to the Bonds.

"Depository Nominee" means the Depository or the nominee of the Depository in whose name the Bonds are registered during the continuation with such Depository of participation in its Book Entry System.

"Distribution Date" means each June 1 and December 1, commencing on June 1, 2006.

"DTC" means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and includes any nominee of DTC in whose name any Bonds are then registered.

"DTC Letter" means the Issuer's Blanket Letter of Representations to DTC dated [August 10, 2001][Note: DTC may require execution of a new DTC Letter; if so, update date].

"Eligible Bank" means any (i) bank or trust company organized under the laws of any state of the United States of America, (ii) national banking association, (iii) savings bank or savings and loan association chartered or organized under the laws of any state of the United States of America or under the laws of the United States, or (iv) federal branch or agency as defined in the International Banking Act of 1978 or any successor provisions of law, or domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America.

"Electronic Instructions Officer" has the meaning given to such term in Section 7.02(j) of this Indenture.

"Electronic Means" means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

"Eligible Investments" means, with respect to the Accounts:

(a) (i) Bonds, notes and other evidences of indebtedness of the State, and securities unconditionally guaranteed as to the payment of principal and interest by the State;

(ii) Revenue bonds, revenue notes or other evidences of revenue indebtedness issued by agencies or authorities of the State; and

(iii) Bonds, notes and other evidences of indebtedness of any county (other than the County), city, district, authority or other public body in the State, provided that such bonds, notes and other evidences of indebtedness are (x) direct legal obligations of the public body, for the payment of which the public body has pledged its full faith and credit and unlimited taxing power, or (y) unconditionally guaranteed as to the payments of principal and interest by the public body.

In every case referred to in paragraphs (a)(i), (ii), or (iii) above, such bonds, notes or other evidences of indebtedness shall be rated in one of the three highest rating categories of at least one Rating Agency and not rated in a category lower than the three highest rating categories of any Rating Agency. Determination of an obligation's rating in one of the three highest rating categories shall be made without regard to any refinement or gradation of such rating category by numerical or other modifier. In addition, the remaining maturity of such bonds, notes or other evidences of indebtedness shall not be greater than five years.

(iv) Bonds, notes and other obligations of the United States, and securities unconditionally guaranteed as to the payment of principal and interest by the United States with a remaining maturity not greater than five years, except in the case of savings bonds, which may have a longer maturity. The obligations enumerated in this paragraph (iv) may be held directly or in the form of repurchase agreements collateralized by such obligations or in the form of securities of any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided that the portfolio of such investment company or investment trust is limited to such obligations or repurchase agreements collateralized by such obligations, or securities of other such investment companies or investment trusts whose portfolios are so restricted;

(v) Savings accounts, time deposits or certificates of deposit in any bank, savings bank, trust company, savings and loan association or credit union authorized to do business as such in the State, but only to the extent that such accounts, deposits or certificates are fully insured by the Federal Deposit Insurance Corporation or any successor to it or by the National Credit Union Share Insurance Fund or any successor to it; and

(b) (i) Defeasance Collateral;

(ii) direct obligations of, or obligations guaranteed as to timely payment of principal and interest by, FHLMC, Fannie Mae, FHLB, the Federal Farm Credit System or the Tennessee Valley Authority;

(iii) demand and time deposits in or certificates of deposit of, or bankers' acceptances issued by, any bank (including the institution acting as Trustee and any of its affiliates) 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 "A-1+" by S&P, "P-1" by Moody's or "F 1" by Fitch;

(iv) certificates, notes, warrants, bonds, obligations, or other evidences of indebtedness of a state or a political subdivision thereof (other than the County) rated by each Rating Agency maintaining a rating thereon in one of its three highest ratings categories;

(v) commercial or finance company paper (including both noninterest-bearing discount obligations and interest bearing obligations payable on demand or on a specified date not more than 270 days after the date of issuance thereof) that is rated "A-1" by S&P, "P-1" by Moody's or "F1" by Fitch;

(vi) repurchase obligations with respect to any security described in paragraphs (b)(i), (ii) or (iii) above entered into with a primary dealer, depository institution, or trust company (acting as principal) rated "A-1+" by S&P, "P-1" by Moody's or "F1" by Fitch (if payable on demand or on a specified date no more than three months after the date of issuance thereof), or rated by each Rating Agency

maintaining a rating thereon in one of its two highest long term rating categories, or collateralized by securities described in paragraphs (b)(i), (ii) or (iii) above with any registered broker-dealer or with any domestic commercial bank whose long-term debt obligations are rated "investment grade" by each Rating Agency, provided that (1) a written agreement governs the transaction, (2) the securities are held, free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (a) a Federal Reserve Bank, or (b) a member of the Federal Deposit Insurance Corporation that has combined surplus and undivided profits of not less than $25 million, and the Trustee has received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee, (3) the agreement has a term of 30 days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within five Business Days of such valuation, and (4) the fair market value of the collateral securities in relation to the amount of the obligation, including principal and interest, is equal to at least 102% or, if greater, the amount then required by S&P in order that the ratings then assigned by S&P to the Bonds will not be lowered or suspended;

(vii) 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 "A-1+" by S&P, "P-1" by Moody's or "F 1" by Fitch, at the time such investment or contractual commitment providing for such investment; provided that securities issued by any such corporation will not be Eligible Investments 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 Investments then held;

(viii) units of taxable or tax-exempt money market funds which funds are regulated investment companies and seek to maintain a constant net asset value per share and have been rated by each Rating Agency maintaining a rating thereon in one of its three highest rating categories, including, if so rated, any such fund which the institution acting as Trustee or an affiliate thereof [serves as an investment advisor, administrator, shareholder, servicing agent and/or custodian or sub-custodian][Note: If full refunding, delete preceding bracketed language and add the following: "receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise"];

(ix) investment agreements or guaranteed investment contracts rated, or with any financial institution or corporation whose senior long-term debt obligations are rated, or guaranteed by a financial institution whose senior long-term debt obligations are rated, at the time such agreement or contract is entered into, by each Rating Agency maintaining a rating thereon in one of its three highest rating categories, if the Issuer has an option to terminate such agreement in the event that such rating is downgraded below the rating on the Bonds, or if not so rated, then collateralized by securities described in paragraphs (b)(i), (ii) or (iii) above with any registered broker-dealer or with any domestic commercial bank whose long-term debt obligations are rated in one of the three

highest rating categories by each Rating Agency; provided that (1) a written agreement governs the transaction, (2) the securities are held, free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (a) a Federal Reserve Bank, or (b) a member of the Federal Deposit Insurance Corporation that has combined surplus and undivided profits of not less than $25 million, and the Trustee has received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee, (3) the agreement has a term of 30 days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within five Business Days of such valuation, and (4) the fair market value of the collateral securities in relation to the amount of the obligation, including principal and interest, is equal to at least 102% or, if greater, the amount then required by S&P in order that the ratings then assigned by S&P to the Bonds will not be lowered or suspended;

(x) [Reserved]; and

(xi) other obligations or securities that are non-callable and that are acceptable to each Rating Agency; provided, that no Eligible Investment may (i) except for Defeasance Collateral, evidence the right to receive only interest with respect to the obligations underlying such instrument, (ii) be purchased at a price greater than par if such instrument may be prepaid or called at a price less than its purchase price prior to its stated maturity, or (iii) be issued by or an obligation of the County. Any references to a Rating Agency in this definition will apply only if and to the extent that the obligations described are then rated by such Rating Agency. Ratings of Eligible Investments referred to herein shall be determined at the time of purchase of such Eligible Investment.

"EMMA" means the MSRB's Electronic Municipal Markets Access system, the current Internet Web address of which is www.emma.msrb.org.

"Event of Default" means an event specified in Section 9.01 of this Indenture.

"Fannie Mae" means the Federal National Mortgage Association.

"FHLB" means a Federal Home Loan Bank.

"FHLMC" means the Federal Home Loan Mortgage Corporation.

"Fiduciary" means the Trustee, each Paying Agent and the Registrar.

"First Subordinate Bonds" means the Series 2005 First Subordinate Bonds and Refunding Bonds identified as First Subordinate Bonds in a Series Supplement.

"First Subordinate Capital Appreciation Bond" means a Capital Appreciation Bond that is identified as a First Subordinate Bond in a Series Supplement.

"First Subordinate Turbo Redemption Account" means the Account held by the Trustee pursuant to Section 5.01(h) of this Indenture.

"First Supplement to Loan Agreement" means the supplement to the Original Loan Agreement, dated as of [_____] 1, 2021, between the Issuer, as lender, and the Corporation, as borrower, pursuant to which the Issuer loaned the proceeds of the Series 2021 Senior Bonds to the Corporation.

"Fiscal Year" means the 12-month period ending each June 30, or such other 12-month period as the Board of Directors may determine from time to time to be the Issuer's fiscal year. In the event that the Board of Directors changes the Issuer's Fiscal Year, the Issuer shall deliver an Officer's Certificate to the Trustee stating such change.

"Fitch" means Fitch Inc., its successors and assigns and, if such corporation shall no longer perform the functions of a securities rating agency, the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer by notice to the Trustee. References to Fitch are effective for so long as Fitch is a Rating Agency rating all or a portion of the Outstanding Bonds.

"Fixed Sinking Fund Installment" means each respective payment of principal to be made on Term Bonds that are Class 1 Senior Bonds scheduled to be made as set forth in a Series Supplement.

"Fully Paid" has the meaning given to such term in Section 2.03 of this Indenture.

"Indenture" means this Amended and Restated Indenture, together with the Series 2005 Supplement and the Series 2021 Supplement, as originally executed and as it may be amended or supplemented from time to time in accordance with the terms hereof.

"Indemnified Person" has the meaning given to such term in Section 7.09 of this Indenture.

"Indirect Participant" means a broker-dealer, bank or other financial institution who holds Bonds through a Participant.

"Instructions" has the meaning given to such term in Section 7.02(j) of this Indenture.

"Issuer" means the Tobacco Securitization Authority of Northern California, a public entity of the State, and its successors or assigns.

"Issuer Tax Certificate" means the Issuer Tax Certificate executed by the Issuer at the time of issuance of Series 2005 Bonds, the Series 2021 Senior Bonds, and each subsequent Series of Tax-Exempt Bonds, each as originally executed and as it may be amended or supplemented from time to time in accordance with the terms thereof.

"JPA Agreement" means the Amended and Restated Joint Exercise of Powers Agreement, dated as of November 16, 2005, creating the Issuer, between the County and the County of San Diego, as originally executed and as it may be amended or supplemented from time to time in accordance with the terms thereof.

"Loan" has the meaning ascribed thereto in Section 2.01 of the Loan Agreement, with respect to the loan of the proceeds of the Series 2005 Bonds, has the meaning ascribed thereto in Section 2.01 of the First Supplement to Loan Agreement, with respect to the loan of the proceeds of the Series 2021 Senior Bonds, and has the meaning ascribed thereto in any subsequent supplement or amendment to the Loan Agreement, with respect to the loan of the proceeds of Refunding Bonds or Additional Subordinate Bonds.

"Loan Agreement" means the Original Loan Agreement, as supplemented by the First Supplement to Loan Agreement, and as it may be amended or supplemented from time to time in accordance with the terms thereof.

"Loan Payments" has the meaning ascribed thereto in Section 2.02 of the Loan Agreement.

"Lump Sum Payment" means a payment from a Participating Manufacturer that results in, or is due to, a release of that Participating Manufacturer from all or a portion of its future payment obligations under the MSA. For the purposes of the Indenture (and not for purposes of the Purchase and Sale Agreement), the term "Lump Sum Payment" does not include any payments that are Total Lump Sum Payments, any non-scheduled prepayments other than a Lump Sum Payment or any payments made with respect to prior payment obligations. (For the avoidance of doubt, the Corporation Tobacco Assets include, without limitation, all Lump Sum Payments and all Total Lump Sum Payments.)

"Lump Sum Payment Account" means the Account held by the Trustee pursuant to Section 5.01(c) of this Indenture.

"Majority in Interest" means the Owners of a majority of the Bond Obligation of Outstanding Bonds eligible to act on a matter.

"Master Settlement Agreement" or "MSA" means the Master Settlement Agreement entered into on November 23, 1998, among the attorneys general of 46 states, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa and the Commonwealth of the Northern Mariana Islands and the OPMs, as originally executed and as it may be amended or supplemented from time to time.

"Maturity Date" means, with respect to any Bond, the final date on which all remaining principal or Accreted Value of such Bond is due and payable.

"Maximum Annual Class 1 Senior Bond Debt Service" means, as of any date, the greatest aggregate amount payable in the then-current calendar year or any future calendar year in respect of principal, Fixed Sinking Fund Installments and interest on Class 1 Senior Bonds.

"Moody's" means Moody's Investors Service, its successors and assigns and, if such corporation shall no longer perform the functions of a securities rating agency, the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer by notice to the Trustee. References to Moody's are effective for so long as Moody's is a Rating Agency rating all or a portion of the Outstanding Bonds.

"MOU" means the Memorandum of Understanding, dated August 5, 1998, among the Attorney General's Office of the State and certain other signatories thereto, as originally executed and as it may be amended or supplemented from time to time.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, as amended.

"Officer's Certificate" means a certificate signed by an Authorized Officer of the Issuer or, if so specified, of the Trustee.

"Operating Account" means the Account held by the Trustee pursuant to Section 5.01(d) of this Indenture.

"Operating Cap" means (i) $200,000 in the Fiscal Year ending June 30, 2021, inflated in each following Fiscal Year by the percentage representing the fraction "1+x" over "1+y," where "x" equals the Inflation Adjustment Percentage (as defined in the MSA) applicable to MSA payments due in the calendar year ending in such Fiscal Year, and "y" equals the Inflation Adjustment Percentage applicable to MSA payments due in the preceding Fiscal Year, plus (ii) in each Fiscal Year, Tax Obligations specified in an Officer's Certificate.

"Operating Contingency Account" means the Account held by the Trustee pursuant to Section 5.01(f) of this Indenture.

"Operating Expenses" means the reasonable operating and administrative expenses of each of the Issuer and the Corporation (including, without limitation, the cost of preparation of accounting and other reports, costs of maintenance of the ratings on the Bonds, insurance premiums, deductibles and retention payments, and costs of meetings or other required activities of the Issuer or the Corporation), legal fees and expenses of the Issuer and the Corporation, its respective directors, officers and employees, fees and expenses incurred for professional consultants and fiduciaries (including, but not limited to, computation of the amount of Tax Obligations and related computations), the fees, expenses, and disbursements of the Trustee, including the fees and expenses of counsel to the Trustee, Termination Payments, the costs incurred, as determined by the County, in order to preserve the tax-exempt status of any Tax-Exempt Bonds, the costs related to enforcement of the County's rights under the MOU or the ARIMOU, the costs related to the Issuer's or the Corporation's or the Trustee's enforcement rights with respect to the Basic Documents, and all Operating Expenses so identified in this Indenture. The term "Operating Expenses" does not include the Costs of Issuance.

"Opinion of Counsel" means a written opinion of Counsel.

"OPM" means an Original Participating Manufacturer, as defined in the MSA.

"Original Indenture" means the Indenture, dated as of December 1, 2005, between the Issuer and the Trustee, executed and delivered in connection with the issuance of the Series 2005 Bonds.

"Original Loan Agreement" means the Secured Loan Agreement, dated as of December 1, 2005, between the Issuer, as lender, and the Corporation, as borrower.

"Outstanding," when used as of any particular time with respect to any Bonds, means all Bonds issued under this Indenture, excluding: (i) Bonds that have been exchanged or replaced, or delivered to the Trustee for credit against the principal or Accreted Value; (ii) Bonds that have been paid; (iii) Bonds that have become due and for the payment of which money has been duly provided; (iv) Bonds the payment of which shall have been provided for pursuant to Section 2.02 of this Indenture or which are Fully Paid pursuant to Section 2.03 of this Indenture; and (v) for purposes of any consent or other action to be taken by the Owners of a Majority in Interest or specified percentage of Bonds hereunder, Bonds held by or for the account of the Issuer, or any Person controlling, controlled by, or under common control with the Issuer. For the purposes of this definition, "control," when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Owners" and similar terms mean the registered owners of the Bonds from time to time as shown on the books of the Trustee. Unless and until Bonds have been issued to Owners other than the Depository, all references to "Owners" of the Bonds are qualified by reference to Section 3.05 of this Indenture.

"Participant" means a broker-dealer, bank or other financial institution for which the Depository holds Bonds.

"Participating Manufacturer" has the meaning given to such term in the Master Settlement Agreement.

"Paying Agent" means each Paying Agent designated from time to time pursuant to Section 7.03 of this Indenture.

"Payment Priorities" means payment of Bonds in the following order of priority:

(1) first, the Senior Bonds are Fully Paid pursuant to the Senior Bonds Payment Priorities;

(2) second, the First Subordinate Bonds are Fully Paid in chronological order of Maturity Date;

(3) third, the Second Subordinate Bonds are Fully Paid in chronological order of Maturity Date; and

(4) fourth, any Additional Subordinate Bonds are Fully Paid in accordance with the provisions of the applicable Series Supplement.

Each clause above is referred to in this Indenture as a "Payment Priority."

"Person" means any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated organization, government or any agency or political subdivision thereof, or any other entity of any type, whether or not a legal entity.

"Pledged Accounts" means the Collections Account (except to the extent that money therein is allocable to the Operating Account, the Operating Contingency Account or the Rebate Account), the Senior Debt Service Account, the Lump Sum Payment Account, the Senior Liquidity Reserve Account, the Senior Turbo Redemption Account, the First Subordinate Turbo Redemption Account and the Second Subordinate Turbo Redemption Account. The term "Pledged Accounts" shall also include all subaccounts contained in the named accounts.

"Pro Rata" means, for an allocation of available amounts to any payment of interest, Accreted Value, principal or Swap Payments to be made under this Indenture, the application of a fraction to such available amounts (a) the numerator of which is equal to the amount due to the respective Owners and any party who has entered into a Swap Contract with the Issuer to whom such payment is owing, and (b) the denominator of which is equal to the total amount due to all Owners and Swap Contract counterparties to whom such payment is owing.

"Pro Rata Defeasance Redemption Schedule" shall have the meaning set forth therefor in Section 2.02(c) of this Indenture.

"Projected Turbo Redemption" means, for a Series of Bonds, each respective Turbo Redemption projected to be made pursuant to Section 5.04(d) of this Indenture, as such projections are set forth on the Projected Turbo Schedule.

"Projected Turbo Schedule" means, for a Series of Bonds that includes Turbo Term Bonds, the schedule of projected Outstanding balances of such Turbo Term Bonds set forth in the related Series Supplement or in an exhibit thereto.

"Purchase and Sale Agreement" means the Purchase and Sale Agreement dated as of July 1, 2001 between the County and the Corporation, as originally executed and as it may be amended or supplemented from time to time in accordance with the terms thereof.

"Rating Agency" means each nationally recognized securities rating service that has, at the request of the Issuer, a rating then in effect for all or a portion of Outstanding Bonds.

"Rating Confirmation" means evidence that no rating that has been requested by the Issuer and is then in effect from a Rating Agency with respect to a Bond will be withdrawn, reduced, or suspended solely as a result of an action to be taken hereunder, provided that this determination must be made without giving effect to the rating conferred by or attributable to any credit enhancement then in effect with respect to such Bond.

"Rebate Account" means the Account, if any, established and maintained by the Trustee pursuant to Sections 5.01(j) and 5.03 of this Indenture.

"Rebate Requirement" shall have the meaning ascribed thereto in the Issuer Tax Certificate.

"Record Date" means the 15th day of the calendar month immediately preceding the calendar month in which a Distribution Date occurs whether or not such day is a Business Day. The Issuer or the Trustee may in its discretion establish special record dates for the determination of the Owners for various purposes hereof, including giving consent or direction to the Trustee.

"Refunding Bonds" means Bonds, other than the Series 2005 Bonds and the Additional Subordinate Bonds, issued pursuant to Section 3.01 of this Indenture for the purposes of refunding any Outstanding Bonds.

"Registrar" means an agent designated by the Issuer to maintain the registration books for the Bonds.

"Required Defeasance Amortization" means the mandatory redemption of Defeased Turbo Term Bonds required by the provisions of Section 2.02(c) of this Indenture.

"Rule" has the meaning given to such term in Section 6.10 of this Indenture.

"S&P" means S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, a division of The McGraw-Hill Companies, Inc., its successors and assigns and, if such entity shall no longer perform the functions of a securities rating agency, the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer by notice to the Trustee. References to S&P are effective for so long as S&P is a Rating Agency rating all or a portion of the Outstanding Bonds.

"SEC" has the meaning given to such term in Section 6.10 of this Indenture.

"Second Subordinate Bonds" means the Series 2005 Second Subordinate Bonds and Refunding Bonds identified as Second Subordinate Bonds in a Series Supplement.

"Second Subordinate Capital Appreciation Bond" means a Capital Appreciation Bond that is identified as a Second Subordinate Bond in a Series Supplement.

"Second Subordinate Turbo Redemption Account" means the Account held by the Trustee pursuant to Section 5.01(i) of this Indenture.

"Senior Bonds Payment Priorities" means payment of Senior Bonds in the following order of priority:

(1) first, the Class 1 Senior Bonds are Fully Paid in chronological order of Serial Maturities, Fixed Sinking Fund Installments and Maturity Dates therefor and within a maturity, by lot in accordance with Section 5.04(g) of this Indenture; and

(2) second, the Class 2 Senior Bonds are Fully Paid in chronological order by Maturity Date and within a maturity, by lot in accordance with Section 5.04(g) of this Indenture.

"Senior Bonds" means the Series 2005 Senior Bonds, the Series 2021 Senior Bonds and Refunding Bonds identified as Senior Bonds in a Series Supplement.

"Senior Capital Appreciation Bond" means a Capital Appreciation Bond that is identified as a Senior Bond in a Series Supplement.

"Senior Convertible Bond" means a Convertible Bond that is identified as a Senior Bond in a Series Supplement.

"Senior Current Interest Bond" means a Current Interest Bond that is identified as a Senior Bond in a Series Supplement.

"Senior Debt Service Account" means the Account held by the Trustee pursuant to Section 5.01(b) of this Indenture.

"Senior Liquidity Reserve Account" means the Account held by the Trustee pursuant to Section 5.01(e) of this Indenture.

"Senior Liquidity Reserve Requirement" means an amount equal to the sum of the Class 1 Senior Liquidity Reserve Requirement and the Class 2 Senior Liquidity Reserve Requirement.

"Senior Turbo Redemption Account" means the Account held by the Trustee pursuant to Section 5.01(g) of this Indenture.

"Serial Bonds" means those Bonds identified as Serial Bonds in a Series Supplement.

"Serial Maturity" means the principal amount or Accreted Value of Serial Bonds due in any year as set forth in a Series Supplement.

"Series" means all Bonds so identified in a Series Supplement, regardless of variations in class, Maturity Date, interest rate or other provisions, and any Bonds thereafter delivered in exchange or replacement therefor.

"Series 2001 Bonds" means the Issuer's Tobacco Settlement Asset-Backed Bonds, Series 2001A and Series 2001B (Sacramento County Tobacco Securitization Corporation). The Series 2001 Bonds are no longer Outstanding.

"Series 2005 Bonds" means the Series 2005 Senior Bonds, the Series 2005 First Subordinate Bonds and the Series 2005 Second Subordinate Bonds issued pursuant to this Indenture and the Series 2005 Supplement.

"Series 2005 First Subordinate Bonds" means the Issuer's Tobacco Settlement Asset-Backed Bonds (Sacramento County Tobacco Securitization Corporation), Series 2005B First Subordinate Capital Appreciation Bonds.

"Series 2005 Refunded Bonds" means, (i) all of the Series 2005 Senior Bonds, (ii) [all][a portion] of the Series 2005 First Subordinate Bonds, and (iii) [all][a portion] of the Series 2005 Second Subordinate Bonds.

"Series 2005 Second Subordinate Bonds" means the Issuer's Tobacco Settlement Asset-Backed Bonds (Sacramento County Tobacco Securitization Corporation), Series 2005C Second Subordinate Capital Appreciation Bonds.

"Series 2005 Senior Bonds" means the Series 2005A-1 Senior Bonds and the Series 2005A-2 Senior Bonds.

"Series 2005 Supplement" means the Series Supplement authorizing the Series 2005 Bonds. References to the Indenture in the Series 2005 Supplement shall mean this Indenture.

"Series 2005A-1 Senior Bonds" means the Issuer's Tobacco Settlement Asset-Backed Bonds (Sacramento County Tobacco Securitization Corporation), Series 2005A-1 Senior Current Interest Bonds.

"Series 2005A-2 Senior Bonds" means the Issuer's Tobacco Settlement Asset-Backed Bonds (Sacramento County Tobacco Securitization Corporation), Series 2005A-2 Senior Convertible Bonds.

"Series 2021 Senior Bonds" means the Series 2021A Bonds and Series 2021B Bonds.

"Series 2021 Supplement" means the Series 2021 Supplement, dated as of [_____] 1, 2021, between the Issuer and the Trustee, relating to the Series 2021 Senior Bonds.

"Series 2021A Bonds" means the Issuer's $[_____] Tobacco Settlement Asset-Backed Refunding Bonds (Sacramento County Tobacco Securitization Corporation), Series 2021A Class 1 Senior [Current Interest] Bonds.

"Series 2021B Bonds" means the Series 2021B-1 Bonds and Series 2021B-2 Bonds.

"Series 2021B-1 Bonds" means the Issuer's $[_____] Tobacco Settlement Asset-Backed Refunding Bonds (Sacramento County Tobacco Securitization Corporation), Series 2021B-1 Class 2 Senior [Current Interest] Bonds.

"Series 2021B-2 Bonds" means the Issuer's $[_____] Tobacco Settlement Asset-Backed Refunding Bonds (Sacramento County Tobacco Securitization Corporation), Series 2021B-2 Class 2 Senior [Capital Appreciation] Bonds.

"Series Supplement" means the Series 2005 Supplement, the Series 2021 Supplement, and any other Supplemental Indenture providing for the issuance of a Series of Refunding Bonds or Additional Subordinate Bonds in accordance with Section 3.01 of this Indenture.

"State" means the State of California.

"Subordinate Bonds" means First Subordinate Bonds, Second Subordinate Bonds and Additional Subordinate Bonds.

"Subordinate Payment Default" means a failure to pay when due interest or principal or Accreted Value at maturity on any First Subordinate Bonds, Second Subordinate Bonds or Additional Subordinate Bonds.

"Supplemental Indenture" means a Series Supplement or other supplement hereto or amendment hereof executed and delivered in accordance with the terms hereof. Any provision

that may be included in a Series Supplement or a Supplemental Indenture is also eligible for inclusion in the other subject to the provisions hereof.

"Swap Contract" means an interest rate exchange, cap, collar, hedge or similar agreement entered into by the Issuer in connection with Senior Bonds.

"Swap Payment" means any payment with respect to a Swap Contract, other than any Termination Payment with respect to a Swap Contract.

"Taxable Bonds" means all Bonds other than Tax-Exempt Bonds.

"Tax-Exempt Bonds" means all Bonds identified as Tax-Exempt Bonds in any Series Supplement.

"Tax Obligations" means the Rebate Requirement and any penalties, fines, or other payments required to be made to the United States of America under the arbitrage or rebate provisions of the Code.

"Term Bond Maturity" means the payment of principal or Accreted Value required to be made upon the Maturity Date of any Term Bond, as such schedule is set forth in a Series Supplement.

"Term Bonds" means those Bonds identified as Term Bonds in a Series Supplement.

"Termination Payment" means any payment made by the Issuer with respect to a loss under or the termination of a Swap Contract, investment agreement or forward purchase agreement relating to any Account.

"Tobacco Settlement Revenues" or "TSRs" means, without duplication, the portion of the Collateral that consists of payments received pursuant to the MOU, the ARIMOU, the MSA and the Consent Decree.

"Total Lump Sum Payment" means a final payment under the MSA from all of the Participating Manufacturers that results in, or is due to, a release of all of the Participating Manufacturers from all of their future payment obligations under the MSA.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., acting in its capacity as trustee under this Indenture, or its successor, as provided in this Indenture.

"Turbo Redemptions" means (a) with respect to Turbo Term Bonds that are Senior Bonds, the redemption of such Turbo Term Bonds from amounts on deposit in the Senior Turbo Redemption Account pursuant to Section 5.04(d) of this Indenture, (b) with respect to Turbo Term Bonds that are First Subordinate Bonds, the redemption of such Turbo Term Bonds from amounts on deposit in the First Subordinate Turbo Redemption Account pursuant to Section 5.04(d) of this Indenture, and (c) with respect to Turbo Term Bonds that are Second Subordinate Bonds, the redemption of such Turbo Term Bonds from amounts on deposit in the Second Subordinate Turbo Redemption Account pursuant to Section 5.04(d) of this Indenture.

"Turbo Term Bond Maturity" means the payment of principal or Accreted Value required to be made upon the Maturity Date of any Turbo Term Bond, as such schedule is set forth in a Series Supplement.

"Turbo Term Bonds" means the Term Bonds identified as Turbo Term Bonds in a Series Supplement.

"Written Notice," "written notice" or "notice in writing" means notice in writing which may be delivered by hand or first class mail, overnight delivery, or by Electronic Means.

(a) Articles and Sections referred to by number shall mean the corresponding Articles and Sections of this Indenture.

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa.

(c) The terms "hereby," "hereof," "herein," "hereunder" and any similar terms, as used in this Indenture, refer to this Indenture; and the term "date hereof" means on, the term "hereafter" means after, and the term "heretofore" means before, the date of execution and delivery of this Indenture.

(d) The word "including" means "including without limitation."

(e) The word "or" is used in its inclusive sense.

(f) The captions of the Articles and Sections of this Indenture and any table of contents shall be solely for convenience of reference, and shall not affect the meaning, construction or effect of this Indenture.

(g) As used in this Indenture and in any certificate or other document made or delivered pursuant hereto or thereto, accounting terms not defined in this Indenture or in any such certificate or other document, and accounting terms partly defined in this Indenture or in any such certificate or other document to the extent not defined, shall have the respective meanings given to them under generally accepted accounting principles. To the extent that the definitions of accounting terms in this Indenture or in any such certificate or other document are inconsistent with the meanings of such terms under generally accepted accounting principles, the definitions contained in this Indenture or in any such certificate or other document shall control.

Section 1.03 No Liability on Bonds.

(a) Neither the directors or officers of the Issuer nor any person executing Bonds or other obligations of the Issuer shall be liable personally thereon or be subject to any personal liability or accountability solely by reason of the issuance thereof.

(b) The Bonds are limited obligations of the Issuer, payable solely from certain funds held under this Indenture, including the Collections. The Bonds do not constitute a charge (except with respect to Collections) against the general credit of the Issuer and under no

circumstances will the Issuer be obligated to pay the interest on or principal or Accreted Value of or redemption premiums, if any, on the Bonds except from Collections and balances held in the Senior Liquidity Reserve Account (where applicable, and, to the extent available). The Bonds and other obligations of the Issuer are not a debt or obligation of the State or any of its municipalities or other political subdivisions, other than the Issuer, and neither the State nor any such municipalities or other subdivisions, other than the Issuer, shall be liable for the payment of the principal or Accreted Value of or interest on the Bonds or such other obligations. The Issuer has no taxing power.

ARTICLE II

GRANT OF SECURITY INTEREST

Section 2.01 Security Interest and Pledge. In order to secure payment of the Bonds and the Swap Payments, all with the respective priorities specified herein, the Issuer hereby pledges to the Trustee, and grants to the Trustee a first priority lien and security interest in, all of the Issuer's right, title, and interest, whether now owned or hereafter acquired, in, to, and under: (i) the Issuer's rights with respect to the Loan Agreement, including but not limited to the right to receive Loan Payments and to enforce the obligations of the Corporation pursuant to the Loan Agreement; (ii) the Corporation Tobacco Assets; (iii) the Pledged Accounts, all money, instruments, investment property, and other property credited to or on deposit in the Pledged Accounts, and all investment earnings thereon; (iv) any payment received by the Issuer pursuant to a Swap Contract; (v) all present and future claims, demands, causes and things in action in respect of any or all of the foregoing and all payments on or under and all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing, including all proceeds of the conversion, voluntary or involuntary, into cash or other liquid property, all cash proceeds, accounts, general intangibles, notes, drafts, acceptances, chattel paper, checks, deposit accounts, insurance proceeds, condemnation awards, rights to payment of any and every kind, and other forms of obligations and receivables, instruments, payment intangibles and other property that at any time constitute all or part of or are included in the proceeds of any of the foregoing; and (vi) all proceeds of the foregoing. The property described in the preceding sentence is referred to herein as the "Collateral." The Collateral does not include the rights of the Issuer pursuant to provisions for consent or other action by the Issuer, notice to the Issuer, indemnity or the filing of documents with the Issuer, or otherwise for its benefit and not for that of the Owners. The Issuer covenants and agrees that it will implement, protect, and defend the security interest and pledge made in this Section 2.01 by all appropriate action for the benefit of the Owners and any party that has entered into a Swap Contract, the cost thereof to be an Operating Expense.

The pledge of Collateral shall be valid and binding from the date of execution of this Indenture, and amounts so pledged and thereafter received shall immediately be subject to the lien of the pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer, irrespective of whether such parties have notice thereof and this Indenture need not be recorded or filed to perfect such pledge.

None of the proceeds of the Bonds or any earnings therefrom, unless deposited into one of the Pledged Accounts, shall in any way be pledged to the payment of the Bonds. Such amounts shall not be part of the Collateral.

Section 2.02 Defeasance.

(a) *Total Defeasance*. When (i) there is held by or for the account of the Trustee Defeasance Collateral in such principal amounts, bearing interest at such fixed rates and with such maturities, including any applicable redemption premiums, as will provide sufficient funds to pay, or to redeem in accordance with Section 5.04 of this Indenture, all obligations to Owners in whole (to be verified by a nationally recognized firm of independent verification agents), (ii) any required notice of redemption shall have been duly given in accordance with this Indenture or irrevocable instructions to give notice shall have been given to the Trustee, (iii) all the rights hereunder of the Fiduciaries and counterparties to Swap Contracts have been provided for and all Operating Expenses have been satisfied in accordance with Section 2.03(c) of this Indenture, and (iv) the Trustee shall have received an Opinion of Counsel to the effect that such defeasance will not, in and of itself, cause interest on any Tax-Exempt Bond to be included in gross income for federal income tax purposes, then upon Written Notice from the Issuer to the Trustee, such Owners and counterparties to Swap Contracts shall cease to be entitled to any benefit or security under this Indenture except the right to receive payment of the funds held in such defeasance escrow and other rights which by their nature cannot be satisfied prior to or simultaneously with termination of the lien hereof, this Indenture and the lien, rights and security interests created by this Indenture (except in such funds and investments) shall terminate and become null and void, and the Issuer and the Trustee shall execute and deliver such instruments as may be necessary to discharge the Trustee's lien, rights and security interests (except in such funds and investments) created hereunder. Upon such defeasance, the funds and investments required to pay or redeem the Bonds shall be irrevocably set aside for that purpose, subject, however, to Section 5.06 of this Indenture, and money held for defeasance shall be invested only as provided above in this section and applied by the Trustee and other Paying Agents, if any, to the retirement of the Bonds. Any funds or other property held by the Trustee and not required for payment or redemption of the Bonds shall be distributed in accordance with the order of the Issuer. Upon the discharge of the Trustee's lien and security interests created hereunder, the Trustee and the Issuer shall cooperate in delivering instructions to the Attorney General of the State to instruct the California Escrow Agent to transfer the TSRs to or upon the order of the Corporation.

(b) *Partial Defeasance*. Subject to the requirements of Section 6.03 of this Indenture, the Issuer may create a defeasance escrow for the retirement and defeasance of any Bonds subject to and in accordance with Section 2.02(a) of this Indenture. Thereafter, the Owners of such Defeased Bonds and counterparties to such related Swap Contracts shall cease to be entitled to any benefit or security under this Indenture except the right to receive payment of the funds held in such defeasance escrow and other rights which by their nature cannot be satisfied prior to or simultaneously with termination of the lien hereof of this Indenture.

(c) *Defeasance of Turbo Term Bonds*. For each Defeased Turbo Term Bond of the same Maturity Date and Series, the Issuer must determine a "Pro Rata Defeasance Redemption Schedule" as described in Sections 2.02(c)(i) and 2.02(c)(ii) below. In establishing the

defeasance escrow, the Defeased Turbo Term Bonds may not be redeemed more slowly than the Pro Rata Defeasance Redemption Schedule.

(i) For a given Turbo Term Bond Maturity of a given Series, the Trustee shall determine the Pro Rata portion of each Projected Turbo Redemption (shown, with respect to each Series of Bonds, in an exhibit to the related Series Supplement) that is allocable to the Defeased Turbo Term Bonds. The Pro Rata portion of each Projected Turbo Redemption shall be calculated as of the date of the defeasance by: (a) deducting the Turbo Redemptions which have already occurred from the earliest Projected Turbo Redemptions to arrive at a schedule of "Projected Turbo Redemptions Adjusted for Prior Payments"; (b) calculating a ratio of the Bond Obligation to be defeased of each Turbo Term Bond Maturity divided by the then Outstanding Bond Obligation of the Turbo Term Bond Maturity; and (c) applying that ratio to the Projected Turbo Redemptions Adjusted for Prior Payments, resulting in a schedule for each Turbo Term Bond Maturity defined as the "Pro Rata Defeasance Redemption Schedule."

(ii) For each Defeased Turbo Term Bond of the same Maturity Date and Series, the Trustee shall establish a defeasance escrow which: (a) redeems on the earliest possible date the Pro Rata Defeasance Redemptions which were originally projected to occur prior to the date of the defeasance, if any; and (b) thereafter, redeems the Pro Rata Defeasance Redemptions according to their schedule.

(iii) In order to establish the Projected Turbo Redemption Schedule in effect for each Turbo Term Bond Maturity of a given Series after each partial defeasance, the Trustee shall determine the schedule of Projected Turbo Redemptions Adjusted for Prior Payments then applicable and permanently subtract the Pro Rata Defeasance Redemption Schedule from such schedule of Projected Turbo Redemptions Adjusted for Prior Payments.

(iv) The provisions of this Section 2.02(c) shall not be construed to limit the optional redemption of Bonds of a Series pursuant to the applicable Series Supplement.

Section 2.03 Payment of Bonds; Satisfaction and Discharge of Indenture.

(a) Whenever all Bonds have been Fully Paid, all Swap Payments have been paid and the requirements of Section 2.03(c) have been met, then, upon Written Notice from the Issuer to the Trustee (and subject to Section 2.02 of this Indenture for Bonds that are deemed Fully Paid in accordance with Section 2.03(b)(iv) of this Indenture), this Indenture and the lien, rights and security interests created by this Indenture shall terminate and become null and void, and the Issuer and the Trustee shall execute and deliver such instruments as may be necessary to discharge the Trustee's lien and security interests created hereunder. Any funds or other property held by the Trustee and not required for payment or redemption of the Bonds shall be distributed in accordance with the order of the Issuer. Upon the discharge of the Trustee's lien and security interests created hereunder, the Trustee and the Issuer shall cooperate in delivering instructions to the Attorney General of the State to instruct the California Escrow Agent to transfer the TSRs to or upon the order of the Corporation.

(b) A Bond shall be deemed "Fully Paid" only if —

(i) such Bond has been canceled by the Trustee or delivered to the Trustee for cancellation, including but not limited to under the circumstances described in Section 3.04 of this Indenture; or

(ii) such Bond shall have matured or been called for redemption and, on such Maturity Date or redemption date, money for the payment of the principal or Accreted Value of, redemption premium, if any, and interest on such Bond is held by the Trustee in trust for the benefit of the person entitled thereto; or

(iii) such Bond is alleged to have been lost, stolen, destroyed, partially destroyed, or defaced and has been replaced as provided in Section 3.04(b) of this Indenture; or

(iv) such Bond has been defeased as provided in subsection (a), (b) or (c) of Section 2.02 of this Indenture (whether as part of a defeasance of all or less than all of the Bonds).

(c) Prior to any satisfaction and discharge of this Indenture, the Issuer shall satisfy all Operating Expenses.

ARTICLE III

THE BONDS

Section 3.01 Bonds of the Issuer.

(a) By Series Supplements complying procedurally and in substance with this Indenture, the Issuer may authorize, issue, sell and deliver the Series 2005 Bonds, the Series 2021 Senior Bonds and one or more Series of Refunding Bonds or Additional Subordinate Bonds from time to time with such principal amounts and Accreted Values at maturity as the Issuer shall determine. The Bonds of each Series shall bear such dates, mature at such times, be subject to such terms of payment, bear interest or accrete at such rates, be in such form and Authorized Denomination, carry such registration privileges and transfer restrictions, if any, be executed in such manner, and be payable in such medium of payment, at such place and subject to such terms of redemption, as the Issuer may provide herein and in the related Series Supplement. The proceeds of the Series 2005 Bonds shall be applied as provided in Section 4.01 of this Indenture and the proceeds of each other Series of Bonds shall be applied as provided in Sections 4.02 and 4.03 of this Indenture and the related Series Supplement. The Series Supplement shall identify whether the Bonds of any Series are Senior Bonds (including whether such Bonds are Class 1 Senior Bonds or Class 2 Senior Bonds), First Subordinate Bonds, Second Subordinate Bonds or Additional Subordinate Bonds and whether such Bonds are Current Interest Bonds or Capital Appreciation Bonds or Convertible Bonds, and if such Bonds are Class 2 Senior Bonds, whether such Class 2 Senior Bonds are secured by the Class 2 Senior Liquidity Reserve Subaccount.

(b) (i) Refunding Bonds may be issued to refund all Bonds in whole (including the funding of defeasance escrows and deposits to Accounts in connection with such

issuance). Nothing in this Indenture is intended to limit the ability of the Issuer to issue Refunding Bonds to refund all Bonds in whole pursuant to a new indenture.

(ii) Refunding Bonds may be issued to refund Bonds in part (including the funding of defeasance escrows and deposits to Accounts in connection with such issuance) but only if upon the issuance of such Refunding Bonds: (A) the amount on deposit in the Senior Liquidity Reserve Account will be at least equal to the Senior Liquidity Reserve Requirement; (B) no Event of Default shall have occurred and be continuing; (C) the weighted average life of each Turbo Term Bond that will remain Outstanding after the date of issuance of the Refunding Bonds as computed on the basis of new projections on the date of issuance of the Refunding Bonds will not exceed (x) the remaining weighted average life of each such Turbo Term Bond as computed by the Issuer on the basis of new projections assuming that no such Refunding Bonds are issued plus (y) one year; and (D) a Rating Confirmation is received for any Bonds that will remain Outstanding after the date of issuance of the Refunding Bonds which are then rated by a Rating Agency.

(c) One or more Series of Bonds (the "Additional Subordinate Bonds") may be issued for any lawful purpose if there is no payment permitted for such Bonds until all previously issued Bonds are Fully Paid. Additional Subordinate Bonds may be issued to refund all or a portion of the Bonds without satisfying the requirements of Section 3.01(b)(ii) of this Indenture.

(d) The Bonds shall be executed in the name of the Issuer by the manual or facsimile signature of the Chair or Vice Chair of the Issuer, and attested by the manual or facsimile signature of the Secretary of the Issuer. The authenticating certificate of the Trustee shall be manually signed. Obligations executed as set forth above shall be valid and binding obligations when duly delivered, notwithstanding the fact that before the delivery thereof the persons executing the same shall have ceased holding such office or others may have been designated to perform such functions.

(e) The Issuer may from time to time request the authentication and delivery of a Series of Bonds by providing to the Trustee (at or prior to such authentication and delivery) the following: (i) copies of the applicable Series Supplement; (ii) in the case of Refunding Bonds, an Officer's Certificate showing compliance with Section 3.01(b); (iii) an opinion of Counsel (A) as to the due execution and delivery by the Issuer of this Indenture and each relevant Supplemental Indenture, (B) to the effect that the Bonds being issued are valid and binding obligations of the Issuer payable from the sources specified in the Indenture, (C) to the effect that the Indenture creates the valid pledge of the Collateral (including, without limitation, the TSRs), and (D) in the case of Refunding Bonds, to the effect that the issuance of such Refunding Bonds will not, in and of itself, cause interest on any Tax-Exempt Bonds to be included in gross income for federal income tax purposes; (iv) such other documents as may be required by the applicable Series Supplement; and (v) an Officer's Certificate to the effect that the applicable conditions to the issuance of Bonds set forth herein and in each applicable Series Supplement have been met, and requesting the Trustee's authentication of the Series of Bonds.

(f) The principal and Accreted Value of, redemption premium, if any, and the interest on the Bonds shall be payable in lawful currency of the United States.

While the Book-Entry System is in effect with respect to any Bonds, notwithstanding any other provisions set forth herein, payments of principal and Accreted Value of, redemption premium, if any, and interest on the Bonds shall be made to the Depository Nominee, by wire transfer in immediately available funds to the account specified by the Depository without the necessity of the presentation and surrender of the Bonds. Without notice to or the consent of the Owners, the Paying Agent, with the consent of the Issuer and the Depository, may agree in writing to make payments of principal and Accreted Value of, redemption premium, if any, and interest in a manner different from that set out herein. In such event, the Paying Agent shall make payments with respect to the Bonds in the manner determined in the preceding sentence.

Upon the discontinuance of the maintenance of the Bonds under a Book-Entry System, the principal and Accreted Value of, redemption premium, if any, and the interest on the Bonds shall be payable at the principal office of the Paying Agent upon presentation and surrender of the Bonds. Payments of interest on the Current Interest Bonds will be mailed on each Distribution Date to the persons in whose names the Current Interest Bonds are registered at the close of business on the Record Date next preceding such Distribution Date; provided, any Owner of a Current Interest Bond or Bonds in an aggregate principal amount of not less than $1,000,000 may, by prior written instructions filed with the Paying Agent (which instructions shall remain in effect until revoked by subsequent written instructions), instruct that interest payments for any period be made by wire transfer to an account in the continental United States or other means acceptable to the Paying Agent.

Each Current Interest Bond shall accrue interest from its dated date, which interest is payable currently on each Distribution Date until the Maturity Date or earlier redemption date of such Bond as provided herein. Interest on each Current Interest Bond shall be computed as provided in the Series Supplement to which such Current Interest Bond relates. For the avoidance of doubt, in the event a Current Interest Bond remains Outstanding after its Maturity Date, such Bond will continue to accrue and pay interest at its stated interest rate.

Each Capital Appreciation Bond shall accrete interest from its dated date, which interest shall be compounded on each Distribution Date, commencing with the first Distribution Date after its issuance through and including the Maturity Date or earlier redemption date of such Bond. For the avoidance of doubt, in the event that a Capital Appreciation Bond remains Outstanding after its Maturity Date, such Bond will accrue and pay interest at its Default Rate from its Maturity Date.

Each Convertible Bond shall accrete interest from its dated date, which interest shall be compounded on each Distribution Date, commencing with the first Distribution Date after its issuance through and excluding the Conversion Date or earlier redemption date of such Bond. On and after the applicable Conversion Date, such Convertible Bond shall become a Current Interest Bond with a principal amount equal to the Accreted Value at such Conversion Date as set forth in a Series Supplement, the interest on which shall be payable currently on each Distribution Date after the Conversion Date until the Maturity Date or earlier redemption date of such Bond as provided herein. For the avoidance of doubt, in the event a Convertible Bond remains Outstanding after its Maturity Date, such Bond will continue to accrue and pay interest at its stated interest rate.

Section 3.02 Serial Maturities. The Serial Bonds shall mature in the years and in the principal amounts or Accreted Values at maturity, and shall bear interest as specified in the applicable Series Supplement.

Section 3.03 Term Bond and Turbo Term Bond Maturities. The Term Bonds (excluding all Turbo Term Bonds) shall mature in the years and in the principal amounts at maturity, shall bear interest and shall have Fixed Sinking Fund Installments, if any, as specified in the applicable Series Supplement. The Turbo Term Bonds shall mature in the years and in the principal amounts or Accreted Values at maturity and shall bear interest as specified in the applicable Series Supplement.

Section 3.04 Transfer and Replacement of Bonds.

(a) *Transfer*. A registered Bond shall be transferable upon presentation to the Registrar with a written transfer of title of the Owner. Such transfer shall be dated, and signed by such Owner, or such Owner's legal representative, and shall be signature guaranteed by a guarantor institution participating in a guarantee program acceptable to the Registrar. The name of the transferee shall be entered in the books kept by the Registrar and:

(i) the transferee shall be provided with a new Bond of substantially the same form and tenor as the Bond presented;

(ii) the new Bond shall be signed and attested by the manual or facsimile signatures of Authorized Officers of the Issuer;

(iii) the new Bond shall be executed as of the date of the Bond presented and shall be authenticated as of the date of delivery of the new Bond;

(iv) the Bond presented shall be cancelled and destroyed and a certificate of destruction shall be filed with the Issuer;

(v) no interest shall be paid on a Bond issued in registered form until the name of the payee has been inserted therein and such Bond has been registered as provided herein;

(vi) the principal or Accreted Value of, redemption premium, if any, and interest on a Bond which has been registered shall be payable only to the Owner, or its legal representatives, successors, or transferees;

(vii) the transferee shall pay a charge sufficient to reimburse the Registrar for any tax, fee, or other governmental charge required to be paid with respect to such registration;

(viii) the Registrar shall not be obliged to make any transfer of the Bonds (i) during the 15 calendar days preceding the date of sending notice, or the first publication of notice, of any proposed redemption of the Bonds, or (ii) with respect to any particular Bond, after such Bond has been called for redemption; and

(ix) Prior to any transfer of the Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

(b) *Replacement*. The Issuer and the Registrar may issue a new Bond to replace one lost, stolen, destroyed, partially destroyed, or defaced, in accordance with the following:

(i) If the Bond is claimed to be lost, stolen or destroyed, the owner shall furnish:

(A) proof of ownership;

(B) proof of loss, theft or destruction;

(C) payment of the cost of preparing, issuing, mailing, shipping, and insuring the new Bond; and

(D) security or indemnity in a form acceptable to the Issuer and Registrar.

(ii) If the Bond is defaced or partially destroyed, the owner shall surrender such Bond and pay the cost of preparing and issuing the new Bond.

(iii) The new Bond shall be of substantially the same form and tenor as the one originally issued, and shall be signed and attested by the manual or facsimile signatures of Authorized Officers of the Issuer. The new Bond shall be authenticated in the manner provided herein. If the Bond is issued in the place of one claimed to be lost, stolen or destroyed, it shall in addition state upon the back thereof that it is issued in the place of such Bond claimed to have been lost, stolen or destroyed, and, where applicable, that adequate security or indemnity for its payment in full at its Maturity Date is filed with the Registrar. The Registrar shall make an appropriate entry in its records of any new Bond issued pursuant to this section.

Section 3.05 Securities Depositories.

(a) *Immobilized Bonds*. The Bonds shall initially be issued pursuant to a Book-Entry System administered by the Depository with no physical distribution of bond certificates to be made except as provided in Section 3.05(b) of this Indenture.

So long as a Book-Entry System is being used, one or more word-processed bonds for each Maturity Date of Bonds of a Series as required by the Depository, in the aggregate principal amount or Accreted Value at maturity or the Conversion Date, as the case may be, of such

Maturity Date and Series and registered in the name of the Depository Nominee, will be issued and required to be deposited with the Depository (or a custodian for the Depository) and held in its custody. The Book-Entry System will be maintained by the Depository, the Participants and the Indirect Participants and will evidence beneficial ownership of the Bonds of a Series in Authorized Denominations, with transfers of ownership effected on the records of the Depository, the Participants, and the Indirect Participants pursuant to rules and procedures established by the Depository, the Participants and the Indirect Participants.

Transfer of principal, Accreted Value and interest payments or notices to Participants and Indirect Participants will be the responsibility of the Depository, and transfer of principal, Accreted Value and interest payments or notices to Owners will be the responsibility of the Participants and the Indirect Participants. No other party will be responsible or liable for such transfers of payments or notices or for maintaining, supervising or reviewing such records maintained by the Depository, the Participants, or the Indirect Participants.

DTC is hereby appointed as the Depository. To the extent permitted by law, the Issuer may at any time provide for the replacement of the Depository with another qualified depository. If any depository is replaced as the depository for the Bonds with another qualified Depository, the Registrar will issue to the successor Depository replacement Bonds, registered in the name of the successor Depository Nominee.

Each Depository and the Participants, and the Indirect Participants, and the Owners of the Bonds, by their acceptance of the Bonds, agree that neither the Issuer nor any Fiduciary shall have any liability for the failure of any Depository to perform its obligation to any Participant, any Indirect Participant, or any Owner of any Bonds, nor shall the Issuer or any Fiduciary be liable for the failure of any Participant, Indirect Participant, or other nominee of any Owner of any Bonds to perform any obligation that such Participant, Indirect Participant, or other nominee may incur to any Owner of the Bonds.

A Fiduciary may rely upon the information provided by the Depository with respect to the identity of, and any other information relating to, any Participants, and may accept communications made by a Participant on behalf of an Owner.

(b) *Discontinuance of Book-Entry System*. Upon the discontinuance of the maintenance of the Bonds of any Series under a Book-Entry System, the Registrar will issue Bonds of such Series in Authorized Denominations directly to the Owners of Bonds as further described below. In such event, the Registrar shall make provisions to notify the Participants, the Indirect Participants and the Owners of the Bonds, by mailing an appropriate notice to the Depository, or by other means deemed appropriate by the Registrar in its discretion, that Bonds will be directly issued to the Owners of the Bonds as of a date set forth in such notice, which shall be a date at least ten calendar days after the date of mailing of such notice (or such fewer number of days as shall be acceptable to the Depository).

In the event that Bonds are to be issued to Owners of the Bonds, the Registrar, at the expense of the Issuer, shall promptly have prepared Bonds in certificated form in Authorized Denominations registered in the names of the Owners of Bonds provided to the Registrar, as of the date set forth in the notice described above. Neither the Issuer nor the Trustee shall be liable

for any delay in delivery of such instructions and may conclusively rely on, and shall be fully protected in relying on, such instructions.

(c) *DTC Letter*. The Trustee shall comply with the requirements of the DTC Letter applicable to it.

ARTICLE IV

APPLICATION OF BOND PROCEEDS

Section 4.01 Use of Series 2005 Bond Proceeds, Series 2021 Senior Bond Proceeds and Certain Other Moneys. Upon the delivery of the Series 2005 Bonds and receipt of the amount of the purchase price thereof ($248,983,007.58, comprised of the initial principal amount of the Series 2005 Bonds, less net original issue discount on the Series 2005A-1 Senior Bonds of $4,680,018.35 and less underwriters' discount of $1,823,262.27) and other moneys in the amount of $324,301.68, such amount shall be disposed of as follows:

(a) the sum of $324,301.68 shall be deposited into the Operating Account;

(b) the sum of $1,368,240.32, corresponding to the Costs of Issuance (exclusive of underwriter's discount) shall be deposited into the Costs of Issuance Account and used for the purpose of paying the Costs of Issuance until as contemplated by Section 7.07 of this Indenture an Authorized Officer of the Issuer shall certify to the Trustee that all Costs of Issuance have been paid in full at which time the Trustee shall transfer any balance remaining in such Account to the Collections Account;

(c) the sum of $15,750,127.50, representing the Senior Liquidity Reserve Requirement, shall be deposited into the Senior Liquidity Reserve Account;

(d) the sum of $168,639,395.04 shall be transferred to The Bank of New York Mellon Trust Company, N.A., as trustee and escrow agent for the Series 2001 Bonds for deposit in the escrow fund related to the defeasance of the Series 2001 Bonds; and

(e) the remaining sum of $63,225,244.72 shall be paid to or on the order of the Corporation for the Loan under the Loan Agreement.

Upon the delivery of the Series 2021 Senior Bonds and receipt of the purchase price thereof, such amount shall be deposited and transferred as provided in Section 2.02 of the Series 2021 Supplement.

Section 4.02 Use of Refunding Bond Proceeds. Upon the delivery of any Refunding Bonds and receipt of the net proceeds thereof, such proceeds shall be disposed of in accordance with the applicable Series Supplement and consistent with Sections 2.02 and 3.01 hereof, as applicable.

Section 4.03 Use of Additional Subordinate Bond Proceeds. Upon the delivery of any Additional Subordinate Bonds and receipt of the net proceeds thereof, such proceeds shall be

disposed of in accordance with the applicable Series Supplement and consistent with Sections 2.02 and 3.01 hereof, as applicable.

ARTICLE V

ACCOUNTS; FLOW OF FUNDS

Section 5.01 Establishment of Accounts. The Trustee shall establish, hold and maintain the following segregated trust accounts in the Trustee's name:

(a) the Collections Account;

(b) the Senior Debt Service Account, and within the Senior Debt Service Account a Capitalized Interest Subaccount;

(c) the Lump Sum Payment Account;

(d) the Operating Account;

(e) the Senior Liquidity Reserve Account, and within the Senior Liquidity Reserve Account, the Class 1 Senior Liquidity Reserve Subaccount and the Class 2 Senior Liquidity Reserve Subaccount;

(f) the Operating Contingency Account;

(g) the Senior Turbo Redemption Account;

(h) the First Subordinate Turbo Redemption Account;

(i) the Second Subordinate Turbo Redemption Account;

(j) the Rebate Account; and

(k) the Costs of Issuance Account.

Section 5.02 Application of Collections.

(a) All Collections received by the Trustee shall be promptly deposited by the Trustee into the Collections Account. All Collections that have been identified by an Officer's Certificate as consisting of Lump Sum Payments or Total Lump Sum Payments received by the Trustee shall be transferred promptly (and in any event, no later than the Business Day immediately preceding the next Distribution Date) to the Lump Sum Payment Account and applied as described in subsections (e) and (f) of this Section 5.02, in accordance with the instructions received by the Trustee pursuant to an Officer's Certificate.

(b) As soon as is practicable, but in any event no later than the earlier of (x) the fifth Business Day following each Deposit Date, or (y) no later than two Business Days prior to each Distribution Date, and in either case after the transfer of amounts from the Senior Liquidity Reserve Account to the Senior Debt Service Account pursuant to Section 5.05(b) of this

Indenture, the Trustee shall withdraw the funds on deposit in the Collections Account and transfer such amounts as follows:

(i) to the Operating Account, an amount sufficient to cause the amount therein to equal the amount specified by the Officer's Certificate most recently delivered or deemed delivered pursuant to Section 6.02(b) of this Indenture in order to pay, for the twelve-month period applicable to such Officer's Certificate, (x) the Operating Expenses (excluding any Termination Payments) to the extent that the amount thereof does not exceed clause (i) of the definition of Operating Cap, and (y) the Tax Obligations;

(ii) to the Senior Debt Service Account, an amount sufficient to cause the amount therein (taking into account earnings on such amount scheduled to be received prior to the applicable Distribution Date if such amount is invested in fixed rate Eligible Investments as well as any amounts on deposit therefor in the Capitalized Interest Subaccount) to equal the sum of (x) interest on the Outstanding Class 1 Senior Bonds and all Swap Payments that will come due (i) in the next succeeding Bond Year, if the Deposit Date is on or after December 1 and on or before May 31 of any Bond Year, or (ii) in the then-current Bond Year, if the Deposit Date is on or after June 1 and on or before November 30 of any Bond Year, plus (y) any such unpaid interest on the Class 1 Senior Bonds and Swap Payments from prior Distribution Dates (including interest at the stated rate on such unpaid interest, to the extent legally permissible); provided that the amount to be deposited pursuant to this Section 5.02(b)(ii) shall be calculated assuming that principal on the Bonds will have been paid as described in clauses (ii), (iii), and (iv) of Section 5.02(c) of this Indenture;

(iii) to the Senior Debt Service Account, an amount sufficient to cause the amount therein (taking into account earnings on such amount scheduled to be received prior to the applicable Distribution Date if such amount is invested in fixed rate Eligible Investments) to equal the amount specified in clause (ii) above plus the sum of (a) if the Deposit Date is on or after December 1 and on or before May 31 of any Bond Year, the Serial Maturity, Fixed Sinking Fund Installment, or Term Bond Maturity due for Class 1 Senior Bonds in or scheduled for the next succeeding Bond Year, plus (b) any such Serial Maturities, Fixed Sinking Fund Installments, or Term Bond Maturities unpaid from prior Distribution Dates, provided that the amount of each Term Bond Maturity shall first be adjusted as described in Section 5.04(e) of this Indenture;

(iv) unless an Event of Default has occurred (in which case the provisions of Section 5.02(d) shall apply), to the Class 1 Senior Liquidity Reserve Subaccount, an amount sufficient to cause the amount on deposit therein to equal the Class 1 Senior Liquidity Reserve Requirement, provided that on any Distribution Date on which the amount on deposit in the Class 1 Senior Liquidity Reserve Subaccount (less any amount necessary to be paid in connection with the liquidation of the investment of amounts in the Class 1 Senior Liquidity Reserve Subaccount, including a Termination Payment) equals or exceeds the principal or Accreted Value of and interest on all Outstanding Class 1 Senior Bonds, the amount on deposit in the Class 1 Senior Liquidity Reserve Subaccount first may, at the direction of the Issuer, be applied to the optional clean-up

call for the Class 1 Senior Bonds, and second shall be transferred to the Collections Account;

(v) to the Senior Debt Service Account, an amount sufficient to cause the amount therein (taking into account earnings on such amount scheduled to be received prior to the applicable Distribution Date if such amount is invested in fixed rate Eligible Investments as well as any amounts on deposit therefor in the Capitalized Interest Subaccount) to equal the sum of (x) interest on the Outstanding Class 2 Senior Bonds that will come due (i) in the next succeeding Bond Year, if the Deposit Date is on or after December 1 and on or before May 31 of any Bond Year, or (ii) in the then-current Bond Year, if the Deposit Date is on or after June 1 and on or before November 30 of any Bond Year, plus (y) any such unpaid interest on the Class 2 Senior Bonds from prior Distribution Dates (including interest at the stated rate on such unpaid interest, to the extent legally permissible); provided that the amount to be deposited pursuant to this Section 5.02(b)(v) shall be calculated assuming that principal on the Bonds will have been paid as described in clauses (ii), (iii), and (iv) of Section 5.02(c) of this Indenture;

(vi) to the Senior Debt Service Account, an amount sufficient to cause the amount therein (taking into account earnings on such amount scheduled to be received prior to the applicable Distribution Date if such amount is invested in fixed rate Eligible Investments) to equal the amount specified in clause (ii) above plus the sum of (a) if the Deposit Date is on or after December 1 and on or before May 31 of any Bond Year, the Serial Maturity or Term Bond Maturity (including Turbo Term Bond Maturities) due for Class 2 Senior Bonds in or scheduled for the next succeeding Bond Year, plus (b) any such Serial Maturities or Term Bond Maturities (including Turbo Term Bond Maturities) unpaid from prior Distribution Dates, provided that the amount of Turbo Term Bond Maturity shall first be adjusted as described in Section 5.04(e) of this Indenture;

(vii) unless a Class 2 Payment Default has occurred, to the Class 2 Senior Liquidity Reserve Subaccount, an amount sufficient to cause the amount on deposit therein to equal the Class 2 Senior Liquidity Reserve Requirement, provided that on any Distribution Date on which the amount on deposit in the Class 2 Senior Liquidity Reserve Subaccount (less any amount necessary to be paid in connection with the liquidation of the investment of amounts in the Class 2 Senior Liquidity Reserve Subaccount, including a Termination Payment) equals or exceeds the principal or Accreted Value of and interest on all Outstanding Class 2 Senior Bonds secured by the Class 2 Senior Liquidity Reserve Subaccount, the amount on deposit in the Class 2 Senior Liquidity Reserve Subaccount first shall be applied to the mandatory clean-up call for the Class 2 Senior Bonds secured by the Class 2 Senior Liquidity Reserve Subaccount, and second shall be transferred to the Collections Account;

(viii) to the Operating Contingency Account, the amount, if any, necessary to make the amount therein equal to the amount specified by the Officer's Certificate most recently delivered or deemed delivered pursuant to Section 6.02(b) of this Indenture in order to pay, for the twelve-month period applicable to such Officer's Certificate, the Operating Expenses in excess of the Operating Cap;

(ix) to the Senior Turbo Redemption Account, all amounts remaining in the Collections Account until no Class 2 Senior Bonds are Outstanding;

(x) to the First Subordinate Turbo Redemption Account, all amounts remaining in the Collections Account until no First Subordinate Bonds are Outstanding; and

(xi) to the Second Subordinate Turbo Redemption Account, all amounts remaining in the Collections Account until no Second Subordinate Bonds are Outstanding.

(c) Unless an Event of Default has occurred, on each Distribution Date the Trustee shall apply amounts in the various Accounts in the following order of priority:

(i) from the Senior Debt Service Account (including amounts in the Capitalized Interest Subaccount held therefor) and the Class 1 Senior Liquidity Reserve Subaccount, in that order, to pay interest on Outstanding Class 1 Senior Bonds due on such Distribution Date or unpaid from prior Distribution Dates;

(ii) from the Senior Debt Service Account and the Class 1 Senior Liquidity Reserve Subaccount, in that order, to pay principal of Outstanding Class 1 Senior Bonds due on such Distribution Date or unpaid from prior Distribution Dates in chronological order of the date on which such principal is due, including by reason of Fixed Sinking Fund Installment, and Pro Rata within such a principal due date;

(iii) from the Senior Debt Service Account to pay Swap Payments due on such Distribution Date or unpaid from prior Distribution Dates;

(iv) if a Class 2 Payment Default has occurred, first, from the Senior Debt Service Account and the Class 2 Senior Liquidity Reserve Subaccount (only with respect to Class 2 Senior Bonds secured thereby), in that order, to pay interest, Pro Rata, on Outstanding Class 2 Senior Bonds due on such Distribution Date or unpaid from prior Distribution Dates, and, second, from the Senior Debt Service Account and the Senior Turbo Redemption Account, to pay the Bond Obligation on Outstanding Class 2 Senior Bonds, Pro Rata. For purposes of the clause "first" in this paragraph, from and after its Maturity Date, a Capital Appreciation Bond will accrue interest payable at a rate per annum equal to the Default Rate therefor set forth in the applicable Series Supplement;

(v) from the Senior Debt Service Account (including amounts in the Capitalized Interest Subaccount held therefor) and the Class 2 Senior Liquidity Reserve Subaccount (only with respect to Class 2 Senior Bonds secured thereby), in that order, to pay interest on Outstanding Class 2 Senior Bonds due on such Distribution Date or unpaid from prior Distribution Dates;

(vi) from the Senior Debt Service Account and the Class 2 Senior Liquidity Reserve Subaccount (only with respect to Class 2 Senior Bonds secured thereby), in that order, to pay principal of Outstanding Class 2 Senior Bonds due on such Distribution Date or unpaid from prior Distribution Dates in chronological order of the date on which

such principal is due, including by reason of Fixed Sinking Fund Installment, and Pro Rata within such a principal due date;

(vii) from the Senior Turbo Redemption Account, to redeem Senior Bonds which are Turbo Term Bonds on such Distribution Date (or a special redemption date pursuant to Section 5.04(c) of this Indenture) in accordance with clause (1) of the Payment Priorities;

(viii) from the Lump Sum Payment Account, but only as directed in an Officer's Certificate delivered by the Issuer and accompanied by Rating Confirmation with respect to any Senior Bonds which are then rated by a Rating Agency, to redeem Turbo Term Bonds on such Distribution Date (or a special redemption date pursuant to Section 5.04(c) of this Indenture) in accordance with Section 5.04(d) of this Indenture, provided that any redemptions shall redeem Bonds in accordance with the Payment Priorities;

(ix) from the First Subordinate Turbo Redemption Account, to redeem First Subordinate Bonds on such Distribution Date (or a special redemption date pursuant to Section 5.04(c) of this Indenture) in accordance with Section 5.04(d) of this Indenture; and

(x) from the Second Subordinate Turbo Redemption Account, to redeem Second Subordinate Bonds on such Distribution Date (or a special redemption date pursuant to Section 5.04(c) of this Indenture) in accordance with Section 5.04(d) of this Indenture.

(d) Upon the occurrence of any Event of Default and continuing on each succeeding Distribution Date commencing with the Distribution Date following the Event of Default:

(i) (A) until the Class 1 Senior Bonds are no longer Outstanding, the Trustee shall apply all funds in the Senior Debt Service Account, the Class 1 Senior Liquidity Reserve Subaccount and the Lump Sum Payment Account to pay Pro Rata, first, the accrued and unpaid interest on the Class 1 Senior Bonds (including Senior Convertible Bonds after the Conversion Date) and Swap Payments (including, in each case, interest at the stated rate on any unpaid interest, to the extent legally permissible) and, second, the due and past due principal or Accreted Value on all Class 1 Senior Bonds;

(B) until the Class 2 Senior Bonds are no longer Outstanding, the Trustee shall apply all funds in the Senior Debt Service Account, the Class 2 Senior Liquidity Reserve Subaccount (only with respect to Class 2 Senior Bonds secured thereby), the Lump Sum Payment Account and the Senior Turbo Redemption Account to pay Pro Rata, first, the accrued and unpaid interest on the Class 2 Senior Bonds (including Senior Convertible Bonds after the Conversion Date) (including, in each case, interest at the stated rate on any unpaid interest, to the extent legally permissible) and, second, Bond Obligation on all Class 2 Senior Bonds without regard to their order of maturity. For this purpose and for the

avoidance of doubt, "total amount due" to all Owners of Class 2 Senior Bonds described in part (b) of the definition of Pro Rata is equal to the Bond Obligation of such Class 2 Senior Bonds as of such Distribution Date;

(ii) until the First Subordinate Bonds are no longer Outstanding, the Trustee shall apply all funds in the Lump Sum Payment Account and the First Subordinate Turbo Redemption Account to pay Pro Rata the principal and interest or the Accreted Value on all First Subordinate Bonds then Outstanding;

(iii) until the Second Subordinate Bonds are no longer Outstanding, the Trustee shall apply all funds in the Lump Sum Payment Account and the Second Subordinate Turbo Redemption Account to pay Pro Rata the principal and interest or the Accreted Value on all Second Subordinate Bonds;

(iv) the application of funds with respect to Additional Subordinate Bonds shall be in accordance with the provisions of the applicable Series Supplement; and

(v) notwithstanding anything to the contrary in this Indenture, the value of any Capital Appreciation Bonds that are Series 2021B-2 Bonds, Series 2005 First Subordinate Bonds or Series 2005 Second Subordinate Bonds shall continue to accrete at the Default Rate (including accretion on any unpaid Accreted Value), to the extent legally permissible, after the Maturity Date for such Bonds if not Fully Paid on the Maturity Date.

(e) Upon the receipt of a sum that has been identified by an Officer's Certificate as a Lump Sum Payment, the Trustee shall, after making provision for the amounts required to be deposited pursuant to subsection (b)(i) of this Section 5.02, use all such amounts on deposit in the Lump Sum Payments Account to make the following payments on the next Distribution Date following such receipt, in the following order of priority:

(i) to pay any past due interest on the Class 1 Senior Bonds (including interest at the stated rate on any unpaid interest, to the extent legally permissible), Pro Rata;

(ii) to pay the accrued and unpaid interest on the Class 1 Senior Bonds and Swap Payments, Pro Rata;

(iii) to pay principal or Accreted Value on all Class 1 Senior Bonds then Outstanding in chronological order of the date on which such principal is due and Pro Rata within such a principal due date;

(iv) to pay any past due interest on the Class 2 Senior Bonds (including interest at the stated rate on any unpaid interest, to the extent legally permissible), Pro Rata;

(v) to pay the accrued and unpaid interest on the Class 2 Senior Bonds, Pro Rata;

(vi) to pay principal or Accreted Value on all Class 2 Senior Bonds then Outstanding in chronological order of the date on which such principal is due and Pro Rata within such a principal due date;

(vii) to pay principal and interest or Accreted Value on all First Subordinate Bonds then Outstanding, Pro Rata;

(viii) to pay principal and interest or Accreted Value on all Second Subordinate Bonds then Outstanding, Pro Rata; and

(ix) to pay Additional Subordinate Bonds in accordance with the provisions of the applicable Series Supplement.

(f) Upon the receipt of a sum that has been identified by an Officer's Certificate as a Total Lump Sum Payment, the Trustee shall, after making provision for the amounts required to be deposited pursuant to subsection (b)(i) of this Section 5.02, use all such remaining amounts on deposit in the Lump Sum Payments Account to make the following payments in the following order of priority:

(i) to pay any past due interest on the Class 1 Senior Bonds (including interest at the stated rate on any unpaid interest, to the extent legally permissible), Pro Rata;

(ii) to pay the accrued and unpaid interest on the Class 1 Senior Bonds and Swap Payments, Pro Rata;

(iii) to pay principal or Accreted Value on all Class 1 Senior Bonds then Outstanding in chronological order of the date on which such principal is due and Pro Rata within such a principal due date, Pro Rata;

(iv) to pay any past due interest on the Class 2 Senior Bonds (including interest at the stated rate on any unpaid interest, to the extent legally permissible), Pro Rata;

(v) to pay the accrued and unpaid interest on the Class 2 Senior Bonds, Pro Rata;

(vi) to pay principal or Accreted Value on all Class 2 Senior Bonds then Outstanding, Pro Rata, irrespective of any principal due date;

(vii) to pay principal and interest or Accreted Value on all First Subordinate Bonds then Outstanding, Pro Rata;

(viii) to pay principal and interest or Accreted Value on all Second Subordinate Bonds then Outstanding, Pro Rata; and

(ix) to pay Additional Subordinate Bonds in accordance with the provisions of the applicable Series Supplement.

(g) After making all deposits and payments set forth above, and provided that there are no Outstanding Bonds and no obligations to make Swap Payments under a Swap Contract, the Trustee shall deliver any amounts remaining in a Fund or Account in accordance with the order of the Issuer.

(h) Funds in the Operating Account shall be applied by the Trustee at any time, in accordance with directions in an Officer's Certificate pursuant to Section 6.02(b), to pay Operating Expenses (other than Termination Payments), or to fund an account of the Issuer free and clear of this Indenture for purposes of paying such Operating Expenses.

(i) Funds in the Operating Contingency Account shall be applied by the Trustee at any time, in accordance with directions in an Officer's Certificate pursuant to Section 6.02(b), to pay Operating Expenses not otherwise paid from the Operating Account, or to fund an account of the Issuer free and clear of this Indenture for purposes of paying such Operating Expenses.

Section 5.03 Rebate. The Trustee shall establish and maintain when required an account separate from any other account established and maintained hereunder designated as the Rebate Account. Subject to the transfer provisions provided in paragraph (d) below, all money at any time deposited in the Rebate Account shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined, computed, and provided to the Trustee in accordance with the Issuer Tax Certificate), for payment to the federal government of the United States of America. Neither the Issuer nor any Owners shall have any rights in or claim to such money. Unless the Issuer delivers an opinion of Counsel to the effect that another use is not inconsistent with the Issuer's covenants contained in Section 6.03 of this Indenture, all amounts deposited into or on deposit in the Rebate Account shall be governed by this Section, by Section 6.03 of this Indenture, and by the Issuer Tax Certificate. The Trustee shall be deemed conclusively to have complied with such provisions if it follows such written directions of the Issuer, including supplying all necessary information specified in the Issuer Tax Certificate but solely to the extent the Trustee possesses such information in the manner provided in the Issuer Tax Certificate, and shall have no liability or responsibility to enforce compliance by the Issuer with the terms of the Issuer Tax Certificate.

(a) The Trustee shall withdraw from the Operating Account and transfer to the Rebate Account at the times and in the amounts specified in an Officer's Certificate an amount sufficient to cause the balance in the Rebate Account to equal the Rebate Requirement. Computations of the Rebate Requirement shall be furnished by or on behalf of the Issuer in accordance with the Issuer Tax Certificate. The Trustee shall supply upon request to the Issuer all necessary information in the manner provided in the Issuer Tax Certificate to the extent such information is reasonably available to the Trustee.

(b) The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this Section other than from moneys held in the Rebate Account created under this Indenture.

(c) The Trustee shall invest all amounts held in the Rebate Account in Eligible Investments as directed by an Officer's Certificate, subject to the restrictions set forth in the Issuer Tax Certificate. Moneys shall not be transferred from the Rebate Account except as

provided in paragraph (d) below. The Trustee shall not be liable for any consequences arising from such investment.

(d) When so directed by an Officer's Certificate, the Trustee shall remit part or all of the balances in the Rebate Account to the United States, as so directed. In addition, the Trustee shall deposit money into or transfer money out of the Rebate Account from or into such Accounts as directed by an Officer's Certificate; provided, that only moneys in excess of the Rebate Requirement may be transferred out of the Rebate Account to such other accounts or funds or to anyone other than the United States in satisfaction of the arbitrage rebate obligation. Any funds remaining in the Rebate Account not expected to be needed to pay any future Rebate Requirement (as represented in an Officer's Certificate) after each five-year remittance to the United States, redemption and payment of all of the Bonds, and payment and satisfaction of any Rebate Requirement, or provision made therefor satisfactory to the Trustee, shall be withdrawn and transferred to such Accounts as directed by such Officer's Certificate.

(e) Notwithstanding any other provision of this Indenture, the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of this Section, Section 6.03 hereof, and the Issuer Tax Certificate shall survive the defeasance or payment in full of the Bonds.

Section 5.04 Redemption of the Bonds.

(a) *Generally*. When Current Interest Bonds are called for redemption, the accrued interest thereon shall be due on the redemption date. When Capital Appreciation Bonds or Convertible Bonds prior to the Conversion Date are called for redemption, the Accreted Value thereof shall be due on the redemption date. With respect to any optional redemptions pursuant to subsection (f) of this Section 5.04, the Issuer shall deposit with the Trustee on or prior to the redemption date a sufficient sum to pay principal or Accreted Value of, redemption premium, if any, and accrued interest on, the Bonds to be redeemed on such redemption date. If notice of redemption has been duly given as herein provided and money for the payment of the redemption price of the Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice, Bonds so called for redemption shall become due and payable, and from and after the date so designated, interest on such Bonds shall cease to accrue or accrete, and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof, which payment shall be secured by the lien of this Indenture.

(b) *Notice of Redemption*. Except as otherwise provided in a Series Supplement, when a Bond is to be redeemed prior to its Maturity Date, the Trustee shall give notice to the Owner thereof and as required by Section 6.09 of this Indenture in the name of the Issuer, which notice shall identify the Bond to be redeemed, state the date fixed for redemption, and state that such Bond will be redeemed at the Corporate Trust Office of the Trustee or a Paying Agent. The notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the redemption price thereof, together with interest accrued or accreted to the redemption date, and that money therefor having been deposited with the Trustee or Paying Agent, from and after such date, interest thereon shall cease to accrue or accrete. The Trustee shall give at least 15 days notice by mail, or otherwise transmit the redemption notice in

accordance with any appropriate provisions hereof, to the Owners of any Bonds which are to be redeemed, at their addresses shown on the registration books of the Issuer. Such notice may be waived by any Owners holding Bonds to be redeemed. Failure by a particular Owner to receive notice, or any defect in the notice to such Owner, shall not affect the redemption of any other Bond. Any notice of redemption given pursuant to this Indenture may be rescinded by Written Notice to the Trustee by the Issuer no later than 5 days prior to the date specified for redemption. The Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner and to the same persons, as notice of such redemption was given as described in this subsection (b). In making the determination as to how much money will be available in the Senior Turbo Redemption Account, the First Subordinate Turbo Redemption Account or the Second Subordinate Turbo Redemption Account on any Distribution Date for the purpose of giving notice of redemption under this subsection (b), the Trustee shall take into account investment earnings and amounts to be transferred from the respective subaccount of the Senior Liquidity Reserve Account to the Senior Debt Service Account, which it reasonably expects to be available for application pursuant to Section 5.02 and Section 5.05(b) hereof.

(c) *Turbo Term Bond Maturities*. The Turbo Term Bonds shall be redeemed in whole or in part prior to their Maturity Date on any Distribution Date (or on a special redemption date as set forth below), following notice of such redemption in accordance with Section 5.04(b) hereof, in accordance with the Payment Priorities. If less than all of the Turbo Term Bonds are to be redeemed pursuant to this subsection, the Owners of the Turbo Term Bonds shall be paid in accordance with subsection (g) of this Section 5.04. The Trustee may specify a special redemption date for purposes of redeeming Turbo Term Bonds if amounts are available therefor pursuant to Section 5.04(d) of this Indenture and if the Trustee is instructed to do so by the Issuer in an Officer's Certificate.

(d) *Turbo Redemptions*. The Turbo Term Bonds which are Senior Bonds shall be redeemed in whole or in part prior to their Maturity Dates from amounts on deposit in the Senior Turbo Redemption Account on any Distribution Date (or on a special redemption date pursuant to Section 5.04(c) of this Indenture), following notice of such redemption in accordance with Section 5.04(b) hereof, at the principal amount, together with accrued interest, or Accreted Value thereof, without premium; applied first, to the Turbo Redemption of all Outstanding Class 2 Senior Bonds that are Turbo Term Bonds, and second shall be transferred to the First Subordinate Turbo Redemption Account and applied to the Turbo Redemption of Outstanding First Subordinate Bonds. Thereafter, the Turbo Term Bonds which are First Subordinate Bonds shall be redeemed in whole or in part prior to their Maturity Date from amounts on deposit in the First Subordinate Turbo Redemption Account on any Distribution Date (or on a special redemption date pursuant to Section 5.04(c) of this Indenture), following notice of such redemption in accordance with Section 5.04(b) hereof, at the principal amount, together with accrued interest, or Accreted Value thereof, without premium. Thereafter, the Turbo Term Bonds which are Second Subordinate Bonds shall be redeemed in whole or in part prior to their Maturity Date from amounts on deposit in the Second Subordinate Turbo Redemption Account on any Distribution Date (or on a special redemption date pursuant to Section 5.04(c) of this Indenture), following notice of such redemption in accordance with Section 5.04(b) hereof, at the principal amount, together with accrued interest, or Accreted Value thereof, without premium. Turbo Redemptions shall be credited as described in subsection (e) of this Section 5.04. If less than all of the Turbo Term Bonds are to be redeemed pursuant to this subsection, the Owners of

such Turbo Term Bonds shall be paid in accordance with subsection (g) of this Section 5.04. Moneys in any Pledged Account shall not be used to make open market purchases of Turbo Term Bonds.

(e) *Application of Redemptions on Fixed Sinking Fund Installments and Turbo Term Bond Maturities*. For all purposes of this Indenture, including without limitation calculating the deposits required by Section 5.02(b)(iii) hereof, calculating the payments required by Section 5.02(c)(ii) hereof, and determining whether an Event of Default has occurred pursuant to Section 9.01(b) hereof, all redemptions made hereunder shall be credited as follows:

(i) the amount of any Turbo Redemptions shall be credited against Turbo Term Bond Maturities for the Turbo Term Bonds in the order of priority and within a priority in the chronological order set forth in the applicable Series Supplement;

(ii) the amount of any Fixed Sinking Fund Installments made hereunder shall be credited as follows against Term Bond Maturities for the Term Bonds in the order of priority and within a priority in the chronological order set forth in the applicable Series Supplement; provided, however, that Fixed Sinking Fund Installments scheduled for the same date shall be credited Pro Rata regardless of the maturity date of the related Term Bond Maturity; and

(iii) the amount of any optional redemption of Term Bonds in part shall be credited against any Fixed Sinking Fund Installment as directed by the Issuer.

(f) *Optional Redemption*. The Bonds shall be subject to optional redemption as set forth in the applicable Series Supplement. The Trustee shall be provided with 30 days prior notice of any optional redemption. All redemptions made pursuant to this subsection (f) shall be credited as described in subsection (e) of this Section 5.04. If less than all of the Bonds of any Maturity Date of a Series are to be redeemed pursuant to this subsection, the Owners of the Bonds of such Maturity Date and Series shall be paid in accordance with subsection (g) of this Section 5.04.

(g) *Selection of Bonds for Redemption*. Unless otherwise specified herein or by Series Supplement, if less than all the Outstanding Bonds of like Series, interest rate and Maturity Date are to be redeemed, the particular Bonds to be redeemed shall be selected by the Trustee by such method as it shall deem fair and appropriate, including by lot, and which may provide for the selection for redemption of portions (equal to any Authorized Denominations) of the principal or Accreted Value of Bonds of a denomination larger than the minimum Authorized Denomination. Turbo Redemptions of Capital Appreciation Bonds shall be credited against the amount Outstanding at the Accreted Value thereof. Upon surrender of any Capital Appreciation Bond redeemed in part only, the Issuer shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Issuer, a new Capital Appreciation Bond of Authorized Denominations equal to the Accreted Value Outstanding on the date set for redemption after deducting the Accreted Value to be redeemed on such date. In determining these amounts, the Trustee may compute: (x) the Accreted Value outstanding per Authorized Denomination on the date set for redemption; (y) the number of Authorized Denominations to be redeemed on the date set for redemption at the Accreted Value thereof from the amounts

available for such redemption; and (z) the number of Authorized Denominations to remain Outstanding after the redemption.

(h) *Optional Clean-Up Call of Class 1 Senior Bonds*. The Class 1 Senior Bonds and any Refunding Bonds secured on parity with the Class 1 Senior Bonds are subject to optional redemption in whole at a redemption price equal to 100% of the Bond Obligation of the Class 1 Senior Bonds being redeemed plus interest accrued to the redemption date at any time that the available amounts on deposit in the Pledged Accounts allocable to the Class 1 Senior Bonds exceed the aggregate principal amount of, and accrued interest on, all Outstanding Class 1 Senior Bonds.

(i) *Mandatory Clean-Up Call of Class 2 Senior Bonds Secured by the Class 2 Senior Liquidity Reserve Subaccount*. The Class 2 Senior Bonds and any Refunding Bonds secured on parity with the Class 2 Senior Bonds and which are secured by the Class 2 Senior Liquidity Reserve Subaccount are subject to mandatory redemption in whole at a redemption price equal to 100% of the Bond Obligation of such Class 2 Senior Bonds being redeemed plus interest accrued to the redemption date at any time that the available amounts on deposit in the Pledged Accounts allocable to such Class 2 Senior Bonds exceed the aggregate principal amount of, and accrued interest on, all such Outstanding Class 2 Senior Bonds.

(j) *Mandatory Clean-Up Call of Subordinate Bonds*. The First Subordinate Bonds, Second Subordinate Bonds and Additional Subordinate Bonds (the "**Subordinate Bonds**") are subject to mandatory redemption in whole at a redemption price equal to 100% of the principal amount being redeemed plus interest accrued to the redemption date at any time that the available amounts on deposit in the Pledged Accounts allocable to the Pledged Accounts allocable to the Subordinate Bonds exceed the aggregate principal amount of, and accrued interest on, all Outstanding Subordinate Bonds.

(k) *Mandatory Redemption of Defeased Turbo Term Bonds*. The Defeased Turbo Term Bonds shall be subject to mandatory redemption, at a redemption price equal to 100% of the Bond Obligation being redeemed, on such date or dates, in accordance with the Pro Rata Defeasance Redemption Schedule provisions contained in Section 2.02(c) of this Indenture.

Section 5.05 Investments.

(a) *Generally*. Pending its use under this Indenture, money in the Accounts held by the Trustee may be invested by the Trustee in Eligible Investments maturing or redeemable at the option of the Issuer on or before each next succeeding Distribution Date, except in the case of the Capitalized Interest Subaccount or to the extent that other Eligible Investments timely mature or are so redeemable in an amount sufficient to make payments in respect of interest, Serial Maturities, Fixed Sinking Fund Installments and Turbo Term Bond Maturities under clauses (i) through (vii) of Section 5.02(c) of this Indenture on such next succeeding Distribution Dates. Except with respect to the Senior Liquidity Reserve Account as described in subsection (b) of this Section 5.05, investments and any income realized therefrom shall be held by the Trustee in the respective Accounts and shall be sold or redeemed to the extent necessary to make payments or transfers from each Account. In the absence of negligence or bad faith on its part, the Trustee shall not be liable for any losses on investments made at the direction of the

Issuer. The Trustee may conclusively rely upon the Issuer's written instructions as to both the suitability and legality of the directed investments and such written direction shall be deemed to be a certification that such directed investments constitute Eligible Investments. If the Issuer shall have failed to give written investment directions to the Trustee, then the Trustee shall notify the Issuer and shall hold such moneys uninvested until receipt of such written directions.

(b) *Senior Liquidity Reserve Account*. Not later than five Business Days prior to each Distribution Date, the Trustee shall value the money and investments in the Senior Liquidity Reserve Account, and the subaccounts therein, according to the methods set forth in this Section 5.05. Except as provided in Sections 5.02(b)(iv) and 5.02(b)(vii) of this Indenture, any amounts in the Class 1 Senior Liquidity Reserve Subaccount and the Class 2 Senior Liquidity Reserve Subaccount in excess of the Class 1 Senior Liquidity Reserve Requirement and the Class 2 Senior Liquidity Reserve Requirement, respectively, shall be transferred to the Senior Debt Service Account. If after receipt of any TSRs, the Trustee determines that a withdrawal from the Senior Liquidity Reserve Account will be required on December 1 of any year, the Trustee shall notify the provider under any forward purchase agreement at least ten (10) Business Days prior to the Business Day next preceding June 1 of such year, of the amount of money in the Senior Liquidity Reserve Account that must be invested in securities maturing prior to such December 1.

(c) *Valuation*. In computing the amount in any Account, the value of Eligible Investments shall be calculated as follows:

(i) as to investments the bid and asked prices of which are published on a regular basis in a recognized pricing service subscribed to by the Trustee, or *The Wall Street Journal* (or, if not there, then in *The New York Times*), the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination;

(ii) as to investments the bid and asked prices of which are not published on a regular basis in a recognized pricing service subscribed to by the Trustee, or in *The Wall Street Journal* or *The New York Times*, the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;

(iii) as to certificates of deposit and bankers acceptances, the face amount thereof, plus accrued interest;

(iv) as to any investment not specified above, the value thereof established by prior agreement between the Issuer and the Trustee (with Written Notice to each Rating Agency); and

(v) alternatively, the value of the above investments shall be determined as of the end of each month by the manner currently employed by the Trustee or any other manner consistent with industry standard.

(d) *Notice of Uninvested Funds*. The Trustee shall promptly notify the Issuer of any funds that become uninvested under this Indenture and shall request the Issuer to provide applicable instructions as to how to invest such funds.

(e) Unless otherwise specified herein income from any funds shall be transferred to the Collections Account.

(f) The Issuer acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Issuer the right to receive brokerage confirmations of security transactions as they occur, the Issuer specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Issuer periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

Section 5.06 Unclaimed Money. Except as may otherwise be required by applicable law, in case any money deposited with the Trustee or a Paying Agent for the payment of the principal or Accreted Value of, or interest or premium, if any, on any Bond remains unclaimed for two years after such principal or Accreted Value, interest, or premium has become due and payable, the Fiduciary shall pay over to or on the order of the Issuer the amount so deposited and thereupon the Fiduciary shall be released from all liability hereunder with respect to the payment of principal or Accreted Value, interest, or premium and the Owner of such Bond shall be entitled (subject to any applicable statute of limitations) to look only to the Issuer as an unsecured creditor for the payment thereof.

ARTICLE VI

COVENANTS AND REPRESENTATIONS OF THE ISSUER

Section 6.01 Contract; Obligations to Owners; Representations of the Issuer.

(a) In consideration of the purchase and acceptance of any or all of the Bonds by those who shall hold the same from time to time, the provisions of this Indenture shall be a part of the contract of the Issuer with the Owners. The pledge and grant of a security interest made in this Indenture and the covenants herein set forth to be performed by the Issuer shall be for the equal benefit, protection, and security of the Owners. All of the Bonds of the same priority, regardless of the time or times of their maturity, shall be of equal rank without preference, priority, or distinction of any thereof over any other except as expressly provided pursuant hereto.

(b) The Issuer covenants to pay when due all sums payable on the Bonds, but only from the Collateral and subject to the limitations set forth in Section 1.03 of this Indenture. The obligation of the Issuer to pay principal or Accreted Value, interest, and redemption premium, if any, to the Owners shall be absolute and unconditional, shall be binding and enforceable in all circumstances whatsoever, and shall not be subject to setoff, recoupment, or counterclaim.

(c) The Issuer represents and warrants that (i) it is duly authorized pursuant to law to issue the Bonds, and to execute, deliver, and perform the terms of this Indenture; (ii) all action on its part required for or relating to the issuance of the Bonds and the execution and delivery of this

Indenture has been duly taken; (iii) the Bonds, upon the issuance and authentication thereof, and this Indenture, upon the execution and delivery hereof, shall be valid and enforceable obligations of the Issuer in accordance with their terms; (iv) it has not heretofore conveyed, assigned, pledged, granted a security interest in, or otherwise disposed of the Collateral except for the benefit of the Series 2001 Bonds and the Series 2005 Refunded Bonds; and (v) the execution, delivery, and performance of this Indenture and the issuance of the Bonds are not in contravention of law or any agreement, instrument, indenture, or other undertaking to which it is a party or by which it is bound and no other approval, consent, or notice from any governmental agency is required on the part of the Issuer in connection with the issuance of the Bonds.

(d) This Indenture creates a valid and binding security interest in the Collateral in favor of the Trustee as security for the payment of the Bonds, enforceable by the Trustee in accordance with the terms hereof.

(e) The Issuer has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of the Collateral that ranks on a parity with or prior to the security interest granted hereby except for the benefit of the Series 2001 Bonds and the Series 2005 Refunded Bonds. The Issuer shall not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in the Collateral that ranks prior to or on a parity with the pledge and security interest granted hereby except in accordance with Section 3.01 hereof.

Section 6.02 Operating Expenses.

(a) *Covenant to Pay*. The Issuer shall pay its Operating Expenses to the parties entitled thereto, to the extent that funds are available therefor, but solely to the extent provided herein. Termination Payments shall be made only from the Operating Contingency Account.

(b) *Officer's Certificate with respect to Operating Expenses*. On the Closing Date, the Issuer shall deliver to the Trustee an Officer's Certificate setting forth the Operating Expenses and the Tax Obligations that have been incurred by the Issuer prior to such date and estimating the Operating Expenses and the Tax Obligations that will be incurred by the Issuer to and including June 30, 2021. Thereafter, on or before April 1 of each year during which Bonds are Outstanding (beginning April 1, 2021 for the year ending June 30, 2022), the Issuer shall deliver an Officer's Certificate to the Trustee estimating the Operating Expenses and the Tax Obligations that will be incurred or paid by the Issuer during the next succeeding twelve-month period commencing on the next succeeding July 1. The Officer's Certificate may also set forth Operating Expenses that have already been incurred by the Issuer but that have not yet been repaid, provided that the Operating Cap shall nonetheless continue to apply to all such amounts. The Issuer may at any time submit a supplemental Officer's Certificate setting forth Operating Expenses in excess of the Operating Cap. Such excess shall be deposited in the Operating Contingency Account pursuant to Section 5.02(b)(v) of this Indenture if, but only if, all of the deposits required by Section 5.02(b)(i) through (iv) have been fully funded. In the event that the Issuer fails to deliver an Officer's Certificate on or prior to any April 1, the Issuer shall be deemed to have delivered an Officer's Certificate certifying that the amount of the Operating Expenses and the Tax Obligations for the next succeeding twelve-month period commencing on July 1 shall be the same as in the then-current twelve-month period.

Section 6.03 Tax Covenants. The Issuer shall at all times do and perform all acts and things permitted by law and this Indenture which are necessary or desirable in order to assure that interest paid on the Tax-Exempt Bonds will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being excluded from gross income for federal income tax purposes. Without limiting the generality of the foregoing, the Issuer agrees that it will comply with the provisions of the Issuer Tax Certificate. This covenant shall survive defeasance or redemption of the Tax-Exempt Bonds.

Section 6.04 Accounts and Reports and Swap Contract Information.

(a) The Issuer shall (1) as specified herein, instruct the Trustee to keep books of account in which complete and accurate entries shall be made of its transactions relating to all funds and accounts hereunder, which books shall at all reasonable times be subject to the inspection of the Owners of an aggregate of not less than 25% in Bond Obligation of Bonds then Outstanding or their representatives duly authorized in writing; and (2) annually, within 210 days after the close of each Fiscal Year, deliver to the Trustee and each Rating Agency, a copy of its financial statements for such Fiscal Year, as audited by an independent certified public accountant or accountants. The Trustee shall have no duty to review, verify or analyze such report and shall hold such report solely as a repository for the benefit of the Owners of the Bonds. The Trustee shall not be deemed to have notice of any information contained therein, or default or Event of Default which may be disclosed therein in any manner. The Issuer shall further report to the Rating Agencies on an annual basis, but only to the extent that such information is not included in the Issuer's financial statements, (a) the amounts and, to the extent available, the types of payments constituting TSRs that were received during the preceding 12-month period, and (b) whether, to the knowledge of the Issuer, any litigation is then pending against the State, the County, the Corporation or the Issuer seeking to invalidate or overturn the MSA, MOU, ARIMOU, the Purchase and Sale Agreement or the proceedings pursuant to which the Bonds are issued.

(b) The Issuer shall provide to the Trustee copies of all Swap Contracts and related information and schedules of payments thereunder as the Trustee may reasonably request for it to perform its duties hereunder.

Section 6.05 Ratings. The Issuer shall pay such reasonable fees and provide such available information as may be necessary to obtain and keep in effect ratings on all the Bonds from the number of nationally recognized securities rating services which rated the Bonds of a given Maturity Date of given Series on the date of issuance thereof.

Section 6.06 Affirmative Covenants.

(a) *Maintenance of Existence*. The Issuer shall keep in full effect its corporate existence and all of its rights and powers.

(b) *Protection of Collateral*. The Issuer shall from time to time authorize, execute or authenticate, deliver and file all documents and instruments, and will take such other action, as is necessary or advisable to: (1) maintain or preserve the lien, pledge and security interest of this Indenture; (2) perfect or protect the validity of any grant made or to be made by this Indenture;

(3) preserve and defend title to the Collateral and the rights of the Trustee in the Collateral against the claims of all Persons and parties, including the challenge by any party to the validity or enforceability of the MOU, the ARIMOU, the Basic Documents or the performance by any party thereunder; (4) enforce the Loan Agreement and the Purchase and Sale Agreement; (5) pay any and all taxes levied or assessed upon all or any part of the Collateral; or (6) carry out more effectively the purposes of this Indenture.

(c) *Performance of Obligations*. The Issuer (1) shall diligently pursue any and all actions to enforce its rights in the Collateral and under each instrument or agreement included therein, and (2) shall not take any action and will use its best efforts not to permit any action to be taken by others that would release any Person from any of such Person's covenants or obligations under any such instrument or agreement or that would result in the amendment, hypothecation, subordination, termination, or discharge of, or impair the validity or effectiveness of, any such instrument or agreement, except, in each case, as expressly provided in the Basic Documents, the MOU and the ARIMOU.

(d) *Notice of Events of Default*. The Issuer shall give the Trustee and Rating Agencies prompt Written Notice of each Event of Default that is known to the Issuer.

(e) *Other*. The Issuer shall:

(i) conduct its own business in its own name and not in the name of any other Person and correct any known misunderstanding regarding its separate identity;

(ii) maintain or contract for a sufficient number of employees and compensate all employees, consultants and agents directly, from the Issuer's bank accounts, for services provided to the Issuer by such employees, consultants and agents and, to the extent any employee, consultant or agent of the Issuer is also an employee, consultant or agent of another Person, allocate the compensation of such employee, consultant or agent between the Issuer and such Person on a basis that reflects the services rendered to the Issuer and such Person;

(iii) have a separate telephone number, which will be answered only in its name and separate stationery, invoices and checks in its own name;

(iv) conduct all transactions with any other Person strictly on an arm's-length basis, allocate all overhead expenses (including, without limitation, telephone and other utility charges) for items shared between the Issuer and such Person on the basis of actual use to the extent practicable and, to the extent such allocation is not practicable, on a basis reasonably related to actual use;

(v) at all times have a Board of Directors consisting of at least three members;

(vi) observe all formalities as a distinct entity, and ensure that all actions relating to (1) the dissolution or liquidation of the Issuer or (2) the initiation of, participation in, acquiescence in or consent to any bankruptcy, insolvency, reorganization or similar proceeding involving the Issuer, are duly authorized by unanimous vote of its Board of Directors;

(vii) maintain its books and records separate from those of any other Person and maintain its assets readily identifiable as its own assets rather than assets of any other Person and not commingle its assets with those of any other Person;

(viii) maintain its own separate records and accounts, and prepare financial statements in accordance with generally accepted accounting principles, consistently applied, and susceptible to audit; to the extent it is included in consolidated financial statements or consolidated tax returns, such financial statements and tax returns will make clear the separateness of the respective entities and make clear that the assets of the Issuer are not assets of any other Person and are not available to satisfy the debts of any other Person;

(ix) only maintain bank accounts or other depository accounts to which the Issuer alone is the account party, and from which only the Issuer has the power to make withdrawals;

(x) pay all of the Issuer's operating expenses from the Issuer's own assets (except for expenses incurred prior to the date of issuance of the Bonds); and

(xi) operate its business and activities such that it does not engage in any business or activity of any kind, or enter into any transaction or indenture, mortgage, instrument, agreement, contract, lease or other undertaking, other than the transactions contemplated and authorized by the Basic Documents; and does not create, incur, guarantee, assume or suffer to exist any indebtedness or other liabilities, whether direct or contingent, other than (1) as a result of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, (2) the incurrence of obligations contemplated and authorized by the Basic Documents, and (3) the incurrence of operating expenses in the ordinary course of business of the type otherwise contemplated by the Basic Documents.

Section 6.07 Negative Covenants.

(a) *Sale of Assets*. Except as expressly permitted by this Indenture, the Issuer shall not sell, transfer, exchange, or otherwise dispose of any of its properties or assets that are subject to the lien of this Indenture.

(b) *Termination*. The Issuer shall not terminate its existence or engage in any action that would result in the termination of the Issuer.

(c) *Limitation of Liens*. The Issuer shall not (1) permit the validity or effectiveness of this Indenture to be impaired, or permit the security interest created by this Indenture to be amended, hypothecated, subordinated, terminated, or discharged, or permit any Person to be released from any covenants or obligations with respect to the Bonds under this Indenture except as may be expressly permitted hereby, (2) permit any lien, charge, excise, claim, security interest, mortgage, or other encumbrance (other than the security interest created by this Indenture) to be created on or extend to or otherwise arise upon or burden the Collateral or any part thereof or any interest therein or the proceeds thereof or (3) permit the security interest created by this Indenture not to constitute a valid first priority security interest in the Collateral.

(d) *Payments Restricted*. The Issuer shall not, directly or indirectly, make distributions from the Collections Account except in accordance with this Indenture.

(e) *No Setoff*. The Issuer will not claim any credit on, or make any deductions from the principal or Accreted Value of or premium, if any, or interest due in respect of, the Bonds or assert any claim against any present or former Owner by reason of the payment of taxes levied or assessed upon any part of the Collateral.

(f) *Limitations on Consolidation, Merger, Sales of Assets, etc*. Except as otherwise provided in this Indenture, the Issuer will not consolidate or merge with or into any other Person, or convey or transfer all or substantially all of its properties or assets, or be succeeded by any other person, unless:

(i) the person surviving such consolidation or merger (if other than the Issuer), or such transferee, or such successor, as applicable, is organized and existing by virtue of or under the laws of the United States or any state and expressly assumes the due and punctual payment of the principal or Accreted Value of and premium, if any, and interest on all Bonds and the performance or observance of every agreement and covenant of the Issuer in this Indenture;

(ii) immediately after giving effect to such transaction, no Event of Default has occurred and is continuing under this Indenture;

(iii) the Issuer has received a Rating Confirmation with respect to any Outstanding Bonds which are then rated by a Rating Agency;

(iv) the Issuer has received an opinion of Counsel to the effect that such transaction will not have material adverse tax consequences to the Issuer and will not, in and of itself, cause interest on any Tax-Exempt Bonds to be included in gross income for federal income tax purposes;

(v) any action as is necessary to maintain the security interest created by this Indenture has been taken; and

(vi) the Issuer has delivered to the Trustee an Officer's Certificate and an opinion of Counsel to the effect that such transaction complies with this Indenture and that all conditions precedent to such transaction have been complied with.

(g) *Swap Contracts*. The Issuer shall not enter into any Swap Contract until it has first obtained a Rating Confirmation with respect to all Outstanding Bonds which are then rated by a Rating Agency with respect to such Swap Contract, nor shall it enter into any Swap Contract unless such Swap Contract provides that any payments to be made to or for the benefit of the Issuer shall be made to the Trustee for deposit into the Collections Account.

Section 6.08 Reserved.

Section 6.09 Prior Notice. The Trustee shall give each Rating Agency 15 days prior Written Notice of any amendment to this Indenture or the Loan Agreement or the defeasance or redemption of Bonds or the issuance of Refunding Bonds or Additional Subordinate Bonds.

Section 6.10 Continuing Disclosure Undertaking for Series 2005 Bonds. If (and to the extent that) (x) a Series of Bonds is purchased from the Issuer by a broker, dealer or municipal securities dealer (each a "Dealer") subject to Rule 15c2-12, as amended (the "Rule") of the Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as amended (the "1934 Act"), (y) the Rule requires Dealers to determine, as a condition to purchasing such Bonds, that the Issuer will covenant to the effect of this Section 6.10, and (z) the Rule as so applied is authorized by federal law that as so construed is within the powers of Congress, then the Issuer covenants, for the sole benefit of the Owners (and, to the extent specified in this Section 6.10, the beneficial owners) of the Outstanding Bonds of each such Series and subject (except to the extent otherwise expressly provided in this Section 6.10) to the remedial provisions of this Indenture, that:

(a) The Issuer shall provide:

(i) within nine calendar months after the end of each Fiscal Year, to each nationally recognized municipal securities information repository and to any State information depository,

(A) core financial information and operating data for the prior Fiscal Year, including its audited financial statements, prepared in accordance with generally accepted accounting principles in effect from time to time,

(B) an update of operating data for the preceding Fiscal Year set forth under the last three columns titled "Total Payments" in the table captioned "Projection of Strategic Contribution Fund Payments and Total Payments to be Received by the Trustee" in "SUMMARY OF BOND STRUCTURING ASSUMPTIONS AND AMORTIZATION" in the Offering Circular of the Issuer dated December 1, 2005, and

(C) the actual debt service coverage ratio for such preceding fiscal year, determined in substantially the manner described in "SUMMARY OF BOND STRUCTURING ASSUMPTIONS AND AMORTIZATION – Series 2005 Senior Bonds' Debt Service Coverage" in the Offering Circular; and

(ii) in a timely manner, to each nationally recognized municipal securities information repository or to the Municipal Securities Rulemaking Board, and to any State information depository, notice of any of the following events with respect to such Series of Bonds, if material:

(A) principal and interest payment delinquencies;

(B) non-payment related Defaults;

(C) unscheduled draws on debt service reserves reflecting financial difficulties;

(D) unscheduled draws on credit enhancements reflecting financial difficulties;

(E) substitution of credit or liquidity providers, or their failure to perform;

(F) adverse tax opinions or events affecting the tax-exempt status of the Bonds;

(G) modifications to rights of Owners;

(H) bond calls;

(I) defeasances;

(J) release, substitution or sale of property securing repayment of the Bonds;

(K) rating changes; and

(L) failure to comply with Section 6.10(a)(i).

(b) The Issuer does not undertake to provide such notice with respect to:

(i) credit enhancement if

(A) the enhancement is added after the primary offering of the Bonds,

(B) the Issuer does not apply for or participate in obtaining the enhancement and

(C) the enhancement is not described in the applicable official statement or offering circular of the Issuer;

(ii) a mandatory, scheduled redemption, not otherwise contingent upon the occurrence of an event, if

(A) the terms, dates and amounts of redemption are set forth in detail in the Offering Circular,

(B) the only open issue is which Bonds will be redeemed in the case of a partial redemption,

(C) notice of redemption is given to the Owners as required under the terms of this Indenture and

(D) public notice of the redemption is given pursuant to Release No. 23856 of the SEC under the 1934 Act, even if the originally scheduled amounts may be reduced by prior optional redemptions or purchases; or

(iii) tax exemption other than pursuant to Section 103 of the Code; or

(iv) any forward-looking statements contained in the Offering Circular, including but not limited to those that include the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes," or analogous expressions.

(c) In addition to the Trustee's and Owners' remedies specified in Article X of this Indenture, any beneficial owner of Bonds of a Series described in this Section 6.10 may institute a suit, action or proceeding at law or in equity (a "Proceeding") to enforce the undertaking set forth in this section (the "Undertaking") or for any remedy for breach thereof without acting in concert if:

(i) such owner shall have filed with the Issuer:

(A) evidence of beneficial ownership and

(B) written notice of, and request to cure, the alleged breach,

(ii) the Issuer shall have failed to comply within a reasonable time, and

(iii) such beneficial owner stipulates that:

(A) no challenge is made to the adequacy of any information provided in accordance with the Undertaking and

(B) no remedy is sought other than substantial performance of the Undertaking. To the extent permitted by law, each beneficial owner agrees that all Proceedings shall be instituted only as specified herein in the federal or state courts located in the State, and for the equal benefit of all such owners of the Outstanding Bonds benefited by the same or a substantially similar undertaking.

(d) For the purposes of this section, a beneficial owner of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares investment power which includes the power to dispose, or to direct the disposition of, such security, except that a person who in the ordinary course of business is a pledgee of securities under a written pledge agreement shall not be deemed to be the beneficial owner of such pledged securities until the pledgee has taken all formal steps to declare a default and determines that the power to dispose or to direct the disposition of such pledged securities will be exercised, provided that:

(i) the pledge agreement is bona fide;

(ii) the pledgee is:

(A) a broker or dealer registered under Section 15 of the 1934 Act;

(B) a bank as defined in Section 3(a)(6) of the 1934 Act;

(C) an insurance company as defined in Section 3(a)(19) of the 1934 Act;

(D) an investment company registered under Section 8 of the Investment Company Act of 1940;

(E) an investment adviser registered under Section 203 of the Investment Advisers Act of 1940;

(F) an employee benefit plan, or pension fund which is subject to the provisions of the Employee Retirement Income Security Act of 1974 or an endowment fund;

(G) a parent holding company, provided the aggregate amount held directly by the parent, and directly and indirectly by its subsidiaries which are not persons specified in items (A) through (F) of this clause (ii) does not exceed 1% of the securities of the subject class; or

(iii) a group, provided that all the members are persons specified in items (A) through (G) of this clause (ii); and

(iv) the pledge agreement, prior to default, does not grant to the pledgee the power to dispose or direct the disposition of the pledged securities, other than the grant of such power(s) pursuant to a pledge agreement under which credit is extended subject to Regulation T (12 CFR 220.1 to 220.8) and in which the pledgee is a broker or dealer registered under Section 15 of the 1934 Act.

(e) Any Supplemental Indenture amending the Undertaking may only be entered into:

(i) if all or any part of the Rule, as interpreted by the staff of the SEC at the date hereof, ceases to be in effect for any reason and the Issuer elects that this Undertaking shall be deemed terminated or amended (as the case may be) accordingly, or

(ii) if (A) amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer, or type of business conducted,

(B) the Undertaking, as amended, would have complied with the requirements of the Rule at the date hereof, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances,

(C) the amendment does not materially impair the interests of the Owners of each affected Series, as determined by parties unaffiliated with the Issuer (such as, but without limitation, the Issuer's financial advisor or bond counsel) or by Owner consent pursuant to Section 10.01 of this Indenture, and

(D) the annual financial information containing (if applicable) the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the "impact" (as that word is used in the letter from the staff of the SEC to the National Association of Bond Lawyers dated June 23, 1995) of the change in the type of operating data or financial information being provided.

(f) The Trustee hereby agrees to serve as dissemination agent for the Issuer for purposes of transmitting filings pursuant to the continuing disclosure undertakings set forth in this Section 6.10 provided to the Trustee by the Issuer for such purpose until the Issuer appoints another agent or assumes such role itself.

(g) Unless otherwise required by the MSRB, any filing under this Section 6.10, all notices, documents and information to be provided, filed or posted, shall be provided to EMMA.

Section 6.11 Continuing Disclosure Undertaking for Series 2021 Senior Bonds, Refunding Bonds and Additional Subordinate Bonds. If (and to the extent that) a Series of Bonds is subject to the Rule, the Issuer covenants to comply with and carry out all of the provisions of the applicable Continuing Disclosure Undertaking for the sole benefit of the Owners (and, to the extent specified in this Section 6.11 and therein, the beneficial owners) of the Outstanding Bonds of each such Series and subject (except to the extent otherwise expressly provided in Section 6.10) to the remedial provisions of this Indenture.

ARTICLE VII

THE FIDUCIARIES

Section 7.01 Trustee's Organization, Authorization, Capacity, and Responsibility.

(a) The Trustee represents and warrants that it is duly organized and validly existing under the laws of the jurisdiction of its organization, having the authority to execute the trusts and perform its obligations hereunder, including the capacity to exercise the powers and duties of the Trustee hereunder, and that by proper corporate action it has duly authorized the execution and delivery of this Indenture.

(b) The duties and responsibilities of the Trustee shall be as provided by law and as set forth herein. Notwithstanding the foregoing, no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability, or expense; provided, that the Trustee shall perform its duties under Article V of this Indenture and, subject to Section 7.09 of this Indenture, make the payments and distributions required by this Indenture without requiring that any indemnity be provided to it. Whether or not therein expressly so provided,

every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article.

(c) As Trustee hereunder:

(i) the Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any Officer's Certificate, opinion of counsel (or both), resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness, or other paper or document believed by it to be genuine and to have been signed or presented by the proper person or persons. The Trustee need not investigate any fact or matter stated in the document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit;

(ii) before the Trustee acts or refrains from acting, it may require an Officer's Certificate and/or an opinion of counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such certificate or opinion. Whenever in the administration of the trusts of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting to take any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officer's Certificate delivered to the Trustee, and such certificate, in the absence of negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken, suffered or omitted to be taken by it under the provisions of this Indenture upon the faith thereof;

(iii) any request, direction, order, or demand of the Issuer mentioned herein shall be sufficiently evidenced by an Officer's Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any Issuer resolution may be evidenced to the Trustee by a copy thereof certified by the secretary or an assistant secretary of the Issuer;

(iv) prior to the occurrence of an Event of Default hereunder and after the curing or waiving of all Events of Default, the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, Officer's Certificate, opinion of Counsel, resolution, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, bond, debenture, note, coupon, security, or other paper or document unless requested in writing so to do by a Majority in Interest of the Bonds affected and then Outstanding, and if the payment within a reasonable time to the Trustee of the costs, expenses, or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require indemnity satisfactory to it against such expenses or liabilities as a condition to proceeding; and

(v) prior to an Event of Default or after a cure or waiver of an Event of Default, the Trustee undertakes to perform only such duties as are specifically set forth in

this Indenture, and no implied covenants or obligations may be read into this Indenture against the Trustee and during all other times the Trustee shall use the same degree of care and skill in the exercise of the rights and powers vested in it by this Indenture as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Section 7.02 Rights and Duties of the Fiduciaries.

(a) All money and investments received by the Fiduciaries under this Indenture shall be held in trust, in a segregated trust account in the trust department of such Fiduciary, not commingled with any other funds, and applied solely pursuant to the provisions hereof.

(b) The Fiduciaries shall keep proper accounts of their transactions hereunder (separate from its other accounts), which shall be open to inspection on reasonable notice by the Issuer and its representatives duly authorized in writing.

(c) The Fiduciaries shall not be required to monitor the financial condition of the Issuer and, unless otherwise expressly provided, shall not have any responsibility with respect to reports, notices, certificates, or other documents filed with them hereunder, except to make them available for inspection by the Owners.

(d) Each Fiduciary shall be entitled to the advice of counsel (who may be counsel for any party) and shall not be liable for any action taken in good faith in reliance on such advice. Each Fiduciary may rely conclusively on any notice, certificate, or other document furnished to it under this Indenture and reasonably believed by it to be genuine. A Fiduciary shall not be liable for any error in judgment, action taken or omitted to be taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or taken by it pursuant to any direction or instruction by which it is governed under this Indenture or omitted to be taken by it by reason of the lack of direction or instruction required for such action. When any payment or consent or other action by a Fiduciary is called for by this Indenture, the Fiduciary may defer such action pending receipt of such evidence, if any, as it may reasonably require in support thereof; except that the Trustee shall make the payments and distributions required by this Indenture without requiring that any further evidence be provided to it. A permissive right or power to act shall not be construed as a requirement to act.

(e) No recourse shall be had for any claim based on this Indenture or the Bonds against any director, officer, agent, or employee of any Fiduciary unless such claim is based upon the bad faith, negligence, willful misconduct, fraud or deceit of such person.

(f) Nothing in this Indenture shall obligate any Fiduciary to pay any debt or meet any financial obligations to any Person in relation to the Bonds except from money received for such purposes under the provisions hereof or from the exercise of the Trustee's rights hereunder.

(g) The Fiduciaries may be or become the owner of or trade in the Bonds and transact business generally with the Issuer and related entities with the same rights as if they were not the Fiduciaries.

(h) The Fiduciaries shall not be required to furnish any bond or surety.

(i) Nothing herein shall relieve any Fiduciary of responsibility for its negligence, bad faith or willful misconduct.

(j) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Indenture and delivered using Electronic Means; provided, however, that the Issuer shall provide to the Trustee an incumbency certificate listing Authorized Officers with the authority to provide such Instructions ("Electronic Instructions Officers") and containing specimen signatures of such Electronic Instructions Officers, which incumbency certificate shall be amended by the Issuer whenever a person is to be added or deleted from the listing. If the Issuer elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The Issuer understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Electronic Instructions Officer listed on the incumbency certificate provided to the Trustee have been sent by such Electronic Instructions Officer. The Issuer shall be responsible for ensuring that only Electronic Instructions Officers transmit such Instructions to the Trustee and that the Issuer and all Electronic Instructions Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Issuer. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Issuer agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Issuer; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

(k) The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

(l) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder unless and until it shall have actual knowledge thereof, or shall have received written notice thereof at its Corporate Trust Office. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default hereunder.

(m) The Trustee's rights to immunities and protection from liability hereunder and its rights to payment of its fees and expenses shall survive its resignation or removal and final

payment or defeasance of the Bonds. All indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, officers, employees and agents of the Trustee.

(n) The Trustee shall not be responsible for or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

(o) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, affiliates, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, and the Trustee shall not be answerable for any willful misconduct or negligence on the part of any such attorney, agent, or receiver selected by it with reasonable care.

Section 7.03 Paying Agents. The Issuer designates the Trustee as Paying Agent. The Issuer may appoint additional Paying Agents, generally or for specific purposes, may discharge a Paying Agent from time to time and may appoint a successor, in each case with Written Notice to the Rating Agencies. The Issuer shall designate a successor if the Trustee ceases to serve as Paying Agent. Each successor Paying Agent shall be a state or national bank or trust company eligible under the laws of the State, and shall have a capital and surplus of not less than $50,000,000 and be registered as a transfer agent with the Securities and Exchange Commission. The Issuer shall give notice of the appointment of a successor to the Trustee as Paying Agent in writing to each Owner shown on the books of the Trustee. A Paying Agent may but need not be the same Person as the Trustee.

Section 7.04 Registrar. The Issuer designates the Trustee as Registrar. The Issuer shall designate a successor if the Trustee ceases to serve as Registrar and provide Written Notice to the Rating Agencies. Any successor Registrar shall be a state or national bank or trust company eligible under the laws of the State, and shall have a capital and surplus of not less than $50,000,000 and be a registered as a transfer agent with the Securities and Exchange Commission. The Issuer shall give notice of the appointment of a successor to the Trustee as Registrar in writing to each Owner shown on the registration books. The Registrar may but need not be the same Person as the Trustee. The Registrar shall act as transfer agent in accordance with Section 3.04.

Section 7.05 Resignation or Removal of the Trustee. The Trustee may resign on not less than 30 days Written Notice to the Issuer, the Owners, and the Rating Agencies. The Trustee will promptly certify to the Issuer that it has given Written Notice to all Owners and such certificate will be conclusive evidence that such notice was given as required hereby. The Trustee shall provide notice to the Issuer within two (2) Business Days of any changes in its ratings by the Rating Agencies and shall be removed if rated below investment grade by the Rating Agencies and each successor Trustee shall have an investment grade rating from the Rating Agencies. The Trustee may be removed by 30 days prior Written Notice from the Issuer (if not in default) or a Majority in Interest of the Outstanding Bonds to the Trustee and the Issuer. Such resignation or removal shall not take effect until a successor has been appointed and has accepted the duties of Trustee.

Section 7.06 Successor Fiduciaries.

(a) Any corporation or association which succeeds to the related corporate trust business of a Fiduciary as a whole or substantially as a whole, whether by sale, merger, consolidation, or otherwise, shall thereby become vested with all the property, rights, powers, and duties thereof under this Indenture, without any further act or conveyance.

(b) In case a Fiduciary resigns or is removed or becomes incapable of acting, or becomes bankrupt or insolvent, or if a receiver, liquidator, or conservator of a Fiduciary or of its property is appointed, or if a public officer takes charge or control of a Fiduciary, or of its property or affairs, then such Fiduciary (or receiver, liquidator, conservator or officer) shall with due care terminate its activities hereunder and a successor may, or in the case of the Trustee shall, be appointed by the Issuer. The Issuer shall notify the Owners and the Rating Agencies of the appointment of a successor Trustee in writing within 20 days from the appointment. The Issuer will promptly certify to the successor Trustee that it has given such notice to all Owners and such certificate will be conclusive evidence that such notice was given as required hereby. If no appointment of a successor Trustee is made within 45 days after the giving of Written Notice in accordance with Section 7.05 or after the occurrence of any other event requiring or authorizing such appointment, the outgoing Trustee or any Owner may apply to any court of competent jurisdiction for the appointment of such a successor, and such court may thereupon, after such notice, if any, as such court may deem proper, appoint such successor. Any successor Trustee appointed under this section shall be a bank or trust company eligible under the laws of the State and shall have a capital and surplus of not less than $50,000,000. Any such successor Trustee shall notify the Issuer of its acceptance of the appointment and, upon giving such notice, shall become Trustee, vested with all the property, rights, powers, and duties of the Trustee hereunder, without any further act or conveyance. Such successor Trustee shall execute, deliver, record, and file such instruments as are required to confirm or perfect its succession hereunder and any predecessor Trustee shall from time to time execute, deliver, record, and file such instruments as the incumbent Trustee may reasonably require to confirm or perfect any succession hereunder.

Section 7.07 Costs of Issuance Account. The Trustee shall establish and maintain a Costs of Issuance Account, which shall be funded in accordance with Section 4.01(b) and Section 2.02 of the Series 2021 Supplement and the relevant section of any Series Supplement authorizing the issuance of Refunding Bonds or Additional Subordinate Bonds. The Trustee shall disburse funds from the Costs of Issuance Account as directed in writing by the Issuer. At such time as the Issuer notifies the Trustee that the Costs of Issuance have been fully paid, or at such time as no funds remain in the Costs of Issuance Account, the Trustee may close and terminate the Costs of Issuance Account. The funds remaining therein, if any, shall then be transferred to the Collections Account and applied as described in Section 5.02(a) of this Indenture. The Trustee is conclusively entitled to rely on all directions given by the Issuer with respect to the Costs of Issuance Account.

Section 7.08 Reports by Trustee to Owners and Rating Agency. The Trustee shall deliver to each Rating Agency, the Issuer and any Owner upon request, with respect to the Bonds, at least one Business Day prior to each Distribution Date therefor, a statement prepared by the Trustee with the assistance of the Issuer setting forth:

(a) the Outstanding Bonds on such Distribution Date;

(b) the amount of interest to be paid to Owners on such Distribution Date;

(c) any Serial Maturity, Turbo Term Bond Maturity or Fixed Sinking Fund Installment due on or scheduled for such Distribution Date and the Turbo Redemptions to be made as of that Distribution Date;

(d) the amount on deposit in each Account as of that Distribution Date, including the amount on deposit in the Lump Sum Payment Account;

(e) whether the amount on deposit in the Class 1 Liquidity Reserve Subaccount is sufficient to satisfy the Class 1 Liquidity Reserve Requirement as of such Distribution Date and, if not, the amount of the shortfall; and

(f) whether the amount on deposit in the Class 2 Liquidity Reserve Subaccount is sufficient to satisfy the Class 2 Liquidity Reserve Requirement as of such Distribution Date and, if not, the amount of the shortfall.

Section 7.09 Compensation and Expenses of the Fiduciaries.

(a) The Fiduciaries shall be entitled to payment and/or reimbursement for reasonable fees and costs for their services rendered hereunder and all advances, legal fees, and other expenses reasonably and necessarily made or incurred by them in connection with such services. Upon an Event of Default hereunder, but only upon such an Event of Default, the Fiduciaries shall have a right of payment prior to payment on account of principal or Accreted Value of, premium, if any, or interest on any Bond for the foregoing fees, costs, expenses and advances; provided, however, that in no event shall the Fiduciaries have any such prior right of payment or claim against any moneys or obligations deposited with or paid to the Fiduciaries for the redemption or payment of Bonds which are deemed to have been paid in accordance with Section 2.02 hereof.

(b) The Issuer hereby agrees, to the extent permitted by law, to assume liability for, and hereby indemnifies, protects, saves and holds harmless the Trustee (including in its individual capacity), and its officers, directors, successors, assigns, legal representatives, agents and servants (each an "Indemnified Person"), from and against any and all liabilities, obligations, losses, damages, penalties, taxes (excluding any taxes payable by the Trustee on or measured by any compensation received for its services as Trustee), claims, actions, investigations, proceedings, costs, expenses or disbursements (including, without limitation, reasonable fees and expenses including those of counsel and other professionals and consultants) of any kind and nature whatsoever which may be imposed on, incurred by or asserted at any time against an Indemnified Person (whether or not also indemnified against by any other person) in any way relating to or arising out of this Indenture or the enforcement of any of the terms thereof or the action or inaction of the Trustee under this Indenture, except where any such claim for indemnification has arisen as a result of the bad faith, willful misconduct or negligence on the part of Trustee in the performance or nonperformance of its duties under this Indenture.

Section 7.10 Nonpetition Covenant. Notwithstanding any prior termination of this Indenture, no Fiduciary (including in its individual capacity), beneficial owner or Owner shall, prior to the date which is one year and one day after the termination of this Indenture, acquiesce, petition, or otherwise invoke or cause the Issuer or the Corporation to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against the Issuer or 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 Issuer or the Corporation or any substantial part of its property, or ordering the winding up or liquidation of the affairs of the Issuer or the Corporation.

ARTICLE VIII

THE OWNERS

Section 8.01 Action by Owners. Any request, authorization, direction, notice, consent, waiver, or other action provided by this Indenture to be given or taken by Owners may be contained in and evidenced by one or more writings of substantially the same tenor signed by the requisite number of Owners or their attorneys duly appointed in writing. Proof of the execution of any such instrument, or of an instrument appointing any such attorney, shall be sufficient for any purpose of this Indenture (except as otherwise herein expressly provided) if made in the following manner, but the Issuer or the Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable. The fact and date of the execution by any Owner or its attorney of such instrument may be proved by the certificate or signature guarantee by a guarantor institution participating in a guarantee program acceptable to the Trustee, or of any notary public or other officer authorized to take acknowledgements of deeds to be recorded in the jurisdiction in which such notary public or other officer purports to act, that the person signing such request or other instrument acknowledged to such notary public or other officer the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Owner may be established without further proof if such instrument is signed by a person purporting to be the president or a vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its clerk or secretary or an assistant clerk or secretary. Any action of the Owner shall be irrevocable and bind all future record and beneficial owners thereof.

Section 8.02 Registered Owners. The enumeration in Section 3.05(a) of this Indenture of certain provisions applicable to DTC as Owner of immobilized Bonds shall not be construed in limitation of the rights of the Issuer and each Fiduciary to rely upon the registration books in all circumstances and to treat the Owners of Bonds as the owners thereof for all purposes not otherwise specifically provided for by law or in this Indenture. Notwithstanding any other provisions hereof, any payment to the Owner of a Bond shall satisfy the Issuer's obligations thereon to the extent of such payment.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01 Events of Default. "Event of Default" in this Indenture means any one of the events set forth below:

(a) failure to pay when due any Swap Payment or interest on any Class 1 Senior Bonds;

(b) failure to pay when due any Serial Maturity, Fixed Sinking Fund Installment or Term Bond Maturity for Class 1 Senior Bonds; or

(c) failure of the Issuer to observe or perform any other covenant, condition, agreement, or provision contained in the Senior Bonds or in this Indenture relating to Senior Bonds, which breach is not remedied within 60 days after Written Notice, specifying such default and requiring the same to be remedied, shall have been given to the Issuer by the Trustee or by the Owners of at least 25% in Bond Obligation of the Senior Bonds then Outstanding. In the case of a default specified in this subsection, if the default be such that it cannot be corrected within the said 60-day period, it shall not constitute an Event of Default if corrective action is instituted by the Issuer within said 60-day period and diligently pursued until the default is corrected.

Except as specified in subsections (a) and (b) of this Section 9.01, failure to make any payment or to make provision therefor, including any Projected Turbo Redemption, does not constitute an Event of Default to the extent that such failure results from the insufficiency of available Collateral to make such payment or provision therefor.

Notwithstanding anything herein to the contrary, neither a Class 2 Payment Default nor a Subordinate Payment Default is an Event of Default hereunder, provided that in the event of a Class 2 Payment Default or a Subordinate Payment Default, so long as no Series 2021B-1 Bonds or Class 1 Senior Bonds are Outstanding, Owners of Class 2 Senior Bonds (in the event of a Class 2 Payment Default) and Owners of First Subordinate Bonds, Second Subordinate Bonds, and Additional Subordinate Bonds (in the event of a Subordinate Payment Default) shall have the respective specified remedies in Section 9.02(a)(v) of this Indenture.

Section 9.02 Remedies.

(a) *Remedies of the Trustee*. If an Event of Default occurs:

(i) The Trustee may, and upon written request of the Owners of at least 25% in Bond Obligation of the Senior Bonds Outstanding shall, in its own name by action or proceeding in accordance with law:

(A) enforce all rights of the Owners and require the Issuer to carry out its agreements under the Bonds, this Indenture or the Loan Agreement;

(B) sue upon such Bonds;

(C) require the Issuer to account as if it were the trustee of an express trust for such Owners; and

(D) enjoin any acts or things which may be unlawful or in violation of the rights of such Owners.

(ii) The Trustee shall, in addition to the other provisions of this Section 9.02, have and possess all of the powers necessary or appropriate for the exercise of any functions incident to the general representation of Owners in the enforcement and protection of their rights.

(iii) Upon an Event of Default under Section 9.01(a) or 9.01(b), or a failure to make any other payment required under this Indenture within 7 days after the same becomes due and payable, the Trustee shall give Written Notice thereof to the Issuer. The Trustee shall give notice under paragraph (c) of Section 9.01 when instructed to do so by the written direction of another Fiduciary or the Owners of at least 25% in Bond Obligation of the Outstanding Senior Bonds. Upon the occurrence of an Event of Default, the Trustee shall proceed under Section 9.02 for the benefit of the Owners in accordance with the written direction of a Majority in Interest of the Outstanding Senior Bonds. The Trustee shall not be required to take any remedial action (other than the giving of notice) unless reasonable indemnity is furnished for any expense or liability to be incurred therein. Upon receipt of Written Notice, direction, and indemnity, and after making such investigation, if any, as it deems appropriate to verify the occurrence of any Event of Default of which it is notified as aforesaid, the Trustee shall promptly pursue the remedies provided by this Indenture or any such remedies (not contrary to any such direction) as it deems appropriate for the protection of the Owners, and shall act for the protection of the Owners with the same promptness and prudence as would be expected of a prudent person in the conduct of such person's own affairs.

(iv) Upon the occurrence of an Event of Default, the Bonds and Swap Payments shall be paid as described in Section 5.02(d) of this Indenture.

(v) *Remedies for Class 2 Senior Bonds, First Subordinate Bonds, Second Subordinate Bonds and Additional Subordinate Bonds*. Only if the Class 1 Senior Bonds are no longer Outstanding, the Owners of Class 2 Senior Bonds may enforce the provisions of this Indenture for their benefit by appropriate legal proceedings in accordance with clause (1) of the definition of Payment Priorities. Only if the Senior Bonds are no longer Outstanding, the Owners of First Subordinate Bonds, the Second Subordinate Bonds and Additional Subordinate Bonds may enforce the provisions of this Indenture for their benefit by appropriate legal proceedings in accordance with clauses (2) - (4) of the definition of Payment Priorities.

(1) The principal or Accreted Value, premium, if any, and interest on First Subordinate Bonds will be subordinated in right of payment to principal or Accreted Value, premium, if any, and interest payments on the Senior Bonds. In any Event of Default, Owners of Senior Bonds will be entitled to receive payment thereof in full before the Owners of the First Subordinate Bonds are entitled to receive payment thereof;

and any payment or distribution of assets otherwise payable to Owners of the First Subordinate Bonds will be paid to Owners of Senior Bonds until all Senior Bonds have been paid in full, and the Owners of the First Subordinate Bonds will be subrogated to the rights of such Owners of Senior Bonds to receive payments or distributions of assets with respect thereto.

(2) The principal or Accreted Value, premium, if any, and interest on Second Subordinate Bonds will be subordinated in right of payment to principal or Accreted Value, premium, if any, and interest payments on the First Subordinate Bonds. In any Subordinate Payment Default, Owners of First Subordinate Bonds will be entitled to receive payment thereof in full before the Owners of the Second Subordinate Bonds are entitled to receive payment thereof; and any payment or distribution of assets otherwise payable to Owners of the Second Subordinate Bonds will be paid to Owners of First Subordinate Bonds until all First Subordinate Bonds have been paid in full, and the Owners of the Second Subordinate Bonds will be subrogated to the rights of such Owners of First Subordinate Bonds to receive payments or distributions of assets with respect thereto.

(3) The principal or Accreted Value, premium, if any, and interest on Additional Subordinate Bonds will be subordinated in right of payment to principal or Accreted Value, premium, if any, and interest payments on the Second Subordinate Bonds. In any Subordinate Payment Default, Owners of Second Subordinate Bonds will be entitled to receive payment thereof in full before the Owners of the Additional Subordinate Bonds are entitled to receive payment thereof; and any payment or distribution of assets otherwise payable to Owners of the Additional Subordinate Bonds will be paid to Owners of Second Subordinate Bonds until all Second Subordinate Bonds have been paid in full, and the Owners of the Additional Subordinate Bonds will be subrogated to the rights of such Owners of Second Subordinate Bonds to receive payments or distributions of assets with respect thereto.

(b) *Individual Remedies*. No one or more Owners shall by its or their action affect, disturb, or prejudice the pledge created by this Indenture, or enforce any right under this Indenture, except in the manner herein provided, and all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had, and maintained in the manner provided herein and for the equal benefit of all Owners of the same class, but nothing in this Indenture shall affect or impair the right of any Owner to enforce payment of the principal or Accreted Value of, premium, if any, or interest thereon at and after the same comes due pursuant to this Indenture, or the obligation of the Issuer to pay such principal or Accreted Value, premium, if any, and interest on each of the Bonds to the respective Owners thereof at the time, place, from the source, and in the manner expressed herein and in the Bonds.

(c) *Venue*. The venue of every action, suit, or special proceeding against the Issuer shall be laid in federal or state courts located in Sacramento, California, unless waived by the Issuer.

(d) *Waiver*. If the Trustee determines that any default has been cured before becoming an Event of Default and before the entry of any final judgment or decree with respect

to it, the Trustee may waive the default and its consequences, by Written Notice to the Issuer, and shall do so upon written instruction of the Owners of at least 25% in Bond Obligation of the Outstanding Senior Bonds.

Section 9.03 Remedies Cumulative. The rights and remedies under this Indenture shall be cumulative and shall not exclude any other rights and remedies allowed by law, provided there is no duplication of recovery. The failure to insist upon a strict performance of any of the obligations of the Issuer or to exercise any remedy for any violation thereof shall not be taken as a waiver for the future of the right to insist upon strict performance by the Issuer or of the right to exercise any remedy for the violation.

Section 9.04 Delay or Omission Not Waiver. No delay or omission of the Trustee or of any Owner to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given hereby or by law to the Trustee or to the Owners may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Owners, as the case may be.

ARTICLE X

MISCELLANEOUS

Section 10.01 Supplements and Amendments to this Indenture.

(a) This Indenture may be:

(i) supplemented or amended in writing by the Issuer and the Trustee to (a) provide for earlier or greater deposits into the Senior Debt Service Account, (b) subject any property to the security interest created hereby, (c) add to the covenants and agreements of the Issuer or surrender or limit any right or power of the Issuer, (d) identify particular Bonds for purposes not inconsistent herewith, including credit or liquidity support, remarketing, qualification for sale under the securities laws of any state or other jurisdiction of the United States and defeasance, (e) cure any ambiguity or defect, (f) protect the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes, or the exemption from registration of the Bonds under the Securities Act of 1933, as amended, or of this Indenture under the Trust Indenture Act of 1939, as amended, (g) make any other changes to this Indenture that, as evidenced by a Rating Confirmation with respect to any Outstanding Bonds which are then rated by a Rating Agency, are not materially adverse to the Owners of Outstanding Bonds, or (h) provide for the issuance of the Series 2005 Bonds, Refunding Bonds and Additional Subordinate Bonds in compliance with Section 3.01(b) hereof; or

(ii) amended in writing by the Issuer and the Trustee, (a) to add provisions that are not adverse to the Owners, (b) to adopt amendments that do not take effect unless and until such amendment is consented to by such Owners in accordance with the further provisions hereof, or (c) pursuant to the following paragraph (b).

(b) Except as provided in the foregoing paragraph (a), this Indenture may be amended:

(i) only with Written Notice to the Rating Agencies and the written consent of a Majority in Interest of each Series of Bonds to be Outstanding at the effective date thereof and affected thereby; but

(ii) only with the unanimous written consent of the affected Owners for any of the following purposes: (a) to extend the Maturity Date of any Bond, (b) to reduce the principal amount, Accreted Value, applicable premium, or interest rate of any Bond, (c) to make any Bond redeemable other than in accordance with its terms, (d) to create a preference or priority of any Bond over any other Bond of the same class or (e) to reduce the Bond Obligation of the Bonds required to be represented by the Owners giving their consent to any amendment.

(c) Any amendment of this Indenture shall be accompanied by an opinion of Counsel to the effect that the amendment is permitted by this Indenture and will not, in and of itself, cause interest on the Tax-Exempt Bonds to be included in gross income for federal income tax purposes.

(d) When the Issuer determines that the requisite number of consents have been obtained for an amendment hereto, it shall file a certificate to that effect in its records and give notice to the Trustee and the Owners. The Trustee will promptly certify to the Issuer that it has given such notice to all Owners and such certificate will be conclusive evidence that such notice was given in the manner required hereby. It shall not be necessary for the consent of Owners pursuant to this Section to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof.

Section 10.02 Notices. Unless otherwise expressly provided, all notices to the Issuer or the Trustee shall be in writing and shall be deemed sufficiently given if sent by registered or certified mail, postage prepaid and return receipt requested, or delivered during business hours as follows:

(a) to the Issuer at:

Tobacco Securitization Authority of Northern California
700 H Street, Room 4650
Sacramento, CA 95814
Attention: Chair

(b) to the Trustee at:

The Bank of New York Mellon Trust Company, N.A.
100 Pine Street, Suite 3200
San Francisco, California 94111
Attention: Corporate Trust Department

or, as to all of the foregoing, to such other address as the addressee shall have indicated by prior Written Notice to the one giving notice. All notices to an Owner shall be in writing and (without limitation) shall be deemed sufficiently given if sent by mail, postage prepaid, to the Owner at the address shown on the registration books. An Owner may direct the Registrar to change such Owner's address as shown on the registration books by Written Notice to the Registrar.

Any such communication also may be transmitted to the appropriate party by telephone and shall be deemed given or made at the time of such transmission if, and only if, such transmission of notice shall be confirmed by Written Notice as specified above.

Notice hereunder may be waived prospectively or retrospectively by the Person entitled to the notice, but no waiver shall affect any notice requirement as to other Persons.

Section 10.03 Beneficiaries. This Indenture is not intended for the benefit of and shall not be construed to create rights in parties other than the Issuer and the Trustee, the Owners and the counterparty to any Swap Contract to the extent specified herein.

Section 10.04 Successors and Assigns. All covenants and agreements in this Indenture and the Bonds by the Issuer shall bind its successors and assigns, whether so expressed or not. All agreements of the Trustee in this Indenture shall bind its successors.

Section 10.05 Severability. In case any provision in this Indenture or in the Bonds shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 10.06 Legal Holidays. In any case where the date on which any payment is due shall not be a Business Day, then (notwithstanding any other provision of the Bonds or this Indenture) payment need not be made on such date, but may be made on the next succeeding Business Day with the same force and effect as if made on the date on which nominally due, and no interest shall accrue or accrete for the period from and after any such nominal date.

Section 10.07 Governing Law. This Indenture shall be construed in accordance with the laws of the State, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

Section 10.08 Limitation of Liability. No member, director, officer, or employee of the Issuer shall be individually or personally liable for the payment of the interest on or principal or Accreted Value of or the redemption price, if any, on the Bonds, but nothing contained herein shall relieve any director, officer, or employee of the Issuer from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 10.09 No Recourse to Issuer. Except as expressly provided in this Indenture and the Bonds, Owners shall have no recourse against the Issuer, but shall look only to the Collateral with respect to any amounts due to the Owners hereunder.

Section 10.10 Signatures and Counterparts. This Indenture and each Supplemental Indenture may be executed and delivered in any number of counterparts, each of which shall be deemed to be an original, but such counterparts together shall constitute one and the same

instrument. Delivery of an executed signature page of this Indenture or any such Supplemental Indenture by facsimile or email transmission shall be effective as delivery of a manually signed counterpart hereof or thereof.

Section 10.11 Effective Date. This Amended and Restated Indenture shall become effective upon its execution and delivery on the Closing Date, and the Series 2005 Supplement shall remain in effect without amendment or supplement as of such date.

Section 10.12 [**Outstanding 2005 Bonds**. For avoidance of doubt, nothing in this Amended and Restated Indenture or the Series 2021 Supplement amends: (a) to extend the Maturity Date of any Outstanding Series 2005 Bond, (b) to reduce the principal amount, Accreted Value, applicable premium, or interest rate of an Outstanding Series 2005 Bond, (c) to make any Outstanding Series 2005 Bond redeemable other than in accordance with its terms, (d) to create a preference or priority of any Outstanding Series 2005 Bond over any Bond of the same class or (e) to reduce the Bond Obligation of the Outstanding Series 2005 Bonds required to be represented by the Owners giving their consent to any amendment.]

Section 10.13 Electronic Signature. Each of the parties hereto agrees that the transaction consisting of this Amended and Restated Indenture may be conducted by electronic means. Each party agrees, and acknowledges that it is such party's intent (i) that, by signing this Amended and Restated Indenture using an electronic signature, it is signing, adopting and accepting this Amended and Restated Indenture, and (ii) that signing this Amended and Restated Indenture using an electronic signature is the legal equivalent of having placed the undersigned officer's handwritten signature on this Amended and Restated Indenture on paper. Each party acknowledges that it is being provided with an electronic or paper copy of this Amended and Restated Indenture in a usable format.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties have caused this Amended and Restated Indenture to be duly executed all as of the date first above written.

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA

By:_____
Chair of the Board of Directors

Attest:

By:_____
Secretary of the Board of Directors

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By:_____
Authorized Representative

EXHIBIT A

FORM OF SERIES SUPPLEMENT

[attached]

SERIES ____ SUPPLEMENT

by and between the

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA,
as Issuer

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

AUTHORIZING THE ISSUANCE OF
$_____
TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA
TOBACCO SETTLEMENT ASSET-BACKED BONDS
(SACRAMENTO COUNTY TOBACCO SECURITIZATION CORPORATION)

(INCLUDING THE SERIES DESCRIBED HEREIN):

Dated as of _____, 20__

ARTICLE I

DEFINITIONS AND AUTHORITY

Section 1.01. Definitions. Terms used herein and not otherwise defined shall have the respective meanings given or referred to in the Indenture, dated as of December 1, ____ (the "Indenture") by and between Tobacco Securitization Authority of Northern California (the "Issuer") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

Section 1.02. Authority for this Series ____ Supplement. This Series ____ Supplement is executed and delivered pursuant to Sections 3.01(a) and 10.01(a) of the Indenture.

ARTICLE II

THE SERIES ___ BONDS

Section 2.01. Principal Amount and Terms. Pursuant to the Indenture, _____ Series of Bonds are hereby authorized in the combined aggregate principal amount of $_____. Such _____ Series of Bonds (collectively, the "Series _____ Bonds") shall be distinguished by the following respective titles and shall have the following respective aggregate principal amounts:

"$_____ Tobacco Securitization Authority of Northern California Senior Lien Tobacco Settlement Asset-Backed Bonds (Sacramento County Tobacco Securitization Corporation), Series _____"

_____

_____

_____

(a) *Details of the Series _____ Bonds*. The Series ___ Bonds shall be issued as Senior Bonds, the Series ____B Bonds shall be issued as First Subordinate Bonds and the Series ____C Bonds shall be issued as Second Subordinate Bonds. The Series ___ Bonds shall be issued as [Senior Current Interest Bonds] in the principal amounts and with the Fixed Sinking Fund Installments and the Maturity Dates set forth on Exhibit 1 hereto. The Series ___ Bonds shall be issued as [Senior Convertible Bonds] with the Fixed Sinking Fund Installments, the Conversion Dates and the Maturity Dates, in the initial principal amounts and with the Accreted Values at the Conversion Date as set forth on Exhibit 1 hereto. The Series ___ Bonds and the Series ___ Bonds shall be issued as [Capital Appreciation Bonds] with the respective Maturity Dates, in the initial principal amounts and with the Accreted Values at the respective Maturity Dates as set forth on Exhibit 1 hereto. The Series ___ Bonds shall be issued in fully registered form and shall be numbered from R-1 upwards. The Series ___ Bonds are Turbo Term Bonds. The Projected Turbo Schedule for the Series ___ Bonds is shown on Exhibit 2 hereto. The Series ___ Bonds which are Current Interest Bonds shall be issued substantially in the form of Exhibit 3 hereto. The Series ___ Bonds which are Capital Appreciation Bonds shall be issued substantially in the form of Exhibit 4 hereto. The Series ___ Bonds which are Senior

Convertible Bonds shall be issued substantially in the form of Exhibit 5 hereto. The Series ___ Bonds are Tax-Exempt Bonds.

(b) *Authorized Denominations* means (1) with respect to the Series ___ Bonds, $5,000 or any integral multiple thereof; (2) with respect to the Series ___ Bonds, denominations such that the Accreted Value thereof at the Conversion Date are in the denomination of $5,000 or any integral multiple thereof; (3) with respect to the Series ___ Bonds, denominations such that the Accreted Values thereof at the Maturity Date are in the denomination of $5,000 or any integral multiple thereof; and (4) with respect to the Series ___ Bonds, denominations such that the Accreted Values thereof at the Maturity Date are in the denomination of $100,000 or any integral multiple of $5,000 in excess thereof.

(c) *Optional Redemption*. (1) The Series ___ Bonds are subject to redemption at the option of the Issuer (1) in whole or in part at any time, but only in an amount that may not exceed the amount of the Projected Turbo Redemptions that were projected to be paid but, as of the date of such redemption, have not been paid with respect to such Turbo Term Bonds, and (2) in whole or in part on any date on or after [June 1], 20__, from any Maturity Date selected by the Issuer in its discretion and on such basis as the Trustee shall deem fair and appropriate, including by lot, within a Maturity Date, in either case at a redemption price equal to 100% of the principal amount being redeemed, plus interest accrued to the redemption date.

(2) The Series ___ Bonds are subject to redemption at the option of the Issuer (1) in whole or in part at any time, but only in an amount that may not exceed the amount of the Projected Turbo Redemptions that were projected to be paid but, as of the date of such redemption, have not been paid with respect to such Turbo Term Bonds, and (2) in whole or in part on any date on or after [June 1], 20__, from any Maturity Date selected by the Issuer in its discretion and on such basis as the Trustee shall deem fair and appropriate, including by lot, within a Maturity Date, in either case at a redemption price equal to 100% of the principal amount or Accreted Value, as applicable, being redeemed, plus interest accrued to the redemption date, if any.

(3) The Series ___ Bonds and the Series ___ Bonds are subject to redemption at the option of the Issuer (1) in whole or in part at any time, but only in an amount that may not exceed the amount of the Projected Turbo Redemptions that were projected to be paid but, as of the date of such redemption, have not been paid with respect to such Turbo Term Bonds, and (2) in whole or in part on any date on or after [June 1], 20__, from any Maturity Date selected by the Issuer in its discretion and on such basis as the Trustee shall deem fair and appropriate, including by lot, within a Maturity Date, in either case at a redemption price equal to 100% of the Accreted Value on the redemption date.

(d) *Other Redemption*. Other than as provided in subsection (c) above, the Series ___Bonds shall be redeemable prior to maturity in accordance with their terms and the terms of the Indenture.

(e) *[Transfer Restrictions*. The Series ___ Bonds shall be subject to the following transfer restrictions. Each Owner and beneficial owner of a Series ___ Bond by its purchase thereof, shall be deemed to have represented and agreed as set forth below:

(i) Such Owner or beneficial owner (A) is a "qualified institutional buyer" as defined in Rule 144(a)(1) promulgated under the United States Securities Act of 1933, as amended (a "QIB"); (B) is acquiring such Series ___ Bond for its own account or for the account of a QIB; and (C) shall hold and transfer such Series ___ Bond in Authorized Denominations.

(ii) Such Owner or beneficial owner agrees that, if in the future it decides to offer, resell, pledge or otherwise transfer such Series ___ Bond, (A) such Series ___ Bond may be offered, resold, pledged or otherwise transferred only to a QIB; and (B) it shall, and each subsequent Owner or beneficial owner is required to, notify any subsequent purchaser of such Series ___ Bond from it of the resale restrictions referred to in clause (A) of this paragraph (ii).

(iii) Upon such purchase of a Series ___ Bond, such Owner or beneficial owner has a holding in such Series ___ Bond equal to at least $1 million in aggregate purchase price to such Owner, it being understood that any purchase that does not comport with the representation and agreement deemed to be made pursuant to this clause (iii) shall deprive such Owner or beneficial owner of any right whatsoever to enforce the provisions of the Indenture (any provision of the Indenture to the contrary notwithstanding).]

(f) *Default Rate*. With respect to the Series ___ Bonds and the Series ____ Bonds, "Default Rate" means the rate shown on the Table of Accreted Values shown on Exhibit 6 hereto.

(g) *Table of Accreted Values*. The Table of Accreted Values for the Series ____ Bonds, the Series ____ Bonds and Series ____ Bonds is set forth in Exhibit 6 hereto.

Section 2.02. Application of Proceeds. Upon receipt of the amount of the purchase price of the Series ____ Bonds of the Issuer, the Trustee shall apply such proceeds as specified in Section 4.01 of the Indenture.

IN WITNESS WHEREOF, the parties have caused this Series ____ Supplement to be duly executed all as of the date first above written.

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA

By:_____
Chair of the Board of Directors

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

By:_____
Authorized Representative

EXHIBIT 1
to Series ____ Supplement

EXHIBIT 2
to Series ____ Supplement

PROJECTED TURBO REDEMPTIONS*

EXHIBIT 3
to Series ____ Supplement

FORM OF CURRENT INTEREST BOND

REGISTERED **REGISTERED**
NUMBER R-____ **$_____**

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA
TOBACCO SETTLEMENT ASSET-BACKED BOND
(SACRAMENTO COUNTY TOBACCO SECURITIZATION CORPORATION),
SERIES ____ SENIOR CURRENT INTEREST BOND

INTEREST RATE	DATED	MATURITY DATE	CUSIP
%	Date of Delivery	June 1, 20__	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS ($_____)

The Tobacco Securitization Authority of Northern California (the "Issuer"), a joint powers authority of the State of California created pursuant to the Joint Exercise of Powers Act, comprising Section 6500 et seq. of the California Government Code, acknowledges itself indebted and for value received hereby promises to pay, solely as hereinafter provided, to the Registered Owner named above, or registered assigns (the "Owner"), on the payment date determined pursuant to the Indenture (as hereinafter defined) (subject to any right of prior redemption hereinafter provided), the principal amount set forth above, together with interest at the rate of interest set forth above from the date of authentication and delivery of this Bond, or from the most recent payment date to which interest has been paid, but if the date of authentication of this Bond is after the Record Date immediately preceding an interest payment date, interest will be paid from such interest payment date and if no interest has been paid on this Bond, interest will be paid from the Dated Date set forth above. Interest at such rate will be paid on [June 1] and [December 1] of each year, beginning [June 1], 20__ (each, a "Distribution Date"), and at the date of payment of principal, as set forth herein, by wire transfer or by check mailed on the applicable Distribution Date to the address of the registered owner hereof as shown on the registration books of the Issuer as maintained by The Bank of New York Mellon Trust Company, N.A., as registrar (the "Registrar"), as of the close of business on the Record Date immediately preceding the applicable Distribution Date. Interest shall be calculated on the basis of a year of 360 days and twelve 30-day months.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM CERTAIN FUNDS HELD UNDER THE INDENTURE, INCLUDING THE COLLECTIONS. THE BONDS ARE NOT SECURED BY THE PROCEEDS THEREOF, WITH THE EXCEPTION OF THE PROCEEDS DEPOSITED IN SENIOR LIQUIDITY RESERVE ACCOUNT, WHICH ONLY SECURE SERIES ____ BONDS. THE BONDS DO NOT CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT

OF THE ISSUER AND UNDER NO CIRCUMSTANCES WILL THE ISSUER BE OBLIGATED TO PAY THE INTEREST ON OR PRINCIPAL OR ACCRETED VALUE OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS EXCEPT FROM COLLECTIONS AND BALANCES HELD IN THE SENIOR LIQUIDITY RESERVE ACCOUNT (WHERE APPLICABLE, AND, TO THE EXTENT AVAILABLE). THE BONDS AND OTHER OBLIGATIONS OF THE ISSUER ARE NOT A DEBT OR OBLIGATION OF THE STATE OR ANY OF ITS MUNICIPALITIES OR OTHER POLITICAL SUBDIVISIONS, OTHER THAN THE ISSUER, AND NEITHER THE STATE NOR ANY SUCH MUNICIPALITIES OR OTHER SUBDIVISIONS, OTHER THAN THE ISSUER, SHALL BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OR ACCRETED VALUE OF OR INTEREST ON THE BONDS OR SUCH OTHER OBLIGATIONS. THE ISSUER HAS NO TAXING POWER.

This Bond is one of a series of Bonds issued in the aggregate principal amount of $[PAR AMOUNT]. The Bonds are issued pursuant to an Indenture, dated as of [_____] 1, 2021 and a Series ____ Supplement, dated as of _____, 20__, and both between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (together with any successor trustee, the "Trustee") (collectively and as amended and supplemented, the "Indenture"). Reference is made to the Indenture for a description of the funds pledged and to the rights, limitations of rights, duties, obligations, and immunities of the Issuer, the Trustee, and the Owners, including restrictions on the rights of the Owners to bring suit. Definitions given or referred to in the Indenture are incorporated herein by this reference. The Indenture may be amended to the extent and in the manner provided therein.

This Bond is a Senior Current Interest Bond.

Principal of this Bond and applicable redemption premium, if any, and the interest thereon are payable in lawful currency of the United States, upon presentation and surrender of this Bond when due and payable at the corporate trust agency office of the Trustee or of such other paying agent as may hereafter be designated by the Issuer (in either case, the "Paying Agent").

The Bonds are subject to redemption prior to maturity on the terms, at the redemption prices, in the manner, with the notice, and as otherwise set forth in the Indenture. If notice of redemption has been duly given as provided in the Indenture and money for the payment of the redemption price of the Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice, Bonds so called for redemption shall become due and payable, and from and after the date so designated, interest on such Bonds shall cease to accrue, and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

The Bonds are issuable only in fully registered form in Authorized Denominations. The Issuer, the Trustee, and the Paying Agent may treat the registered owner as the absolute owner of this Bond for all purposes, notwithstanding any notice to the contrary. This Bond is transferable by the registered owner hereof in accordance with the Indenture.

The respective covenants of the Issuer with respect hereto shall be fully discharged and of no further force and effect at such time as this Bond, together with interest thereon, shall have been paid in full at maturity, or shall have otherwise been refunded, redeemed, defeased, or discharged.

Upon the occurrence of an Event of Default, the Trustee shall have the remedies to enforce payment of this Bond set forth in the Indenture.

This Bond shall not be valid or become obligatory for any purpose until the certificate of authentication hereon has been dated and manually signed by the Trustee.

It is hereby certified and recited that all conditions, acts, and things required to exist, to have happened, and to have been performed precedent to and in the issuance of this Bond, exist, have happened and have been performed.

Neither the directors or officers of the Issuer nor any person executing Bonds or other obligations of the Issuer shall be liable personally thereon or be subject to any personal liability or accountability solely by reason of the issuance thereof.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed in its name by its Chair and attested by its Secretary by their facsimile signatures as of the dated date set forth above.

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA

By:_____
• Chair

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in and issued in accordance with the Indenture.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

By:_____
Authorized Signatory

Date of Authentication: _____ __, 20__

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ (Taxpayer Identification Number: _____) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

By:_____

Dated: _____

Note: The signature to this Assignment must correspond with the name as written on the face of the Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed: _____

Notice: Signature must be guaranteed by an eligible guarantor institution. Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

EXHIBIT 4
to Series ____ Supplement

FORM OF CAPITAL APPRECIATION BOND

EACH OWNER AND BENEFICIAL OWNER OF A SERIES ____ BOND BY ITS PURCHASE THEREOF, SHALL BE DEEMED TO HAVE REPRESENTED AND AGREED AS SET FORTH BELOW:

(I) SUCH OWNER OR BENEFICIAL OWNER (A) IS A "QUALIFIED INSTITUTIONAL BUYER" AS DEFINED IN RULE 144(A)(1) PROMULGATED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (A "QIB"); (B) IS ACQUIRING SUCH SERIES ____ BOND FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB; AND (C) SHALL HOLD AND TRANSFER SUCH SERIES ____ BOND IN AUTHORIZED DENOMINATIONS.

(II) SUCH OWNER OR BENEFICIAL OWNER AGREES THAT, IF IN THE FUTURE IT DECIDES TO OFFER, RESELL, PLEDGE OR OTHERWISE TRANSFER SUCH SERIES ____ BOND, (A) SUCH SERIES ____ BOND MAY BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY TO A QIB; AND (B) IT SHALL, AND EACH SUBSEQUENT OWNER OR BENEFICIAL OWNER IS REQUIRED TO, NOTIFY ANY SUBSEQUENT PURCHASER OF SUCH SERIES ____ BOND FROM IT OF THE RESALE RESTRICTIONS REFERRED TO IN CLAUSE (A) OF THIS PARAGRAPH (II).

(III) UPON SUCH PURCHASE OF A SERIES ____ BOND, SUCH OWNER OR BENEFICIAL OWNER HAS A HOLDING IN SUCH SERIES ____ BOND EQUAL TO AT LEAST $1 MILLION IN AGGREGATE PURCHASE PRICE TO SUCH OWNER, IT BEING UNDERSTOOD THAT ANY PURCHASE THAT DOES NOT COMPORT WITH THE REPRESENTATION AND AGREEMENT DEEMED TO BE MADE PURSUANT TO THIS CLAUSE (III) SHALL DEPRIVE SUCH OWNER OR BENEFICIAL OWNER OF ANY RIGHT WHATSOEVER TO ENFORCE THE PROVISIONS OF THE INDENTURE (ANY PROVISION OF THE INDENTURE TO THE CONTRARY NOTWITHSTANDING).

REGISTERED **ACCRETED VALUE AT MATURITY DATE**
NUMBER R-____ **$_____**

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA TOBACCO SETTLEMENT ASSET-BACKED BOND (SACRAMENTO COUNTY TOBACCO SECURITIZATION CORPORATION), SERIES ____[B/C] [FIRST/SECOND] SUBORDINATE CAPITAL APPRECIATION BOND

YIELD TO MATURITY DATE	DATED	MATURITY DATE	CUSIP
	Date of Delivery	June 1, ____	

REGISTERED OWNER: CEDE & CO.

INITIAL PRINCIPAL AMOUNT: _____ DOLLARS ($_____)

ACCRETED VALUE AT MATURITY DATE: _____ DOLLARS ($_____)

The Tobacco Securitization Authority of Northern California (the "Issuer"), a joint powers authority of the State of California created pursuant to the Joint Exercise of Powers Act, comprising Section 6500 et seq. of the California Government Code, acknowledges itself indebted and for value received hereby promises to pay, solely as hereinafter provided, to the Registered Owner named above, or registered assigns (the "Owner"), on the payment date determined pursuant to the Indenture (as hereinafter defined) (subject to any right of prior redemption hereinafter provided), the initial principal amount set forth above, together with interest accrued thereon to the Maturity Date identified above or such earlier redemption date at the yield to Maturity Date set forth above from the date of authentication and delivery of this Bond, compounded semiannually on [June 1] and [December 1] of each year, beginning [June 1], 20__ (the "Accreted Value"). Interest shall be calculated on the basis of a year of 360 days and twelve 30-day months.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM CERTAIN FUNDS HELD UNDER THE INDENTURE, INCLUDING THE COLLECTIONS. THE BONDS ARE NOT SECURED BY THE PROCEEDS THEREOF, WITH THE EXCEPTION OF THE PROCEEDS DEPOSITED IN SENIOR LIQUIDITY RESERVE ACCOUNT, WHICH ONLY SECURE SERIES ____ BONDS. THE BONDS DO NOT CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER AND UNDER NO CIRCUMSTANCES WILL THE ISSUER BE OBLIGATED TO PAY THE INTEREST ON OR PRINCIPAL OR ACCRETED VALUE OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS EXCEPT FROM COLLECTIONS AND BALANCES HELD IN THE SENIOR LIQUIDITY RESERVE

ACCOUNT (WHERE APPLICABLE, AND, TO THE EXTENT AVAILABLE). THE BONDS AND OTHER OBLIGATIONS OF THE ISSUER ARE NOT A DEBT OR OBLIGATION OF THE STATE OR ANY OF ITS MUNICIPALITIES OR OTHER POLITICAL SUBDIVISIONS, OTHER THAN THE ISSUER, AND NEITHER THE STATE NOR ANY SUCH MUNICIPALITIES OR OTHER SUBDIVISIONS, OTHER THAN THE ISSUER, SHALL BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OR ACCRETED VALUE OF OR INTEREST ON THE BONDS OR SUCH OTHER OBLIGATIONS. THE ISSUER HAS NO TAXING POWER.

This Bond is one of a series of Bonds issued in the aggregate principal amount of $[PAR AMOUNT]. The Bonds are issued pursuant to an Indenture, dated as of [_____] 1, 2021, and a Series ____ Supplement, dated as of December 1, ____, and both between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (together with any successor trustee, the "Trustee") (collectively and as amended and supplemented, the "Indenture"). Reference is made to the Indenture for a description of the funds pledged and to the rights, limitations of rights, duties, obligations, and immunities of the Issuer, the Trustee, and the Owners, including restrictions on the rights of the Owners to bring suit. Definitions given or referred to in the Indenture are incorporated herein by this reference. The Indenture may be amended to the extent and in the manner provided therein.

This Bond is a [First/Second] Subordinate Capital Appreciation Bond.

The Accreted Value of this Bond and applicable redemption premium, if any, and the interest thereon are payable in any lawful currency of the United States, upon presentation and surrender of this Bond when due and payable at the office of the Trustee or of such other paying agent as may hereafter be designated by the Issuer (in either case, the "Paying Agent").

The Bonds are subject to redemption prior to maturity on the terms, at the redemption prices, in the manner, with the notice, and as otherwise set forth in the Indenture. If notice of redemption has been duly given as provided in the Indenture and money for the payment of the redemption price of the Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice, Bonds so called for redemption shall become due and payable, and from and after the date so designated, interest on such Bonds shall cease to accrue, and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

The Bonds are issuable only in fully registered form in Authorized Denominations. The Issuer, the Trustee, and the Paying Agent may treat the registered owner as the absolute owner of this Bond for all purposes, notwithstanding any notice to the contrary. This Bond is transferable by the registered owner hereof in accordance with the Indenture.

The respective covenants of the Issuer with respect hereto shall be fully discharged and of no further force and effect at such time as this Bond, together with interest thereon, shall have been paid in full at maturity, or shall have otherwise been refunded, redeemed, defeased, or discharged.

Upon the occurrence of an Event of Default, the Trustee shall have the remedies to enforce payment of this Bond set forth in the Indenture.

This Bond shall not be valid or become obligatory for any purpose until the certificate of authentication hereon has been dated and manually signed by the Trustee.

It is hereby certified and recited that all conditions, acts, and things required to exist, to have happened, and to have been performed precedent to and in the issuance of this Bond, exist, have happened and have been performed.

Neither the directors or officers of the Issuer nor any person executing Bonds or other obligations of the Issuer shall be liable personally thereon or be subject to any personal liability or accountability solely by reason of the issuance thereof.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed in its name by its Chair and attested by its Secretary by their facsimile signatures as of the dated date set forth above.

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA

By:_____
Chair

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in and issued in accordance with the Indenture.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By:_____
Authorized Signatory

Date of Authentication: _____ __, 20__

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ (Taxpayer Identification Number: _____) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

By:_____

Dated: _____

Note: The signature to this Assignment must correspond with the name as written on the face of the Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed: _____

Notice: Signature must be guaranteed by an eligible guarantor institution. Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

EXHIBIT 5
to Series ____ Supplement

FORM OF CONVERTIBLE BOND

REGISTERED **ACCRETED VALUE AT CONVERSION DATE**
NUMBER R-____ **$_____**

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA
TOBACCO SETTLEMENT ASSET-BACKED BOND
(SACRAMENTO COUNTY TOBACCO SECURITIZATION CORPORATION),
SERIES ____ SENIOR CONVERTIBLE BOND

YIELD TO MATURITY DATE	DATED	MATURITY DATE	CUSIP
	Date of Delivery	June 1, ____	

REGISTERED OWNER: CEDE & CO.

INITIAL PRINCIPAL AMOUNT: _____ DOLLARS ($_____)

ACCRETED VALUE AT CONVERSION DATE: _____ DOLLARS ($_____)

The Tobacco Securitization Authority of Northern California (the "Issuer"), a joint powers authority of the State of California created pursuant to the Joint Exercise of Powers Act, comprising Section 6500 et seq. of the California Government Code, acknowledges itself indebted and for value received hereby promises to pay, solely as hereinafter provided, to the Registered Owner named above, or registered assigns (the "Owner"), on the payment date determined pursuant to the Indenture (as hereinafter defined) (subject to any right of prior redemption hereinafter provided) the Accreted Value (as that term is defined in the Indenture hereinafter referred to, and herein the "Accreted Value") at the Conversion Date specified below (which amount represents the initial principal amount hereof, together with accreted interest on such initial principal amount from the date hereof until June 1, ____ (the "Conversion Date") at the Yield to Maturity Date specified above, compounded on [June 1], 20___, and semiannually thereafter on [June 1] and [December 1] of each year until the Conversion Date), together with interest on the Accreted Value at the Conversion Date paid at the interest rate per annum (the Yield to Maturity Date) specified above from the Conversion Date or from the most recent payment date to which interest has been paid, but if the date of authentication of this Bond is after the Record Date immediately preceding an interest payment date, interest will be paid from such interest payment date and if no interest has been paid on this Bond, interest will be paid from the Conversion Date. Interest after the Conversion Date at such rate will be paid currently on [June 1] and [December 1] of each year, beginning [June/December] 1, _____ (each, a

"Distribution Date"), and at the Maturity Date, as set forth herein, by wire transfer or by check mailed to the address of the registered owner hereof as shown on the registration books of the Issuer as maintained by The Bank of New York Mellon Trust Company, N.A., as registrar (the "Registrar"), as of the close of business on the Record Date immediately preceding the applicable Distribution Date. Interest shall be calculated on the basis of a year of 360 days and twelve 30-day months.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM CERTAIN FUNDS HELD UNDER THE INDENTURE, INCLUDING THE COLLECTIONS. THE BONDS ARE NOT SECURED BY THE PROCEEDS THEREOF, WITH THE EXCEPTION OF THE PROCEEDS DEPOSITED IN SENIOR LIQUIDITY RESERVE ACCOUNT, WHICH ONLY SECURE SERIES ____ BONDS. THE BONDS DO NOT CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER AND UNDER NO CIRCUMSTANCES WILL THE ISSUER BE OBLIGATED TO PAY THE INTEREST ON OR PRINCIPAL OR ACCRETED VALUE OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS EXCEPT FROM COLLECTIONS AND BALANCES HELD IN THE SENIOR LIQUIDITY RESERVE ACCOUNT (WHERE APPLICABLE, AND, TO THE EXTENT AVAILABLE). THE BONDS AND OTHER OBLIGATIONS OF THE ISSUER ARE NOT A DEBT OR OBLIGATION OF THE STATE OR ANY OF ITS MUNICIPALITIES OR OTHER POLITICAL SUBDIVISIONS, OTHER THAN THE ISSUER, AND NEITHER THE STATE NOR ANY SUCH MUNICIPALITIES OR OTHER SUBDIVISIONS, OTHER THAN THE ISSUER, SHALL BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OR ACCRETED VALUE OF OR INTEREST ON THE BONDS OR SUCH OTHER OBLIGATIONS. THE ISSUER HAS NO TAXING POWER.

This Bond is one of a series of Bonds issued in the aggregate principal amount of $[PAR AMOUNT]. The Bonds are issued pursuant to an Indenture, dated as of [_____] 1, 2021, and a Series ____ Supplement, dated as of December 1, 20__, and both between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (together with any successor trustee, the "Trustee") (collectively and as amended and supplemented, the "Indenture"). Reference is made to the Indenture for a description of the funds pledged and to the rights, limitations of rights, duties, obligations, and immunities of the Issuer, the Trustee, and the Owners, including restrictions on the rights of the Owners to bring suit. Definitions given or referred to in the Indenture are incorporated herein by this reference. The Indenture may be amended to the extent and in the manner provided therein.

This Bond is a Senior Convertible Bond.

The Accreted Value of this Bond and applicable redemption premium, if any, and the interest thereon are payable in any lawful currency of the United States, upon presentation and surrender of this Bond when due and payable at the office of the Trustee or of such other paying agent as may hereafter be designated by the Issuer (in either case, the "Paying Agent").

The Bonds are subject to redemption prior to maturity on the terms, at the redemption prices, in the manner, with the notice, and as otherwise set forth in the Indenture. If notice of

redemption has been duly given as provided in the Indenture and money for the payment of the redemption price of the Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice, Bonds so called for redemption shall become due and payable, and from and after the date so designated, interest on such Bonds shall cease to accrue, and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

The Bonds are issuable only in fully registered form in Authorized Denominations. The Issuer, the Trustee, and the Paying Agent may treat the registered owner as the absolute owner of this Bond for all purposes, notwithstanding any notice to the contrary. This Bond is transferable by the registered owner hereof in accordance with the Indenture.

The respective covenants of the Issuer with respect hereto shall be fully discharged and of no further force and effect at such time as this Bond, together with interest thereon, shall have been paid in full at maturity, or shall have otherwise been refunded, redeemed, defeased, or discharged.

Upon the occurrence of an Event of Default, the Trustee shall have the remedies to enforce payment of this Bond set forth in the Indenture.

This Bond shall not be valid or become obligatory for any purpose until the certificate of authentication hereon has been dated and manually signed by the Trustee.

It is hereby certified and recited that all conditions, acts, and things required to exist, to have happened, and to have been performed precedent to and in the issuance of this Bond, exist, have happened and have been performed.

Neither the directors or officers of the Issuer nor any person executing Bonds or other obligations of the Issuer shall be liable personally thereon or be subject to any personal liability or accountability solely by reason of the issuance thereof.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed in its name by its Chair and attested by its Secretary by their facsimile signatures as of the dated date set forth above.

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA

By:_____
Chair

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in and issued in accordance with the Indenture.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By:_____
Authorized Signatory

Date of Authentication: _____ __, 20__

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ (Taxpayer Identification Number: _____) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

By:_____

Dated: _____

Note: The signature to this Assignment must correspond with the name as written on the face of the Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed: _____

Notice: Signature must be guaranteed by an eligible guarantor institution. Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

EXHIBIT 6
to Series ____ Supplement

TABLE OF ACCRETED VALUES

SERIES 2021 SUPPLEMENT

by and between the

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA,
as Issuer

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

AUTHORIZING THE ISSUANCE OF
$[PAR]
TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA
TOBACCO SETTLEMENT ASSET-BACKED REFUNDING BONDS
(SACRAMENTO COUNTY TOBACCO SECURITIZATION CORPORATION)

(INCLUDING THE SERIES DESCRIBED HEREIN)

Dated as of [Month] 1, 2021

ARTICLE I

DEFINITIONS AND AUTHORITY

Section 1.01. Definitions. Terms used herein and not otherwise defined shall have the respective meanings given or referred to in the Amended and Restated Indenture, dated as of [Month] 1, 2021 (the "Indenture"), between Tobacco Securitization Authority of Northern California (the "Issuer") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

Section 1.02. Authority for this Series 2021 Supplement. This Series 2021 Supplement is executed and delivered pursuant to Sections [3.01(a) and 10.01(a)] of the Indenture.

ARTICLE II

THE SERIES 2021 BONDS

Section 2.01. Principal Amount and Terms. Pursuant to the Indenture, [three] Series of Bonds are hereby authorized in the combined aggregate principal amount of $[PAR]. Such [three] Series of Bonds shall be distinguished by the following respective titles and shall have the following respective aggregate principal amounts:

"$[A-1 PAR] Tobacco Securitization Authority of Northern California Tobacco Settlement Asset-Backed Refunding Bonds (Sacramento County Tobacco Securitization Corporation), Series 2021A Class 1 Senior Current Interest Bonds" (the "Series 2021A Bonds");

"$[B-1 PAR] Tobacco Securitization Authority of Northern California Tobacco Settlement Asset-Backed Refunding Bonds (Sacramento County Tobacco Securitization Corporation), Series 2021B-1 Class 2 Senior Current Interest Bonds" (the "Series 2021B-1 Bonds"); and

"$[B-2 PAR] Tobacco Securitization Authority of Northern California Tobacco Settlement Asset-Backed Refunding Bonds (Sacramento County Tobacco Securitization Corporation), Series 2021B-2 Class 2 Senior Capital Appreciation Bonds" (the "Series 2021B-2 Bonds" and, together with the Series 2021A Bonds and the Series 2021B-1 Bonds, the "Series 2021 Senior Bonds").

(a) *Details of the Series 2021 Senior Bonds*.

(i) The Series 2021 Senior Bonds shall be issued as Senior Bonds, with the Series 2021A Bonds issued and designated as Class 1 Senior Bonds, and the Series 2021B-1 Bonds and Series 2021B-2 Bonds issued and designated as Class 2 Senior Bonds.

(ii) The Series 2021A Bonds shall be issued as Class 1 Senior Current Interest Bonds in the principal amounts and with the Fixed Sinking Fund Installments and the Maturity Dates and the interest rate or rates set forth on Exhibit 1 hereto.

(iii) The Series 2021B-1 Bonds shall be issued as Class 2 Senior Current Interest Bonds in the principal amounts and with the stated Maturity Dates and the interest rate or rates set forth on Exhibit 1 hereto.

(iv) The Series 2021B-2 Bonds shall be issued as Class 2 Senior Capital Appreciation Bonds in the initial principal amount, with the stated Maturity Date, and with the Accreted Values at the Maturity Date as set forth on Exhibit 1 hereto.

(v) The Series 2021 Senior Bonds shall be issued in fully registered form and shall be numbered from RA/B-1/B-2 upwards.

(vi) The Series 2021B-1 Bonds and the Series 2021B-2 Bonds are Turbo Term Bonds. The Projected Turbo Schedule for the Series 2021B-1 Bonds and the Series 2021B-2 Bonds is shown on Exhibit 2 hereto. The Series 2021A Bonds and the Series 2021B-1 Bonds which are Current Interest Bonds shall be issued substantially in the form of Exhibit 3 hereto. The Series 2021B-2 Bonds which are Capital Appreciation Bonds shall be issued substantially in the form of Exhibit 4 hereto. The Series 2021 Senior Bonds are Tax-Exempt Bonds. The Issuer will not enter into a Swap Contract as long as the Series 2021 Senior Bonds are Outstanding.

(b) *Authorized Denominations* means (1) with respect to the Series 2021A Bonds and the Series 2021B-1 Bonds, $5,000 or any integral multiple thereof; and (2) with respect to the Series 2021B-2 Bonds, denominations such that the Accreted Values thereof at the Maturity Date are in the denomination of $100,000 or any integral multiple of 5,000 in excess thereof.

(c) *Fixed Sinking Fund Installments.* The Series 2021A Bonds maturing on June 1, 20[49] (the "Series 2021A Term Bonds") shall be redeemed in whole or in part prior to their stated maturity on any Distribution Date, following notice of such redemption in accordance with Section 5.02(c) of the Indenture, in accordance with the schedule of Fixed Sinking Fund Installments set forth in this 2021 Series Supplement. Fixed Sinking Fund Installments shall be credited as described in Section 5.04(e) of the Indenture. If less than all of the Series 2021A Term Bonds are to be redeemed pursuant to this subsection, the Series 2021A Term Bonds to be redeemed shall be selected in accordance with Section 5.04(g) of the Indenture.

(d) *Optional Redemption*. (1) The Series 2021A Bonds are subject to redemption at the option of the Issuer in whole or in part on any date on or after June 1, 20__, and if in part, from any Maturity Date selected by the Issuer in its discretion, in either case at a redemption price equal to 100% of the principal amount being redeemed, plus interest accrued to the redemption date.

(2) The Series 2021B-1 Bonds are subject to redemption at the option of the Issuer (a) in whole or in part at any time, but only in an amount that may not exceed the amount of the Projected Turbo Redemptions that were projected to be paid but, as of the date of such redemption, have not been paid with respect to such Turbo Term Bonds, and (2) in whole or in part on any date on or after June 1, 20__, and if in part, from any Maturity Date selected by the Issuer in its discretion, in either case at a redemption price equal to 100% of the principal amount being redeemed, plus interest accrued to the redemption date.

(3) The Series 2021B-2 Bonds are subject to redemption at the option of the Issuer (1) in whole or in part at any time, but only in an amount that may not exceed the amount of the Projected Turbo Redemptions that were projected to be paid but, as of the date of such redemption, have not been paid with respect to such Turbo Term Bonds, and (2) in whole or in part on any date on or after June 1, 20__, and if in part, from any Maturity Date selected by the Issuer in its discretion, in either case at a redemption price equal to 100% of the Accreted Value on the redemption date.

(e) *Mandatory Redemption of the Series 2021A Term Bonds*. The Series 2021A Term Bonds are subject to mandatory redemption in part by Fixed Sinking Fund Installments as shown as follows:

Sinking Fund Redemption Date (June 1)	**Fixed Sinking Fund Installments**

The amount of any optional redemption of any Series 2021A Term Bonds as described in the first paragraph under "Optional Redemption" above, if less than all of the Series 2021A Term Bonds of like maturity and interest rate are being so redeemed, will be credited against any Fixed Sinking Fund Installment as directed by the Issuer.

(f) *Other Redemption*. Other than as provided in subsections (d) and (e) above, the Series 2021 Senior Bonds shall be redeemable prior to maturity in accordance with their terms and the terms of the Indenture, including the optional clean-up call of the Series 2021A Bonds pursuant to Section 5.04(h) of the Indenture and the mandatory clean-up call of the Series 2021B-1 Bonds and the Series 2021B-2 Bonds pursuant to Section 5.04(i) of the Indenture.

(g) *Notice of Redemption.* The provisions of Section 5.04(b) of the Indenture shall apply to any notices of redemption for the Series 2021 Senior Bonds, except that the Trustee shall give at least 20 days' notice to the Owners of any Series 2021 Senior Bonds, instead of at least 15 days' notice.

(h) *Default Rate*. With respect to the Series 2021B-2 Bonds, "Default Rate" means ____%.

(i) *Table of Accreted Values*. The Table of Accreted Values for the Series 2021B-2 Bonds is set forth in Exhibit 5 hereto.

Section 2.02. Application of Proceeds. Upon the delivery of the Series 2021 Senior Bonds and receipt of the amount of the purchase price thereof ($_____, comprised of the initial principal amount of the Series 2021 Senior Bonds, plus net original issue premium on the Series 2021 Senior Bonds of $_____ and less underwriters' discount of $_____) and other moneys in the amount of $_____, the Trustee shall deposit such net proceeds to the credit of the Series 2021 Bond Proceeds Account, which is hereby established. Following such deposit into the Series 2021 Bond Proceeds Account, the Trustee shall make the following deposits and transfers:

(a) the sum of $_____ shall be deposited into the Operating Account;

(b) the sum of $_____, corresponding to the Costs of Issuance (exclusive of underwriter's discount) shall be deposited into the Costs of Issuance Account and used for the purpose of paying the Costs of Issuance until as contemplated by Section 7.07 of the Indenture an Authorized Officer of the Issuer shall certify to the Trustee that all Costs of Issuance have been paid in full at which time the Trustee shall transfer any balance remaining in such Account to the Collections Account;

(c) the sum of $_____, representing the Class 1 Senior Liquidity Reserve Requirement, shall be deposited into the Class 1 Senior Liquidity Reserve Subaccount;

(d) the sum of $_____, representing the Class 2 Senior Liquidity Reserve Requirement, shall be deposited into the Class 2 Senior Liquidity Reserve Subaccount; and

(e) the sum of $_____ shall be transferred to The Bank of New York Mellon Trust Company, N.A., as trustee and escrow agent for the Series 2005 Refunded Bonds for deposit in the escrow fund related to the defeasance of the Series 2005 Refunded Bonds.

IN WITNESS WHEREOF, the parties have caused this Series 2021 Supplement to be duly executed all as of the date first above written.

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA

By:_____
Chair of the Board of Directors

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

By:_____
Authorized Representative

EXHIBIT 1
to Series 2021 Supplement

SERIAL AND TERM BONDS

Series 2021A Class 1 Senior Current Interest Bonds – Serial Maturities

[INSERT]

Series 2021A Class 1 Senior Current Interest Bonds – Term Bond

[INSERT]

TURBO TERM BONDS

Series 2021B-1 Class 2 Senior Current Interest Bonds
Maturing on June 1, 20[30]
Bearing Interest at ___%

Series 2021B-1 Class 2 Senior Current Interest Bonds
Maturing on June 1, 20[49]
Bearing Interest at ___%

Series 2021B-2 Class 2 Senior Capital Appreciation Bonds

Maturity Date (June 1)	**Initial Principal Amount**	**Initial Principal Amount per $5,000 Accreted Value At Maturity Date**	**Accreted Value At Maturity**	**Approximate Yield To Maturity Date**
20[60]				

EXHIBIT 2
to Series 2021 Supplement

PROJECTED TURBO REDEMPTIONS*

Turbo Redemption Date (June 1)	SERIES 2021B-1 Senior Current Interest Bonds Maturing June 1, 20[30]	SERIES 2021B-1 Senior Current Interest Bonds Maturing June 1, 20[49]	SERIES 2021B-2 Senior CABs Maturing June 1, 20[60]

*Turbo redemptions of Series 2021B-2 Bonds are shown at the Accreted Value thereof.

EXHIBIT 3
to Series 2021 Supplement

FORM OF CURRENT INTEREST BOND

REGISTERED **REGISTERED**
NUMBER [RA/B1]-____ **$_____**

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA
TOBACCO SETTLEMENT ASSET-BACKED REFUNDING BOND
(SACRAMENTO COUNTY TOBACCO SECURITIZATION CORPORATION),
SERIES [2021A CLASS 1/2021B-1 CLASS 2] SENIOR CURRENT INTEREST BOND

INTEREST RATE	DATED	MATURITY DATE	CUSIP
%	Date of Delivery	June 1, 20__	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS ($_____)

The Tobacco Securitization Authority of Northern California (the "Issuer"), a joint powers authority of the State of California created pursuant to the Joint Exercise of Powers Act, comprising Section 6500 et seq. of the California Government Code, acknowledges itself indebted and for value received hereby promises to pay, solely as hereinafter provided, to the Registered Owner named above, or registered assigns (the "Owner"), on the payment date determined pursuant to the Indenture (as hereinafter defined) (subject to any right of prior redemption hereinafter provided), the principal amount set forth above, together with interest at the rate of interest set forth above from the date of authentication and delivery of this Bond, or from the most recent payment date to which interest has been paid or duly provided therefor, and if no interest has been paid on this Bond, interest will be paid from the Dated Date set forth above. Interest at such rate will be paid on June 1 and December 1 of each year, beginning June 1, 2021 (each, a "Distribution Date"), and at the date of payment of principal, as set forth herein, by wire transfer or by check mailed on the applicable Distribution Date to the address of the registered owner hereof as shown on the registration books of the Issuer as maintained by The Bank of New York Mellon Trust Company, N.A., as registrar (the "Registrar"), as of the close of business on the Record Date immediately preceding the applicable Distribution Date. Interest shall be calculated on the basis of a year of 360 days and twelve 30-day months.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM CERTAIN FUNDS HELD UNDER THE INDENTURE, INCLUDING THE COLLECTIONS. THE BONDS ARE NOT SECURED BY THE PROCEEDS THEREOF, WITH THE EXCEPTION OF THE PROCEEDS DEPOSITED IN THE CLASS 1 SENIOR LIQUIDITY RESERVE SUBACCOUNT, WHICH ONLY SECURES THE SERIES 2021A BONDS, AND THE CLASS 2 SENIOR LIQUIDITY RESERVE SUBACCOUNT, WHICH ONLY SECURES THE SERIES 2021B-1 BONDS. THE BONDS DO NOT CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF

THE ISSUER AND UNDER NO CIRCUMSTANCES WILL THE ISSUER BE OBLIGATED TO PAY THE INTEREST ON OR PRINCIPAL OR ACCRETED VALUE OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS EXCEPT FROM COLLECTIONS AND BALANCES HELD IN THE SENIOR LIQUIDITY RESERVE ACCOUNT (WHERE APPLICABLE, AND, TO THE EXTENT AVAILABLE). THE BONDS AND OTHER OBLIGATIONS OF THE ISSUER ARE NOT A DEBT OR OBLIGATION OF THE STATE OR ANY OF ITS MUNICIPALITIES OR OTHER POLITICAL SUBDIVISIONS, OTHER THAN THE ISSUER, AND NEITHER THE STATE NOR ANY SUCH MUNICIPALITIES OR OTHER SUBDIVISIONS, OTHER THAN THE ISSUER, SHALL BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OR ACCRETED VALUE OF OR INTEREST ON THE BONDS OR SUCH OTHER OBLIGATIONS. THE ISSUER HAS NO TAXING POWER.

This Bond is one of a Series of Senior Bonds issued in the aggregate principal amount of $[PAR AMOUNT]. The Bonds are issued pursuant to an Amended and Restated Indenture and a SERIES 2021 Supplement, both dated as of [Month] 1, 2021, and both between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (together with any successor trustee, the "Trustee") (collectively and as amended and supplemented, the "Indenture"). Reference is made to the Indenture for a description of the funds pledged and to the rights, limitations of rights, duties, obligations, and immunities of the Issuer, the Trustee, and the Owners, including restrictions on the rights of the Owners to bring suit. Definitions given or referred to in the Indenture are incorporated herein by this reference. The Indenture may be amended to the extent and in the manner provided therein.

This Bond is a Senior [Class 1/Class 2] Current Interest Bond.

Principal of this Bond and applicable redemption premium, if any, and the interest thereon are payable in lawful currency of the United States, upon presentation and surrender of this Bond when due and payable at the corporate trust agency office of the Trustee or of such other paying agent as may hereafter be designated by the Issuer (in either case, the "Paying Agent").

The Bonds are subject to redemption prior to maturity on the terms, at the redemption prices, in the manner, with the notice, and as otherwise set forth in the Indenture. If notice of redemption has been duly given as provided in the Indenture and money for the payment of the redemption price of the Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice, Bonds so called for redemption shall become due and payable, and from and after the date so designated, interest on such Bonds shall cease to accrue, and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

The Bonds are issuable only in fully registered form in Authorized Denominations. The Issuer, the Trustee, and the Paying Agent may treat the registered owner as the absolute owner of this Bond for all purposes, notwithstanding any notice to the contrary. This Bond is transferable by the registered owner hereof in accordance with the Indenture.

The respective covenants of the Issuer with respect hereto shall be fully discharged and of no further force and effect at such time as this Bond, together with interest thereon, shall have been paid in full at maturity, or shall have otherwise been refunded, redeemed, defeased, or discharged as provided in the Indenture.

Upon the occurrence of an Event of Default, the Trustee shall have the remedies to enforce payment of this Bond set forth in the Indenture.

This Bond shall not be valid or become obligatory for any purpose until the certificate of authentication hereon has been dated and manually signed by the Trustee.

It is hereby certified and recited that all conditions, acts, and things required to exist, to have happened, and to have been performed precedent to and in the issuance of this Bond, exist, have happened and have been performed.

Neither the directors or officers of the Issuer nor any person executing Bonds or other obligations of the Issuer shall be liable personally thereon or be subject to any personal liability or accountability solely by reason of the issuance thereof.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed in its name by its Chair and attested by its Secretary by their facsimile signatures as of the dated date set forth above.

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA

By: _____
Chair

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in and issued in accordance with the Indenture.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

By:_____
Authorized Signatory

Date of Authentication: _____ __, 2021

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ (Taxpayer Identification Number: _____) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

By:_____

Dated: _____

Note: The signature to this Assignment must correspond with the name as written on the face of the Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed: _____

Notice: Signature must be guaranteed by an eligible guarantor institution. Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

EXHIBIT 4
to Series 2021 Supplement

FORM OF CAPITAL APPRECIATION BOND

REGISTERED **ACCRETED VALUE AT MATURITY DATE**
NUMBER R-B-2 **$_____**

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA
TOBACCO SETTLEMENT ASSET-BACKED REFUNDING BOND
(SACRAMENTO COUNTY TOBACCO SECURITIZATION CORPORATION),
SERIES 2021B-2 CLASS 2 SENIOR CAPITAL APPRECIATION BOND

YIELD TO MATURITY DATE	DATED	MATURITY DATE	CUSIP
	Date of Delivery	June 1, ____	

REGISTERED OWNER: CEDE & CO.

INITIAL PRINCIPAL AMOUNT: _____ DOLLARS
($_____)

ACCRETED VALUE AT MATURITY DATE: _____ DOLLARS
($_____)

The Tobacco Securitization Authority of Northern California (the "Issuer"), a joint powers authority of the State of California created pursuant to the Joint Exercise of Powers Act, comprising Section 6500 et seq. of the California Government Code, acknowledges itself indebted and for value received hereby promises to pay, solely as hereinafter provided, to the Registered Owner named above, or registered assigns (the "Owner"), on the payment date determined pursuant to the Indenture (as hereinafter defined) (subject to any right of prior redemption hereinafter provided), the initial principal amount set forth above, together with interest accrued thereon to the Maturity Date identified above or such earlier redemption date at the yield to Maturity Date set forth above from the date of authentication and delivery of this Bond, compounded semiannually on June 1 and December 1 of each year, beginning June 1, 2021 (the "Accreted Value"). Interest shall be calculated on the basis of a year of 360 days and twelve 30-day months.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER, PAYABLE SOLELY FROM CERTAIN FUNDS HELD UNDER THE INDENTURE, INCLUDING THE COLLECTIONS. THE BONDS ARE NOT SECURED BY THE PROCEEDS THEREOF, WITH THE EXCEPTION OF THE PROCEEDS DEPOSITED IN SENIOR LIQUIDITY RESERVE ACCOUNT, WHICH ONLY SECURE THE SERIES 2021A

BONDS AND THE SERIES 2021B-1 BONDS. THE BONDS DO NOT CONSTITUTE A CHARGE AGAINST THE GENERAL CREDIT OF THE ISSUER AND UNDER NO CIRCUMSTANCES WILL THE ISSUER BE OBLIGATED TO PAY THE INTEREST ON OR PRINCIPAL OR ACCRETED VALUE OF OR REDEMPTION PREMIUMS, IF ANY, ON THE BONDS EXCEPT FROM COLLECTIONS AND BALANCES HELD IN THE SENIOR LIQUIDITY RESERVE ACCOUNT (WHERE APPLICABLE, AND, TO THE EXTENT AVAILABLE). THE BONDS AND OTHER OBLIGATIONS OF THE ISSUER ARE NOT A DEBT OR OBLIGATION OF THE STATE OR ANY OF ITS MUNICIPALITIES OR OTHER POLITICAL SUBDIVISIONS, OTHER THAN THE ISSUER, AND NEITHER THE STATE NOR ANY SUCH MUNICIPALITIES OR OTHER SUBDIVISIONS, OTHER THAN THE ISSUER, SHALL BE LIABLE FOR THE PAYMENT OF THE PRINCIPAL OR ACCRETED VALUE OF OR INTEREST ON THE BONDS OR SUCH OTHER OBLIGATIONS. THE ISSUER HAS NO TAXING POWER.

This Bond is one of a Series of Senior Bonds issued in the aggregate principal amount of $[PAR AMOUNT]. The Bonds are issued pursuant to an Amended and Restated Indenture and a Series 2021 Supplement, both dated as of [Month] 1, 2021, and both between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (together with any successor trustee, the "Trustee") (collectively and as amended and supplemented, the "Indenture"). Reference is made to the Indenture for a description of the funds pledged and to the rights, limitations of rights, duties, obligations, and immunities of the Issuer, the Trustee, and the Owners, including restrictions on the rights of the Owners to bring suit. Definitions given or referred to in the Indenture are incorporated herein by this reference. The Indenture may be amended to the extent and in the manner provided therein.

This Bond is a Class 2 Senior Capital Appreciation Bond.

The Accreted Value of this Bond and applicable redemption premium, if any, and the interest thereon are payable in any lawful currency of the United States, upon presentation and surrender of this Bond when due and payable at the office of the Trustee or of such other paying agent as may hereafter be designated by the Issuer (in either case, the "Paying Agent").

The Bonds are subject to redemption prior to maturity on the terms, at the redemption prices, in the manner, with the notice, and as otherwise set forth in the Indenture. If notice of redemption has been duly given as provided in the Indenture and money for the payment of the redemption price of the Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice, Bonds so called for redemption shall become due and payable, and from and after the date so designated, interest on such Bonds shall cease to accrue, and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

The Bonds are issuable only in fully registered form in Authorized Denominations. The Issuer, the Trustee, and the Paying Agent may treat the registered owner as the absolute owner of this Bond for all purposes, notwithstanding any notice to the contrary. This Bond is transferable by the registered owner hereof in accordance with the Indenture.

The respective covenants of the Issuer with respect hereto shall be fully discharged and of no further force and effect at such time as this Bond, together with interest thereon, shall have been paid in full at maturity, or shall have otherwise been refunded, redeemed, defeased, or discharged as provided in the Indenture.

Upon the occurrence of an Event of Default, the Trustee shall have the remedies to enforce payment of this Bond set forth in the Indenture.

This Bond shall not be valid or become obligatory for any purpose until the certificate of authentication hereon has been dated and manually signed by the Trustee.

It is hereby certified and recited that all conditions, acts, and things required to exist, to have happened, and to have been performed precedent to and in the issuance of this Bond, exist, have happened and have been performed.

Neither the directors or officers of the Issuer nor any person executing Bonds or other obligations of the Issuer shall be liable personally thereon or be subject to any personal liability or accountability solely by reason of the issuance thereof.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed in its name by its Chair and attested by its Secretary by their facsimile signatures as of the dated date set forth above.

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA

By:_____
Chair

ATTEST:

_____
Secretary

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in and issued in accordance with the Indenture.

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee

By:_____
Authorized Signatory

Date of Authentication: _____ __, 2021

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ (Taxpayer Identification Number: _____) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

By:_____

Dated: _____

Note: The signature to this Assignment must correspond with the name as written on the face of the Bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed: _____

Notice: Signature must be guaranteed by an eligible guarantor institution. Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

EXHIBIT 5
to Series 2021 Supplement

TABLE OF ACCRETED VALUES

for the Series 2021B-2 Bonds
(Accreted Values Shown Per $5,000 Maturity Amount)

	SERIES 2021B-2 Bonds
	Due
Date	June 1, 20[60]

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ATTACHMENT 3

SACRAMENTO COUNTY TOBACCO SECURITIZATION CORPORATION,
as Corporation

and the

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA,
as Issuer

FIRST SUPPLEMENT TO SECURED LOAN AGREEMENT

Dated as of [Month] 1, 2021

Supplementing that Secured Loan Agreement, dated as of December 1, 2005, between the Sacramento County Tobacco Securitization Corporation and the Tobacco Securitization Authority of Northern California

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FIRST SUPPLEMENT TO SECURED LOAN AGREEMENT

This **FIRST SUPPLEMENT TO SECURED LOAN AGREEMENT**, dated as of [Month] 1, 2021 (this "**First Supplement to Loan Agreement**"), is entered into by and between the

(1) SACRAMENTO COUNTY TOBACCO SECURITIZATION CORPORATION, a California nonprofit public benefit corporation (the "**Corporation**"); and the

(2) TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA, a public entity of the State of California (the "**Issuer**").

RECITALS

A. The Corporation is the owner of the County Tobacco Assets (as defined below).

B. The Corporation and the Issuer previously executed and delivered the Secured Loan Agreement, dated as of December 1, 2005 (the "**Original Loan Agreement**"), in connection with the Issuer making a loan of the proceeds of the Series 2021 Senior Bonds (as defined in the Original Loan Agreement) to the Corporation secured by the Corporation Tobacco Assets (as defined below).

C. Section 2.01(b) of the Original Loan Agreement provides that Issuer may, at the request of the Corporation, authorize the issuance of Refunding Bonds (as defined in the Original Loan Agreement) upon satisfaction of certain terms and conditions.

D. The Corporation has requested the Issuer to authorize the issuance of Refunding Bonds consisting of the Tobacco Securitization Authority of Northern California Tobacco Settlement Asset-Backed Refunding Bonds, Series 2021 Senior Bonds, consisting of Series 2021A Class 1 Senior Bonds, Series 2021B-1 Class 2 Senior Bonds, and Series 2021B-2 Class 2 Senior Bonds (collectively, the "**Series 2021 Senior Bonds**") and to provide a loan of the proceeds thereof to the Corporation secured by the Corporation Tobacco Assets (as defined below).

E. The Series 2021 Senior Bonds are to be issued pursuant to the Amended and Restated Indenture, dated as of [Month] 1, 2021 (as it may be amended or supplemented from time to time in accordance with the terms thereof, the "**Indenture**"), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**"), which amends and restated that Indenture, dated as of December 1, 2005, between the Issuer and the Trustee.

F. Section 8.02(e) of the Original Loan Agreement provides that the Original Loan Agreement may be amended by the Corporation and the Issuer, with the consent of the Trustee, in connection with the issuance of Refunding Bonds, such as the Series 2021 Senior Bonds.

G. The Issuer is willing to provide such loan upon the terms specified in this First Supplement to Loan Agreement, which is supplementing the Original Loan Agreement (the Original Loan Agreement, as supplemented by this First Supplement to Loan Agreement, as

further supplemented and amended from time to time pursuant to its terms, the "**Loan Agreement**").

AGREEMENT

NOW, THEREFORE, in consideration of the above Recitals and the mutual covenants herein contained, the parties hereto hereby agree as follows:

SECTION I. INTERPRETATION.

1.01. Definitions.

(a) For all purposes of this First Supplement to Loan Agreement, except as otherwise expressly provided herein or unless the context otherwise requires, capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Indenture.

(b) The words "hereof," "herein," "hereunder" and words of similar import when used in this First Supplement to Loan Agreement shall refer to this First Supplement to Loan Agreement as a whole and not to any particular provision of this First Supplement to Loan Agreement; Paragraph, Section and Exhibit references contained in this First Supplement to Loan Agreement are references to Paragraphs, Sections and Exhibits in or to this First Supplement to Loan Agreement unless otherwise specified; and the term "including" shall mean "including without limitation."

(c) Any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as from time to time may be amended, modified or supplemented and includes (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein; and any references to a Person are also to its permitted successors and assigns.

SECTION II. ISSUANCE OF SERIES 2021 SENIOR BONDS; LOAN TO CORPORATION; RELATED OBLIGATIONS.

2.01. Issuance of Series 2021 Senior Bonds; Deposit of Proceeds.

(a) Pursuant to the Indenture, the Issuer has authorized the issuance of the Series 2021 Senior Bonds in the aggregate initial principal amount of [par amount in words] ($[par amount]). The Issuer hereby loans and advances to the Corporation, and the Corporation hereby borrows and accepts from the Issuer a loan of the proceeds of the Series 2021 Senior Bonds to be applied under the terms and conditions of this First Supplement to Loan Agreement to provide funds to assist the Corporation in refinancing the acquisition of the County Tobacco Assets (the "Loan"). The Corporation hereby approves the Indenture and the assignment under the Indenture to the Trustee of the right, title and interest of the Issuer in this First Supplement to Loan Agreement.

2.02. Amounts Payable.

(a) In consideration of the Loan to the Corporation, the Corporation agrees to make payments to the Trustee in accordance with Original Loan Agreement.

SECTION III. CONDITIONS PRECEDENT.

3.01. Conditions Precedent to Borrowing. The obligation of the Issuer to make the Loan on the date of issuance of the Series 2021 Senior Bonds is subject to the conditions that:

(a) The representations and warranties of the Corporation set forth in Section 4.01 are true and correct in all material respects;

(b) All agreements relating to the transactions contemplated hereby are in form and substance satisfactory to the Issuer and the Corporation; and

3.02. Waiver and Satisfaction of Conditions Precedent. The Issuer, by making the Loan hereunder, either waives or acknowledges satisfaction of the conditions precedent set forth in Section 3.01.

SECTION IV. REPRESENTATIONS AND WARRANTIES.

4.01. Corporation's Representations and Warranties of the Corporation. In order to induce the Issuer to enter into this First Supplement to Loan Agreement, the Corporation hereby makes the representations and warranties contained in Section 5.01 of the Original Loan Agreement to the Issuer as of the date of delivery of the Series 2021 Senior Bonds.

4.02. Representations and Warranties of the Issuer. In order to induce the Corporation to enter into this First Supplement to Loan Agreement, the Issuer hereby makes the representations and warranties contained in Section 5.02 of the Original Loan Agreement to the Issuer as of the date of delivery of the Series 2021 Senior Bonds.

SECTION V. COVENANTS.

5.01 Nonpetition Covenant By Issuer. The Issuer hereby covenants and agrees that it will not at any time institute against the Corporation, or join in instituting against the Corporation, any bankruptcy, reorganization, arrangement, insolvency, liquidation, or similar proceeding under any United States federal or state bankruptcy or similar law.

SECTION VI. MISCELLANEOUS.

6.01. Ratification. This First Supplement to Loan Agreement is entered into to provide for the loan of the proceeds of the Series 2021 Senior Bonds to the Corporation. As supplemented hereby, the Loan Agreement is in all respects ratified and confirmed, and the Loan Agreement as so supplemented hereby shall be read and construed as one and the same instrument.

6.02. Successors and Assigns. This First Supplement to Loan Agreement shall be binding upon and inure to the benefit of the Corporation, the Issuer and their respective successors and permitted assigns. The Corporation acknowledges that the Issuer has assigned its rights under this First Supplement to Loan Agreement to the Trustee pursuant to the Indenture and consents to such assignment. The Corporation may not assign or transfer any of its rights or obligations under this First Supplement to Loan Agreement without the prior written consent of the Issuer and the Trustee.

6.03. Partial Invalidity. If at any time any provision of this First Supplement to Loan Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of this First Supplement to Loan Agreement nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

6.04. Counterparts. This First Supplement to Loan Agreement may be executed in any number of identical counterparts, any set of which signed by all the parties hereto shall be deemed to constitute a complete, executed original for all purposes.

6.05. Entire Agreement. This First Supplement to Loan Agreement sets forth the entire understanding and agreement of the parties with respect to the subject matter hereof and supersedes any and all oral or written agreements or understandings between the parties as to the subject matter hereof.

6.06. Governing Law. This First Supplement to Loan Agreement shall be governed by and construed in accordance with the laws of the State.

IN WITNESS WHEREOF, the Corporation and the Issuer have caused this First Supplement to Loan Agreement to be executed as of the date first above written.

SACRAMENTO COUNTY TOBACCO SECURITIZATION CORPORATION

By:_____
Member of the Board of Directors

Attest:

By:_____
Secretary of the Board of Directors

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA

By:_____
Chair of the Board of Directors

Attest:

By:_____
Secretary of the Board of Directors

CONSENTED TO BY:

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

By:_____

Title:_____

ATTACHMENT 4

$[Aggregate Par]

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA
Tobacco Settlement Asset-Backed Refunding Bonds, Series 2021 Senior Bonds
(Sacramento County Tobacco Securitization Corporation)
$[2021A Par] Series 2021A Class 1 Senior Current Interest Bonds,
$[2021B-1 Par] Series 2021B-1 Class 2 Senior Current Interest Bonds and
$[2021B-2 Par] Series 2021B-2 Class 2 Senior Capital Appreciation Bonds

CONTRACT OF PURCHASE

[Pricing Date]

Tobacco Securitization Authority of Northern California
Sacramento, CA

Ladies and Gentlemen:

The undersigned (the **"Representative"**), acting on behalf of itself and the other firms listed in Exhibit A (collectively, the **"Underwriters"**), offers to enter into this contract of purchase (the "**Contract of Purchase**") with the Tobacco Securitization Authority of Northern California (the **"Issuer"**) which, upon the acceptance of this offer by the Issuer**,** will be binding upon the Issuer and the Underwriters. This offer is made subject to the receipt of the Corporation Letter of Representations (as defined below), the County Certificate (as defined below) and the written acceptance by the Issuer at or prior to 7:00 p.m., California time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriters upon notice delivered to the Issuer at any time prior to the acceptance hereof by the Issuer. Upon such acceptance by the Issuer, this Contract of Purchase will be binding upon the Issuer and the Underwriters. Capitalized terms not defined herein shall have the same meanings as set forth in the Indenture (hereinafter defined).

1. Upon the terms and conditions and in reliance on the representations, warranties and agreements hereinafter set forth, the representations, warranties and agreements of the Issuer, a public entity created pursuant to an Amended and Restated Joint Exercise of Powers Agreement, dated as of November 16, 2005 (the "**JPA**"), by and between the County of Sacramento (the "**County**") and the County of San Diego, California, the Sacramento County Tobacco Securitization Corporation, a nonprofit public benefit corporation (the "**Corporation**") organized under the laws of the State of California (the "**State**"), set forth in the Corporation Letter of Representations and the representations, warranties and agreements of the County set forth in the County Certificate, the Underwriters hereby agree to purchase, jointly and severally, from the Issuer, and the Issuer agrees to sell to the Underwriters, all (but not less than all) of the Issuer's

$[Aggregate Par] Tobacco Settlement Asset-Backed Refunding Bonds, Series 2021 Senior Bonds (Sacramento County Tobacco Securitization Corporation), consisting of $[2021A Par] Series 2021A Class 1 Senior Current Interest Bonds, $[2021B-1 Par] Series 2021B-1 Class 2 Senior Current Interest Bonds, and $[2021B-2 Par] Series 2021B-2 Class 2 Senior Capital Appreciation Bonds (the **"Series 2021 Bonds"**) at a purchase price calculated as set forth in Item 3 of Schedule 1 to, and made a part of, this Contract of Purchase.

The Representative represents and warrants that it is duly authorized and has been duly authorized by the Underwriters, pursuant to an agreement among underwriters, to execute this Contract of Purchase, to act hereunder on behalf of the Underwriters and to take all actions and to waive any condition or requirement required or permitted to be taken or waived hereunder by the Representative or the Underwriters. The Underwriters shall not designate any other representative except upon the approval of the Issuer (which approval shall not be unreasonably withheld).

The Underwriters intend to make an initial bona fide public offering of all of the Series 2021 Bonds at not in excess of the public offering prices nor yields lower than the yields set forth on the inside cover page of the offering circular, dated the date of this Contract of Purchase, with respect to the Series 2021 Bonds (such offering circular, together with the cover page, inside cover page, and all exhibits, appendices and statements included in it or attached to it being called the **"Offering Circular"**), and the Underwriters may, subject to the provisions of Section 13 hereof, subsequently change such offering prices or yields without any requirement of prior notice. The Underwriters may offer and sell the Series 2021 Bonds to certain dealers (including dealers depositing such bonds into investment trusts) and others at prices lower than the public offering prices stated on the inside cover page of the Offering Circular.

2. The Series 2021 Bonds shall be as described in the Offering Circular. The Series 2021 Bonds will be issued and secured under and pursuant to an Amended and Restated Indenture, dated as of January 1, 2021, as previously supplemented and as supplemented by a Series 2021 Supplement, dated as of January 1, 2021 (collectively, the "**Indenture**"), each between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**"). The Issuer will deposit a portion of the net proceeds of the Series 2021 Bonds, along with other available funds under the Indenture, with The Bank of New York Mellon Trust Company, N.A., in its capacity as escrow agent (the "**Escrow Agent**") under an escrow agreement, dated as of January 1, 2021 (the "**Escrow Agreement**"), by and between the Issuer and the Escrow Agent to refund and defease, in accordance with the Indenture, [all][a portion of] of the Issuer's outstanding Tobacco Settlement Asset-Backed Bonds (Sacramento County Tobacco Securitization Corporation) Series 2005A-1 Senior Current Interest Bonds, Series 2005A-2 Senior Convertible Bonds, Series 2005B First Subordinate CABs and the Series 2005C Second Subordinate CABs (together, the "**Refunded Bonds**"). The remainder of the proceeds of the Series 2021 Bonds will be applied to make a deposit to the Class 1 Senior Liquidity Reserve Subaccount and the Class 2 Senior Liquidity Reserve Subaccount, and pay the costs of issuance incurred in connection with the issuance of the Series 2021 Bonds.

In connection with the issuance of the [Issuer's Tobacco Settlement Asset-Backed Bonds (Sacramento County Tobacco Securitization Corporation), Series 2005 (the "**2005 Bonds**")][Refunded Bonds], the Issuer and the Corporation executed a Secured Loan Agreement, dated as of December 1, 2005 (the "**Original Loan Agreement**"), as supplemented by a First Supplement to Secured Loan Agreement, dated as of January 1, 2021 (the "**First Supplemental**

Loan Agreement" and, the Original Loan Agreement as so supplemented, the "**Loan Agreement**"). Under the Loan Agreement, the Issuer refinanced the purchase by the Corporation from the County of the County Tobacco Assets (as defined in the Indenture) by loaning a portion of the proceeds of the [2005 Bonds][Refunded Bonds] to the Corporation. In consideration of said loan, the Corporation is obligated under the Loan Agreement to pay or cause to be paid to the Trustee for deposit in the Collections Account established under the Indenture, all Tobacco Settlement Revenues (as defined in the Indenture) as and when such Tobacco Settlement Revenues are received, which Tobacco Settlement Revenues (together with other available moneys under the Indenture) will be used to pay when due, among other things, the interest on and the Bond Obligation (as defined in the Indenture) owing in respect of the Series 2021 Bonds. Under the Indenture, the Issuer's rights under the Loan Agreement have been assigned to the Trustee.

The execution and delivery of the Indenture, this Contract of Purchase, the Continuing Disclosure Undertaking, dated as of January 1, 2021, executed by the Issuer and acknowledged and agreed to by BLX Group LLC, as dissemination agent (the "**Continuing Disclosure Undertaking**"), the Offering Circular and the Series 2021 Bonds have been authorized, as applicable, by a resolution of the Issuer (the "**Issuer Resolution**"), a resolution of the County (the "**County Resolution**") and by a resolution of the Corporation (the "**Corporation Resolution**").

The Indenture, the Loan Agreement, the Purchase and Sale Agreement, dated as of July 1, 2001 (the "**Sale Agreement**"), by and between the County and the Corporation, the Escrow Agreement, this Contract of Purchase, the Letter of Representations of the Corporation set forth in Exhibit B hereto (the "**Corporation Letter of Representations**"), the Certificate of the County in substantially the form attached hereto as Exhibit C (the "**County Certificate**") and the Continuing Disclosure Undertaking are referred to collectively herein as the "**Legal Documents**." Capitalized terms not otherwise defined herein shall have the respective meanings given to such terms in the Indenture.

The aggregate principal amount, the dated date, the maturity dates, the interest rates per annum, the initial public offering prices or yields and the accreted values at maturity, as applicable, for the Series 2021 Bonds are set forth in Schedule 1 attached to and made a part of this Contract of Purchase.

3. The Issuer has authorized the execution of the Offering Circular and the use and distribution of such Offering Circular by the Underwriters in connection with the public offering of the Series 2021 Bonds. The Issuer ratifies and consents to the use in accordance with law by the Underwriters on or before the date of this Contract of Purchase of the preliminary offering circular with respect to the Series 2021 Bonds, dated January [12], 2021 (such preliminary offering circular, together with the cover page, inside cover page, and all exhibits, appendices and statements included in it or attached to it, being called the **"Preliminary Offering Circular"**), in connection with the public sale of the Series 2021 Bonds. The Issuer deems the information set forth in the Preliminary Offering Circular to be final as of its date, as provided in Rule 15c2-12, as amended (**"Rule 15c2-12"**), under the Securities and Exchange Act of 1934, as amended (the "**Exchange Act**"), except for the omission of such information as is permitted to be omitted therefrom in accordance with paragraph (b)(1) of Rule 15c2-12 (the "**Rule 15c2-12 Excluded Information**"). Under the Continuing Disclosure Undertaking, the Issuer has agreed to provide

or cause to be provided, certain annual financial information and operating data, and timely notice of the occurrence of certain reportable events with respect to the Series 2021 Bonds.

4. Promptly after the Issuer's acceptance hereof, the Issuer shall deliver, or cause to be delivered, to the Representative three copies of the Offering Circular signed on behalf of the Issuer by an Authorized Officer (as such term is defined in the Issuer Resolution), with only such changes from the form of the Preliminary Offering Circular as shall have been accepted by the Representative. Within seven business days after the Issuer's acceptance hereof, the Issuer shall provide, or cause to be provided, at its expense, to the Representative, in "designated electronic format" (as such term is defined in Rule G-32 promulgated by the Municipal Securities Rulemaking Board (the **"MSRB"**)) and in sufficient time to accompany any confirmation that requests payment from any customer, copies of the Offering Circular in sufficient quantity to enable the Underwriters to comply with the rules of the Securities and Exchange Commission (the "**SEC**") and the MSRB. The Issuer also agrees to supply not later than two (2) business days prior to the Closing, such number of additional copies of the Offering Circular as to which the Underwriters will inform the Issuer prior to the printing of the Offering Circular.

5. If on or prior to the Closing or within twenty-five (25) days after the "end of the underwriting period" (as hereinafter defined) any event to the Issuer's Knowledge relating to or affecting the Issuer, shall occur which would cause the Offering Circular to contain any untrue statement of a material fact or to omit a material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, the Issuer will promptly notify the Representative in writing of the circumstances and details of such event. The term "**Issuer's Knowledge**," as used in this Contract of Purchase, means the actual knowledge, after reasonable inquiry, of any member or officer of the Issuer. If, as a result of such event, it is necessary, in the joint opinion of the Issuer and the Representative to amend or supplement the Offering Circular so that it does not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading, the Issuer will forthwith prepare and furnish to the Underwriters a reasonable number of copies of an amendment of, or a supplement to, such Offering Circular in form and substance satisfactory to the Issuer and the Representative, at the Issuer's sole cost and expense, which will so amend or supplement such Offering Circular so that, as amended or supplemented, the Offering Circular will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. For purposes of this Contract of Purchase, the term "**end of the underwriting period**" shall mean the later of the date of Closing and the date on which the Underwriters no longer retain an unsold balance of the Series 2021 Bonds for sale to the public. The Underwriters agree that the date on which the end of the underwriting period shall occur shall be the date of the Closing, unless the Representative otherwise notifies the Issuer in writing prior to twenty-five (25) days after the date of the Closing that, to the best of its knowledge, the Underwriters retain for sale to the public an unsold balance of the Series 2021 Bonds, in which case the end of the underwriting period shall be extended for additional periods of 30 days upon receipt of additional written notification from the Underwriters that, to the best of their knowledge, there exists an unsold balance of the Series 2021 Bonds, but in no event shall the end of the underwriting period be extended longer than sixty (60) days after the date of Closing.

6. The Issuer represents and warrants to, and agrees with, the Underwriters, as of the date of its acceptance of this Contract of Purchase and as of the date and time of the Closing, as follows:

(a) Authority. The Issuer is duly created and established as a joint exercise of powers authority pursuant to Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "**Act**"), and the JPA, and as such has and, at the Closing, will have the full legal right, power and authority to issue the Series 2021 Bonds and to execute, deliver and perform its obligations under the Legal Documents to which the Issuer is a party, and engage in the transactions contemplated by the Issuer in the Indenture, the Loan Agreement and the Offering Circular; when delivered to and paid for by the Underwriters at the Closing in accordance with the provisions of this Contract of Purchase, the Series 2021 Bonds will have been duly authorized, executed, issued and delivered pursuant to and for the purposes set forth in the Act and will constitute valid and binding limited obligations of the Issuer, in conformity with, and entitled to the benefit and security of, the Act and the Indenture; this Contract of Purchase has been, and at the Closing the other Legal Documents to which the Issuer is a party will have been duly executed and delivered and this Contract of Purchase is, and at the Closing the other Legal Documents to which the Issuer is a party will be the legal, valid and binding obligations of the Issuer enforceable in accordance with their terms, subject to the effect of bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws relating to or affecting creditors' rights generally or the application of equitable principles in any proceeding, whether at law or in equity and by the limitations on legal remedies imposed on actions against public agencies in the State.

(b) No Conflict. The execution and delivery by the Issuer of the Legal Documents to which the Issuer is a party and the issuance by the Issuer of the Series 2021 Bonds, and compliance by the Issuer with the provisions thereof, will not in any material respect conflict with, or constitute a breach of or default under any material agreement or other instrument to which the Issuer is a party, the Issuer's duties under the Legal Documents to which the Issuer is a party, or any law, administrative regulation, court decree, resolution, by-laws or other agreement to which the Issuer is subject or by which it or any of its property is bound, a consequence of which conflict, breach or default would be a material adverse impact on the ability of the Issuer to perform its obligations under the Legal Documents to which it is a party or on the consummation by the Issuer of the other transactions contemplated by the Offering Circular.

(c) No Consents Required. Except as may be required under blue sky or other securities laws of any state, or with respect to any permits or approval heretofore received which are in full force and effect or the requirement for which is otherwise disclosed in the Offering Circular, there is no consent, approval, authorization or other order of, or filing or registration with, or certification by, any governmental authority, board, agency or commission or other regulatory authority having jurisdiction over the Issuer, required for the valid execution, delivery or performance by the Issuer of the Legal Documents to which the Issuer is a party or the consummation by the Issuer of the other transactions contemplated by the Offering Circular or the Legal Documents to which the Issuer is a party. "**Governmental Authority**" shall mean any legislative or regulatory body or

regulatory or governmental official, department, commission, board, bureau, agency, instrumentality or other governmental body.

(d) No Litigation. To the best of the Issuer's knowledge and belief, after due inquiry, there is no action, suit, proceeding or investigation at law or in equity before or by any court or Governmental Authority pending against the Issuer in which service of process has been completed against the Issuer, or threatened against the Issuer to restrain or enjoin the delivery of the Series 2021 Bonds or in any way questioning or affecting (A) the proceedings under which the Series 2021 Bonds are to be issued, (B) the validity of any provision of the Series 2021 Bonds, the Legal Documents to which the Issuer is a party, the pledge or assignment by the Issuer effected under the Indenture, (C) the legal existence of the Issuer or the title of its officers to their respective offices, or, except as otherwise disclosed in the Offering Circular, which would have a material adverse effect on the enforceability of the Continuing Disclosure Undertaking, Escrow Agreement, Indenture or Loan Agreement or the receipt of Collections by or for the account of the Issuer for pledge under the Indenture, or in any way contesting or affecting the validity of the Legal Documents to which the Issuer is a party, or the Series 2021 Bonds, or contesting the powers of the Issuer to enter into or perform its obligations under any of the foregoing or in which a final adverse decision would declare any provision of the Legal Documents or the Series 2021 Bonds to be invalid or unenforceable in whole or in material part.

(e) Preliminary Offering Circular. The Preliminary Offering Circular (other than information contained in or presented under the headings "TABLES OF PROJECTED BOND DEBT SERVICE AND COVERAGE," "SERIES 2021B SENIOR BONDS PROJECTED TURBO REDEMPTION UNDER VARIOUS CONSUMPTION DECLINE SCENARIOS," "BREAKEVEN CONSUMPTION AND REVENUE DECLINE RATES BY MATURITY," "TOBACCO SETTLEMENT REVENUES PROJECTION METHODOLOGY AND BOND STRUCTURING ASSUMPTIONS," "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY," "SUMMARY OF THE TOBACCO CONSUMPTION REPORT," "DEPARTMENT OF FINANCE POPULATION FORECAST," "TAX MATTERS," "RATINGS," "UNDERWRITING," "OTHER PARTIES," and Appendices A, E and G, which are collectively referred to herein as the **"Information"** and those portions of the "SUMMARY STATEMENT" that summarize or reference portions of the Information and which, together with the Information, are referred to herein as the **"Excluded Information,"** as to which no warranty or representation is made), as of its date and immediately prior to the execution of this Contract of Purchase, did not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; except for the omission of the Rule 15c2-12 Excluded Information.

(f) Offering Circular Correct and Complete. The Offering Circular (other than the Excluded Information, as to which no warranty or representation is made) does not, as of its date, and will not, as of the Closing, contain any untrue statement of a material fact or omit to state any material fact necessary to make such document, or the statements therein, in the light of the circumstances under which it was made, not misleading.

(g) Blue Sky Cooperation. The Issuer agrees to cooperate with the Underwriters in endeavoring to qualify the Series 2021 Bonds for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Representative may request; provided, however, that the Issuer shall not be required to execute a special or general consent to service of process in any jurisdiction in which it is not now so subject or to qualify to do business in any jurisdiction where it is not now so qualified.

(h) Due Approval of Offering Circular Distribution. By official action of the Issuer prior to or concurrently with the execution hereof, the Issuer has duly approved the distribution of the Preliminary Offering Circular and the Offering Circular and has duly authorized and approved the execution and delivery of, and the performance by the Issuer of the obligations on its part contained in, the Legal Documents to which the Issuer is a party and the consummation by it of all other transactions contemplated by the Offering Circular and the Legal Documents to which the Issuer is a party.

(i) No Breach or Default. Except as described in the Offering Circular, the Issuer is not in breach of or in default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or is otherwise subject which breach or default would have a material and adverse impact on the Issuer's ability to perform its obligations under the Legal Documents to which the Issuer is a party, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument.

(j) Amendments to Offering Circular Correct and Complete. At the time of any supplement or amendment of the Offering Circular and (unless subsequently again supplemented or amended) at all times thereafter through the date that is twenty-five (25) days after the end of the underwriting period, the Offering Circular as so supplemented or amended will be true and correct in all material respects and such information will not contain any untrue statement of a material fact or omit to state any material fact necessary to make the information therein, in the light of the circumstances under which it was made, not misleading. Any information supplied by the Issuer for inclusion in any amendment or supplement to the Offering Circular will not contain any untrue statement of a material fact relating to the Issuer or omit to state any material fact relating to the Issuer necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that no representation and warranty is made concerning the Excluded Information.

(k) No Default. The Issuer represents that it is not, and has not been at any time, in material default as to the payment of principal or interest with respect to any material obligation issued or guaranteed by it.

(l) Agreement to Preserve Tax Exemption. The Issuer covenants that it will not take any action which would cause interest on the Series 2021 Bonds to be subject to federal income taxation or California personal income taxes (other than to the extent

interest on the Series 2021 Bonds will be subject to federal income taxation as described under the caption "TAX MATTERS" in the Offering Circular) and that it will take such action as may be necessary to preserve the tax-exempt status of the Series 2021 Bonds.

(m) Use of Proceeds of Series 2021 Bonds. The proceeds of the sale of the Series 2021 Bonds shall be applied as provided in the Indenture and as described in the Offering Circular under the captions "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS."

(n) Representations with Respect to the Loan Agreement. The Issuer hereby represents and warrants that, except as described in the Preliminary Offering Circular and in the Offering Circular: (A) the Original Loan Agreement has been duly executed and delivered and constitutes the legal, valid and binding obligation of the Issuer, subject to the effect of bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws relating to or affecting creditors' rights generally or the application of equitable principles in any proceeding, whether at law or in equity and by the limitations on legal remedies imposed on actions against public agencies in the State of California; (B) to the Issuer's Knowledge, the representations and warranties set forth in the Loan Agreement are, as of the date hereof, and will be, as of the Closing, true and correct in all material respects; (C) other than as described herein, the Original Loan Agreement has not been amended, supplemented or modified, and remains in full force and effect as of the date hereof; (D) to the Issuer's Knowledge, after reasonable investigation, no default or event of default has occurred and is continuing under the Loan Agreement; and (E) to the Issuer's Knowledge, after reasonable investigation, the Issuer is in compliance with the terms and conditions of the Original Loan Agreement, to the extent of its obligations thereunder, and has performed or complied with all of its obligations, agreements and covenants to be performed or complied with pursuant thereto on or prior to the date hereof.

(o) Lien on Collateral. As of the Closing, the Indenture will create in favor of the Trustee a perfected lien on and security interest in all of the Issuer's right, title and interest, whether now owned or hereafter acquired, in, to and under the Collateral, subject in all cases to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein. As of the date hereof, there are no liens or encumbrances on the Collateral pledged pursuant to the Indenture, and the Issuer has not entered into any contract or arrangement of any kind which might give rise to any such lien or encumbrance, and as of the Closing, other than the lien set forth in the Indenture, there are no liens or encumbrances on the Collateral pledged pursuant to the Indenture, and the Issuer has not entered into any contract or arrangement of any kind which might give rise to any such lien or encumbrance.

(p) Certificates Delivered by Issuer. Any certificate signed by any authorized official or other representative of the Issuer delivered to the Representative pursuant to this Contract of Purchase shall be deemed a representation and warranty by the Issuer to the Underwriters as to the truth of the statements therein made.

(q) Continuing Disclosure. Other than as described in the Preliminary Offering Circular and the Offering Circular, there have been no instances in the previous five years

in which the Issuer failed to comply in all material respects, with the provisions of any continuing disclosure agreement entered into pursuant to Rule 15c2-12.

7. (a) At 8:00 a.m., Pacific Standard Time, on [Closing Date] or such other time and date as shall be mutually agreed upon by the Issuer and the Representative (the **"Closing"**), the Issuer shall direct the Trustee to deliver the Series 2021 Bonds to the Representative at the offices of The Depository Trust Company, New York, New York (**"DTC"**), or its designee, in definitive form, duly executed and authenticated by the Trustee (or upon direction from the Issuer, the Trustee shall hold the Series 2021 Bonds in its custody pursuant to a FAST delivery arrangement with and on behalf of DTC). Subject to the terms and conditions hereof, the Issuer shall deliver at the online closing room provided by Orrick, Herrington & Sutcliffe LLP, , or at such other place as is mutually agreed by the Representative and Issuer, the other documents and instruments to be delivered at the Closing pursuant to this Contract of Purchase (the **"Closing Documents"**), and the Underwriters shall accept delivery of the Series 2021 Bonds and the Closing Documents and pay the purchase price for the Series 2021 Bonds as set forth in Item 3 of Schedule 1 to this Contract of Purchase by wire transfer to the Trustee, in Federal Reserve funds immediately available, for the account of the Issuer, or as the Issuer shall direct. The Series 2021 Bonds shall be registered in the name of Cede & Co., as nominee for DTC, and there shall be one typewritten Series 2021 Bond (or more if required by DTC) for each final maturity and series thereof, as set forth in the Offering Circular.

(b) If the Issuer shall be unable to satisfy the conditions of the obligations of the Underwriters to accept delivery of and to pay for the Series 2021 Bonds contained in this Contract of Purchase, the respective obligations of the Issuer and the Underwriters shall be as set forth in Paragraph 10 of this Contract of Purchase.

8. The Underwriters' obligations under this Contract of Purchase are and shall be subject to the receipt of the Corporation Letter of Representations and the County Certificate. The Underwriters have entered into this Contract of Purchase in reliance upon the representations, warranties and agreements of the Issuer contained herein, the representations, warranties and agreement of the Corporation contained in the Corporation Letter of Representations, the certifications of the County contained in the County Certificate, the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing, the performance by the Issuer of its obligations hereunder, and the opinions of Bond Counsel, counsel to the Trustee, County Counsel acting as counsel to the Issuer, County Counsel acting as counsel to the Corporation, County Counsel, Disclosure Counsel and counsel to the Underwriters described hereinafter. Accordingly, the Underwriters' obligations under this Contract of Purchase to purchase, to accept delivery of and to pay for the Series 2021 Bonds shall be conditioned upon and subject to (i) the performance by the Issuer and the Trustee of their obligations to be performed hereunder and under such documents and instruments as shall reasonably be requested by the Underwriters or their counsel at or prior to the Closing, (ii) the accuracy in all material respects, in the judgment of the Representative, of the representations and warranties of the Issuer herein and as of the time of the Closing, and (iii) the following additional conditions:

(a) The representations, warranties and agreements of the Issuer contained herein, of the Corporation contained in the Corporation Letter of Representations and of the County contained in the County Certificate shall be true, complete and correct in all

material respects on the date hereof and on and as of the Closing, and the statements made in all certificates and other documents delivered to the Underwriters at the Closing pursuant hereto shall be accurate in all material respects at the Closing; and the Issuer shall be in compliance with each of the agreements made by it in this Contract of Purchase (unless such agreements are waived by the Underwriters);

(b) At the Closing, the Legal Documents, the Series 2021 Bonds and the Offering Circular shall have been duly authorized, executed and delivered by the respective parties thereto in substantially the forms heretofore submitted to the Underwriters, with only such changes as shall have been agreed to in writing by the Representative, and said agreements and resolutions shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Representative, and the Legal Documents and the Series 2021 Bonds shall be in full force and effect; and the Issuer, the Corporation and the County shall perform or shall have performed all of their respective obligations, if any, required under or specified in the Legal Documents to be performed at or prior to the Closing;

(c) Except as disclosed in the Offering Circular or in a schedule delivered to the Representative at the Closing, no decision, ruling or finding shall have been entered by any court or Governmental Authority since the date of this Contract of Purchase (and not reversed on appeal or otherwise set aside) which has any of the effects described in Paragraph 6(d) hereof or in paragraph (d) of either the Corporation Letter of Representations or the County Certificate;

(d) At the Closing, the Offering Circular shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Representative;

(e) The Representative shall have the right in its sole discretion (except where otherwise indicated below) to terminate the obligations of the Underwriters under this Contract of Purchase to purchase, to accept delivery of and to pay for the Series 2021 Bonds by notifying the Issuer in writing of its election to do so, if after the acceptance of this Contract of Purchase by the Issuer and prior to the Closing:

(i) the market prices of the Series 2021 Bonds or the marketability of the Series 2021 Bonds shall (in the reasonable judgment of the Representative) have been materially adversely affected by reason of the fact that between the date of this Contract of Purchase and the Closing,

(A) an amendment to the Constitution of the United States or to the Constitution of the State, shall have been adopted, or

(B) legislation shall have been enacted by the Congress of the United States ("**Congress**") or by the Legislature of the State (the "**State Legislature**"), recommended to the Congress for passage by the President of the United States or the State Legislature for passage by the Governor of the State, or re-introduced, introduced, amended, modified or favorably

reported for passage to either House of the Congress or of the State Legislature by any Committee to which such legislation has been referred for consideration or by a conference committee of both Houses of the Congress, or

(C) a decision shall have been rendered by a court established under Article III of the Constitution of the United States, or the Tax Court of the United States, or any other Federal or State court, or an order, ruling or regulation (final, temporary or proposed) shall have been made by the Treasury Department of the United States or the Internal Revenue Service or by any other Federal or State agency affecting the tax status of the Issuer or its obligations for borrowed money (the Series 2021 Bonds) or the interest thereon, other than as described in the Offering Circular; or

(D) the occurrence of any event requiring an amendment, modification or supplement to the Offering Circular; or

(ii) there shall have occurred a new outbreak or escalation of hostilities involving the United States or a new declaration by the United States of a national emergency or war; or

(iii) there shall have occurred a general suspension of trading on the New York Stock Exchange or the declaration of a general banking moratorium by United States or State authorities; or

(iv) the purchase of and payment for the Series 2021 Bonds by the Underwriters, or the resale of the Series 2021 Bonds by the Underwriters, on the terms and conditions provided in this Contract of Purchase, shall be prohibited by any applicable law or governmental regulation or order of any court (other than by reason of the Underwriters' failure to comply with any applicable state blue sky or securities law); or

(v) legislation shall have been enacted by the Congress to become effective on or prior to the Closing, or a decision of a court of the United States shall be rendered, or a stop order, ruling, regulation or proposed regulation by or on behalf of the SEC or other agency having jurisdiction over the subject matter shall be issued or made, to the effect that the issuance, sale and delivery of the Series 2021 Bonds, or any similar obligations of any similar public body of the general character of the Issuer, is in violation of, or has the effect of requiring the contemplated offering, sale and distribution of the Series 2021 Bonds to be registered under the Securities Act of 1933, as amended, or the Indenture to be qualified under the Trust Indenture Act of 1939, as amended, or with the purpose or effect of otherwise prohibiting the issuance, sale or delivery of the Series 2021 Bonds as contemplated hereby or by the Offering Circular or of obligations of the general character of the Series 2021 Bonds; or

(vi) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange.

(f) The Issuer shall not have defaulted under any of its covenants, agreements, representations or warranties under the Indenture, the Loan Agreement or this Contract of Purchase; and

(g) At or prior to the Closing, the Underwriters shall have received each of the following Closing Documents:

(i) Three copies of the Offering Circular, signed on behalf of the Issuer by an Authorized Officer;

(ii) The opinion of Orrick, Herrington & Sutcliffe LLP (**"Bond Counsel"),** dated the date of the Closing and substantially in the form set forth in Appendix E to the Offering Circular, together with a letter, dated the date of the Closing, addressed to the Representative to the effect that said opinion may be relied upon by such addressee to the same extent as if such opinion was addressed to such addressee;

(iii) The supplemental opinion of Bond Counsel, dated the date of Closing, addressed to the Representative, and in the form attached as Exhibit D hereto;

(iv) The opinion of County Counsel acting as counsel to the Issuer, dated the Closing, in form and substance satisfactory to the Representative, addressed to the Issuer, the Trustee and the Underwriters to the effect that: (a) the Issuer is duly created and established as a joint exercise of powers authority pursuant to the Act and the Constitution of the State of California; (b) the Issuer Resolution authorizing and approving the issuance of the Series 2021 Bonds, the execution and delivery of this Contract of Purchase and the other Legal Documents to which the Issuer is a party and approving the Offering Circular, this Contract of Purchase, and the other Legal Documents to which the Issuer is a party were duly adopted at a meeting of the governing body of the Issuer, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and such resolution has not been amended and is in full force and effect as of the Closing; (c) except as disclosed in the Offering Circular, to the best of such counsel's knowledge and belief, after due inquiry, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body against or affecting the Issuer, pending in which service of process has been completed against the Issuer, or, threatened, wherein an unfavorable decision, ruling or finding would have a materially adverse effect upon the transactions contemplated by the Offering Circular, the Series 2021 Bonds, or the Legal Documents to which the Issuer is a party; (d) the execution and delivery of the Legal Documents to which the Issuer is a party, the adoption of the Issuer Resolution and compliance with the provisions of all of them, do not and will not

conflict with or constitute a breach of or default under any material agreement or other instrument known to such counsel to which the Issuer is a party, or to such counsel's knowledge, after reasonable inquiry, any court order, consent decree, statute, rule, regulation or any other law to which the Issuer presently is subject; (e) the Legal Documents to which the Issuer is a party have been duly authorized, executed and delivered by the Issuer, and, assuming due authorization, execution and delivery by the other parties thereto constitute legal, valid and binding agreements of the Issuer enforceable in accordance with their respective terms, subject to the effect of bankruptcy, reorganization, moratorium, fraudulent conveyance and similar laws relating to or affecting creditors' rights generally or the application of equitable principles in any proceeding, whether at law or in equity and by the limitations on legal remedies imposed on actions against public agencies in the State of California; (f) no authorization, approval, consent, or other order of the State or any other Governmental Authority or authority within the State other than has previously been obtained is required for the valid authorization, execution and delivery of the Legal Documents to which the Issuer is a party and the approval of the Offering Circular (except that no opinion need to be expressed as to compliance with federal and state securities laws); and (g) the description of the Issuer in the Offering Circular under the caption "THE AUTHORITY" is true and correct in all material respects;

(v) An opinion of County Counsel acting as counsel to the Corporation, dated the Closing, dated the Closing, in form and substance satisfactory to the Representative, addressed to the Corporation, the Trustee and the Underwriters to the effect that: (a) the Corporation is a nonprofit public benefit corporation duly organized, validly existing and in good standing under the laws of the State; (b) the Corporation Resolution authorizing and approving the execution and delivery of the Legal Documents to which the Corporation is a party was duly adopted at a meeting of the governing body of the Corporation, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and such resolution is in full force and effect as of the Closing; (c) except as disclosed in the Offering Circular, to the best of such counsel's knowledge and belief, after due inquiry, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body against or affecting the Corporation, pending in which service of process has been completed against the Corporation, or, threatened, wherein an unfavorable decision, ruling or finding would have a materially adverse effect upon the transactions contemplated by the Offering Circular, the Series 2021 Bonds, the Legal Documents to which the Corporation is a party or this Contract of Purchase; (d) the execution and delivery of the Corporation Letter of Representations and the Legal Documents to which the Corporation is a party, the adoption of the Corporation Resolution and compliance with the provisions of all of them, do not and will not conflict with or constitute a breach of or default under any material agreement or other instrument known to such counsel to which the Corporation is a party, or to such counsel's knowledge, after reasonable inquiry, any court order, consent decree, statute, rule, regulation or any other law to which the Corporation presently is subject; (e) the Sale Agreement and the Legal Documents to which the

Corporation is a party have been duly authorized, executed and delivered by the Corporation, and, assuming due authorization, execution and delivery by the other parties thereto constitute legal, valid and binding agreements of the Corporation enforceable in accordance with their respective terms, subject to the effect of bankruptcy, reorganization, moratorium, fraudulent conveyance and similar laws relating to or affecting creditors' rights generally or the application of equitable principles in any proceeding, whether at law or in equity and by the limitations on legal remedies imposed on actions against nonprofit corporations in the State; (f) no authorization, approval, consent, or other order of the State or any other Governmental Authority or authority within the State other than has been obtained is required for the valid authorization, execution and delivery of the Legal Documents to which the Corporation is a party; (g) the description of the Corporation in the Offering Circular under the caption "THE CORPORATION" is true and correct in all material respects; and (h) to such counsel's knowledge, the Corporation has not committed any act or omitted to take any act which would constitute default under the terms of the Sale Agreement;

(vi) An opinion of County Counsel, dated the Closing, in form and substance satisfactory to the Representative, addressed to the County, the Trustee and the Underwriters, to the effect that: (a) the County is a political subdivision of the State duly organized and validly existing under the Constitution and the laws of the State; (b) the County Resolution was duly adopted at a meeting of the governing body of the County, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and such resolution is in full force and effect as of the Closing; (c) except as disclosed in the Offering Circular, to the best of such counsel's knowledge and belief, after due inquiry, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body against or affecting the County, pending in which service of process has been completed against the County, or, threatened, wherein an unfavorable decision, ruling or finding would have a materially adverse effect upon the transactions contemplated by the Offering Circular, the Series 2021 Bonds or the Legal Documents to which the County is a party or which would have a material adverse effect on the enforceability of the MSA or the payment of County Tobacco Assets thereunder; (d) the execution and delivery of the Legal Documents to which the County is a party, the adoption of the County Resolution and compliance with the provisions of all of them, do not and will not conflict with or constitute a breach of or default under any material agreement or other instrument known to such counsel to which the County is a party, or to such counsel's knowledge, after reasonable inquiry, any court order, consent decree, statute, rule, regulation or any other law to which the County presently is subject; (e) the Legal Documents to which the County is a party and the County Tax Certificate have been duly authorized, executed and delivered by the County, the County has sold the County Tobacco Assets to the Corporation in accordance with the laws of the State pursuant to the Sale Agreement, and, assuming due authorization, execution and delivery by the other parties thereto constitute legal, valid and binding agreements of the County enforceable against the County in accordance with their respective terms, subject to the effect of

bankruptcy, reorganization, moratorium, fraudulent conveyance and similar laws relating to or affecting creditors' rights generally or the application of equitable principles in any proceeding, whether at law or in equity and by the limitations on legal remedies imposed on actions against counties in the State; (f) no authorization, approval, consent, or other order of the State or any other Governmental Authority or authority within the State other than the County Board of Supervisors is required for the valid authorization, execution and delivery of the Legal Documents to which the County is a party; and (g) to such counsel's knowledge, the County has not committed any act or omitted to take any act which would constitute default under the terms of the Sale Agreement;

(vii) The letters of Hawkins Delafield & Wood LLP, Disclosure Counsel to the Issuer, in form and substance satisfactory to the Issuer; in substantially the forms attached as Exhibit E;

(viii) The opinion of Katten Muchin Rosenman LLP ("**Underwriters' Counsel"**), in the form attached as Exhibit F hereto;

(ix) The opinion of counsel to the Trustee, dated the Closing, addressed to the Underwriters, to the effect that: (a) the Trustee has been duly organized and is validly existing in good standing as a national banking association under the laws of the United States of America with full power and authority to undertake the trust of the Indenture; (b) the Trustee has duly authenticated the Series 2021 Bonds and duly authorized, executed and delivered the Legal Documents to which the Trustee is a party, and by all proper corporate action has authorized the acceptance of the duties and obligations of the Trustee under the Indenture and has authorized in its capacity as Trustee the authentication and delivery of the Series 2021 Bonds; and (c) assuming due authorization, execution and delivery by the other parties to the Legal Documents, the Legal Documents to which the Trustee is a party are the valid, legal and binding agreements of the Trustee, enforceable in accordance with their terms, subject to the effect of bankruptcy, reorganization, moratorium, fraudulent conveyance and similar laws relating to or affecting creditors' rights generally or the application of equitable principles in any proceeding, whether at law or in equity;

(x) The opinion of counsel to the Escrow Agent, dated the Closing, addressed to the Underwriters, to the effect that: (i) the Escrow Agent has been duly organized and is validly existing in good standing as a national banking association under the law of the United States of America with full power and authority to undertake the duties and obligations set forth in the Escrow Agreement; and (ii) the Escrow Agent has duly authorized, executed and delivered the Escrow Agreement, and by all proper corporate action has authorized the acceptance of the duties and obligations of the Escrow Agent under the Escrow Agreement;

(xi) Fully executed counterparts or certified copies of the Legal Documents;

(xii) A certificate of the Issuer dated the date of the Closing, signed on behalf of the Issuer by an Authorized Officer, to the effect that all representations and warranties of the Issuer contained in this Contract of Purchase are true and correct in all material respects;

(xiii) A certified copy of the Issuer Resolution, and such resolution shall be in full force and effect as of the Closing;

(xiv) A certificate of an authorized officer of the Corporation, dated the Closing, confirming as of such date the representations and warranties of the Corporation contained in its Letter of Representations;

(xv) A certificate of an authorized representative of the County, dated the Closing, confirming as of such date the certifications of the County contained in the County Certificate;

(xvi) A certificate of the Trustee evidencing its trust powers together with signature identification as to the authority of the Trustee representative executing the Indenture;

(xvii) A certificate of the Trustee dated as of the date of the Closing to the effect that: (a) the Trustee is duly organized and existing as national banking association in good standing under the laws of the United States of America having the full power and authority to enter into and perform its duties under the Legal Documents to which the Trustee is a party and to authenticate and deliver the Series 2021 Bonds to the Underwriters pursuant to the terms of the Indenture; (b) the Trustee is duly authorized to enter into the Legal Documents to which it is a party, has duly executed and delivered such Legal Documents and such Legal Documents are legal, valid and binding agreements of the Trustee, enforceable against the Trustee in accordance with their respective terms, subject to the effect of bankruptcy, reorganization, moratorium, fraudulent conveyance and similar laws relating to or affecting creditor's rights generally or the application of equitable principles in any proceeding whether at law or in equity; (c) the execution and delivery by the Trustee of the Legal Documents to which the Trustee is a party, and compliance with the terms thereof will not, in any material respect, conflict with, or result in a violation or breach of, or constitute a default under, any material agreement or other material instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or Governmental Authority or body having jurisdiction over the Trustee or any of its activities or properties, or (except with respect to the lien of the Indenture) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Trustee; (d) exclusive of federal or state securities laws and regulations, other than routine filings required to be made with governmental agencies in order to preserve the Trustee's authority to perform a trust business (all of which routine filing, to the best of the Trustee's knowledge, have been made), no consent, approval, authorization or other action by any governmental or regulatory authority having

jurisdiction over the Trustee is or will be required for the execution and delivery by the Trustee of the Legal Documents to which the Trustee is a party or the authentication and delivery of the Series 2021 Bonds; and (e) to the knowledge of the Trustee there is no litigation pending or threatened against or affecting the Trustee to restrain or enjoin the Trustee's participation in, or in any way contesting the powers of the Trustee with respect to the transactions contemplated by the Series 2021 Bonds and the Indenture;

(xviii) The general resolution of the Trustee authorizing the execution and delivery of documents by officers of the Trustee, which resolution authorizes the authentication and delivery of the Series 2021 Bonds and the execution and delivery of the Indenture;

(xix) Satisfactory evidence that (A) the Series 2021A Bonds maturing from [2021-2030 shall have been assigned a rating of "[A] (sf)" by S&P Global Ratings ("S&P"); (B) the Series 2021A Bonds maturing from [2031-2040] shall have been assigned a rating of "[A-] (sf)" by S&P; (C) the Series 2021A Bonds maturing in [2049] shall have been assigned a rating of "[BBB+] (sf)" by S&P; (D) the Series 2021B-1 Bonds maturing in [2030] shall have been assigned a rating of "[BBB+] (sf)" by S&P; [and] (E) the Series 2021B-1 Bonds maturing in [2049] shall have been assigned a rating of "[BBB-] (sf)" by S&P; [and (F) that S&P has delivered a Rating Confirmation with respect to the outstanding 2005 Bonds pursuant to section 3.01(b)(ii) of the Indenture;]

(xx) A duly executed escrow verification report of Causey Demgen & Moore P.C., in form and substance satisfactory to the Representative and the Issuer;

(xxi) Copies of Bylaws, as amended, adopted by the Issuer and certified by an authorized officer of the Issuer;

(xxii) Copies of Corporation Resolution, certified by an authorized officer of the Corporation;

(xxiii) Copies of the County Resolution, certified by an authorized officer of the County;

(xxiv) [A certificate of the Issuer regarding Additional Bonds pursuant to Section 3.01(b)(ii) of the Indenture][A certificate of the Issuer regarding Additional Bonds pursuant to Section 3.01(e)(v) of the Indenture];

(xxv) A Tax Certificate of the County in form and substance acceptable to Bond Counsel;

(xxvi) A Tax Certificate of the Issuer in form and substance acceptable to Bond Counsel;

(xxvii) A Tax Certificate of the Corporation in form and substance acceptable to Bond Counsel;

(xxviii)A copy of the letter delivered to the State of California Attorney General providing instructions as to the disposition of the County Tobacco Assets in accordance with the Sale Agreement and evidence that the California Escrow Agent has acknowledged such instructions;

(xxix) A certified copy of the JPA and any amendments thereto;

(xxx) Certified copies of the notice of filing of the JPA with the State;

(xxxi) Certified copies of each of the Articles of Incorporation and Bylaws of the Corporation;

(xxxii) A Good Standing Certificate of the Secretary of State of California, with respect to the Corporation;

(xxxiii)Copies of the UCC filings required pursuant to the Loan Agreement, including continuation statements;

(xxxiv)A duly executed structuring verification report of Causey Demgen & Moore P.C., in form and substance satisfactory to the Representative and the Issuer;

(xxxv) A duly executed disclosure verification report of Causey Demgen & Moore P.C., in form and substance satisfactory to the Representative and the Issuer;

(xxxvi)A certificate or letter, dated the Closing, of IHS Global Inc. ("**IHS Global**") to the effect that IHS Global consents to the inclusion of the tobacco consumption reports in Appendix A of the Preliminary Offering Circular and Offering Circular and to the references to IHS Global in the Preliminary Offering Circular and Offering Circular, and that the information in the Preliminary Offering Circular and Offering Circular under the headings "SUMMARY STATEMENT—Cigarette Consumption," "SUMMARY STATEMENT—Tobacco Consumption Report," "SUMMARY OF THE TOBACCO CONSUMPTION REPORT," and "OTHER PARTIES—IHS Global" and in Appendix A to the Preliminary Offering Circular and Offering Circular is fair and accurate and does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xxxvii) A copy of the letter of determination from the Internal Revenue Service that the Corporation is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code") or corresponding provisions of prior law and is not a private foundation within the meaning of Section 509(a) of the Code;

(xxxviii) A copy of the entity status letter from the State Franchise Tax Board indicating that the Corporation is exempt from taxation under California law; and

(xxxix) Such additional legal opinions, certificates, proceedings, instruments and other documents as Bond Counsel and counsel for the Underwriters may reasonably request to evidence compliance with legal requirements, the truth and accuracy, as of the time of Closing, of the representations and warranties contained herein, in the Offering Circular and in the Letter of Representations and the due performance or satisfaction by the Trustee, the Corporation, the Issuer and the County at or prior to such time of all agreements, if any, then to be performed and all conditions then to be satisfied.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Contract of Purchase shall be deemed to be in compliance with the provisions of this Contract of Purchase if, but only if, they are in form and substance reasonably satisfactory to the Representative and its counsel.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriters to accept delivery of and to pay for the Series 2021 Bonds contained in this Contract of Purchase, or if the obligations of the Underwriters to accept delivery of and to pay for the Series 2021 Bonds shall be terminated for any reason permitted by this Contract of Purchase, this Contract of Purchase shall terminate and neither the Underwriters nor the Issuer shall be under further obligation under it, except that the respective obligations of the Issuer and the Underwriters set forth in Paragraphs 9 and 11 of this Contract of Purchase shall continue in full force and effect.

9. (a) The Underwriters shall be under no obligation to pay, and the Issuer shall pay from the net proceeds of the sale of the Series 2021 Bonds, all expenses incident to the performance of the obligations of the Issuer under this Contract of Purchase, the Indenture, the Loan Agreement and the Escrow Agreement, including (i) the cost of the preparation and printing or other reproduction and distribution of the Preliminary Offering Circular, the Offering Circular, and any supplements thereto; (ii) the preparation, issuance and delivery of the Series 2021 Bonds to the Underwriters; (iii) any fees and expenses charged by S&P for the rating of [the 2005 Bonds that will remain outstanding after the refunding of the Refunded Bonds and] the Series 2021 Bonds; (iv) financial advisory fees; (v) fees and expenses relating to any electronic road show; (vi) the fees of the accountants, consultants, including, but not limited to Causey Demgen & Moore P.C., the Trustee, the Escrow Agent, and their respective counsel; (vii) the fees and expenses of the Issuer; (viii) the expenses of the Corporation; (ix) the fees and expenses of the County and County Counsel; (x) the fees and expenses of Bond Counsel and Disclosure Counsel, pursuant to their respective legal services agreements with the County; and (xi) the legal fees and expenses incurred (whether by the Issuer, the Underwriters or otherwise) in connection with the preparation and delivery to the Underwriters of the Preliminary Offering Circular and the Offering Circular.

(b) The Underwriters shall pay (i) the cost of preparation and reproduction of this Contract of Purchase and the other underwriting documents; (ii) all advertising expenses in connection with the offering of the Series 2021 Bonds; (iii) the fees and disbursements of Underwriters' Counsel; (iv) the fees of IHS Global, (v) the California Debt and Investment

Advisory Commission fee and (vi) all other expenses incurred by the Underwriters in connection with the Series 2021 Bonds.

(c) The Issuer shall pay for expenses incurred on behalf of the Issuer's employees, or on behalf of employees of the County acting on behalf of the Issuer, that are incidental to implementing this Contract of Purchase, including, but not limited to, meals, transportation, lodging, and entertainment of those employees. The Issuer shall reimburse the Underwriters for expenses incurred by the Underwriters on behalf of the Issuer's employees, or on behalf of employees of the County acting on behalf of the Issuer, incidental to the offering of the Series 2021 Bonds, including (i) normal travel costs, including reasonable transportation and lodging; and (ii) ordinary and reasonable meals hosted by the Underwriters that are, in both cases, directly related to the offering contemplated by this Contract of Purchase. The Issuer shall reimburse the Underwriters for all expenses associated with investor meetings, including those mentioned above in this paragraph (c). All reimbursement to the Underwriters by the Issuer pursuant to this paragraph (c) shall be in addition to the Underwriters' discount and original issue discount as set forth in Item 3 of Schedule 1 to this Contract of Purchase.

10. Any notice or other communication to be given to the Issuer under this Contract of Purchase shall be given by delivering the same in writing to its address set forth above, and any notice or other communication to be given to the Underwriters under this Contract of Purchase shall be given by delivering the same in writing to: (i) Jefferies LLC, 11100 Santa Monica Blvd, 12th Floor, Los Angeles, CA 90025, Attention: Simon Wirecki, Senior Vice President, Western Regional Head for Municipal Finance, and (ii) any other or different address communicated to the Issuer in writing.

11. This Contract of Purchase is made solely for the benefit of the Issuer and the Underwriters (including the successors or assigns of any Underwriters); no other person shall acquire or have any right or liability under this Contract of Purchase or by virtue of it. All of the representations, warranties and agreements of the Issuer contained in this Contract of Purchase and in the certificates delivered pursuant to it shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of the Underwriters, and (ii) delivery of and payment for the Series 2021 Bonds under this Contract of Purchase, and (iii) any termination of this Contract of Purchase; provided, the Underwriters certify that as of the date hereof and with respect to the information contained in the Offering Circular, (a) the representatives of the Authority, the Corporation and the County have responded to the satisfaction of the Underwriters to all of the Underwriters' requests for information, (b) the Underwriters have received from representatives of the Authority, the Corporation and the County the information that the Underwriters have requested, and (c) there are no pending and unanswered requests by the Underwriters for information from the Authority, the Corporation and the County.

12. Each Underwriter hereby certifies that it has not and will not pay a contingent fee, whether directly or indirectly, to a third party for having promoted the selection of such Underwriter for this Contract of Purchase.

13. (a) The Representative, on behalf of the Underwriters, agrees to assist the Issuer in establishing the issue price of the Series 2021 Bonds and shall execute and deliver to the Issuer at Closing an "issue price" or similar certificate substantially in the form attached hereto as **Exhibit**

G, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Representative, the Issuer and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Series 2021 Bonds. All actions to be taken by the Issuer under this Section to establish the issue price of the Series 2021 Bonds may be taken on its behalf by its municipal advisor identified in this Contract of Purchase and any notice or report to be provided to the Issuer may be provided to such municipal advisor.

(b) [Except as otherwise set forth in Schedule A to Exhibit G attached hereto,] the Issuer represents that it will treat the first price at which 10% of each maturity of the Series 2021 Bonds (the "10% test) is sold to the public as the issue price of that maturity. At or promptly after the execution of this Contract of Purchase, the Representative shall report to the Issuer the price or prices at which the Underwriters have sold to the public each maturity of Bonds. For purposes of this Section, if Series 2021 Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Series 2021 Bonds. [If at that time the 10% test has not been satisfied as to any maturity of the Series 2021 Bonds, the Representative agrees to promptly report to the Issuer the prices at which Series 2021 Bonds of that maturity have been sold by the Underwriters to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) all Series 2021 Bonds of that maturity have been sold or (ii) the 10% test has been satisfied as to the Series 2021 Bonds of that maturity, provided that, the Underwriters' reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Representative, the Issuer or bond counsel.]

(c) [The Representative confirms that the Underwriters have offered the Series 2021 Bonds to the public on or before the date of this Bond Purchase Agreement at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Schedule A to Exhibit G attached hereto, except as otherwise set forth therein. Schedule A to Exhibit G attached hereto also sets forth, as of the date of this Bond Purchase Agreement, the maturities, if any, of the Series 2021 Bonds for which the 10% test has not been satisfied and for which the Issuer and the Representative, on behalf of the Underwriters, agree that the restrictions set forth in the next sentence shall apply, which will allow the Issuer to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Series 2021 Bonds, the Underwriters will neither offer nor sell unsold Series 2021 Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth (5^{th}) business day after the sale date; or

(2) the date on which the Underwriters have sold at least 10% of that maturity of the Series 2021 Bonds to the public at a price that is no higher than the initial offering price to the public.

The Representative will advise the Issuer promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Series 2021 Bonds to the public at a price that is no higher than the initial offering price to the public.]

(d) The Representative confirms that:

(i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the Representative is a party) relating to the initial sale of the Series 2021 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A)(i) to report the prices at which it sells to the public the unsold Series 2021 Bonds of each maturity allocated to it, whether or not the Closing has occurred, until either all Series 2021 Bonds of that maturity allocated to it have been sold or it is notified by the Representative that the 10% test has been satisfied as to the Series 2021 Bonds of that maturity, provided that, the reporting obligation after the Closing may be at reasonable periodic intervals or otherwise upon request of the Representative, and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative and as set forth in the related pricing wires;

(B) to promptly notify the Representative of any sales of Series 2021 Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Series 2021 Bonds to the public (each such term being used as defined below); and

(C) to acknowledge that, unless otherwise advised by an Underwriter, dealer or broker-dealer, the Representative shall assume that each order submitted by an Underwriter, dealer or broker-dealer is a sale to the public; and

(ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Series 2021 Bonds to the public, together with the related pricing wires, contains or will contain language obligating each Underwriter or dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Series 2021 Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Series 2021 Bonds of each maturity allocated to it, whether or not the Closing has occurred, until either all Series 2021 Bonds of that maturity allocated to it have been sold or it is notified by the Representative or such Underwriter or dealer that the 10% test has been satisfied as to the Series 2021 Bonds of that maturity, provided that, the reporting obligation after the Closing may be at reasonable periodic intervals or otherwise upon request of the Representative or such Underwriter or dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Representative or the Underwriter or the dealer and as set forth in the related pricing wires.

(e) The Issuer acknowledges that, in making the representations set forth in this section, the Representative will rely on (i) the agreement of each Underwriter to comply with the requirements for establishing issue price of the Series 2021 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2021

Bonds, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of the Series 2021 Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Series 2021 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2021 Bonds, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an Underwriter or dealer who is a member of the selling group is a party to a third-party distribution agreement that was employed in connection with the initial sale of the Series 2021 Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Series 2021 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2021 Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Issuer further acknowledges that each Underwriter shall be solely liable for its failure to comply with its agreement regarding the requirements for establishing issue price of the Series 2021 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2021 Bonds, and that no Underwriter shall be liable for the failure of any other Underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing the issue price of the Series 2021 Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Series 2021 Bonds.

(f) The Underwriters acknowledge that sales of any Series 2021 Bonds to any person that is a related party to an underwriter participating in the initial sale of the Series 2021 Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

"public" means any person other than an underwriter or a related party;

"underwriter" means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Series 2021 Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Series 2021 Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Series 2021 Bonds to the public);

a purchaser of any of the Series 2021 Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a

partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

"sale date" means the date of execution of this Contract of Purchase by all parties.

14. The Issuer acknowledges and agrees that: (i) the transaction contemplated by this Contract of Purchase is an arm's length, commercial transaction between the Issuer and the Underwriters in which each Underwriter is acting solely as a principal and is not acting as a municipal advisor (within the meaning of Section 15B of the Securities Exchange Act of 1934, as amended), financial advisor or fiduciary to the Issuer, Corporation or the County, (ii) none of the Underwriters has assumed any advisory or fiduciary responsibility to the Issuer, Corporation or the County with respect to this Contract of Purchase, the transactions contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether an Underwriter has provided other services or is currently providing other services to the Issuer, the Corporation or the County on other matters); (iii) the only obligations each Underwriter has to the Issuer, Corporation or the County with respect to the transactions contemplated hereby are as expressly set forth in this Contract of Purchase; (iv) the Underwriters have financial and other interests that differ from those of the Issuer; and (v) the Issuer has consulted its legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate. The Issuer agrees that it will not claim that any Underwriter has rendered advisory services of any nature or respect, or owes a fiduciary or similar duty to the Issuer, Corporation or the County, in connection with such transaction of the process leading thereto.

15. This Contract of Purchase shall become effective upon the execution of this Contract of Purchase by the Issuer as provided above and shall be valid and enforceable as of the time of such acceptance.

16. This Contract of Purchase shall be governed by and construed in accordance with the laws of the State.

17. If any provision of this Contract of Purchase shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statue, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperable or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Contact of Purchase invalid, inoperative or unenforceable to any extent whatsoever.

18. This Contract of Purchase may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one of the same instrument.

19. Each of the parties hereto agrees that the transaction consisting of this Contract of Purchase may be conducted by electronic means. Each party agrees, and acknowledges that it is such party's intent (i) that, by signing this Contract of Purchase using an electronic signature, it is signing, adopting and accepting this Contract of Purchase, and (ii) that signing this Contract of Purchase using an electronic signature is the legal equivalent of having placed the undersigned officer's handwritten signature on this Contract of Purchase on paper. Each party acknowledges

that it is being provided with an electronic or paper copy of this Contract of Purchase in a usable format.

[Remainder of page intentionally left blank]

Very truly yours,

JEFFERIES LLC,
as Representative of the Underwriters

By: _____
Name: Simon Wirecki
Title: Senior Vice President

Accepted and Agreed to this
[Pricing Date]

TOBACCO SECURITIZATION AUTHORITY OF
NORTHERN CALIFORNIA

By: _____
Name:
Title:

Schedule 1

1. Aggregate principal amount of the Series 2021 Bonds: $[2021A Par] 2021A Class 1 Senior Current Interest Bonds, $[2021B-1 Par] Series 2021B-1 Class 2 Senior Current Interest Bonds and $[2021B-2 Par] Series 2021B-2 Class 2 Senior Capital Appreciation Bonds (maturity value: $_____).

2. Date of the Series 2021 Bonds: [Closing Date].

3. The Purchase Price of Series 2021 Bonds is $_____ ($[Aggregate Par] aggregate principal amount of Series 2021 Bonds, plus aggregate premium of $_____ and less underwriters' discount of $_____).

4. The Series 2021 Bonds are subject to redemption and prepayment as set forth in the Preliminary Offering Circular.

MATURITY, PRINCIPAL AMOUNT, INTEREST RATE AND PRICE OR YIELD

Tobacco Settlement Asset-Backed Refunding Bonds, Series 2021 Senior Bonds
(Sacramento County Tobacco Securitization Corporation)

Series 2021A Class 1 Senior Current Interest Bonds
Series 2021A Serial Bonds

Maturity Date (June 1,)	Principal Amount ($)	Interest Rate (%)	Yield (%)	CUSIP No. (Base 888794)
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				
2035				
2036				
2037				
2038				
2039				
2040[C]				

$[_____] ___% Series 2021A Term Bonds due June 1, 2049, Price/Yield ___%, CUSIP No. 888794___

[C] Price/yield calculated to _____ first optional redemption date.

Series 2021B-1 Class 2 Senior Current Interest Bonds

$[_____] ___% Series 2021B-1 Turbo Term Bonds due June 1, 2030 (Expected Average Life[1]: [__] years)
Price/Yield ___%, CUSIP No. 888794___

$[_____] ___% Series 2021B-1 Turbo Term Bonds due June 1, 2049 (Expected Average Life[(1)]: [__] years)
Price/Yield ___%, CUSIP No. 888794___

Series 2021B-2 Class 2 Senior Capital Appreciation Bonds

Maturity Date (June 1,)	Initial Principal Amount	Initial Principal Amount per $5,000 Accreted Value at Maturity	Maturity Value	Approximate Yield to Maturity	CUSIP No.

[1] Assumes Turbo Redemption payments are made in accordance with the Tobacco Settlement Revenues Projection Methodology and Assumptions described in the Preliminary Offering Circular.

Exhibit A
List of Underwriters

Jefferies LLC
Citigroup Global Markets Inc.
Ramirez & Co., Inc.

EXHIBIT B

LETTER OF REPRESENTATIONS OF THE
SACRAMENTO COUNTY TOBACCO SECURITIZATION CORPORATION

[Pricing Date]

Jefferies LLC, as Representative of the Underwriters
New York, New York

Ladies and Gentlemen:

Tobacco Securitization Authority of Northern California (the "Issuer") proposes to cause the issuance and delivery of $[Aggregate Par] aggregate initial principal amount of the Issuer's Tobacco Settlement Asset-Backed Refunding Bonds, Series 2021 Senior Bonds (Sacramento County Tobacco Securitization Corporation) Series 2021, consisting of $[2021A Par] Series 2021A Class 1 Senior Current Interest Bonds, $[2021B-1 Par] Series 2021B-1 Class 2 Senior Current Interest Bonds, and $[2021B-2 Par] Series 2021B-2 Class 2 Senior Capital Appreciation Bonds (the "Series 2021 Bonds"). The Series 2021 Bonds are dated, mature, bear or accrete interest and shall have such other terms as are set forth in the hereinafter defined Indenture.

The Series 2021 Bonds will be issued and secured under and pursuant to an Amended and Restated Indenture, dated as of January 1, 2021, as supplemented, including as supplemented by a Series 2021 Supplement, dated as of January 1, 2021 (collectively, the "Indenture"), each by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). A portion of the net proceeds of the Series 2021 Bonds, along with other available funds under the Indenture, will be deposited with The Bank of New York Mellon Trust Company, N.A., in its capacity as escrow agent (the "Escrow Agent") under an escrow agreement, dated as of January 1, 2021 (the "Escrow Agreement"), by and between the Issuer and the Escrow Agent to refund and defease, in accordance with the Indenture, [all][a portion of] of the Issuer's outstanding Tobacco Settlement Asset-Backed Bonds (Sacramento County Tobacco Securitization Corporation) Series 2005A-1 Senior Current Interest Bonds, Series 2005A-2 Senior Convertible Bonds, Series 2005B First Subordinate CABs and the Series 2005C Second Subordinate CABs (together, the "Refunded Bonds"). The remainder of the proceeds of the Series 2021 Bonds will be applied to make a deposit to the Class 1 Senior Liquidity Reserve Subaccount and the Class 2 Senior Liquidity Reserve Subaccount, and pay the costs of issuance incurred in connection with the issuance of the Series 2021 Bonds.

A portion of the proceeds of the Refunded Bonds were used to fund a loan under a Secured Loan Agreement, dated as of December 1, 2005 (the "Original Loan Agreement"), as supplemented by a First Supplement to Secured Loan Agreement, dated as of January 1, 2021 (the "First Supplemental Loan Agreement" and, the Original Loan Agreement as so supplemented, the "Loan Agreement"), each by and between Sacramento County Tobacco Securitization Corporation (the "Corporation"), a California nonprofit public benefit

corporation, and the Issuer to refinance the purchase of the County Tobacco Assets (the "County Tobacco Assets"), pursuant to the Purchase and Sale Agreement, dated as of July 1, 2001 (the "Sale Agreement"), by and between the County of Sacramento (the "County") and the Corporation. Pursuant to the Sale Agreement, the Corporation purchased all of the right, title and interest of the County in and to the County Tobacco Assets. The Series 2021 Bonds are secured by the Collateral (as defined in the Indenture).

The Series 2021 Bonds are to be sold by the Issuer pursuant to the Contract of Purchase between the Issuer and Jefferies LLC, as representative of the underwriters named therein (collectively, the "Underwriters"), dated [Pricing Date] (the "Contract of Purchase").

The execution and delivery of the Contract of Purchase and the Series 2021 Bonds have been authorized by a resolution of the Corporation, and the Series 2021 Bonds shall be as described in, and shall be secured under and pursuant to the Indenture. The Series 2021 Bonds shall be payable and shall be subject to redemption as provided in the Indenture.

The Loan Agreement, the Sale Agreement and this Letter of Representations of the Corporation (this "Letter of Representations") are referred to collectively herein as the "Legal Documents." Capitalized terms not otherwise defined herein shall have the meanings given to them in the Indenture or the Contract of Purchase, as the case may be.

This Letter of Representations may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

In order to facilitate your entering into the Contract of Purchase and to induce you to purchase the Series 2021 Bonds as contemplated therein, the Corporation hereby represents, warrants and agrees with you as follows:

(a) Due Organization and Authority; Due Approval of the Legal Documents. The Corporation is a nonprofit public benefit corporation duly organized and validly existing pursuant to the laws of the State of California and has all necessary power and authority to adopt the resolution of the Corporation, dated January 12, 2021, authorizing the transactions described herein (the "Corporation Resolution") and enter into and perform its duties under the Legal Documents to which the Corporation is a party, and by official action of the Corporation prior to or concurrently with the execution hereof, the Corporation has duly adopted the Corporation Resolution and has duly authorized and approved the execution and delivery of, and the performance by the Corporation of the obligations on its part contained in, the Legal Documents to which the Corporation is a party and the consummation by it of all other transactions and undertakings contemplated by the Corporation Resolution and the Legal Documents to which the Corporation is a party, and the Corporation Resolution has not been amended, modified or supplemented and remains in full force and effect.

(b) Legal, Valid and Binding Obligations. The Legal Documents to which the Corporation is a party, when executed and delivered by the respective parties thereto, constitute or will constitute legal, valid and binding obligations of the Corporation in accordance with their respective terms, subject to the effect of bankruptcy, reorganization, moratorium, fraudulent conveyance and similar laws relating to or affecting creditors' rights generally or the application of equitable principles in any proceeding, whether at law or in equity and by the limitations on legal remedies imposed on actions against public agencies in the State.

(c) No Conflict. The adoption of the Corporation Resolution, the execution and delivery by the Corporation of the Legal Documents to which it is a party and the compliance by the Corporation with their respective provisions, do not and will not conflict with or constitute a breach of or default under any material agreement or other instrument to which the Corporation is a party, or any court order, consent decree, statute, rule, regulation or any other law to which the Corporation presently is subject.

(d) No Litigation. Except as disclosed in the Preliminary Offering Circular and Offering Circular, to the best of the Corporation's knowledge and belief, after due inquiry, there is no action, suit, proceeding or investigation at law or in equity before or by any court or Governmental Authority or body pending against the Corporation in which service of process has been completed against the Corporation, or, to the knowledge of the Corporation, after reasonable investigation, threatened against the Corporation to restrain or enjoin the delivery of the Series 2021 Bonds or in any way questioning or affecting (A) the proceedings under which the Series 2021 Bonds are to be issued, (B) the validity of any provision of any of the Legal Documents to which the Corporation is a party, (C) the legal existence of the Corporation or the title of its officers to their respective offices, or in any way contesting or affecting the validity of the Legal Documents to which the Corporation is a party, or the Series 2021 Bonds, or contesting the powers of the Corporation to enter into or perform its obligations under any of the foregoing or in which a final adverse decision would declare any provision of the Legal Documents or the Series 2021 Bonds to be invalid or unenforceable in whole or in material part.

(e) No Consents Required. After due inquiry, except as may be required under blue sky or other securities laws of any state, or with respect to any permits or approval heretofore received which are in full force and effect or the requirement for which is otherwise disclosed in the Preliminary Offering Circular and Offering Circular, there is no consent, approval, authorization or other order of, or filing with, or certification by, any governmental authority, board, agency or commission or other regulatory authority having jurisdiction over the Corporation, required for the valid execution, delivery or performance by the Corporation of the Legal Documents to which the Corporation is a party or the consummation by the Corporation of the other transactions contemplated

by the Offering Circular or the Legal Documents to which the Corporation is a party.

(f) Preliminary Offering Circular and Offering Circular Correct and Complete. The information under the caption "THE CORPORATION" in the Preliminary Offering Circular does not, as of its date and as of the date hereof, and in the Offering Circular does not, as of its date, and will not, as of the Closing, contain any untrue statement of a material fact or omit to state any material fact necessary to make the information contained thereunder, or the statements made therein, in the light of the circumstances under which it was made, not misleading.

(g) No Breach or Default. The Corporation is not in breach of or in default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Corporation is a party or is otherwise subject which breach or default would have a material and adverse impact on the Corporation's ability to perform its obligations under the Legal Documents to which it is a party, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument.

(h) No Liens. As of the date hereof, there are no liens or encumbrances on the items pledged pursuant to the Loan Agreement, and the Corporation has not entered into any contract or arrangement of any kind which might give rise to any such lien or encumbrance, and as of the Closing, other than as set forth in the Loan Agreement, in the Preliminary Offering Circular and in the Offering Circular, there are no liens or encumbrances on the items pledged pursuant to the Loan Agreement, and the Corporation has not entered into any contract or arrangement of any kind which might give rise to any such lien or encumbrance.

(i) Representations with respect to the Loan Agreement and Sale Agreement. The Corporation hereby represents and warrants that, except as described in the Preliminary Offering Circular and in the final Offering Circular: (A) the representations and warranties of the Corporation set forth the Loan Agreement and Sale Agreement are, as of the date hereof, and will be, as of the Closing, true and correct in all material respects; (B) other than as described herein, neither the Original Loan Agreement nor Sale Agreement has been amended, supplemented or modified, and the Original Loan Agreement and Sale Agreement remain in full force and effect as of the date hereof; (C) to the knowledge of the Corporation, after reasonable investigation, no default or event of default has occurred and is continuing under the Loan Agreement or Sale Agreement; and (D) to the knowledge of the Corporation, after reasonable investigation, the Corporation is in compliance with the terms and conditions of each of the Loan Agreement and Sale Agreement and the Corporation has performed or complied with all of its obligations, agreements and covenants to

be performed or complied with pursuant to the Loan Agreement or Sale Agreement on or prior to the date hereof.

(j) Agreement to Preserve Tax Exemption. The Corporation covenants that it will not take any action which would cause interest on the Series 2021 Bonds to be subject to federal income taxation or California personal income taxes (other than to the extent the Series 2021 Bonds will be subject to federal income taxation as described under the caption "TAX MATTERS" in the Offering Circular) and that it will take such action as may be necessary to preserve the tax-exempt status of the Series 2021 Bonds.

[Remainder of page intentionally left blank]

Very truly yours,

SACRAMENTO COUNTY TOBACCO
SECURITIZATION CORPORATION

By: _____
Authorized Officer

Accepted and confirmed as of the date above written
JEFFERIES LLC, as Representative of the Underwriters

By: _____
Authorized Representative

EXHIBIT C

CERTIFICATE OF THE
COUNTY OF SACRAMENTO

The Tobacco Securitization Authority of Northern California (the "Issuer") proposes to cause the issuance and delivery of $[Aggregate Par] aggregate initial principal amount of the Issuer's Tobacco Settlement Asset-Backed Refunding Bonds, Series 2021 Senior Bonds (Sacramento County Tobacco Securitization Corporation) Series 2021, consisting of $[2021A Par] Series 2021A Class 1 Senior Current Interest Bonds, $[2021B-1 Par] Series 2021B-1 Class 2 Senior Current Interest Bonds, and $[2021B-2 Par] Series 2021B-2 Class 2 Senior Capital Appreciation Bonds (the "Series 2021 Bonds"). The Series 2021 Bonds are dated, mature, bear or accrete interest and shall have such other terms as are set forth in the Indenture, hereinafter referenced. Capitalized terms not otherwise defined herein shall have the meanings given to them in the Indenture or the Contract of Purchase, as the case may be, each hereinafter referenced.

The Series 2021 Bonds will be issued and secured under and pursuant to an Amended and Restated Indenture, dated as of January 1, 2021, as supplemented, including as supplemented by a Series 2021 Supplement, dated as of January 1, 2021 (collectively, the "Indenture"), each by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). A portion of the net proceeds of the Series 2021 Bonds, along with other available funds under the Indenture, will be deposited with The Bank of New York Mellon Trust Company, N.A., in its capacity as escrow agent (the "Escrow Agent") under an escrow agreement, dated as of January 1, 2021 (the "Escrow Agreement"), by and between the Issuer and the Escrow Agent to refund and defease, in accordance with the Indenture, [all][a portion of] of the Issuer's outstanding Tobacco Settlement Asset-Backed Bonds (Sacramento County Tobacco Securitization Corporation) Series 2005A-1 Senior Current Interest Bonds, Series 2005A-2 Senior Convertible Bonds, Series 2005B First Subordinate CABs and the Series 2005C Second Subordinate CABs (together, the "Refunded Bonds"). The remainder of the proceeds of the Series 2021 Bonds will be applied to make a deposit to the Class 1 Senior Liquidity Reserve Subaccount and the Class 2 Senior Liquidity Reserve Subaccount, and pay the costs of issuance incurred in connection with the issuance of the Series 2021 Bonds.

A portion of the proceeds of the Refunded Bonds were used to fund a loan under a Secured Loan Agreement, dated as of December 1, 2005, as supplemented by a First Supplement to Secured Loan Agreement, dated as of January 1, 2021 (the "Loan Agreement"), each by and between Sacramento County Tobacco Securitization Corporation (the "Corporation"), a nonprofit public benefit corporation organized under the laws of the State, and the Issuer to refinance the purchase by the Corporation of the County Tobacco Assets (the "County Tobacco Assets"), pursuant to the Purchase and Sale Agreement, dated as of July 1, 2001 (the "Sale Agreement"), by and between the County of Sacramento (the "County") and the Corporation. Pursuant to the Sale Agreement, the Corporation purchased all of the right, title and interest of the County in and to the County Tobacco Assets. The Series 2021 Bonds are secured by the Collateral (as defined in the Indenture).

The Series 2021 Bonds are to be sold by the Issuer pursuant to the Contract of Purchase between the Issuer and Jefferies LLC, as representative of the underwriters named therein (collectively, the "Underwriters"), dated [Pricing Date] (the "Contract of Purchase").

This Certificate may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

In connection with the Contract of Purchase and the Series 2021 Bonds, the County hereby certifies as follows:

(a) Due Organization and Issuer; Legal, Valid and Binding Obligations. The County is a political subdivision of the State duly organized and operating pursuant to the Constitution and laws of the State and has all necessary power and authority to adopt the resolution of the County, dated January 12, 2021, authorizing the County transactions described herein (the "County Resolution") and enter into and perform its duties under the Sale Agreement. The County Resolution has been adopted and has not been rescinded, and the Sale Agreement constitutes a legal, valid and binding obligation of the County in accordance with its terms, subject to the effect of bankruptcy, reorganization, moratorium, fraudulent conveyance and similar laws relating to or affecting creditors' rights generally or the application of equitable principles in any proceeding, whether at law or in equity and by the limitations on legal remedies imposed on actions against counties in the State.

(b) No Conflict. The adoption of the County Resolution and compliance by the County with its provisions does not and will not conflict with or constitute a breach of or default under any material agreement or other instrument to which the County is a party, or any court order, consent decree, statute, rule, regulation or any other law to which the County presently is subject.

(c) No Consents Required. After due inquiry, except as may be required under blue sky or other securities laws of any state, or with respect to any permits or approval heretofore received which are in full force and effect or the requirement for which is otherwise disclosed in the Preliminary Offering Circular and Offering Circular, there is no consent, approval, authorization or other order of, or filing with, or certification by, any Governmental Authority having jurisdiction over the County, required for the valid execution, delivery or performance by the County of the Sale Agreement.

(d) No Litigation. Except as disclosed in the Preliminary Offering Circular and Offering Circular, to the best of the County's knowledge and belief, after due inquiry, there is no action, suit, proceeding or investigation at law or in equity before or by any court or Governmental Authority pending against the County in which service of process has been completed against the County, or, to the knowledge of the County, after reasonable investigation, threatened against the County, which would have a material adverse effect on the enforceability of the

MSA or the payment of County Tobacco Assets thereunder, or in any way contesting or affecting the validity of the Sale Agreement, the County Resolution or the transactions authorized thereby or by the Contract of Purchase or the legal existence of the County or the title of its officers to their respective offices, or in any way contesting or affecting the validity of the Sale Agreement or in which a final adverse decision would declare any provision of the Sale Agreement to be invalid or unenforceable in whole or in material part.

(e) No Breach or Default. The County is not in breach of or in default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the County is a party or is otherwise subject, which breach or default would have a material and adverse impact on the County's ability to perform its obligations under the Sale Agreement, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument.

(f) Representations with respect to the Sale Agreement. The County hereby represents and warrants that, except as described in the Preliminary Offering Circular and in the Offering Circular: (1) the Sale Agreement has been duly executed and delivered and is the legal, valid and binding obligation of the County, enforceable in accordance with its terms, subject to the effect of bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws relating to or affecting creditors' rights generally or the application of equitable principles in any proceeding, whether at law or in equity and by the limitations on legal remedies imposed on actions against counties in the State of California; (2) the representations and warranties of the County set forth in the Sale Agreement are, as of the date hereof, and will be, as of the Closing, true and correct in all material respects; (3) the Sale Agreement has not been amended, supplemented or modified and remains in full force and effect as of the date hereof; (4) to the knowledge of the County, after reasonable investigation, no default or event of default has occurred and is continuing under any the Sale Agreement; (5) to the knowledge of the County, after reasonable investigation, the County is in compliance with the terms and conditions of the Sale Agreement and has performed or complied with all of its obligations, agreements and covenants to be performed or complied with pursuant thereto on or prior to the date hereof.

(g) Agreement to Preserve Tax Exemption. The County covenants that it will not take any action which would cause interest on the Series 2021 Bonds to be subject to federal income taxation or California personal income taxes (other than to the extent the Series 2021 Bonds will be subject to federal income taxation as described under the caption "TAX MATTERS" in the Offering Circular), that it will take such action as may be necessary to preserve the tax-exempt status of the Series 2021 Bonds.

Dated: [Pricing Date]

COUNTY OF SACRAMENTO

By: _____
Authorized Officer

Accepted and confirmed as of the date above written

JEFFERIES LLC,
as Representative of the Underwriters

By: _____
Authorized Representative

EXHIBIT D

[Form of Supplemental Opinion of Bond Counsel]

[Closing Date]

Jefferies LLC
New York, New York

Citigroup Global Markets Inc.
New York, New York

Samuel A. Ramirez & Co., Inc.
New York, New York

Tobacco Securitization Authority of Northern California
Tobacco Settlement Asset-Backed Refunding Bonds
(Sacramento County Tobacco Securitization Corporation),
Series 2021A Class 1 Senior Current Interest Bonds
Series 2021B-1 Class 2 Senior Current Interest Bonds
Series 2021B-2 Class 2 Senior Capital Appreciation Bonds
(Supplemental Opinion)

Ladies and Gentlemen:

This letter is addressed to you, as Underwriters, pursuant to Section 8(g)(iii) of the Contract of Purchase, dated January __, 2021 (the "Purchase Contract"), between Jefferies LLC as the representative, acting on behalf of the Underwriters, and the Tobacco Securitization Authority of Northern California (the "Issuer"), providing for the purchase of $_____ aggregate principal amount of the Tobacco Securitization Authority of Northern California Tobacco Settlement Asset-Backed Refunding Bonds (Sacramento County Tobacco Securitization Corporation), Series 2021A Class 1 Senior Current Interest Bonds (the "Series 2021A Bonds"), $_____ aggregate principal amount of the Tobacco Securitization Authority of Northern California Tobacco Settlement Asset-Backed Refunding Bonds (Sacramento County Tobacco Securitization Corporation), Series 2021B-1 Class 2 Senior Current Interest Bonds (the "Series 2021B-1 Bonds"), and $_____ aggregate initial principal amount of the Tobacco Securitization Authority of Northern California Tobacco Settlement Asset-Backed Refunding Bonds (Sacramento County Tobacco Securitization Corporation), Series 2021B-2 Class 2 Senior Capital Appreciation Bonds (the "Series 2021B-2 Bonds" and together with the Series 2021A Bonds and the Series 2021B-1 Bonds, the "Series 2021 Senior Bonds"). The Series 2021 Senior Bonds are issued pursuant to an Amended and Restated Indenture, dated as of _____ 1, 2021 (the "Amended and Restated Indenture"), which amends and restates an Indenture, dated as of December 1, 2005 (the "Original Indenture"), as supplemented by the Series 2005 Supplement, dated as of December 1, 2005, and the Series 2021 Supplement, dated as of _____ 1, 2021 (the Original Indenture, as amended and restated by the Amended and Restated Indenture together with the Series 2005 Supplement and the Series 2021 Supplement are hereafter

referred to herein as the "Indenture"), each between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture or, if not defined in the Indenture, in the Purchase Contract.

We have delivered our final legal opinion (the "Bond Opinion") as bond counsel to the Issuer concerning the validity of the Series 2021 Senior Bonds and certain other matters, dated the date hereof and addressed to the Issuer. You may rely on such opinion as though the same were addressed to you.

In connection with our role as bond counsel to the Issuer, we have reviewed the Purchase Contract, the Indenture, the Loan Agreement, the Issuer Tax Certificate, the Corporation Tax Certificate, the County Tax Certificate, opinions of counsel to the Issuer, the Trustee, the County and the Corporation, certificates of the Issuer, the Trustee, the County, the Corporation and others, and such other documents, opinions and matters to the extent we deemed necessary to provide the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the original delivery of the Series 2021 Senior Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the original delivery of the Series 2021 Senior Bonds on the date hereof. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Issuer. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the third paragraph hereof. We have further assumed compliance with all covenants and agreements contained in such documents. In addition, we call attention to the fact that the rights and obligations under the Series 2021 Senior Bonds, the Indenture, the Loan Agreement, the Issuer Tax Certificate, the Corporation Tax Certificate, the County Tax Certificate, the Purchase Contract and their enforceability may be subject to bankruptcy, insolvency, reorganization, receivership, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against joint powers authorities or nonprofit corporations in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute or having the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinions with respect to the state or quality of title to or interest in any assets described in or as subject to the lien of the Indenture or the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. We also express no opinion regarding any accreted value table or calculation set forth or referred to in any of the Series 2021 Senior Bonds or in the Indenture. Finally, we undertake no responsibility for the accuracy, except as expressly set forth in numbered paragraph 3 below, completeness or fairness of the Offering Circular, dated January __, 2021 (the "Offering Circular") or other offering material relating to the Series 2021 Senior Bonds and express no view or opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series 2021 Senior Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

2. The Purchase Contract has been duly executed and delivered by, and is a valid and binding agreement of, the Issuer.

3. The statements contained in the Offering Circular under the captions "SECURITY FOR THE BONDS," "THE SERIES 2021 BONDS" and "TAX MATTERS," and in Appendix E – "FORM OF OPINION OF BOND COUNSEL," Appendix F-1 – "FORMS OF AMENDED AND RESTATED INDENTURE AND SERIES 2021 SUPPLEMENT," and Appendix F-2 – "SECURED LOAN AGREEMENT AND FORM OF FIRST SUPPLEMENT TO SECURED LOAN AGREEMENT," excluding any material that may be treated as included under such captions by cross reference or reference to other documents or sources, insofar as such statements expressly summarize certain provisions of the Indenture and the Loan Agreement, or set out the form and content of our Bond Opinion, are accurate in all material respects

This letter is furnished by us as bond counsel to the Issuer. No attorney-client relationship has existed or exists between our firm and you in connection with the Series 2021 Senior Bonds or by virtue of this letter. We disclaim any obligation to update this letter. This letter is delivered to you as Underwriters of the Series 2021 Senior Bonds, is solely for your benefit as such Underwriters in connection with the original issuance of the Series 2021 Senior Bonds on the date hereof, and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by owners of Series 2021 Senior Bonds or by any other party to whom it is not specifically addressed.

Very truly yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

EXHIBIT E

[Forms of Letter of Disclosure Counsel]

[Closing Date]

Tobacco Securitization Authority of Northern California
Sacramento, California

County of Sacramento, California
Sacramento, California

Sacramento County Tobacco Securitization Corporation
Sacramento, California

Tobacco Securitization Authority of Northern California
Tobacco Settlement Asset-Backed Refunding Bonds, Series 2021 Senior Bonds
(Sacramento County Tobacco Securitization Corporation)
Series 2021A Class 1 Senior Current Interest Bonds
Series 2021B-1 Class 2 Senior Current Interest Bonds
Series 2021B-2 Class 2 Senior Capital Appreciation Bonds

Ladies and Gentlemen:

We have acted as Disclosure Counsel to the Tobacco Securitization Authority of Northern California (the "Issuer"). In that capacity, we assisted the Issuer in the preparation of its Offering Circular, dated [Pricing Date] (the "Offering Circular"), relating to $[Aggregate Par] aggregate initial principal amount of the Issuer's Tobacco Settlement Asset-Backed Refunding Bonds, Series 2021 Senior Bonds (Sacramento County Tobacco Securitization Corporation), consisting of $[2021A Par] Series 2021A Class 1 Senior Current Interest Bonds, $[2021B-1 Par] Series 2021B-1 Class 2 Senior Current Interest Bonds, and $[2021B-2 Par] Series 2021B-2 Class 2 Senior Capital Appreciation Bonds (collectively, the "Series 2021 Senior Bonds"). The Series 2021 Senior Bonds will be issued and secured under and pursuant to an Amended and Restated Indenture, dated as of January 1, 2021, as supplemented, including as supplemented by a Series 2021 Supplement, dated as of January 1, 2021 (collectively, the "Indenture"), each by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Capitalized terms used in this letter and not otherwise defined herein shall have the meanings ascribed to them in the Offering Circular.

In connection with this representation, we have examined the following:

(a) the resolution of the Issuer adopted on January 12, 2021 authorizing the issuance of the Series 2021 Senior Bonds and approving the form of and authorizing the execution and delivery of certain documents in connection therewith;

(b) the resolution of the Board of Supervisors of the County of Sacramento, California (the "County") adopted on January 12, 2021 approving the form of certain documents relating to the Series 2021 Senior Bonds and approving the execution and delivery of certain documents in connection therewith;

(c) the resolution of the Sacramento County Tobacco Securitization Corporation (the "Corporation") adopted on January 12, 2021 approving the form of certain documents relating to the Series 2021 Senior Bonds and approving the execution and delivery of certain documents in connection therewith;

(d) the Indenture;

(e) the Purchase and Sale Agreement;

(f) the Continuing Disclosure Undertaking;

(g) the printed and bound version of the Offering Circular;

(h) the Contract of Purchase, dated [Pricing Date], between Jefferies LLC, as representative of the underwriters of the Series 2021 Senior Bonds (the "Underwriters"), and the Issuer; and

(i) the certificates and opinions of counsel delivered pursuant to the aforementioned Contract of Purchase, including, without limitation, the approving and supplemental opinions of Bond Counsel to the Issuer, and the opinions of County Counsel of the County ("County Counsel") on behalf of the County, the Issuer, and the Corporation, each delivered the date hereof.

The Offering Circular is the Issuer's document and, as such, the Issuer is responsible for its content. The purpose of our engagement was not to independently establish, confirm, or verify the factual matters set forth in the Offering Circular, and we have not done so. Moreover, many of the determinations required to be made in the preparation of the Offering Circular involve, wholly or partially, matters of a non-legal character. We do not, therefore, take any responsibility for the factual matters set forth in the Offering Circular, and we undertake herein only to express certain limited negative assurances regarding the same.

The scope of the activities performed by us was inherently limited and does not encompass all activities that the Issuer, as the issuer of the Series 2021 Senior Bonds, may be responsible to undertake in preparing the Offering Circular; those activities performed by us relied substantially on representations, warranties, certifications and opinions made by representatives of the Issuer and others, and are otherwise subject to the matters set forth in this letter; and while statements of negative assurance are customarily given to underwriters of municipal securities to assist them in discharging their responsibilities under the federal securities laws, the responsibilities of the Issuer under those laws may differ from those of the Underwriters in material respects, and this letter may not serve the same purpose or provide the same utility to you, as the issuer of the Series 2021 Senior Bonds, as it would to the Underwriters.

In giving the limited assurances hereinafter expressed, we are not expressing any opinion or view on, but have ourselves assumed and relied upon, the validity, accuracy and sufficiency of the records, documents, certificates and opinions listed above and those otherwise executed and delivered in connection with the issuance of the Series 2021 Senior Bonds. Without limiting the foregoing statement, we have relied without independently opining upon the legal conclusions expressed, and without independently verifying the factual matters represented, in the legal opinions that we have reviewed. In addition, we have examined and relied on originals or copies, certified or otherwise identified to our satisfaction, of such other documents, legal opinions, instruments or records, and have made such investigation of law, as we have considered necessary or appropriate for the purpose of this letter. We have assumed, but have not independently verified, that all records and the signatures on all documents and certificates that we examined were genuine. Also, we have not conducted an independent diligence regarding the Issuer's compliance with its continuing disclosure undertakings and express no view regarding the Issuer's compliance with any obligation to provide annual reports or notices of events in accordance with its continuing disclosure undertakings.

In our capacity as Disclosure Counsel to the Issuer with respect to the Offering Circular, we participated in meetings and conference calls (which did not extend beyond the date of the Offering Circular) with representatives of the Issuer, the Corporation, the County, County Counsel, representatives of the Underwriters, Bond Counsel, Underwriters' Counsel, the municipal advisor to the Issuer, and IHS Global Inc., during which the contents of the Offering Circular and related matters were discussed and reviewed. Based upon such participation, and information disclosed to us in the course of our representation of the Issuer, as Disclosure Counsel, considered in light of our understanding of the applicable law and the experience we have gained through our practice of law, and subject to all of the foregoing in this letter including the qualifications respecting the scope and nature of our engagement, we advise you, as a matter of fact but not opinion, that during the course of our engagement, as Disclosure Counsel to the Issuer, with respect to the Offering Circular, no facts came to the attention of the attorneys of our firm rendering legal services in connection with this matter that caused them to believe that the Offering Circular (except (i) any financial, statistical or economic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, (ii) the statements under the headings "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY," "SUMMARY OF THE TOBACCO CONSUMPTION REPORT," "DEPARTMENT OF FINANCE POPULATION FORECAST," "UNDERWRITING," "LEGAL MATTERS," and "OTHER PARTIES" (and any information similar to any of the above under the caption "SUMMARY STATEMENT"), (iii) the statements contained in the following appendices: "APPENDIX A – TOBACCO CONSUMPTION REPORT," "APPENDIX E —FORM OF OPINION OF BOND COUNSEL," "APPENDIX F-1 – FORMS OF AMENDED AND RESTATED INDENTURE AND SERIES 2021 SUPPLEMENT," "APPENDIX F-2 – SECURED LOAN AGREEMENT AND FORM OF FIRST SUPPLEMENT TO SECURED LOAN AGREEMENT," "APPENDIX F-3 – PURCHASE AND SALE AGREEMENT" and "APPENDIX H – FORM OF CONTINUING DISCLOSURE UNDERTAKING," (iv) the statements or opinions expressed by Bond Counsel, the Issuer or County Counsel, (v) any information about the tax status of interest on Series 2021 Senior Bonds, (vi) information concerning ratings or rating agencies, and (vii) any statements concerning The Depository Trust Company and its book-entry system (including, without limitation, in "APPENDIX G — BOOK-ENTRY ONLY SYSTEM"), as to all of which no advice is given by us), as of the date of the

Offering Circular and as of the date hereof, contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. In addition, based upon and subject to the foregoing and the qualifications respecting the scope and nature of our engagement, we advise you that, during the course of our engagement, as Disclosure Counsel to the Issuer, with respect to the Offering Circular, nothing has come to the attention of the attorneys of our firm rendering legal services in connection with this matter that caused them to believe that the statements included in the Offering Circular under the heading "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY" (as to which we express no opinion or view with respect to omitted facts), as of the date of the Offering Circular and as of the date hereof, were or are not correct in any material respect. No responsibility is undertaken or view expressed with respect to any other disclosure document, materials or activity, or as to any information from another document or source referred to or incorporated by reference in the Offering Circular.

By your acceptance of this letter, you recognize and acknowledge that (i) the preceding paragraph is not an opinion; rather, it is in the nature of negative observations based on certain limited activities performed by specific lawyers in our firm in our role as Disclosure Counsel to the Issuer, (ii) the scope of those activities performed by us was inherently limited and does not purport to encompass all activities that the Issuer and the Underwriters may be responsible to undertake, and (iii) those activities performed by us rely on third-party representations, warranties, certifications and opinions, including representations, warranties and certifications made by the Issuer, and are otherwise subject to the conditions set forth in this letter.

We assume no obligation to update, revise or supplement this letter to reflect any action hereafter taken or not taken, or any facts or circumstances that may hereafter come to our attention, or for any other reason. Our engagement with respect to this matter has terminated as of the date hereof.

We are not expressing any opinion with respect to the authorization, execution, delivery or validity of the Series 2021 Senior Bonds, or the exclusion, if any, from gross income for federal income tax purposes of interest on the Series 2021 Senior Bonds.

This letter is furnished by us solely for your benefit and may not be relied upon by any other person or entity, except as may be expressly authorized by us in writing. This letter is not to be used, circulated, quoted or otherwise referred to in connection with the offering of the Series 2021 Senior Bonds, except that reference may be made in any list of closing documents pertaining to the issuance of the Series 2021 Senior Bonds. This letter is not intended to, and may not, be relied on by purchasers or other owners of the Series 2021 Senior Bonds.

Very truly yours,

[Closing Date]

Jefferies LLC, as Representative of the Underwriters
New York, New York

Tobacco Securitization Authority of Northern California
Tobacco Settlement Asset-Backed Refunding Bonds, Series 2021 Senior Bonds
(Sacramento County Tobacco Securitization Corporation)
$[2021A Par] Series 2021A Class 1 Senior Current Interest Bonds,
$[2021B-1 Par] Series 2021B-1 Class 2 Senior Current Interest Bonds
$[2021B-2 Par] Series 2021B-2 Class 2 Senior Capital Appreciation Bonds

Ladies and Gentlemen:

In our capacity as Disclosure Counsel to the Tobacco Securitization Authority of Northern California (the "Issuer") regarding the Offering Circular, dated [Pricing Date], relating to the above-captioned bonds, we delivered on this date a letter addressed to the Issuer. We are delivering this letter pursuant to Section 8(g)(vii) of the Contract of Purchase, dated [Pricing Date] (the "Purchase Contract"), between you, as representative of the Underwriters named therein, and the Issuer.

You are entitled to rely on that letter to the same extent as if it were addressed to you. This reliance letter is not intended to create, and does not create, an attorney-client relationship with the Underwriters, and may not be sufficient, in itself, to satisfy whatever responsibilities the Underwriters may have to establish a reasonable basis for belief in the accuracy of the key representations in the aforementioned Offering Circular (as defined in the Purchase Contract) or otherwise to satisfy the Underwriters' obligations under applicable securities laws.

Very truly yours,

EXHIBIT F

[Form of Underwriters' Counsel Opinion]

[Closing Date]

Jefferies LLC
as representative of the Underwriters
of the below captioned bonds
520 Madison Avenue
5th Floor
New York, New York 10022

Tobacco Securitization Authority of Northern California
Tobacco Settlement Asset-Backed Refunding Bonds, Series 2021 Senior Bonds
(Sacramento County Tobacco Securitization Corporation)
$[2021A Par] Series 2021A Class 1 Senior Current Interest Bonds,
$[2021B-1 Par] Series 2021B-1 Class 2 Senior Current Interest Bonds and
$[2021B-2 Par] Series 2021B-2 Class 2 Senior Capital Appreciation Bonds

Ladies and Gentlemen:

We have acted as counsel to the Underwriters named in the Contract of Purchase, dated [Pricing Date] (the "Purchase Contract"), between the Tobacco Securitization Authority of Northern California (the "Issuer") and Jefferies LLC, as representative of the underwriters named therein (the "Underwriters"), under which the Underwriters agreed to purchase from the Issuer the bonds described above (the "Bonds").

As Counsel for the Underwriters, we have examined the following:

(a) an executed copy of the Purchase Contract;

(b) an executed copy of the Amended and Restated Indenture, dated as of January 1, 2021, as supplemented, including as supplemented by a Series 2021 Supplement, dated as of January 1, 2021 (collectively, the "Indenture"), each by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee");

(c) the Preliminary Offering Circular of the Issuer, dated January [12], 2021 (the "Preliminary Offering Circular");

(d) the Offering Circular of the Issuer, dated [Pricing Date] (the "Offering Circular"); and

(e) the Continuing Disclosure Undertaking, dated the date of this letter, executed by the Issuer and the Trustee, (the "Undertaking"); and

such other documents, instruments and opinions, and we have made such investigations of law, as we have deemed necessary or advisable for the purpose of rendering this opinion. We have relied upon such certificates of officers of the Issuer, the Sacramento County Tobacco Securitization Corporation (the "Corporation") and the County of Sacramento (the "County") and other certifications with respect to the accuracy of material factual matters contained therein which were not independently established. In addition, we have, with your approval, assumed that the Bonds have been duly executed on behalf of the Issuer and duly authenticated by the Trustee, and that the signatures on all documents and instruments examined by us are genuine, which assumptions we have not independently verified.

Based upon the foregoing, we are of the opinion that:

1. The Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended (the "1933 Act"), and the Indenture is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act").

2. Assuming its validity, the Undertaking complies as to form in all material respects with the requirements of paragraph (b)(5)(i) of the Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the "Rule").

The opinions stated in paragraphs 1 and 2 above are given as of the date hereof, and are limited to the facts, circumstances and matters set forth herein and to the laws currently in effect. We have no obligation to update or supplement such opinions to reflect, or to otherwise advise you of, any facts or circumstances which may hereafter come to our attention or any changes in facts, circumstances or law which may hereafter occur. Such opinions are solely for your benefit in connection with the issuance of the Bonds on the date hereof, and may not be relied upon by any other person and may not be used for any other purpose without our prior written consent. We express no opinion as to any law, rule or regulation other than the 1933 Act, the Trust Indenture Act or the Rule.

We are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of any of the statements contained in the Preliminary Offering Circular or in the Offering Circular and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. However, during the course of serving as Underwriters' Counsel, we participated in communications with your representatives, representatives of the Issuer, representatives of the Corporation, representatives of the County, Bond Counsel and Disclosure Counsel during which the contents of the Preliminary Offering Circular, Offering Circular and related matters were discussed and reviewed.

Based upon our participation in the above-mentioned conferences (which did not extend beyond the date of the Offering Circular), and in reliance thereon, on oral and written statements and representations of the Issuer, the Corporation, the County and others, and on other records and documents which we have examined, we advise you as a matter of fact and not opinion that (a) as of the date of the Preliminary Offering Circular and as of [Pricing Date], no facts came to the attention of the attorneys in our firm rendering legal services in connection with this matter which

caused us to believe that the Preliminary Offering Circular (except for any information listed in the following sentence, as to which we express no view) as of its date or as of [Pricing Date] contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and (b) as of the date of the Offering Circular and as of the date hereof, no facts came to the attention of the attorneys in our firm rendering legal services in connection with this matter which caused us to believe that the Offering Circular (except for any information listed in the following sentence, as to which we express no view) contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. We express no view, opinion, advice or belief as to: (i) information designated as preliminary or permitted to be omitted from the Preliminary Offering Circular pursuant to the Rule; (ii) the information under the captions "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY," "SUMMARY OF THE TOBACCO CONSUMPTION REPORT," "DEPARTMENT OF FINANCE POPULATION FORECAST," "LITIGATION," and "TAX MATTERS," in the forepart of the Preliminary Offering Circular or the Offering Circular; (iii) Appendices A, E or G to the Preliminary Offering Circular and the Offering Circular; (iv) any other financial, technical, statistical or demographic data or forecasts included or incorporated by reference into the Preliminary Offering Circular or the Offering Circular or the Appendices thereto; or (v) any information about the book-entry system and The Depository Trust Company.

The immediately preceding paragraph is being furnished by us only to you, is solely for your benefit in your capacity as Representative to assist the Underwriters in establishing defenses under applicable securities laws, and may not be used, quoted, relied upon or otherwise referred to for any other purpose or by any other person (including any person purchasing any Bonds from you). We disclaim any obligation to update or supplement this letter to reflect, or otherwise advise you of, any facts or circumstances which may hereafter come to our attention or any changes in facts, circumstances or law which may hereafter occur. This letter may be included in a transcript of the proceedings relating to the authorization, issuance and sale of the Bonds.

Very truly yours,

EXHIBIT G

Form of Issue Price Certificate

Tobacco Securitization Authority of Northern California
Tobacco Settlement Asset-Backed Refunding Bonds, Series 2021 Senior Bonds (Sacramento County Tobacco Securitization Corporation)
$[2021A Par] Series 2021A Class 1 Senior Current Interest Bonds,
$[2021B-1 Par] Series 2021B-1 Class 2 Senior Current Interest Bonds and
$[2021B-2 Par] Series 2021B-2 Class 2 Senior Capital Appreciation Bonds

[To be conformed if any HTOP maturities]

ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Jefferies LLC (the "**Representative**") and the other members of the underwriting syndicate (together, the "**Underwriting Group**"), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the "**Bonds**") of Tobacco Securitization Authority of Northern California (the "**Issuer**").

1. ***Sale of the Bonds***. As of the date of this certificate, for each Maturity of the Bonds, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A hereto.

2. ***Defined Terms***.

(a) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(b) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(c) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is [Pricing Date].

(d) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail or other third-party distribution agreement participating in the initial sale of the Bonds to the Public).

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Representative's interpretation of any laws, including specifically

Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the tax certificate with respect to the Bonds and with respect to compliance with the federal income tax rules affecting the Bonds, and by Orrick, Herrington & Sutcliffe LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. The certifications contained herein are not necessarily based on personal knowledge, but may instead be based on either inquiry deemed adequate by the undersigned or institutional knowledge (or both) regarding matters set forth herein.

Jefferies LLC

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Dated: [Closing Date]

SCHEDULE A

SALE PRICES

(Attached)

The information in this Preliminary Offering Circular is subject to completion or amendment without notice. Under no circumstances shall this Preliminary Offering Circular constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFERING CIRCULAR DATED JANUARY [12], 2021

New Issue – Book-Entry Only **Ratings: See "RATINGS" herein.**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2021 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2021 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2021 Bonds. See "TAX MATTERS."

$[_____]*
TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA
Tobacco Settlement Asset-Backed Refunding Bonds, Series 2021 Senior Bonds
(Sacramento County Tobacco Securitization Corporation)

$[_____]*	$[_____]*	$[_____]*
Series 2021A Class 1 Senior Current Interest Bonds	**Series 2021B-1 Class 2 Senior Current Interest Bonds**	**Series 2021B-2 Class 2 Senior Capital Appreciation Bonds**

Dated: Date of Delivery **Due: June 1, as set forth on inside front cover page**

The Tobacco Securitization Authority of Northern California (the "**Authority**") is a public entity created pursuant to an Amended and Restated Joint Exercise of Powers Agreement, dated as of November 16, 2005, between the County of Sacramento, California (the "**County**") and another county in the State of California (each, a "**Local Agency**"). The Authority is a separate entity from the County and the other Local Agency. The Authority's debts, liabilities and obligations do not constitute debts, liabilities or obligations of the County or the other Local Agency. See "THE AUTHORITY" herein.

The Authority is issuing its Tobacco Settlement Asset-Backed Refunding Bonds (Sacramento County Tobacco Securitization Corporation), Series 2021 Senior Bonds, consisting of $[_____]* Series 2021A Class 1 Senior Current Interest Bonds (the "**Series 2021A Bonds**") as Class 1 Senior Bonds, $[_____]* Series 2021B-1 Class 2 Senior Current Interest Bonds (the "**Series 2021B-1 Bonds**") as Class 2 Senior Bonds, and $[_____]* Series 2021B-2 Class 2 Senior Capital Appreciation Bonds (the "**Series 2021B-2 Bonds**" and, together with the Series 2021B-1 Bonds, the "**Series 2021B Bonds**;" the Series 2021B Bonds, collectively with the Series 2021A Bonds, the "**Series 2021 Bonds**") as Class 2 Senior Bonds, pursuant to an Amended and Restated Indenture and a Series 2021 Supplement (collectively, [and together with the Series 2005 Supplement,] the "**Indenture**"), each dated as of January 1, 2021, between the Authority and The Bank of New York Mellon Trust Company, N.A., a national banking association, as trustee (the "**Trustee**"). The Authority will use the proceeds from the issuance of the Series 2021 Bonds, together with other available funds, to (i) refund on a current basis [all][a portion] of the Authority's Tobacco Settlement Asset-Backed Bonds (Sacramento County Tobacco Securitization Corporation) Series 2005 (the "**Series 2005 Bonds**") through defeasance and redemption, (ii) fund a deposit to the Senior Liquidity Reserve Account held under the Indenture and (iii) pay costs of issuance in connection with the issuance of the Series 2021 Bonds. [Following the refunding of such portion of the Series 2005 Bonds with proceeds of the Series 2021 Bonds, $[_____]* aggregate principal amount at maturity of the Series 2005 Bonds will remain outstanding under the Indenture.] The Series 2021 Bonds, collectively with [the outstanding Series 2005 Bonds, and] any Refunding Bonds and Additional Subordinate Bonds (each as defined herein) that may be issued by the Authority pursuant to the Indenture, are referred to herein as the "**Bonds**."

Sacramento County Tobacco Securitization Corporation, a California nonprofit public benefit corporation (the "**Corporation**"), previously purchased the "**County Tobacco Assets**," consisting of, as described more fully herein, all right, title and interest of the County in, to and under the Master Settlement Agreement entered into on November 23, 1998 (the "**MSA**") by participating cigarette manufacturers (the "**PMs**"), 46 states (including the State of California (the "**State**")) and six other U.S. jurisdictions in settlement of certain cigarette smoking-related litigation, the Memorandum of Understanding (the "**MOU**") and the Agreement Regarding Interpretation of Memorandum of Understanding (the "**ARIMOU**"), each among the State, various California cities and counties and certain other parties, and the consent decree and final judgment entered by the Superior Court of the State of California, County of San Diego on December 9, 1998 in Case No. J.C.C.P. 4041 (the "**Consent Decree**"). The Corporation purchased the County Tobacco Assets from the County pursuant to a Purchase and Sale Agreement, dated as of July 1, 2001 (the "**Sale Agreement**"), by and between the County and the Corporation, with funds derived from a loan by the Authority to the Corporation of proceeds of the Authority's Tobacco Settlement Asset-Backed Bonds, Series 2001 (Sacramento County Tobacco Securitization Corporation) (which were refunded in full by the Series 2005 Bonds).

The Bonds are payable solely from the Loan Payments, as defined in and paid under the Secured Loan Agreement, dated as of December 1, 2005, as supplemented by a First Supplement to Secured Loan Agreement, dated as of January 1, 2021 (collectively, the "**Loan Agreement**"), each between the Corporation, as borrower, and the Authority, as lender, the Corporation Tobacco Assets (as defined herein), which include the County Tobacco Assets purchased from the County under the Sale Agreement, and the other Collateral (as defined herein) pledged under the Indenture. See "SECURITY FOR THE BONDS" herein. The portion of the Collateral that consists of payments received pursuant to the MSA, the MOU, the ARIMOU and the Consent Decree is referred to herein as the "**Tobacco Settlement Revenues**." The amount of Tobacco Settlement Revenues depends on many factors, including future domestic cigarette consumption, the financial capability of the PMs and the domestic tobacco industry, litigation generally, including litigation challenging the MSA and related state statutes, and federal, state and local regulations affecting the domestic tobacco industry. Payments by the PMs under the MSA are subject to certain adjustments, including the NPM Adjustment (as defined herein), which may be material. As discussed further herein, the State was one of several jurisdictions to enter into settlements with the OPMs and certain SPMs (each as defined herein) regarding claims related to the 2003 through 2022 NPM Adjustments and the determination of subsequent NPM Adjustments. See "RISK FACTORS" and "LEGAL CONSIDERATIONS" herein.

Prospective investors should carefully consider the discussion of certain risks and other considerations contained in "RISK FACTORS" and "LEGAL CONSIDERATIONS," as well as the other information contained in this Offering Circular, regarding an investment in the Series 2021 Bonds. The Series 2021B-2 Bonds are not rated and involve additional risks that may not be appropriate for certain investors. See "RISK FACTORS—Market for Series 2021B-2 Bonds; No Credit Rating on Series 2021B-2 Bonds." One or a combination of the risk factors discussed herein, and other risks, may materially adversely affect the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full, and could have a material adverse effect on the liquidity and/or market value of the Series 2021 Bonds.

The Series 2021A Bonds and Series 2021B-1 Bonds will be sold in denominations of $5,000 or any integral multiple thereof, and the Series 2021B-2 Bonds will be sold such that the Accreted Value thereof at the Maturity Date is in the denomination of $100,000 or any integral multiple of $5,000 in excess thereof. Interest on the Series 2021A Bonds and the Series 2021B-1 Bonds will be payable semi-annually on June 1 and December 1 of each year

(each, a "**Distribution Date**"), commencing June 1, 2021. Interest on the Series 2021B-2 Bonds will not be paid currently but will accrete in value, compounded semiannually on each Distribution Date, commencing June 1, 2021 (to become part of Accreted Value as more fully described herein), from the initial principal amount on the date of delivery thereof to maturity or earlier redemption, at the rate of accretion specified on the inside front cover page hereof.

The Series 2021 Bonds are paid in accordance with the Senior Bonds Payment Priorities, whereby the Senior Bonds are paid in accordance with the following order of priority: (1) first, the Class 1 Senior Bonds are Fully Paid in chronological order of Serial Maturities, Fixed Sinking Fund Installments and Maturity Dates therefor and within a maturity, by lot in accordance with the Indenture, and (2) second, the Class 2 Senior Bonds are Fully Paid in chronological order by Maturity Date and within a maturity, by lot in accordance with the Indenture, as described further herein. The Series 2021A Bonds are on parity with any Refunding Bonds that are Class 1 Senior Bonds, and are senior in payment priority to the Series 2021B Bonds, [the outstanding Series 2005 Bonds,] any Refunding Bonds that are Class 2 Senior Bonds, First Subordinate Bonds or Second Subordinate Bonds, and any Additional Subordinate Bonds. The Series 2021B Bonds are subordinated in payment priority to the Series 2021A Bonds and any Refunding Bonds that are Class 1 Senior Bonds, are on parity with any Refunding Bonds that are Class 2 Senior Bonds, and are senior in payment priority to [the outstanding Series 2005 Bonds,] any Refunding Bonds that are First Subordinate Bonds or Second Subordinate Bonds, and any Additional Subordinate Bonds.

The Series 2021A Bonds are subject to optional redemption and optional clean-up call, and the Series 2021B Bonds are subject to optional redemption and mandatory clean-up call, each as described herein. The Series 2021A Bonds that are Term Bonds are subject to mandatory redemption by Fixed Sinking Fund Installments. The Series 2021B Bonds are Turbo Term Bonds subject to Turbo Redemption in accordance with the Payment Priorities, as described herein. It is expected that payment of principal or Accreted Value of the Series 2021B Bonds will be substantially earlier than the Turbo Term Bond Maturities therefor. Failure to pay any Turbo Redemptions on the Series 2021B Bonds will not constitute an Event of Default or a Class 2 Payment Default under the Indenture if such failure is due to the insufficiency of available Collections (as defined herein). The ratings for the Series 2021A Bonds and the Series 2021B-1 Bonds address only (i) the payment of interest on such Bonds, when due, and (ii) the payment of principal of such Bonds by their Maturity Dates (and, with respect to the Series 2021A Bonds that are Term Bonds, Fixed Sinking Fund Installment dates). The ratings do not address the payment of Turbo Redemptions on the Series 2021B-1 Bonds. The Series 2021B-2 Bonds are <u>not</u> rated. See "SECURITY FOR THE BONDS," "THE SERIES 2021 BONDS" and "RATINGS" herein.

See Inside Front Cover Page for Maturity Schedule,
Principal Amounts, Interest Rates, Prices or Yields, and Expected Average Lives

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The Series 2021 Bonds are limited obligations of the Authority, payable solely from certain funds held under the Indenture, including the Collections. Except as expressly provided in the Indenture and the Bonds, Owners shall have no recourse against the Authority, but shall look only to the Collateral with respect to any amounts due to the Owners under the Indenture. The Series 2021 Bonds are not secured by the proceeds thereof, with the exception of the proceeds deposited in the Senior Liquidity Reserve Account, with the Class 1 Senior Liquidity Reserve Subaccount securing only the Series 2021A Bonds (and any other Class 1 Senior Bonds that may be issued) and the Class 2 Senior Liquidity Reserve Subaccount securing only the Series 2021B-1 Bonds (and any other Class 2 Senior Bonds designated to be secured by such Subaccount that may be issued). The Senior Liquidity Reserve Account does <u>not</u> secure the Series 2021B-2 Bonds [or the outstanding Series 2005 Bonds] or any First Subordinate Bonds, Second Subordinate Bonds or Additional Subordinate Bonds.

The Series 2021 Bonds do not constitute a charge against the general credit of the Authority (except with respect to Collections), the County or the other Local Agency, and under no circumstances will the Authority, the County or the other Local Agency be obligated to pay the interest on or the principal or Accreted Value of or redemption premiums, if any, on the Series 2021 Bonds, except from Collections and balances held in the Senior Liquidity Reserve Account (where applicable, and, to the extent available). The Series 2021 Bonds and other obligations of the Authority are not a debt or obligation of the State or any of its municipalities or other political subdivisions (including the County), other than the Authority, and neither the State nor any such municipalities or other subdivisions (including the County), other than the Authority, shall be liable for the payment of the principal or Accreted Value of or interest on the Series 2021 Bonds or such other obligations. The Authority has no taxing power. The Series 2021 Bonds do not constitute a debt or obligation of the Corporation, and the Corporation is under no obligation to make payments of the principal or Accreted Value of or interest on the Series 2021 Bonds in the event that Collections are insufficient for the payment thereof.

The cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Offering Circular to obtain information essential to making an informed investment decision.

The Series 2021 Bonds are offered when, as and if issued by the Authority and accepted by the Underwriters, subject to the approval of validity by Orrick, Herrington & Sutcliffe LLP, Sacramento, California, as Bond Counsel to the Authority. Certain legal matters with respect to the Authority, the Corporation and the County will be passed upon by County Counsel. Certain legal matters will be passed upon for the Authority by Hawkins Delafield & Wood LLP, as Disclosure Counsel to the Authority, and for the Underwriters by their counsel, Katten Muchin Rosenman LLP. It is expected that the Series 2021 Bonds will be available for delivery in book-entry form only through DTC in New York, New York on or about January __, 2021.

Jefferies

Citigroup **Ramirez & Co., Inc.**

Date: January __, 2021

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* Preliminary, subject to change.

MATURITY SCHEDULE*

$[_____]
TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA
Tobacco Settlement Asset-Backed Refunding Bonds, Series 2021 Senior Bonds
(Sacramento County Tobacco Securitization Corporation)

$[_____] Series 2021A Class 1 Senior Current Interest Bonds

Series 2021A Serial Bonds

Maturity Date (June 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP† No. (Base CUSIP 888794)	Maturity Date (June 1)	Principal Amount	Interest Rate	Price or Yield	CUSIP† No. (Base CUSIP 888794)
2021	$[_____]	%	%		2031	$[_____]	%	%	
2022					2032				
2023					2033				
2024					2034				
2025					2035				
2026					2036				
2027					2037				
2028					2038				
2029					2039				
2030					2040				

$[_____] ___% Series 2021A Term Bonds due June 1, 2049, Price/Yield ___%, CUSIP† No. 888794___

$[_____] Series 2021B-1 Class 2 Senior Current Interest Bonds

$[_____] ___% Series 2021B-1 Turbo Term Bonds due June 1, 2030 (Expected Average Life(1): [__] years)
Price/Yield ___%, CUSIP† No. 888794___

$[_____] ___% Series 2021B-1 Turbo Term Bonds due June 1, 2049 (Expected Average Life(1): [__] years)
Price/Yield ___%, CUSIP† No. 888794___

$[_____] Series 2021B-2 Class 2 Senior Capital Appreciation Bonds(2)

$[_____] Series 2021B-2 Capital Appreciation Turbo Term Bonds

Maturity Date (June 1)	Initial Principal Amount	Rate of Accretion	Accreted Value at Maturity(3)	Initial Principal Amount per $5,000 Accreted Value at Maturity	Expected Average Life(1)	CUSIP† No. (Base CUSIP 888794)
2060	$[_____]	%	$	$	[__] years	

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* Preliminary, subject to change.

(1) Assumes Turbo Redemption payments are made in accordance with the Tobacco Settlement Revenues Projection Methodology and Assumptions described herein under "TOBACCO SETTLEMENT REVENUES PROJECTION METHODOLOGY AND BOND STRUCTURING ASSUMPTIONS." See the table entitled "Projected Series 2021 Bonds Debt Service Schedule Incorporating Turbo Redemptions of the Series 2021B Bonds" in "TABLES OF PROJECTED BOND DEBT SERVICE AND COVERAGE" herein. No assurance can be given that these structuring assumptions will be realized.

(2) The Series 2021B-2 Bonds are not rated and involve additional risks that may not be appropriate for certain investors. See "RISK FACTORS—Market for Series 2021B-2 Bonds; No Credit Rating on Series 2021B-2 Bonds."

(3) Represents Accreted Value at the Maturity Date. However, Turbo Redemptions will be made in accordance with the Payment Priorities (as defined herein) to the extent of available Collections at the Accreted Value calculated as of the redemption date.

† Copyright American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence, a division of S&P Global Inc. The CUSIP numbers listed above are being provided solely for the convenience of Owners only at the time of issuance of the Series 2021 Bonds, and the Authority, the Corporation, the County, the Trustee and the Underwriters do not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or at any time in the future. A CUSIP number is subject to being changed after the issuance of the Series 2021 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement that is applicable to all or a portion of the Series 2021 Bonds.

Certain persons participating in this offering may engage in transactions that stabilize or maintain the prices of the securities at levels above those which might otherwise prevail in the open market, or otherwise affect the prices of the securities offered hereby, including over-allotment and stabilizing transactions. Such stabilizing, if commenced, may be discontinued at any time.

No dealer, broker, salesperson or other person is authorized in connection with any offering made hereby to give any information or make any representation other than as contained herein, and, if given or made, such information or representation must not be relied upon as having been authorized by the Authority, the Corporation, the County, or the Underwriters. This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

There is currently a limited secondary market for securities such as the Series 2021 Bonds. There can be no assurance that a secondary market for the Series 2021 Bonds will develop, or if one develops, that it will provide bondholders with liquidity or that it will continue for the life of the Series 2021 Bonds.

This Offering Circular contains information furnished by the Authority, the Corporation, IHS Global Inc. ("**IHS Global**"), the Department of Finance of the State of California (the "**Department of Finance**") and other sources, all of which are believed to be reliable. Information concerning the domestic tobacco industry and participants therein has been obtained from certain publicly available information provided by certain participants and certain other sources (see "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY"). The participants in such industry have not provided any information to the Authority, the Corporation or the County for use in connection with this offering. In certain cases, domestic tobacco industry information provided herein (such as market share data) may be derived from sources which are inconsistent or in conflict with each other. The Authority, the Corporation and the County have no knowledge of any facts indicating that the information under the caption "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY" herein is inaccurate in any material respect, but the Authority, the Corporation and the County have not verified this information and cannot and do not warrant the accuracy or completeness of this information. The information contained under the caption "SUMMARY OF THE TOBACCO CONSUMPTION REPORT" and in the Tobacco Consumption Report attached as APPENDIX A hereto has been included in reliance upon IHS Global as an expert in econometric forecasting and has not been verified for accuracy or appropriateness of assumptions, although the Authority, the Corporation and the County have no knowledge that the information is not materially accurate and complete. The information contained under the caption "DEPARTMENT OF FINANCE POPULATION FORECAST" has been included in reliance upon the Department of Finance and has not been verified for accuracy or appropriateness of assumptions, although the Authority, the Corporation and the County have no knowledge that the information is not materially accurate and complete.

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the Corporation or the County or the matters covered by the report of IHS Global included as APPENDIX A hereto, or under the captions "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY" and "DEPARTMENT OF FINANCE POPULATION FORECAST" herein, since the date hereof or that the information contained herein is correct as of any date subsequent to the date hereof. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party. With respect to certain matters relating to the Series 2021 Bonds, the Authority has undertaken to provide updates to investors through a national information repository. See "CONTINUING DISCLOSURE UNDERTAKING" and APPENDIX H – "FORM OF CONTINUING DISCLOSURE UNDERTAKING" herein.

This Offering Circular contains forecasts, projections and estimates that are based on current expectations or assumptions. In light of the important factors that may materially affect the amount of Tobacco Settlement Revenues (see "RISK FACTORS," "LEGAL CONSIDERATIONS," "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT," "THE CALIFORNIA CONSENT DECREE, THE MOU, THE ARIMOU AND THE CALIFORNIA ESCROW AGREEMENT," "SUMMARY OF THE TOBACCO CONSUMPTION REPORT" and "DEPARTMENT OF FINANCE POPULATION FORECAST" herein), the inclusion in this Offering Circular of such forecasts, projections and estimates should not be regarded as a representation by the Authority, the Corporation, the County, IHS Global, the Department of Finance or the Underwriters that the results of such forecasts, projections and

estimates will occur. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results.

References in this Offering Circular to the Act, the Indenture, the Loan Agreement, the Sale Agreement and the Continuing Disclosure Undertaking do not purport to be complete. Refer to the Act, the Indenture, the Loan Agreement, the Sale Agreement and the Continuing Disclosure Undertaking for full and complete details of their provisions. Copies of the Act, the Indenture, the Loan Agreement, the Sale Agreement and the Continuing Disclosure Undertaking are on file with the Authority and the Trustee.

The order and placement of material in this Offering Circular, including its appendices, are not to be deemed a determination of relevance, materiality or importance, and all materials in this Offering Circular, including its appendices, must be considered in their entirety.

If and when included in this Offering Circular, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those that have been projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances, many of which are beyond the control of the Authority. These forward-looking statements speak only as of the date of this Offering Circular. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the Authority's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The Underwriters have provided the following sentence for inclusion in this Offering Circular: The Underwriters have reviewed the information in this Offering Circular in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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SUMMARY STATEMENT

This Summary Statement is subject in all respects to more complete information contained in this Offering Circular and should not be considered a complete statement of the facts material to making an investment decision. The offering of the Series 2021 Bonds to potential investors is made only by means of the entire Offering Circular. Any statements in this Offering Circular involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Offering Circular is not to be construed as a contract or agreement between or among any of the Authority, the Corporation, the County, the Underwriters and the holders of the Series 2021 Bonds. Capitalized terms used in this Summary Statement and not otherwise defined shall have the meanings given such terms in the Indenture or the Sale Agreement, as applicable. See APPENDIX F-1 – "FORMS OF AMENDED AND RESTATED INDENTURE AND SERIES 2021 SUPPLEMENT," APPENDIX F-3 – "PURCHASE AND SALE AGREEMENT" and APPENDIX J – "INDEX OF DEFINED TERMS" attached hereto.

Overview

The Tobacco Securitization Authority of Northern California (the "**Authority**") is issuing its Tobacco Settlement Asset-Backed Refunding Bonds (Sacramento County Tobacco Securitization Corporation), Series 2021 Senior Bonds, consisting of $[_____]* Series 2021A Class 1 Senior Current Interest Bonds (the "**Series 2021A Bonds**"), $[_____]* Series 2021B-1 Class 2 Senior Current Interest Bonds (the "**Series 2021B-1 Bonds**"), and $[_____]* Series 2021B-2 Class 2 Senior Capital Appreciation Bonds (the "**Series 2021B-2 Bonds**" and, together with the Series 2021B-1 Bonds, the "**Series 2021B Bonds**;" the Series 2021B Bonds, collectively with the Series 2021A Bonds, the "**Series 2021 Bonds**"), pursuant to an Amended and Restated Indenture and a Series 2021 Supplement (collectively, [and together with the Series 2005 Supplement,] the "**Indenture**"), each dated as of January 1, 2021, between the Authority and The Bank of New York Mellon Trust Company, N.A., a national banking association, as trustee (the "**Trustee**"). The Authority will use the proceeds from the issuance of the Series 2021 Bonds, together with other available funds, to (i) refund on a current basis [all][a portion] of the Authority's Tobacco Settlement Asset-Backed Bonds (Sacramento County Tobacco Securitization Corporation) Series 2005 (the "**Series 2005 Bonds**") through defeasance and redemption, (ii) fund a deposit to the Senior Liquidity Reserve Account held under the Indenture and (iii) pay costs of issuance in connection with the issuance of the Series 2021 Bonds. [Following the refunding of such portion of the Series 2005 Bonds with proceeds of the Series 2021 Bonds, $[_____]* aggregate principal amount at maturity of the Series 2005 Bonds will remain outstanding under the Indenture.] See "PLAN OF REFUNDING," "ESTIMATED SOURCES AND USES OF FUNDS" [and "OUTSTANDING BONDS."]

The Series 2021 Bonds, collectively with [the outstanding Series 2005 Bonds, and] any Refunding Bonds and Additional Subordinate Bonds (each as defined herein) that may be issued by the Authority pursuant to the Indenture, are referred to herein as the "**Bonds**."

Sacramento County Tobacco Securitization Corporation, a California nonprofit public benefit corporation (the "**Corporation**"), previously purchased the "**County Tobacco Assets**," consisting of, as described more fully herein, all right, title and interest of the County of Sacramento, California (the "**County**") in, to and under the Master Settlement Agreement entered into on November 23, 1998 (the "**MSA**") by participating cigarette manufacturers (the "**PMs**"), 46 states (including the State of California (the "**State**")) and six other U.S. jurisdictions in settlement of certain cigarette smoking-related litigation, the Memorandum of Understanding (the "**MOU**") and the Agreement Regarding Interpretation of Memorandum of Understanding (the

* Preliminary, subject to change.

"**ARIMOU**"), each among the State, various California cities and counties and certain other parties, and the Consent Decree (as defined below). The Corporation purchased the County Tobacco Assets from the County pursuant to a Purchase and Sale Agreement, dated as of July 1, 2001 (the "**Sale Agreement**"), by and between the County and the Corporation, with funds derived from a loan by the Authority to the Corporation of proceeds of the Authority's Tobacco Settlement Asset-Backed Bonds, Series 2001 (Sacramento County Tobacco Securitization Corporation) (which were refunded in full by the Series 2005 Bonds).

The Bonds are payable solely from the payments by the Corporation to the Trustee under the Secured Loan Agreement, dated as of December 1, 2005, as supplemented by a First Supplement to Secured Loan Agreement, dated as of January 1, 2021 (collectively, the "**Loan Agreement**"), each between the Corporation, as borrower, and the Authority, as lender (the "**Loan Payments**"), the Corporation Tobacco Assets (as defined below), which include the County Tobacco Assets purchased from the County under the Sale Agreement, and the other Collateral (as defined below) pledged under the Indenture. See "SECURITY FOR THE BONDS."

The Authority	The Authority is a public entity created pursuant to an Amended and Restated Joint Exercise of Powers Agreement, dated as of November 16, 2005, between the County and the county of San Diego, California (each, a "**Local Agency**"). The Authority is a separate entity from the County and the other Local Agency. The Authority's debts, liabilities and obligations do not constitute debts, liabilities or obligations of the County or the other Local Agency. See "THE AUTHORITY" herein.
The Corporation	The Corporation is a nonprofit public benefit corporation organized under the California Nonprofit Public Benefit Corporation Law. See "THE CORPORATION."
The County	The County is a political subdivision in the State of California and is a separate entity from the Authority and the Corporation.
Securities Offered	The Series 2021 Bonds are Refunding Bonds and Senior Bonds under the Indenture; the Series 2021A Bonds are Class 1 Senior Bonds, and the Series 2021B Bonds are Class 2 Senior Bonds, as described further herein. The Series 2021A Bonds are on parity with any Refunding Bonds that are Class 1 Senior Bonds, and are senior in payment priority to the Series 2021B Bonds, [the outstanding Series 2005 Bonds,] any Refunding Bonds that are Class 2 Senior Bonds, First Subordinate Bonds or Second Subordinate Bonds, and any Additional Subordinate Bonds. The Series 2021B Bonds are subordinated in payment priority to the Series 2021A Bonds and any Refunding Bonds that are Class 1 Senior Bonds, are on parity with any Refunding Bonds that are Class 2 Senior Bonds, and are senior in payment priority to [the outstanding Series 2005 Bonds,] any Refunding Bonds that are First Subordinate Bonds or Second Subordinate Bonds, and any Additional Subordinate Bonds. The Series 2021B Bonds are Turbo Term Bonds. The Series 2021A Bonds and the Series 2021B-1 Bonds are Current Interest Bonds, and the Series 2021B-2 Bonds are Capital Appreciation Bonds. See "THE SERIES 2021 BONDS" herein.

The Series 2021A Bonds and Series 2021B-1 Bonds will be sold in denominations of $5,000 or any integral multiple thereof, and the Series 2021B-2 Bonds will be sold such that the Accreted Value thereof at the Maturity Date is in the denomination of $100,000 or any integral multiple of $5,000 in excess thereof.

The Series 2021B-2 Bonds are not rated and involve additional risks that may not be appropriate for certain investors. See "RISK FACTORS—Market for Series 2021B-2 Bonds; No Credit Rating on Series 2021B-2 Bonds."

It is expected that the Series 2021 Bonds will be delivered in book-entry form through the facilities of The Depository Trust Company, New York, New York ("**DTC**"), on or about January __, 2021 (the "**Closing Date**"). Beneficial owners of the Series 2021 Bonds will not receive physical delivery of the Series 2021 Bonds. See APPENDIX G – "BOOK-ENTRY ONLY SYSTEM" attached hereto.

Collateral

The Series 2021 Bonds will be secured, subject to the Payment Priorities described below, by the "**Collateral**," which is a first priority lien and security interest in, all of the Authority's right, title, and interest, whether now owned or hereafter acquired, in, to, and under: (i) the Authority's rights with respect to the Loan Agreement, including but not limited to the right to receive Loan Payments and to enforce the obligations of the Corporation pursuant to the Loan Agreement; (ii) the Corporation Tobacco Assets; (iii) the Pledged Accounts, all money, instruments, investment property, and other property credited to or on deposit in the Pledged Accounts, and all investment earnings thereon; (iv) any payment received by the Authority pursuant to a Swap Contract (in accordance with the Indenture, the Authority will not enter into a Swap Contract as long as the Series 2021 Bonds are Outstanding); (v) all present and future claims, demands, causes and things in action in respect of any or all of the foregoing and all payments on or under and all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing, including all proceeds of the conversion, voluntary or involuntary, into cash or other liquid property, all cash proceeds, accounts, general intangibles, notes, drafts, acceptances, chattel paper, checks, deposit accounts, insurance proceeds, condemnation awards, rights to payment of any and every kind, and other forms of obligations and receivables, instruments, payment intangibles and other property that at any time constitute all or part of or are included in the proceeds of any of the foregoing; and (vi) all proceeds of the foregoing. The Collateral does not include the rights of the Authority pursuant to provisions for consent or other action by the Authority, notice to the Authority, indemnity or the filing of documents with the Authority, or otherwise for its benefit and not for that of the Owners. None of the proceeds of the Bonds or any earnings therefrom, unless deposited into one of the Pledged Accounts, shall in any way be pledged to the payment of the Bonds, and such amounts shall not be part of the Collateral.

Payment Priorities

"**Payment Priorities**" means payment of Bonds in the following order of priority:

(1) first, the Senior Bonds are Fully Paid pursuant to the "**Senior Bonds Payment Priorities**," which means the payment of Senior Bonds in the following order of priority: (I) first, the Class 1 Senior Bonds are Fully Paid in chronological order of Serial Maturities, Fixed Sinking Fund Installments and Maturity Dates therefor and within a maturity, by lot in accordance with the Indenture; and (II) second, the Class 2 Senior Bonds are Fully Paid in chronological order by Maturity Date and within a maturity, by lot in accordance with the Indenture;

(2) second, the First Subordinate Bonds are Fully Paid in chronological order of Maturity Date;

(3) third, the Second Subordinate Bonds are Fully Paid in chronological order of Maturity Date; and

(4) fourth, any Additional Subordinate Bonds are Fully Paid in accordance with the provisions of the applicable Series Supplement.

Limited Obligations

The Series 2021 Bonds are limited obligations of the Authority, payable solely from certain funds held under the Indenture, including the Collections (as defined herein). Except as expressly provided in the Indenture and the Bonds, Owners shall have no recourse against the Authority, but shall look only to the Collateral with respect to any amounts due to the Owners under the Indenture. The Series 2021 Bonds are not secured by the proceeds thereof, with the exception of the proceeds deposited in the Senior Liquidity Reserve Account, with the Class 1 Senior Liquidity Reserve Subaccount securing only the Series 2021A Bonds (and any other Class 1 Senior Bonds that may be issued) and the Class 2 Senior Liquidity Reserve Subaccount securing only the Series 2021B-1 Bonds (and any other Class 2 Senior Bonds designated to be secured by such Subaccount that may be issued). The Senior Liquidity Reserve Account does not secure the Series 2021B-2 Bonds [or the outstanding Series 2005 Bonds] or any First Subordinate Bonds, Second Subordinate Bonds or Additional Subordinate Bonds.

The Series 2021 Bonds do not constitute a charge against the general credit of the Authority (except with respect to Collections), the County or the other Local Agency, and under no circumstances will the Authority, the County or the other Local Agency be obligated to pay the interest on or the principal or Accreted Value of or redemption premiums, if any, on the Series 2021 Bonds, except from Collections and balances held in the Senior Liquidity Reserve Account (where applicable, and, to the extent available). The Series 2021 Bonds and other obligations of the Authority are not a debt or obligation of the State or any of its municipalities or other political subdivisions (including the County), other than the Authority, and neither the State nor any such municipalities or other subdivisions (including the County), other than the Authority, shall be liable for the payment of the principal or Accreted Value of or interest on the Series 2021 Bonds or such other obligations. The Authority has no taxing power. The Series 2021 Bonds do not constitute a debt or obligation of the Corporation, and the Corporation is under no obligation to make payments of the principal or Accreted Value of or interest on the Series 2021 Bonds in the event that Collections are insufficient for the payment thereof.

Loan Agreement

Pursuant to the Loan Agreement, the Authority will loan the proceeds of the Series 2021 Bonds to the Corporation to provide funds to assist the Corporation in refinancing the acquisition of the County Tobacco Assets. Under the Loan Agreement, the Corporation agrees to pay or cause to be paid to the Trustee, for deposit in the Collections Account, Loan Payments consisting of the "**Tobacco Settlement Revenues**," which are the portion of the Collateral that consists of payments received pursuant to the MSA, the MOU, the ARIMOU and the Consent Decree, when and as such are received. Pursuant to the Loan Agreement, as security for the Loan and any obligations related thereto, the Corporation pledges and assigns to the Authority and grants to the Authority a first priority perfected security interest in all right, title and interest of the Corporation, whether now owned or hereafter acquired, in, to and under the following property: (a) the County Tobacco Assets purchased from the County; (b) to the extent permitted by law, corresponding present or future rights, if any, of the Corporation to enforce or cause the enforcement of payment of such purchased County Tobacco Assets pursuant to the MOU and the ARIMOU; (c) the corresponding rights of the Corporation under the Sale Agreement; and (d) all proceeds of any and all of the foregoing (collectively and severally, the "**Corporation Tobacco Assets**"). Pursuant to the Indenture, the Authority grants to the Trustee a first priority lien and security interest in the Collateral, which includes the Authority's rights with respect to the Loan

Agreement (except as otherwise provided in the Indenture), including but not limited to the right to receive Loan Payments and to enforce the obligations of the Corporation pursuant to the Loan Agreement.

Master Settlement Agreement

On November 23, 1998, the MSA was entered into by 46 states (including the State), the District of Columbia, the Commonwealth of Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa and the Commonwealth of the Northern Mariana Islands (collectively, the "**Settling States**") and what were then the four largest United States tobacco manufacturers: Philip Morris Incorporated (now Philip Morris USA Inc., "**Philip Morris**"), R.J. Reynolds Tobacco Company ("**Reynolds Tobacco**"), Brown & Williamson Tobacco Corporation ("**B&W**") and Lorillard Tobacco Company ("**Lorillard**"). In January 2004, Reynolds American Inc. ("**Reynolds American**") was incorporated as a holding company to facilitate the combination of the U.S. assets, liabilities and operations of B&W with those of Reynolds Tobacco. On June 12, 2015, Reynolds American acquired Lorillard, Inc., of which Lorillard was a wholly-owned subsidiary, and Lorillard was merged into Reynolds Tobacco, with Reynolds Tobacco as the surviving entity. Contemporaneous with Reynolds American's acquisition of Lorillard, Inc., Imperial Tobacco Group PLC, currently named Imperial Brands PLC ("**Imperial Tobacco**"), purchased certain of Reynolds Tobacco's and certain of Lorillard's cigarette brands, among other assets. The payment obligations under the MSA follow tobacco product brands if they are transferred; thus, Imperial Tobacco is required to make payments under the MSA as a result of its acquisition of those cigarette brands. On July 25, 2017, Reynolds American became a wholly-owned subsidiary of British American Tobacco p.l.c. ("**BAT**") following BAT's acquisition of the approximately 58% of Reynolds American stock not then owned by BAT. As a result of such acquisition, BAT is responsible for Reynolds Tobacco's payment obligations under the MSA.

References herein to the "**Original Participating Manufacturers**" or "**OPMs**" means (i) prior to July 30, 2004, collectively, Philip Morris, Reynolds Tobacco, B&W and Lorillard, (ii) after July 30, 2004 and prior to June 12, 2015, collectively Philip Morris, Reynolds Tobacco and Lorillard, and (iii) on and after June 12, 2015, Philip Morris and Reynolds Tobacco, along with Imperial Tobacco with respect to those cigarette brands that Imperial Tobacco acquired from Reynolds Tobacco and Lorillard. See "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY—Industry Overview." The MSA provides for tobacco companies, other than the OPMs, to become parties to the MSA ("**Subsequent Participating Manufacturers**" or "**SPMs**").

The MSA is an industry-wide settlement of litigation between the OPMs and SPMs (collectively, the "**Participating Manufacturers**" or "**PMs**") and the Settling States, and resolved cigarette smoking-related litigation among the Settling States and the OPMs, released the PMs from past and present smoking-related claims by the Settling States and provides for a continuing release of future smoking-related claims by the Settling States in exchange for certain payments to be made to the Settling States. The MSA also provides for the imposition of certain tobacco advertising and marketing restrictions, among other things. Neither the Authority, the County, nor the Corporation are parties to the MSA. "See "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT."

MSA Payments

Under the MSA, the OPMs are required to pay to the Settling States: (i) five initial payments (the "**Initial Payments**") (all of which have been previously made by the OPMs), (ii) annual payments (the "**Annual Payments**"), which are required to be made annually on each April 15, having commenced April 15, 2000, and continuing in perpetuity (subject to adjustment as described herein), and (iii) ten annual payments of

$861 million (subject to adjustment as described herein) that were required to be made on each April 15 in the years 2008 through 2017 (the "**Strategic Contribution Payments**"). SPMs are also required to make Annual Payments (and were also required to make Strategic Contribution Payments) in certain circumstances. See "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT—Subsequent Participating Manufacturers." Most of the PMs have made the Annual Payments due in 2000 through, and including, 2020, and Strategic Contribution Payments due in 2008 through, and including, 2017, which was the last year in which such Strategic Contribution Payments were due (subject, in each case, to certain withholdings and payments into the Disputed Payments Account), as described under "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT — Overview of Payments by the Participating Manufacturers; MSA Escrow Agent."

The Annual Payments that are due under the MSA are subject to numerous adjustments, some of which are material. Such adjustments include reductions when the PMs experience a loss of market share to tobacco companies that do not become part of the MSA ("**Non-Participating Manufacturers**" or "**NPMs**"), as a result of the PMs' participation in the MSA (the "**NPM Adjustment**"). The NPM Adjustment has been the subject of disputes between Settling States and PMs since at least 2004. As discussed further herein, the State was one of several jurisdictions to enter into settlements with the OPMs and certain SPMs regarding claims related to the 2003 through 2022 NPM Adjustments and the determination of subsequent NPM Adjustments. See "RISK FACTORS—Payment Decreases Under the Terms of the MSA," "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT—Adjustments to Payments" and "—NPM Adjustment Claims and NPM Adjustment Settlement," APPENDIX C-1 — "NPM ADJUSTMENT SETTLEMENT AGREEMENT," APPENDIX C-2 — "2016 AND 2017 NPM ADJUSTMENTS SETTLEMENT AGREEMENT" and APPENDIX C-3 — "2018 THROUGH 2022 NPM ADJUSTMENTS SETTLEMENT AGREEMENT."

Other adjustments to payments due under the MSA include reductions for decreased domestic cigarette shipments, reductions for amounts paid by OPMs to four states which had previously settled their claims against the PMs independently of the MSA, and increases related to inflation of not less than 3% each year, and offsets for disputed and/or miscalculated payments, as described herein.

Under the MSA, each OPM is required to pay an allocable portion of each Annual Payment based on its relative market share of cigarettes shipped in the United States by the OPMs during the preceding calendar year. Each SPM has Annual Payment obligations under the MSA (separate from the payment obligations of the OPMs) according to its market share (as determined in accordance with the MSA, "**Market Share**"). However, any SPM that became a party to the MSA within 90 days after it became effective pays only if its Market Share exceeds the higher of its 1998 Market Share or 125% of its 1997 Market Share.

Payments by the PMs are required to be made to Citibank, N.A., as the MSA Escrow Agent appointed pursuant to the MSA (the "**MSA Escrow Agent**"), which is required, in turn, to remit an allocable share of such payments to the parties entitled thereto. The MSA Escrow Agent has distributed the payments due under the MSA through April 15, 2020 to the Settling States.

Under the MSA, the State is entitled to 12.7639554% of the Annual Payments made by PMs under the MSA and distributed through the National Escrow Agreement, entered into on December 23, 1998 (the "**National Escrow Agreement**"), among the Settling States, the OPMs and the MSA Escrow Agent. By operation of the MOU and the ARIMOU, the State has allocated 50% of such payments to the Participating

Jurisdictions (as defined below) and retained the remaining 50%. See "SUMMARY STATEMENT — California Consent Decree, the MOU, the ARIMOU and the California Escrow Agreement" below. See also "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT" herein.

California Consent Decree, the MOU, the ARIMOU and the California Escrow Agreement

On December 9, 1998, a Consent Decree and Final Judgment was entered by the Superior Court of the State of California, County of San Diego in Case No. J.C.C.P. 4041 (the "**Consent Decree**"). The Consent Decree is final and non-appealable. Prior to the entering of the Consent Decree, the plaintiffs of certain pending cases agreed, among other things, to coordinate their pending cases and to allocate certain portions of the recovery among the State, its counties, the Cities of San Jose, Los Angeles and San Diego and the City and County of San Francisco (the "**Participating Jurisdictions**"). This agreement was memorialized in the MOU, by and among counsel representing the State and various counsel representing a number of the Participating Jurisdictions. To set forth the understanding of the interpretation to be given to the terms of the MOU and to establish procedures for the resolution of any future disputes that may arise regarding the interpretation of the MOU among the State and the Participating Jurisdictions, the parties entered into the ARIMOU.

Under the MOU, 45% of the State's entire allocation of tobacco settlement payments under the MSA is allocated to the Participating Jurisdictions that are counties, 5% is allocated to the four cities that are Participating Jurisdictions (1.25% each), and the remaining 50% is allocated to the State. The 45% share of the tobacco settlement payments allocated to the Participating Jurisdictions that are counties is allocated among the counties based on the proportion of each county's population to the total State population as reported in the 1990 Official United States Decennial Census, as adjusted every ten years by the Official United States Decennial Census. Pursuant to the proportional allocable share provided in the MOU and the ARIMOU, the County is currently entitled to receive 1.7138% of the total statewide share of the tobacco settlement payments (based on adjustments made to reflect the 2010 Official United States Decennial Census). This percentage is subject to adjustments for population changes every ten years based on the Official United States Decennial Census as described herein. See "THE CALIFORNIA CONSENT DECREE, THE MOU, THE ARIMOU AND THE CALIFORNIA ESCROW AGREEMENT" and "RISK FACTORS—Potential Payment Adjustments for Population Changes Under the MOU and the ARIMOU" herein.

Under the MSA, the State's portion of the tobacco settlement payments is deposited into the California State-Specific Account held by the MSA Escrow Agent. Pursuant to the terms of the MOU, the ARIMOU and the Escrow Agreement, dated April 12, 2000, as amended (the "**California Escrow Agreement**"), between the State and Citibank, N.A., as escrow agent (the "**California Escrow Agent**"), the State has instructed the MSA Escrow Agent to transfer (upon receipt thereof) all amounts in the California State-Specific Account to the California Escrow Agent. The California Escrow Agent is required to deposit the State's 50% share of the tobacco settlement payments into an account for the benefit of the State (the "**California State Government Escrow Account**"), and the remaining 50% of the tobacco settlement payments into separate sub-accounts of an account for the benefit of the Participating Jurisdictions or as otherwise directed by the local jurisdiction (this account is referred to herein as the "**California Local Government Escrow Account**"). The MOU provides that the distribution of tobacco-related recoveries is not subject to alteration by legislative, judicial or executive action at any level, and, if such alteration were to occur and survive legal challenge, any modification would be borne proportionally by

the State and the Participating Jurisdictions. The County has irrevocably instructed the California Escrow Agent to disburse all of the County Tobacco Assets from the California Local Government Escrow Account to the Trustee. See "THE CALIFORNIA CONSENT DECREE, THE MOU, THE ARIMOU AND THE CALIFORNIA ESCROW AGREEMENT" and APPENDIX D — "THE CALIFORNIA CONSENT DECREE, THE MOU, THE ARIMOU AND THE CALIFORNIA ESCROW AGREEMENT."

Industry Overview

Philip Morris and Reynolds Tobacco (both OPMs) are the largest manufacturers of cigarettes in the United States (based on 2019 market share). The market for cigarettes is highly competitive and is characterized by brand recognition. See "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY."

As reported by the National Association of Attorneys General ("**NAAG**"), based upon OPM shipments reported to Management Science Associates, Inc., an independent third-party database management organization that collects wholesale shipment data ("**MSAI**"), the OPMs accounted for approximately 81.11%* of the U.S. domestic cigarette market in payment year 2020 (sales year 2019), measuring roll-your-own cigarettes at 0.0325 ounces per cigarette conversion rate. Also as reported by NAAG, based upon shipments reported to MSAI, the SPMs accounted for approximately 10.23%* of the U.S. domestic cigarette market in payment year 2020 (sales year 2019), measuring roll-your-own cigarettes at 0.09 ounces per cigarette conversion rate.

Cigarette Consumption

As described in the Tobacco Consumption Report referred to below, domestic cigarette consumption grew dramatically in the 20th century, reaching a peak of 640 billion cigarettes in 1981. Consumption declined in the 1980s, 1990s, 2000s and 2010s, falling to less than 400 billion cigarettes in 2003 and 264.5 billion cigarettes in 2014, before increasing slightly to 269.6 billion cigarettes in 2015 and then decreasing to 258.9 billion cigarettes in 2016, 247.5 billion cigarettes in 2017, 235.9 billion cigarettes in 2018 and 224.2 billion cigarettes in 2019. The Tobacco Consumption Report projects that consumption declines will continue in subsequent years. See "SUMMARY OF THE TOBACCO CONSUMPTION REPORT" herein and APPENDIX A – "TOBACCO CONSUMPTION REPORT" attached hereto.

Tobacco Consumption Report

IHS Global Inc. ("**IHS Global**") has prepared a report dated January [12], 2021 on the consumption of cigarettes in the United States from 2020 through 2060 entitled, "*A Forecast of U.S. Cigarette Consumption (2020-2060) for the Tobacco Securitization Authority of Northern California*" (the "**Tobacco Consumption Report**").

IHS Global's cigarette consumption model is based on historical United States data between 1965 and 2019. In the Tobacco Consumption Report, IHS Global has projected the average annual rate of decline in U.S. cigarette consumption from 2020 through 2060 to be approximately 3.2%, resulting in a forecast of total U.S. cigarette consumption in 2060 to be 59.9 billion cigarettes, including a roll-your-own equivalent of 0.0325 ounces per cigarette (a 73% decline from the 2019 level). The projections and forecasts regarding future cigarette consumption included in the Tobacco

* OPMs make payments under the MSA based upon the 0.0325 ounce per cigarette conversion rate, and SPMs make payments under the MSA based upon the 0.09 ounce per cigarette conversion rate. The aggregate market share information is based on information as reported by NAAG and may differ materially from the market share information as reported by the OPMs for purposes of their filings with the Securities and Exchange Commission. See "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY." The aggregate market share information from NAAG used in the Tobacco Settlement Revenues Projection Methodology and Assumptions may differ materially in the future from the market share information used by the MSA Auditor in calculating the adjustments to MSA payments in future years. See "TOBACCO SETTLEMENT REVENUES PROJECTION METHODOLOGY AND BOND STRUCTURING ASSUMPTIONS" and "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT—Adjustments to Payments."

Consumption Report are estimates which have been prepared on the basis of certain assumptions and hypotheses. No representation or warranty of any kind is or can be made with respect to the accuracy or completeness of, and no representation or warranty should be inferred from, these projections and forecasts. See "SUMMARY OF THE TOBACCO CONSUMPTION REPORT" and APPENDIX A — "TOBACCO CONSUMPTION REPORT." See also "TOBACCO SETTLEMENT REVENUES PROJECTION METHODOLOGY AND BOND STRUCTURING ASSUMPTIONS."

Department of Finance Population Forecast

In [January 2020], the Department of Finance of the State of California (the "**Department of Finance**") prepared estimates of the population of the State and all of its counties (including the County) for July 1, 2010 through 2019 and projections of the population of the State and all of its counties (including the County) for July 1, 2020 through 2060, in one-year increments (the "**Population Forecast**"). The Population Forecast has been used in making certain projections of payments under the MOU and the ARIMOU. The Population Forecast is an estimate which was prepared by the Department of Finance on the basis of certain assumptions and hypotheses, including regarding fertility, mortality and migration. No representation or warranty of any kind is or can be made with respect to the accuracy or completeness of, and no representation or warranty should be inferred from, these projections and forecasts. See "DEPARTMENT OF FINANCE POPULATION FORECAST," "RISK FACTORS—Potential Payment Adjustments for Population under the MOU and the ARIMOU" and "TOBACCO SETTLEMENT REVENUES PROJECTION METHODOLOGY AND BOND STRUCTURING ASSUMPTIONS."

Interest and Principal or Accreted Value

The Series 2021 Bonds will bear or accrete interest at the respective rates per annum as described on the inside front cover page of this Offering Circular and as further described herein. Interest on the Series 2021A Bonds and the Series 2021B-1 Bonds will be payable semi-annually on June 1 and December 1 of each year (each, a "**Distribution Date**"), commencing June 1, 2021. Interest on the Series 2021B-2 Bonds will not be paid currently but will accrete in value, compounded semiannually on each Distribution Date, commencing June 1, 2021 (to become part of Accreted Value as more fully described herein), from the initial principal amount on the date of delivery thereof to maturity or earlier redemption, at the rate of accretion specified on the inside front cover page hereof. See APPENDIX I — "TABLE OF ACCRETED VALUES OF SERIES 2021B-2 BONDS." In the event that a Series 2021B-2 Bond remains outstanding after its Maturity Date, such Bond will accrue and pay interest at its Default Rate (as defined herein) from its Maturity Date. Interest on the Series 2021 Bonds will be calculated on the basis of a year of 360 days and twelve 30-day months.

Principal or Accreted Value is payable on the Series 2021 Bonds on their respective scheduled Maturity Dates as set forth on the inside front cover page hereof (and, with respect to the Series 2021A Bonds that are Term Bonds, on the Fixed Sinking Fund Installment dates, as described herein). Principal or Accreted Value is also payable on the Series 2021B Bonds by Turbo Redemptions in accordance with the Payment Priorities, as described below.

Turbo Redemption of Series 2021B Bonds

Under the Indenture, 100% of all Collections in excess of the requirements for, among other things, the periodic funding of Operating Expenses, interest payments, Fixed Sinking Fund Installments, Serial Bond Maturities, Term Bond Maturities and replenishment of the Senior Liquidity Reserve Account are applied to the mandatory redemption of Turbo Term Bonds (including the Series 2021B Bonds) at the principal amount or Accreted Value thereof on each Distribution Date (or special redemption date under the Indenture) in accordance with the Payment Priorities ("**Turbo**

Redemptions"). Turbo Redemptions may also be made in accordance with the Payment Priorities from amounts on deposit in the Lump Sum Payment Account with Rating Confirmation. Amounts in the Senior Liquidity Reserve Account are not available to make Turbo Redemptions. The Trustee may specify a special redemption date for purposes of redeeming Turbo Term Bonds if amounts are available therefor pursuant to the Indenture and if the Trustee is instructed to do so by the Authority in an Officer's Certificate. Failure by the Authority to make any Turbo Redemptions will not constitute an Event of Default, a Class 2 Payment Default or a Subordinate Payment Default under the Indenture if such failure is due to the insufficiency of available Collections to make such Turbo Redemptions. The ratings on the Series 2021B-1 Bonds do not address the payment of Turbo Redemptions on such Bonds. The Series 2021B-2 Bonds are not rated. See "THE SERIES 2021 BONDS – Turbo Redemption of Series 2021B Bonds."

For a schedule of projected Turbo Redemptions, see the table entitled "Projected Series 2021 Bonds Debt Service Schedule Incorporating Turbo Redemptions of the Series 2021B Bonds" and the column heading "[Series 2021B Bonds — Total Projected Principal Payments]" in "TABLES OF PROJECTED BOND DEBT SERVICE AND COVERAGE" herein ("**Projected Turbo Redemption**").

In accordance with the Indenture, moneys in any Pledged Account shall not be used to make open market purchases of Turbo Term Bonds.

Mandatory Redemption of Series 2021A Term Bonds by Fixed Sinking Fund Installments

The Series 2021A Bonds maturing on June 1, 2049* are Term Bonds that are subject to mandatory redemption in part by Fixed Sinking Fund Installments as described herein under "THE SERIES 2021 BONDS — Mandatory Redemption of Series 2021A Term Bonds by Fixed Sinking Fund Installments." Failure to pay Fixed Sinking Fund Installments on the Series 2021A Bonds is an Event of Default under the Indenture. See "SECURITY FOR THE BONDS — Events of Default; Remedies."

Optional Redemption

The Series 2021B-1 Bonds and the Series 2021B-2 Bonds are each subject to redemption at the option of the Authority, (x) in the case of the Series 2021B-1 Bonds, at a redemption price equal to one hundred percent (100%) of the principal amount being redeemed, plus interest accrued to the redemption date, and (y) in the case of the Series 2021B-2 Bonds, at a redemption price equal to one hundred percent (100%) of the Accreted Value being redeemed on the redemption date, in each case in whole or in part at any time, but only in an amount that may not exceed the amount of the Projected Turbo Redemptions that were projected to be paid as set forth in the Projected Turbo Redemption schedule but, as of the date of such redemption, have not been paid with respect to such Series 2021B-1 Bonds or Series 2021B-2 Bonds, as applicable.

In addition, the Series 2021A Bonds, the Series 2021B-1 Bonds and the Series 2021B-2 Bonds are each subject to redemption at the option of the Authority (x) in the case of the Series 2021A Bonds and the Series 2021B-1 Bonds, at a redemption price equal to one hundred percent (100%) of the principal amount being redeemed, plus interest accrued to the redemption date, and (y) in the case of the Series 2021B-2 Bonds, at a redemption price equal to one hundred percent (100%) of the Accreted Value being redeemed on the redemption date, in each case in whole or in part on any date on or

* Preliminary, subject to change.

after December 1, 2030*, and if in part, from any Maturity Date selected by the Authority in its discretion.

Clean-Up Call Redemptions

Optional Clean-Up Call of Class 1 Senior Bonds. The Class 1 Senior Bonds (including the Series 2021A Bonds) and any Refunding Bonds secured on parity with the Class 1 Senior Bonds are subject to optional redemption in whole at a redemption price equal to 100% of the Bond Obligation of the Class 1 Senior Bonds being redeemed plus interest accrued to the redemption date at any time that the available amounts on deposit in the Pledged Accounts allocable to the Class 1 Senior Bonds exceed the aggregate principal amount of, and accrued interest on, all Outstanding Class 1 Senior Bonds.

Mandatory Clean-Up Call of Class 2 Senior Bonds Secured by the Class 2 Senior Liquidity Reserve Subaccount. The Class 2 Senior Bonds secured by the Class 2 Senior Liquidity Reserve Subaccount (including the Series 2021B-1 Bonds) and any Refunding Bonds secured on parity with the Class 2 Senior Bonds and which are secured by the Class 2 Senior Liquidity Reserve Subaccount are subject to mandatory redemption in whole at a redemption price equal to 100% of the Bond Obligation of such Class 2 Senior Bonds being redeemed plus interest accrued to the redemption date at any time that the available amounts on deposit in the Pledged Accounts allocable to such Class 2 Senior Bonds exceed the aggregate principal amount of, and accrued interest on, all such Outstanding Class 2 Senior Bonds.

Mandatory Redemption of Defeased Series 2021B Bonds

The Series 2021B Bonds that are defeased in accordance with the Indenture are subject to mandatory redemption, at a redemption price equal to 100% of the Bond Obligation being redeemed, on such date or dates in accordance with the Pro Rata Defeasance Redemption Schedule described in "SECURITY FOR THE BONDS — Defeasance."

Prepayment from Lump Sum Payments and Total Lump Sum Payments

Upon the receipt of a sum that has been identified by an Officer's Certificate as a Lump Sum Payment or a Total Lump Sum Payment, the Trustee shall, after making provision for the amounts required to be deposited to the Operating Account in accordance with the Indenture, use all such amounts on deposit in the Lump Sum Payments Account to make payments on the Bonds as described herein under "SECURITY FOR THE BONDS — Flow of Funds — *Prepayment from Lump Sum Payments*" and "— *Prepayment from Total Lump Sum Payments*", as applicable.

Bond Structuring Assumptions and Methodology

The Series 2021 Bonds were structured on the basis of forecasts, which themselves are based on assumptions, as described herein. Among these are a forecast of United States cigarette consumption contained in the Tobacco Consumption Report, a forecast of future population in the County based on the Population Forecast available from the Department of Finance, a forecast of the application of certain adjustments and offsets to payments to be made by the PMs pursuant to the MSA (including an assumption that there will not be an NPM Adjustment), and a forecast of the Accounts established under the Indenture and all earnings on amounts on deposit therein. In addition, such forecasts were used to project amounts expected to be available for redemption of the

* Preliminary, subject to change.

Series 2021B Bonds from Turbo Redemptions and the resulting expected average life of such Bonds.

No assurance can be given, however, that events will occur in accordance with such assumptions and forecasts. Any deviations from such assumptions and forecasts could materially and adversely affect the payment of the Series 2021 Bonds. See "TOBACCO SETTLEMENT REVENUES PROJECTION METHODOLOGY AND BOND STRUCTURING ASSUMPTIONS" herein.

Senior Liquidity Reserve Account

The Senior Liquidity Reserve Account has been established and is maintained by the Trustee, and within such Account, the Class 1 Senior Liquidity Reserve Subaccount secures only the Series 2021A Bonds (and any other Class 1 Senior Bonds that may be issued) and the Class 2 Senior Liquidity Reserve Subaccount secures only the Series 2021B-1 Bonds (and any other Class 2 Senior Bonds designated to be secured by such Subaccount that may be issued). The Class 2 Senior Liquidity Reserve Subaccount does not secure the Series 2021B-2 Bonds. The Class 1 Senior Liquidity Reserve Subaccount will be funded on the Closing Date in the amount of the "**Class 1 Senior Liquidity Reserve Requirement**", which is, for as long as any Series 2021A Bonds are Outstanding, an amount equal to $[_____]*, and otherwise $0; provided, however, that at the option of the Authority, with a Rating Confirmation for any Bonds which are then rated by a Rating Agency, the Class 1 Senior Liquidity Reserve Requirement applicable on and after June 1, 2030* may be changed to an amount equal to Maximum Annual Class 1 Senior Bond Debt Service each year for as long as any Class 1 Senior Bonds are Outstanding, and otherwise $0. "**Maximum Annual Class 1 Senior Bond Debt Service**" means, as of any date, the greatest aggregate amount payable in the then-current calendar year or any future calendar year in respect of principal, Fixed Sinking Fund Installments and interest on Class 1 Senior Bonds. The Class 2 Senior Liquidity Reserve Subaccount will be funded on the Closing Date in the amount of the "**Class 2 Senior Liquidity Reserve Requirement**", which is an amount equal to $[_____]* for so long as any Series 2021B-1 Bonds are Outstanding and an amount equal to $0 when no Series 2021B-1 Bonds are Outstanding, which amount may (but is not required to) be amended upon the issuance of Refunding Bonds that constitute Class 2 Senior Bonds in accordance with the applicable Series Supplement.

Amounts in the applicable subaccount of the Senior Liquidity Reserve Account will be available to pay principal (including Fixed Sinking Fund Installments) and interest on the Series 2021A Bonds and Series 2021B-1 Bonds, as applicable, but will not be available for Turbo Redemptions. The Senior Liquidity Reserve Account does not secure the Series 2021B-2 Bonds [or the outstanding Series 2005 Bonds] or any First Subordinate Bonds, Second Subordinate Bonds or Additional Subordinate Bonds. Unless an Event of Default has occurred, Collections (to the extent available) will be used to replenish the applicable subaccount in the Senior Liquidity Reserve Account to the Class 1 Senior Liquidity Reserve Requirement or Class 2 Senior Liquidity Reserve Requirement, as applicable. See "SECURITY FOR THE BONDS."

Flow of Funds

"**Collections**" are all funds collected with respect to Tobacco Settlement Revenues, amounts paid to the Authority under any Swap Contract. All Collections received by the Trustee shall be promptly deposited by the Trustee into the Collections Account. As soon as is practicable, but in any event no later than the earlier of (x) the fifth Business Day following each date of actual receipt by the Trustee of any Collections relating to the Tobacco Settlement Revenues ("**Deposit Date**"), or (y) two Business Days prior to each Distribution Date, and in either case after the transfer of amounts

* Preliminary, subject to change.

from the Senior Liquidity Reserve Account to the Senior Debt Service Account pursuant to the Indenture, the Trustee shall withdraw the funds on deposit in the Collections Account and transfer such amounts as described herein under "SECURITY FOR THE BONDS – Flow of Funds."

Events of Default

An "**Event of Default**" under the Indenture means any one of the following:

(a) failure to pay when due any Swap Payment or interest on any Class 1 Senior Bonds;

(b) failure to pay when due any Serial Maturity, Fixed Sinking Fund Installment or Term Bond Maturity for Class 1 Senior Bonds; or

(c) failure of the Authority to observe or perform any other covenant, condition, agreement, or provision contained in the Senior Bonds or in the Indenture relating to Senior Bonds, which breach is not remedied within 60 days after Written Notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee or by the Owners of at least 25% in Bond Obligation of the Senior Bonds then Outstanding. In the case of a default specified in this clause, if the default be such that it cannot be corrected within the said 60-day period, it shall not constitute an Event of Default if corrective action is instituted by the Authority within said 60-day period and diligently pursued until the default is corrected.

Except as specified in clauses (a) and (b) above, failure to make any payment or to make provision therefor, including any Projected Turbo Redemption, does not constitute an Event of Default to the extent that such failure results from the insufficiency of available Collateral to make such payment or provision therefor.

Notwithstanding anything in the Indenture to the contrary, neither a Class 2 Payment Default nor a Subordinate Payment Default is an Event of Default under the Indenture, provided that in the event of a Class 2 Payment Default or a Subordinate Payment Default, so long as no Series 2021B-1 Bonds or Class 1 Senior Bonds are Outstanding, Owners of Class 2 Senior Bonds (in the event of a Class 2 Payment Default) and Owners of First Subordinate Bonds, Second Subordinate Bonds and Additional Subordinate Bonds (in the event of a Subordinate Payment Default) shall have the respective specified remedies set forth in the Indenture.

Upon the occurrence of any Event of Default and continuing on each succeeding Distribution Date commencing with the Distribution Date following the Event of Default, the Bonds shall be paid as described herein under "SECURITY FOR THE BONDS—Flow of Funds—*Payment Upon an Event of Default*."

See "SECURITY FOR THE BONDS – Events of Default; Remedies" herein for a discussion of Events of Default, Class 2 Payment Defaults, Subordinate Payment Defaults and the related remedies available to the Trustee.

Refunding Bonds and Additional Subordinate Bonds

Refunding Bonds may be issued to refund all Bonds in whole (including the funding of defeasance escrows and deposits to Accounts in connection with such issuance).

Refunding Bonds may be issued to refund Bonds in part (including the funding of defeasance escrows and deposits to Accounts in connection with such issuance) but only if upon the issuance of such Refunding Bonds: (A) the amount on deposit in the Senior Liquidity Reserve Account will be at least equal to the Senior Liquidity Reserve

	Requirement; (B) no Event of Default shall have occurred and be continuing; (C) the weighted average life of each Turbo Term Bond that will remain Outstanding after the date of issuance of the Refunding Bonds as computed on the basis of new projections on the date of issuance of the Refunding Bonds will not exceed (x) the remaining weighted average life of each such Turbo Term Bond as computed by the Authority on the basis of new projections assuming that no such Refunding Bonds are issued plus (y) one year; and (D) a Rating Confirmation is received for any Bonds that will remain Outstanding after the date of issuance of the Refunding Bonds which are then rated by a Rating Agency. One or more Series of Bonds (the "**Additional Subordinate Bonds**") may be issued for any lawful purpose if there is no payment permitted for such Bonds until all previously issued Bonds are Fully Paid. Additional Subordinate Bonds may be issued to refund all or a portion of the Bonds without satisfying the requirements described above. See "SECURITY FOR THE BONDS – Refunding Bonds and Additional Subordinate Bonds" herein.
Covenants	The County, the Corporation and the Authority have made certain covenants for the benefit of the Owners. See APPENDIX F-1 – "FORMS OF AMENDED AND RESTATED INDENTURE AND SERIES 2021 SUPPLEMENT" attached hereto for the covenants made by the Authority, APPENDIX F-2 – "SECURED LOAN AGREEMENT AND FORM OF FIRST SUPPLEMENT TO SECURED LOAN AGREEMENT" attached hereto for the covenants made by the Corporation, and APPENDIX F-3 – "PURCHASE AND SALE AGREEMENT" attached hereto for the covenants made by the County.
Continuing Disclosure	In order to assist the Underwriters in complying with Rule 15c2-12(b)(5) (the "**Rule**") of the U.S. Securities and Exchange Commission, pursuant to a Continuing Disclosure Certificate (the "**Continuing Disclosure Undertaking**"), the Authority will agree to provide, or cause to be provided, to the Municipal Securities Rulemaking Board, on its Electronic Municipal Market Access ("**EMMA**") system, certain annual financial information and operating data and, in a timely manner, notice of certain listed events. See "CONTINUING DISCLOSURE UNDERTAKING" and APPENDIX H — "FORM OF CONTINUING DISCLOSURE UNDERTAKING."
Ratings	The ratings for the Series 2021A Bonds and Series 2021B-1 Bonds address only (i) the payment of interest on such Bonds, when due, and (ii) the payment of principal of such Bonds by their Maturity Dates (and, with respect to the Series 2021A Bonds that are Term Bonds, Fixed Sinking Fund Installment dates). The payment of Turbo Redemptions on the Series 2021B-1 Bonds has not been rated by S&P Global Ratings ("**S&P**"). The Series 2021B-2 Bonds are not rated and involve additional risks that may not be appropriate for certain investors. See "RISK FACTORS—Market for Series 2021B-2 Bonds; No Credit Rating on Series 2021B-2 Bonds." A rating is not a recommendation to buy, sell or hold securities and is subject to revision or withdrawal at any time. See "RATINGS" herein.
Risk Factors and Legal Considerations	Reference is made to "RISK FACTORS" and "LEGAL CONSIDERATIONS" herein for a description of certain risks and considerations relevant to an investment in the Series 2021 Bonds.
Tax Matters	In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance

with certain covenants, interest on the Series 2021 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series 2021 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series 2021 Bonds. See "TAX MATTERS."

Availability of Documents

Included herein are brief summaries of certain documents and reports, which summaries do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof. Copies of the Indenture, the Loan Agreement and the Sale Agreement may be obtained upon request from the Trustee at: The Bank of New York Mellon Trust Company, N.A., 100 Pine Street, Suite 3200, San Francisco, California 94111, Attention: Corporate Trust Department.

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INTRODUCTORY STATEMENT

This Offering Circular sets forth information concerning the issuance by the Tobacco Securitization Authority of Northern California (the "**Authority**") of its Tobacco Settlement Asset-Backed Refunding Bonds (Sacramento County Tobacco Securitization Corporation), Series 2021 Senior Bonds, consisting of $[_____]* Series 2021A Class 1 Senior Current Interest Bonds (the "**Series 2021A Bonds**") as Class 1 Senior Bonds, $[_____]* Series 2021B-1 Class 2 Senior Current Interest Bonds (the "**Series 2021B-1 Bonds**") as Class 2 Senior Bonds, and $[_____]* Series 2021B-2 Class 2 Senior Capital Appreciation Bonds (the "**Series 2021B-2 Bonds**" and, together with the Series 2021B-1 Bonds, the "**Series 2021B Bonds**;" the Series 2021B Bonds, collectively with the Series 2021A Bonds, the "**Series 2021 Bonds**") as Class 2 Senior Bonds, pursuant to an Amended and Restated Indenture and a Series 2021 Supplement (collectively, [and together with the Series 2005 Supplement,] the "**Indenture**"), each dated as of January 1, 2021, between the Authority and The Bank of New York Mellon Trust Company, N.A., a national banking association, as trustee (the "**Trustee**"). The Authority will use the proceeds from the issuance of the Series 2021 Bonds, together with other available funds, to (i) refund on a current basis [all][a portion] of the Authority's Tobacco Settlement Asset-Backed Bonds (Sacramento County Tobacco Securitization Corporation) Series 2005 (the "**Series 2005 Bonds**") through defeasance and redemption, (ii) fund a deposit to the Senior Liquidity Reserve Account held under the Indenture and (iii) pay costs of issuance in connection with the issuance of the Series 2021 Bonds. [Following the refunding of such portion of the Series 2005 Bonds with proceeds of the Series 2021 Bonds, $[_____]* aggregate principal amount at maturity of the Series 2005 Bonds will remain outstanding under the Indenture.] The Series 2021 Bonds, collectively with [the outstanding Series 2005 Bonds, and] any Refunding Bonds and Additional Subordinate Bonds (each as defined herein) that may be issued by the Authority pursuant to the Indenture, are referred to herein as the "**Bonds**." See "PLAN OF REFUNDING," "ESTIMATED SOURCES AND USES OF FUNDS" [and "OUTSTANDING BONDS."]

The Authority is a public entity created pursuant to an Amended and Restated Joint Exercise of Powers Agreement, dated as of November 16, 2005, between the County of Sacramento, California (the "**County**") and another county in the State of California (each, a "**Local Agency**"). The Authority is a separate entity from the County and the other Local Agency. The Authority's debts, liabilities and obligations do not constitute debts, liabilities or obligations of the County or the other Local Agency.

Sacramento County Tobacco Securitization Corporation, a California nonprofit public benefit corporation (the "**Corporation**"), previously purchased the County Tobacco Assets, consisting of, as described more fully in "SECURITY FOR THE BONDS — Sale Agreement", all right, title and interest of the County in, to and under the MSA, the MOU, the ARIMOU and the Consent Decree (each as defined herein). The Corporation purchased the County Tobacco Assets from the County pursuant to a Purchase and Sale Agreement, dated as of July 1, 2001 (the "**Sale Agreement**"), by and between the County and the Corporation, with funds derived from a loan by the Authority to the Corporation of proceeds of the Authority's Tobacco Settlement Asset-Backed Bonds, Series 2001 (Sacramento County Tobacco Securitization Corporation) (the "**Series 2001 Bonds**," which were refunded in full by the Series 2005 Bonds).

The Bonds are payable solely from the payments by the Corporation to the Trustee under the Secured Loan Agreement, dated as of December 1, 2005, as supplemented by a First Supplement to Secured Loan Agreement, dated as of January 1, 2021 (collectively, the "**Loan Agreement**"), each between the Corporation, as borrower, and the Authority, as lender (the "**Loan Payments**"), the Corporation Tobacco Assets (as defined herein), which include the County Tobacco Assets purchased from the County under the Sale Agreement, and the other Collateral (as defined herein) pledged under the Indenture. Pursuant to the Indenture, the Authority has granted to the Trustee a first priority lien and security interest in the Collateral, which includes the Authority's rights with respect to the Loan Agreement (except as otherwise provided in the Indenture), including but not limited to the right to receive Loan Payments and to enforce the obligations of the Corporation pursuant to the Loan Agreement.

The Master Settlement Agreement (the "**MSA**"), which was entered into on November 23, 1998, among the attorneys general of 46 states (including the State of California (the "**State**")), the District of Columbia, the

* Preliminary, subject to change.

Commonwealth of Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa and the Commonwealth of the Northern Mariana Islands (collectively, the "**Settling States**") and the then four largest United States tobacco manufacturers (namely, Philip Morris Incorporated (now Philip Morris USA Inc., "**Philip Morris**"), R.J. Reynolds Tobacco Company ("**Reynolds Tobacco**"), Brown & Williamson Tobacco Corporation ("**B&W**") and Lorillard Tobacco Company ("**Lorillard**") (collectively, the "**Original Participating Manufacturers**" or "**OPMs**," which term also includes Imperial Brands PLC (formerly named Imperial Tobacco Group PLC) with respect to those cigarette brands that it acquired from Reynolds Tobacco and Lorillard)), resolved all cigarette smoking-related litigation between the Settling States and the OPMs, released the OPMs and the tobacco companies that become parties to the MSA after the OPMs (the "**Subsequent Participating Manufacturers**" or "**SPMs**," and together with the OPMs, the "**Participating Manufacturers**" or "**PMs**") from past and present cigarette smoking-related claims by the Settling States, and provides for a continuing release of future cigarette smoking-related claims by the Settling States in exchange for payments to be made to the Settling States, as well as, among other things, certain tobacco advertising and marketing restrictions. See "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY" for a discussion of certain information relating to the PMs and the domestic tobacco industry.

Under the MSA, the base amounts of Annual Payments (as defined herein) payable by the PMs thereunder are subject to various adjustments, offsets and recalculations, including the "**NPM Adjustment**," which operates in the event of losses in Market Share (as defined herein) by PMs to tobacco companies that are not parties to the MSA ("**Non-Participating Manufacturers**" or "**NPMs**"), as a result of such PMs' participation in the MSA. As discussed further herein, the State was one of several jurisdictions to enter into settlements with the OPMs and certain SPMs regarding claims related to the 2003 through 2022 NPM Adjustments and the determination of subsequent NPM Adjustments. See "RISK FACTORS—Payment Decreases Under the Terms of the MSA," "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT—Adjustments to Payments" and "— NPM Adjustment Claims and NPM Adjustment Settlement," APPENDIX C-1 — "NPM ADJUSTMENT SETTLEMENT AGREEMENT," APPENDIX C-2 — "2016 AND 2017 NPM ADJUSTMENTS SETTLEMENT AGREEMENT" and APPENDIX C-3 — "2018 THROUGH 2022 NPM ADJUSTMENTS SETTLEMENT AGREEMENT."

Under the MSA, as modified by the Memorandum of Understanding (the "**MOU**") as agreed to by the State and its counties, the Cities of San Jose, Los Angeles and San Diego and the City and County of San Francisco (the "**Participating Jurisdictions**"), and the Agreement Regarding Interpretation of Memorandum of Understanding, as amended, among the State, all counties and certain cities within the State (the "**ARIMOU**"), the 45% share of the statewide tobacco settlement payments allocated to the Participating Jurisdictions that are counties is allocated among the counties based on the proportion of each county's population to the total State population as reported in the 1990 Official United States Decennial Census, as adjusted every ten years by the Official United States Decennial Census. Pursuant to the proportional allocable share provided in the MOU and the ARIMOU, the County is currently entitled to receive 1.7138% of the total statewide share of the tobacco settlement payments (based on adjustments made to reflect the 2010 Official United States Decennial Census). The allocations prior to the respective Maturity Dates of the Series 2021 Bonds are subject to adjustments for population changes based on the 2020, 2030, 2040 and 2050 Official United States Decennial Census, as applicable.

The Series 2021 Bonds are limited obligations of the Authority, payable solely from certain funds held under the Indenture, including the Collections. Except as expressly provided in the Indenture and the Bonds, Owners shall have no recourse against the Authority, but shall look only to the Collateral with respect to any amounts due to the Owners under the Indenture. The Series 2021 Bonds are not secured by the proceeds thereof, with the exception of the proceeds deposited in the Senior Liquidity Reserve Account, with the Class 1 Senior Liquidity Reserve Subaccount securing only the Series 2021A Bonds (and any other Class 1 Senior Bonds that may be issued) and the Class 2 Senior Liquidity Reserve Subaccount securing only the Series 2021B-1 Bonds (and any other Class 2 Senior Bonds designated to be secured by such Subaccount that may be issued). The Senior Liquidity Reserve Account does <u>not</u> secure the Series 2021B-2 Bonds [or the outstanding Series 2005 Bonds] or any First Subordinate Bonds, Second Subordinate Bonds or Additional Subordinate Bonds.

The Series 2021 Bonds do not constitute a charge against the general credit of the Authority (except with respect to Collections), the County or the other Local Agency, and under no circumstances will the Authority, the County or the other Local Agency be obligated to pay the interest on or the principal or Accreted Value of or redemption premiums, if any, on the Series 2021 Bonds, except from Collections and balances held in the Senior Liquidity Reserve Account (where applicable, and, to the extent available). The Series 2021 Bonds

and other obligations of the Authority are not a debt or obligation of the State or any of its municipalities or other political subdivisions (including the County), other than the Authority, and neither the State nor any such municipalities or other subdivisions (including the County), other than the Authority, shall be liable for the payment of the principal or Accreted Value of or interest on the Series 2021 Bonds or such other obligations. The Authority has no taxing power. The Series 2021 Bonds do not constitute a debt or obligation of the Corporation, and the Corporation is under no obligation to make payments of the principal or Accreted Value of or interest on the Series 2021 Bonds in the event that Collections are insufficient for the payment thereof.

The Series 2021 Bonds are paid in accordance with the Senior Bonds Payment Priorities, whereby the Senior Bonds are paid in accordance with the following order of priority: (1) first, the Class 1 Senior Bonds are Fully Paid in chronological order of Serial Maturities, Fixed Sinking Fund Installments and Maturity Dates therefor and within a maturity, by lot in accordance with the Indenture, and (2) second, the Class 2 Senior Bonds are Fully Paid in chronological order by Maturity Date and within a maturity, by lot in accordance with the Indenture, as described further herein. The Series 2021A Bonds are on parity with any Refunding Bonds that are Class 1 Senior Bonds, and are senior in payment priority to the Series 2021B Bonds, [the outstanding Series 2005 Bonds,] any Refunding Bonds that are Class 2 Senior Bonds, First Subordinate Bonds or Second Subordinate Bonds, and any Additional Subordinate Bonds. The Series 2021B Bonds are subordinated in payment priority to the Series 2021A Bonds and any Refunding Bonds that are Class 1 Senior Bonds, are on parity with any Refunding Bonds that are Class 2 Senior Bonds, and are senior in payment priority to [the outstanding Series 2005 Bonds,] any Refunding Bonds that are First Subordinate Bonds or Second Subordinate Bonds, and any Additional Subordinate Bonds.

Interest on the Series 2021A Bonds and the Series 2021B-1 Bonds will be payable semi-annually on June 1 and December 1 of each year (each, a "**Distribution Date**," as such term is more fully defined in APPENDIX F-1 – "FORMS OF AMENDED AND RESTATED INDENTURE AND SERIES 2021 SUPPLEMENT"), commencing June 1, 2021. Interest on the Series 2021B-2 Bonds will not be paid currently but will accrete in value, compounded semiannually on each Distribution Date, commencing June 1, 2021 (to become part of Accreted Value as more fully described herein), from the initial principal amount on the date of delivery thereof to maturity or earlier redemption, at the rate of accretion specified on the inside front cover page hereof. See APPENDIX I — "TABLE OF ACCRETED VALUES OF SERIES 2021B-2 BONDS." Principal or Accreted Value is payable on the Series 2021 Bonds on their respective scheduled Maturity Dates as set forth on the inside front cover page hereof (and, with respect to the Series 2021A Bonds that are Term Bonds, on the Fixed Sinking Fund Installment dates). Principal or Accreted Value is also payable on the Series 2021B Bonds by Turbo Redemptions in accordance with the Payment Priorities, as described herein. Failure to pay any Turbo Redemptions on the Series 2021B Bonds will not constitute an Event of Default or a Class 2 Payment Default under the Indenture if such failure is due to the insufficiency of available Collections (as defined herein). The Series 2021A Bonds are subject to optional redemption and optional clean-up call, and the Series 2021B Bonds are subject to optional redemption and mandatory clean-up call, each as described herein. See "SECURITY FOR THE BONDS" and "THE SERIES 2021 BONDS".

Certain methodologies and assumptions were used to establish the amounts and scheduled Maturity Dates of the Series 2021 Bonds and the Projected Turbo Redemptions of the Series 2021B Bonds. See "TABLES OF PROJECTED BOND DEBT SERVICE AND COVERAGE" and "TOBACCO SETTLEMENT REVENUES PROJECTION METHODOLOGY AND BOND STRUCTURING ASSUMPTIONS." In addition, the amount and timing of payments on the Series 2021 Bonds may be affected by various factors. See "RISK FACTORS" and "LEGAL CONSIDERATIONS." The Series 2021B-2 Bonds are not rated and involve additional risks that may not be appropriate for certain investors.

SECURITY FOR THE BONDS

Sale Agreement

Pursuant to the Sale Agreement, the Corporation purchased from the County the "**County Tobacco Assets**", consisting of all right, title and interest of the County in, to and under the MOU, the ARIMOU, the MSA and the Consent Decree including, without limitation, the rights of the County to be paid the money due to it under the MOU, the ARIMOU, the MSA and the Consent Decree from and after August 23, 2001. The Corporation purchased the

County Tobacco Assets from the County with funds derived from a loan by the Authority to the Corporation of proceeds of the Series 2001 Bonds (which were refunded in full by the Series 2005 Bonds).

Pursuant to the Sale Agreement, the County sent an irrevocable instruction to the Attorney General of the State pursuant to the ARIMOU to cause the California Escrow Agent to disburse all of the County Tobacco Assets from the California Local Government Escrow Account to the trustee for the Series 2001 Bonds. Such instructions were amended pursuant to the Sale Agreement in connection with the issuance of the Series 2005 Bonds to disburse all of the County Tobacco Assets from the California Local Government Escrow Account to the Trustee. See APPENDIX F-3 – "PURCHASE AND SALE AGREEMENT" attached hereto.

Loan Agreement

Pursuant to the Loan Agreement, the Authority will loan the proceeds of the Series 2021 Bonds to the Corporation to provide funds to assist the Corporation in refinancing the acquisition of the County Tobacco Assets. Under the Loan Agreement, the Corporation agrees to pay or cause to be paid to the Trustee, for deposit in the Collections Account, Loan Payments consisting of the "**Tobacco Settlement Revenues**," which are the portion of the Collateral that consists of payments received pursuant to the MSA, the MOU, the ARIMOU and the Consent Decree, when and as such are received. Pursuant to the Loan Agreement, as security for the Loan and any obligations related thereto, the Corporation pledges and assigns to the Authority and grants to the Authority a first priority perfected security interest in all right, title and interest of the Corporation, whether now owned or hereafter acquired, in, to and under the following property: (a) the County Tobacco Assets purchased from the County; (b) to the extent permitted by law, corresponding present or future rights, if any, of the Corporation to enforce or cause the enforcement of payment of such purchased County Tobacco Assets pursuant to the MOU and the ARIMOU; (c) the corresponding rights of the Corporation under the Sale Agreement; and (d) all proceeds of any and all of the foregoing (collectively and severally, the "**Corporation Tobacco Assets**"). See APPENDIX F-2 – "SECURED LOAN AGREEMENT AND FORM OF FIRST SUPPLEMENT TO SECURED LOAN AGREEMENT" attached hereto. Pursuant to the Indenture, the Authority grants to the Trustee a first priority lien and security interest in the Collateral, which includes the Authority's rights with respect to the Loan Agreement (except as otherwise provided in the Indenture), including but not limited to the right to receive Loan Payments and to enforce the obligations of the Corporation pursuant to the Loan Agreement.

Collateral under the Indenture

The Bonds (including the Series 2021 Bonds) are secured, subject to the Payment Priorities described herein, by a first priority lien and security interest in all of the Authority's right, title, and interest, whether now owned or hereafter acquired, in, to, and under the Collateral. "**Collateral**" is defined under the Indenture as: (i) the Authority's rights with respect to the Loan Agreement, including but not limited to the right to receive Loan Payments and to enforce the obligations of the Corporation pursuant to the Loan Agreement; (ii) the Corporation Tobacco Assets; (iii) the Pledged Accounts, all money, instruments, investment property, and other property credited to or on deposit in the Pledged Accounts, and all investment earnings thereon; (iv) any payment received by the Authority pursuant to a Swap Contract (in accordance with the Indenture, the Authority will not enter into a Swap Contract as long as the Series 2021 Bonds are Outstanding); (v) all present and future claims, demands, causes and things in action in respect of any or all of the foregoing and all payments on or under and all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing, including all proceeds of the conversion, voluntary or involuntary, into cash or other liquid property, all cash proceeds, accounts, general intangibles, notes, drafts, acceptances, chattel paper, checks, deposit accounts, insurance proceeds, condemnation awards, rights to payment of any and every kind, and other forms of obligations and receivables, instruments, payment intangibles and other property that at any time constitute all or part of or are included in the proceeds of any of the foregoing; and (vi) all proceeds of the foregoing. The Collateral does not include the rights of the Authority pursuant to provisions for consent or other action by the Authority, notice to the Authority, indemnity or the filing of documents with the Authority, or otherwise for its benefit and not for that of the Owners. None of the proceeds of the Bonds or any earnings therefrom, unless deposited into one of the Pledged Accounts, shall in any way be pledged to the payment of the Bonds, and such amounts shall not be part of the Collateral. See APPENDIX F-1 – "FORMS OF AMENDED AND RESTATED INDENTURE AND SERIES 2021 SUPPLEMENT" attached hereto.

The "**Pledged Accounts**" are the Collections Account (except to the extent that money therein is allocable to the Operating Account, the Operating Contingency Account or the Rebate Account), the Senior Debt Service Account, the Lump Sum Payment Account, the Senior Liquidity Reserve Account, the Senior Turbo Redemption Account, the First Subordinate Turbo Redemption Account and the Second Subordinate Turbo Redemption Account, including all subaccounts contained in the named accounts.

Payment Priorities

Under the Indenture, "**Payment Priorities**" means payment of Bonds in the following order of priority:

(1) first, the Senior Bonds are Fully Paid pursuant to the "**Senior Bonds Payment Priorities**," which means the payment of Senior Bonds in the following order of priority: (I) first, the Class 1 Senior Bonds are Fully Paid in chronological order of Serial Maturities, Fixed Sinking Fund Installments and Maturity Dates therefor and within a maturity, by lot in accordance with the Indenture; and (II) second, the Class 2 Senior Bonds are Fully Paid in chronological order by Maturity Date and within a maturity, by lot in accordance with the Indenture;

(2) second, the First Subordinate Bonds are Fully Paid in chronological order of Maturity Date;

(3) third, the Second Subordinate Bonds are Fully Paid in chronological order of Maturity Date; and

(4) fourth, any Additional Subordinate Bonds are Fully Paid in accordance with the provisions of the applicable Series Supplement.

"**Class 1 Senior Bonds**" means the Series 2021A Bonds and any Refunding Bonds identified as Class 1 Senior Bonds in a Series Supplement.

"**Class 2 Senior Bonds**" means the Series 2021B-1 Bonds, the Series 2021B-2 Bonds and any Refunding Bonds identified as Class 2 Senior Bonds in a Series Supplement.

"**First Subordinate Bonds**" means [the outstanding Series 2005 Bonds of series designation 2005B and] Refunding Bonds identified as First Subordinate Bonds in a Series Supplement.

"**Fixed Sinking Fund Installment**" means each respective payment of principal to be made on Term Bonds that are Class 1 Senior Bonds scheduled to be made as set forth in a Series Supplement.

"**Fully Paid**" means that a Bond has been canceled by the Trustee or delivered to the Trustee for cancellation, including but not limited to under the circumstances described in the Indenture; or (ii) such Bond shall have matured or been called for redemption and, on such Maturity Date or redemption date, money for the payment of the principal or Accreted Value of, redemption premium, if any, and interest on such Bond is held by the Trustee in trust for the benefit of the person entitled thereto; or (iii) such Bond is alleged to have been lost, stolen, destroyed, partially destroyed, or defaced and has been replaced as provided in the Indenture; or (iv) such Bond has been defeased as provided in the Indenture (whether as part of a defeasance of all or less than all of the Bonds).

"**Maturity Date**" means, with respect to any Bond, the final date on which all remaining principal or Accreted Value of such Bond is due and payable.

"**Second Subordinate Bonds**" means [the outstanding Series 2005 Bonds of series designation 2005C and] Refunding Bonds identified as Second Subordinate Bonds in a Series Supplement.

"**Senior Bonds**" means the Series 2021 Bonds and Refunding Bonds identified as Senior Bonds in a Series Supplement.

"**Serial Maturity**" means the principal amount or Accreted Value of Serial Bonds due in any year as set forth in a Series Supplement.

Senior Liquidity Reserve Account

The "**Senior Liquidity Reserve Account**" has been established and is maintained by the Trustee, and within such Account, the "**Class 1 Senior Liquidity Reserve Subaccount**" secures only the Series 2021A Bonds (and any other Class 1 Senior Bonds that may be issued) and the "**Class 2 Senior Liquidity Reserve Subaccount**" secures only the Series 2021B-1 Bonds (and any other Class 2 Senior Bonds designated to be secured by such Subaccount that may be issued). The Class 2 Senior Liquidity Reserve Subaccount does not secure the Series 2021B-2 Bonds. The Class 1 Senior Liquidity Reserve Subaccount will be funded on the Closing Date in the amount of the "**Class 1 Senior Liquidity Reserve Requirement**", which is, for as long as any Series 2021A Bonds are Outstanding, an amount equal to $[_____]*, and otherwise $0; provided, however, that at the option of the Authority, with a Rating Confirmation for any Bonds which are then rated by a Rating Agency, the Class 1 Senior Liquidity Reserve Requirement applicable on and after June 1, 2030* may be changed to an amount equal to Maximum Annual Class 1 Senior Bond Debt Service each year for as long as any Class 1 Senior Bonds are Outstanding, and otherwise $0. "**Maximum Annual Class 1 Senior Bond Debt Service**" means, as of any date, the greatest aggregate amount payable in the then-current calendar year or any future calendar year in respect of principal, Fixed Sinking Fund Installments and interest on Class 1 Senior Bonds. The Class 2 Senior Liquidity Reserve Subaccount will be funded on the Closing Date in the amount of the "**Class 2 Senior Liquidity Reserve Requirement**", which is an amount equal to $[_____]* for so long as any Series 2021B-1 Bonds are Outstanding and an amount equal to $0 when no Series 2021B-1 Bonds are Outstanding, which amount may (but is not required to) be amended upon the issuance of Refunding Bonds that constitute Class 2 Senior Bonds in accordance with the applicable Series Supplement. "**Senior Liquidity Reserve Requirement**" means an amount equal to the sum of the Class 1 Senior Liquidity Reserve Requirement and the Class 2 Senior Liquidity Reserve Requirement.

Amounts in the applicable subaccount of the Senior Liquidity Reserve Account will be available to pay principal (including Fixed Sinking Fund Installments) and interest on the Series 2021A Bonds and the Series 2021B-1 Bonds, as applicable, but will not be available for Turbo Redemptions. The Senior Liquidity Reserve Account does not secure the Series 2021B-2 Bonds [or the outstanding Series 2005 Bonds] or any First Subordinate Bonds, Second Subordinate Bonds or Additional Subordinate Bonds. Unless an Event of Default has occurred, Collections (to the extent available) will be used to replenish the applicable subaccount in the Senior Liquidity Reserve Account to the Class 1 Senior Liquidity Reserve Requirement or Class 2 Senior Liquidity Reserve Requirement, as applicable. On any Distribution Date on which the amount on deposit in the applicable subaccount of the Senior Liquidity Reserve Account equals or exceeds the principal or Accreted Value of and interest on all Outstanding Bonds secured by such subaccount, amounts on deposit in the applicable subaccount will be applied as described in "—Flow of Funds—*Transfers to Accounts*" below.

Defeasance

Total Defeasance. When (i) there is held by or for the account of the Trustee Defeasance Collateral in such principal amounts, bearing interest at such fixed rates and with such maturities, including any applicable redemption premiums, as will provide sufficient funds to pay, or to redeem in accordance with the Indenture, all obligations to Owners in whole (to be verified by a nationally recognized firm of independent verification agents), (ii) any required notice of redemption shall have been duly given in accordance with the Indenture or irrevocable instructions to give notice shall have been given to the Trustee, (iii) all the rights under the Indenture of the Fiduciaries and counterparties to Swap Contracts have been provided for and all Operating Expenses have been satisfied in accordance with the Indenture, and (iv) the Trustee shall have received an Opinion of Counsel to the effect that such defeasance will not, in and of itself, cause interest on any Tax-Exempt Bond to be included in gross income for federal income tax purposes, then upon Written Notice from the Authority to the Trustee, such Owners and counterparties to Swap Contracts shall cease to be entitled to any benefit or security under the Indenture except the right to receive payment of the funds held in such defeasance escrow and other rights which by their nature cannot be satisfied prior to or simultaneously with termination of the lien of the Indenture, the Indenture and the lien, rights and security interests created by the Indenture (except in such funds and investments) shall terminate and become null and void, and the Authority and the Trustee shall execute and deliver such instruments as may be necessary to discharge the Trustee's lien, rights and security interests (except in such funds and investments) created under the Indenture. Upon such defeasance, the funds and

* Preliminary, subject to change.

investments required to pay or redeem the Bonds shall be irrevocably set aside for that purpose, subject, however, to the terms of the Indenture, and money held for defeasance shall be invested only as provided in the Indenture and applied by the Trustee and other Paying Agents, if any, to the retirement of the Bonds. Any funds or other property held by the Trustee and not required for payment or redemption of the Bonds shall be distributed in accordance with the order of the Authority.

Partial Defeasance. Subject to the requirements of the Indenture, the Authority may create a defeasance escrow for the retirement and defeasance of any Bonds subject to and in accordance with the Indenture. Thereafter, the Owners of such Defeased Bonds and counterparties to such related Swap Contracts shall cease to be entitled to any benefit or security under the Indenture except the right to receive payment of the funds held in such defeasance escrow and other rights which by their nature cannot be satisfied prior to or simultaneously with termination of the lien of the Indenture.

Defeasance of Turbo Term Bonds. For each Defeased Turbo Term Bond of the same Maturity Date and Series, the Authority must determine a Pro Rata Defeasance Redemption Schedule as described below. In establishing the defeasance escrow, the Defeased Turbo Term Bonds may not be redeemed more slowly than the Pro Rata Defeasance Redemption Schedule.

For a given Turbo Term Bond Maturity of a given Series, the Trustee shall determine the Pro Rata portion of each Projected Turbo Redemption (shown, with respect to each Series of Bonds, in an exhibit to the related Series Supplement) that is allocable to the Defeased Turbo Term Bonds. The Pro Rata portion of each Projected Turbo Redemption shall be calculated as of the date of the defeasance by: (a) deducting the Turbo Redemptions which have already occurred from the earliest Projected Turbo Redemptions to arrive at a schedule of "**Projected Turbo Redemptions Adjusted for Prior Payments**"; (b) calculating a ratio of the Bond Obligation to be defeased of each Turbo Term Bond Maturity divided by the then Outstanding Bond Obligation of the Turbo Term Bond Maturity; and (c) applying that ratio to the Projected Turbo Redemptions Adjusted for Prior Payments, resulting in a schedule for each Turbo Term Bond Maturity defined as the "**Pro Rata Defeasance Redemption Schedule**."

For each Defeased Turbo Term Bond of the same Maturity Date and Series, the Trustee shall establish a defeasance escrow which: (a) redeems on the earliest possible date the Pro Rata Defeasance Redemptions which were originally projected to occur prior to the date of the defeasance, if any; and (b) thereafter, redeems the Pro Rata Defeasance Redemptions according to their schedule.

In order to establish the Projected Turbo Redemption Schedule in effect for each Turbo Term Bond Maturity of a given Series after each partial defeasance, the Trustee shall determine the schedule of Projected Turbo Redemptions Adjusted for Prior Payments then applicable and permanently subtract the Pro Rata Defeasance Redemption Schedule from such schedule of Projected Turbo Redemptions Adjusted for Prior Payments.

Such provisions relating to the defeasance of Turbo Term Bonds shall not be construed to limit the optional redemption of Bonds of a Series pursuant to the applicable Series Supplement.

Limited Obligations

The Bonds are limited obligations of the Authority, payable solely from certain funds held under the Indenture, including the Collections. Except as expressly provided in the Indenture and the Bonds, Owners shall have no recourse against the Authority, but shall look only to the Collateral with respect to any amounts due to the Owners under the Indenture. The Bonds are not secured by the proceeds thereof, with the exception of the proceeds deposited in the Senior Liquidity Reserve Account, with the Class 1 Senior Liquidity Reserve Subaccount securing only the Series 2021A Bonds (and any other Class 1 Senior Bonds that may be issued) and the Class 2 Senior Liquidity Reserve Subaccount securing only the Series 2021B-1 Bonds (and any other Class 2 Senior Bonds designated to be secured by such Subaccount that may be issued). The Senior Liquidity Reserve Account does <u>not</u> secure the Series 2021B-2 Bonds [or the outstanding Series 2005 Bonds] or any First Subordinate Bonds, Second Subordinate Bonds or Additional Subordinate Bonds.

The Bonds do not constitute a charge against the general credit of the Authority (except with respect to Collections), the County or the other Local Agency, and under no circumstances will the Authority, the County or the other Local Agency be obligated to pay the interest on or the principal or Accreted Value of or redemption premiums, if any, on the Bonds, except from Collections and balances held in the Senior Liquidity Reserve Account (where applicable, and, to the extent available). The Bonds and other obligations of the Authority are not a debt or obligation of the State or any of its municipalities or other political subdivisions (including the County), other than the Authority, and neither the State nor any such municipalities or other subdivisions (including the County), other than the Authority, shall be liable for the payment of the principal or Accreted Value of or interest on the Bonds or such other obligations. The Authority has no taxing power. The Bonds do not constitute a debt or obligation of the Corporation, and the Corporation is under no obligation to make payments of the principal or Accreted Value of or interest on the Bonds in the event that Collections are insufficient for the payment thereof.

Flow of Funds

"**Collections**" are all funds collected with respect to Tobacco Settlement Revenues, amounts paid to the Authority under any Swap Contract. Pursuant to the Indenture, all Collections received by the Trustee shall be promptly deposited by the Trustee into the Collections Account. All Collections that have been identified by an Officer's Certificate as consisting of Lump Sum Payments or Total Lump Sum Payments received by the Trustee shall be transferred promptly (and in any event, no later than the Business Day immediately preceding the next Distribution Date) to the Lump Sum Payment Account and applied as described below, in accordance with the instructions received by the Trustee pursuant to an Officer's Certificate.

A "**Lump Sum Payment**" is a payment from a PM that results in, or is due to, a release of that PM from all or a portion of its future payment obligations under the MSA. For the purposes of the Indenture (and not for purposes of the Sale Agreement), the term "Lump Sum Payment" does not include any payments that are Total Lump Sum Payments, any non-scheduled prepayments other than a Lump Sum Payment or any payments made with respect to prior payment obligations. For the avoidance of doubt, the Corporation Tobacco Assets include, without limitation, all Lump Sum Payments and all Total Lump Sum Payments. A "**Total Lump Sum Payment**" is a final payment under the MSA from all of the PMs that results in, or is due to, a release of all of the PMs from all of their future payment obligations under the MSA.

Transfers to Accounts

Not later than five Business Days prior to each Distribution Date, the Trustee shall value the money and investments in the Senior Liquidity Reserve Account, and the subaccounts therein, according to the methods set forth in the Indenture. Except as provided in the Indenture, any amounts in the Class 1 Senior Liquidity Reserve Subaccount and the Class 2 Senior Liquidity Reserve Subaccount in excess of the Class 1 Senior Liquidity Reserve Requirement and the Class 2 Senior Liquidity Reserve Requirement, respectively, shall be transferred to the Senior Debt Service Account.

As soon as is practicable, but in any event no later than the earlier of (x) the fifth Business Day following each Deposit Date, or (y) two Business Days prior to each Distribution Date, and in either case after the transfer of amounts from the Senior Liquidity Reserve Account to the Senior Debt Service Account pursuant to the Indenture as described above, the Trustee shall withdraw the funds on deposit in the Collections Account and transfer such amounts as follows:

(i) to the Operating Account, an amount sufficient to cause the amount therein to equal the amount specified by the Officer's Certificate most recently delivered or deemed delivered pursuant to the Indenture in order to pay, for the twelve-month period applicable to such Officer's Certificate, (x) the Operating Expenses (excluding any Termination Payments) to the extent that the amount thereof does not exceed clause (i) of the definition of Operating Cap, and (y) the Tax Obligations; "**Operating Cap**" means (i) $200,000 in the Fiscal Year ending June 30, 2021, inflated in each following Fiscal Year by the percentage representing the fraction "1+x" over "1+y," where "x" equals the Inflation Adjustment Percentage (as defined in the MSA) applicable to MSA payments due in the calendar year ending in such Fiscal Year, and "y" equals the Inflation Adjustment Percentage applicable to MSA payments due in the preceding Fiscal Year, plus (ii) in each Fiscal Year, Tax Obligations specified in an Officer's Certificate;

(ii) to the Senior Debt Service Account, an amount sufficient to cause the amount therein (taking into account earnings on such amount scheduled to be received prior to the applicable Distribution Date if such amount is invested in fixed rate Eligible Investments as well as any amounts on deposit therefor in the Capitalized Interest Subaccount) to equal the sum of (x) interest on the Outstanding Class 1 Senior Bonds and all Swap Payments that will come due (i) in the next succeeding Bond Year, if the Deposit Date is on or after December 1 and on or before May 31 of any Bond Year, or (ii) in the then-current Bond Year, if the Deposit Date is on or after June 1 and on or before November 30 of any Bond Year, plus (y) any such unpaid interest on the Class 1 Senior Bonds and Swap Payments from prior Distribution Dates (including interest at the stated rate on such unpaid interest, to the extent legally permissible); provided that the amount to be deposited pursuant to this clause shall be calculated assuming that principal on the Bonds will have been paid as described in clauses (ii), (iii), and (iv) of "*—Distribution Date Transfers*" below;

(iii) to the Senior Debt Service Account, an amount sufficient to cause the amount therein (taking into account earnings on such amount scheduled to be received prior to the applicable Distribution Date if such amount is invested in fixed rate Eligible Investments) to equal the amount specified in clause (ii) above plus the sum of (a) if the Deposit Date is on or after December 1 and on or before May 31 of any Bond Year, the Serial Maturity, Fixed Sinking Fund Installment, or Term Bond Maturity due for Class 1 Senior Bonds in or scheduled for the next succeeding Bond Year, plus (b) any such Serial Maturities, Fixed Sinking Fund Installments or Term Bond Maturities unpaid from prior Distribution Dates, provided that the amount of each Term Bond Maturity shall first be adjusted as described in the Indenture;

(iv) unless an Event of Default has occurred, to the Class 1 Senior Liquidity Reserve Subaccount, an amount sufficient to cause the amount on deposit therein to equal the Class 1 Senior Liquidity Reserve Requirement, provided that on any Distribution Date on which the amount on deposit in the Class 1 Senior Liquidity Reserve Subaccount (less any amount necessary to be paid in connection with the liquidation of the investment of amounts in the Class 1 Senior Liquidity Reserve Subaccount, including a Termination Payment) equals or exceeds the principal or Accreted Value of and interest on all Outstanding Class 1 Senior Bonds, the amount on deposit in the Class 1 Senior Liquidity Reserve Subaccount first may, at the direction of the Authority, be applied to the optional clean-up call for the Class 1 Senior Bonds, and second shall be transferred to the Collections Account;

(v) to the Senior Debt Service Account, an amount sufficient to cause the amount therein (taking into account earnings on such amount scheduled to be received prior to the applicable Distribution Date if such amount is invested in fixed rate Eligible Investments as well as any amounts on deposit therefor in the Capitalized Interest Subaccount) to equal the sum of (x) interest on the Outstanding Class 2 Senior Bonds that will come due (i) in the next succeeding Bond Year, if the Deposit Date is on or after December 1 and on or before May 31 of any Bond Year, or (ii) in the then-current Bond Year, if the Deposit Date is on or after June 1 and on or before November 30 of any Bond Year, plus (y) any such unpaid interest on the Class 2 Senior Bonds from prior Distribution Dates (including interest at the stated rate on such unpaid interest, to the extent legally permissible); provided that the amount to be deposited pursuant to this clause shall be calculated assuming that principal on the Bonds will have been paid as described in clauses (ii), (iii), and (iv) of "*—Distribution Date Transfers*" below;

(vi) to the Senior Debt Service Account, an amount sufficient to cause the amount therein (taking into account earnings on such amount scheduled to be received prior to the applicable Distribution Date if such amount is invested in fixed rate Eligible Investments) to equal the amount specified in clause (ii) above plus the sum of (a) if the Deposit Date is on or after December 1 and on or before May 31 of any Bond Year, the Serial Maturity or Term Bond Maturity (including Turbo Term Bond Maturities) due for Class 2 Senior Bonds in or scheduled for the next succeeding Bond Year, plus (b) any such Serial Maturities or Term Bond Maturities (including Turbo Term Bond Maturities) unpaid from prior Distribution Dates, provided that the amount of Turbo Term Bond Maturity shall first be adjusted as described in the Indenture;

(vii) unless a Class 2 Payment Default has occurred, to the Class 2 Senior Liquidity Reserve Subaccount, an amount sufficient to cause the amount on deposit therein to equal the Class 2 Senior Liquidity Reserve Requirement, provided that on any Distribution Date on which the amount on deposit in the Class 2 Senior Liquidity Reserve Subaccount (less any amount necessary to be paid in connection with the liquidation of the investment of amounts in the Class 2 Senior Liquidity Reserve Subaccount, including a Termination Payment) equals or exceeds the principal or Accreted Value of and interest on all Outstanding Class 2 Senior Bonds secured by the Class 2 Senior Liquidity

Reserve Subaccount, the amount on deposit in the Class 2 Senior Liquidity Reserve Subaccount first shall be applied to the mandatory clean-up call for the Class 2 Senior Bonds secured by the Class 2 Senior Liquidity Reserve Subaccount, and second shall be transferred to the Collections Account;

(viii) to the Operating Contingency Account, the amount, if any, necessary to make the amount therein equal to the amount specified by the Officer's Certificate most recently delivered or deemed delivered pursuant to the Indenture in order to pay, for the twelve-month period applicable to such Officer's Certificate, the Operating Expenses in excess of the Operating Cap;

(ix) to the Senior Turbo Redemption Account, all amounts remaining in the Collections Account until no Class 2 Senior Bonds are Outstanding;

(x) to the First Subordinate Turbo Redemption Account, all amounts remaining in the Collections Account until no First Subordinate Bonds are Outstanding; and

(xi) to the Second Subordinate Turbo Redemption Account, all amounts remaining in the Collections Account until no Second Subordinate Bonds are Outstanding.

Distribution Date Transfers

Unless an Event of Default has occurred, on each Distribution Date the Trustee shall apply amounts in the various Accounts in the following order of priority:

(i) from the Senior Debt Service Account (including amounts in the Capitalized Interest Subaccount held therefor) and the Class 1 Senior Liquidity Reserve Subaccount, in that order, to pay interest on Outstanding Class 1 Senior Bonds due on such Distribution Date or unpaid from prior Distribution Dates;

(ii) from the Senior Debt Service Account and the Class 1 Senior Liquidity Reserve Subaccount, in that order, to pay principal of Outstanding Class 1 Senior Bonds due on such Distribution Date or unpaid from prior Distribution Dates in chronological order of the date on which such principal is due, including by reason of Fixed Sinking Fund Installment, and Pro Rata within such a principal due date;

(iii) from the Senior Debt Service Account to pay Swap Payments due on such Distribution Date or unpaid from prior Distribution Dates;

(iv) if a Class 2 Payment Default has occurred, first, from the Senior Debt Service Account and the Class 2 Senior Liquidity Reserve Subaccount (only with respect to Class 2 Senior Bonds secured thereby), in that order, to pay interest, Pro Rata, on Outstanding Class 2 Senior Bonds due on such Distribution Date or unpaid from prior Distribution Dates, and, second, from the Senior Debt Service Account and the Senior Turbo Redemption Account, to pay the Bond Obligation on Outstanding Class 2 Senior Bonds, Pro Rata. For purposes of the clause "first" in this paragraph, from and after its Maturity Date, a Capital Appreciation Bond will accrue interest payable at a rate per annum equal to the Default Rate therefor set forth in the applicable Series Supplement;

(v) from the Senior Debt Service Account (including amounts in the Capitalized Interest Subaccount held therefor) and the Class 2 Senior Liquidity Reserve Subaccount (only with respect to Class 2 Senior Bonds secured thereby), in that order, to pay interest on Outstanding Class 2 Senior Bonds due on such Distribution Date or unpaid from prior Distribution Dates;

(vi) from the Senior Debt Service Account and the Class 2 Senior Liquidity Reserve Subaccount (only with respect to Class 2 Senior Bonds secured thereby), in that order, to pay principal of Outstanding Class 2 Senior Bonds due on such Distribution Date or unpaid from prior Distribution Dates in chronological order of the date on which such principal is due, including by reason of Fixed Sinking Fund Installment, and Pro Rata within such a principal due date;

(vii) from the Senior Turbo Redemption Account, to redeem Senior Bonds which are Turbo Term Bonds on such Distribution Date (or a special redemption date pursuant to the Indenture) in accordance with clause (1) of the Payment Priorities;

(viii) from the Lump Sum Payment Account, but only as directed in an Officer's Certificate delivered by the Authority and accompanied by Rating Confirmation with respect to any Senior Bonds which are then rated by a Rating Agency, to redeem Turbo Term Bonds on such Distribution Date (or a special redemption date pursuant to the Indenture) in accordance with the Indenture, provided that any redemptions shall redeem Bonds in accordance with the Payment Priorities;

(ix) from the First Subordinate Turbo Redemption Account, to redeem First Subordinate Bonds on such Distribution Date (or a special redemption date pursuant to the Indenture) in accordance with the Indenture; and

(x) from the Second Subordinate Turbo Redemption Account, to redeem Second Subordinate Bonds on such Distribution Date (or a special redemption date pursuant to the Indenture) in accordance with the Indenture.

Payment Upon an Event of Default

Upon the occurrence of any Event of Default, as set forth in "—Events of Default; Remedies" below, and continuing on each succeeding Distribution Date commencing with the Distribution Date following the Event of Default:

(i) (A) until the Class 1 Senior Bonds are no longer Outstanding, the Trustee shall apply all funds in the Senior Debt Service Account, the Class 1 Senior Liquidity Reserve Subaccount and the Lump Sum Payment Account to pay Pro Rata, first, the accrued and unpaid interest on the Class 1 Senior Bonds (including Senior Convertible Bonds after the Conversion Date) and Swap Payments (including, in each case, interest at the stated rate on any unpaid interest, to the extent legally permissible) and, second, the due and past due principal or Accreted Value on all Class 1 Senior Bonds;

(B) until the Class 2 Senior Bonds are no longer Outstanding, the Trustee shall apply all funds in the Senior Debt Service Account, the Class 2 Senior Liquidity Reserve Subaccount (only with respect to Class 2 Senior Bonds secured thereby), the Lump Sum Payment Account and the Senior Turbo Redemption Account to pay Pro Rata, first, the accrued and unpaid interest on the Class 2 Senior Bonds (including Senior Convertible Bonds after the Conversion Date) (including, in each case, interest at the stated rate on any unpaid interest, to the extent legally permissible) and, second, the Bond Obligation on all Class 2 Senior Bonds without regard to their order of maturity. For this purpose and for the avoidance of doubt, "total amount due" to all Owners of Class 2 Senior Bonds described in part (b) of the definition of Pro Rata (as set forth below) is equal to the Bond Obligation of such Class 2 Senior Bonds as of such Distribution Date;

(ii) until the First Subordinate Bonds are no longer Outstanding, the Trustee shall apply all funds in the Lump Sum Payment Account and the First Subordinate Turbo Redemption Account to pay Pro Rata the principal and interest or the Accreted Value on all First Subordinate Bonds then Outstanding;

(iii) until the Second Subordinate Bonds are no longer Outstanding, the Trustee shall apply all funds in the Lump Sum Payment Account and the Second Subordinate Turbo Redemption Account to pay Pro Rata the principal and interest or the Accreted Value on all Second Subordinate Bonds;

(iv) the application of funds with respect to Additional Subordinate Bonds shall be in accordance with the provisions of the applicable Series Supplement; and

(v) notwithstanding anything to the contrary in the Indenture, the value of any Capital Appreciation Bonds that are Series 2021B-2 Bonds, [Series 2005 First Subordinate Bonds or Series 2005 Second Subordinate Bonds] shall continue to accrete at the Default Rate (including accretion on any unpaid Accreted Value), to the extent legally permissible, after the Maturity Date for such Bonds if not Fully Paid on the Maturity Date.

For the avoidance of doubt, in the event a Current Interest Bond remains Outstanding after its Maturity Date, such Bond will continue to accrue and pay interest at its stated interest rate, and in the event a Capital Appreciation Bond remains Outstanding after its Maturity Date, such Bond will accrue and pay interest at its Default Rate from its Maturity Date.

"**Bond Obligation**" means, as of any given date of calculation, (a) with respect to any Outstanding Current Interest Bond, the principal amount of such Current Interest Bond, (b) with respect to any Outstanding Capital Appreciation Bond prior to its Maturity Date, the Accreted Value thereof as of such date, and (c) with respect to any Outstanding Capital Appreciation Bond on and after its Maturity Date, its Accreted Value on its Maturity Date.

"**Default Rate**" means (i) the rate of interest per annum set forth in a Series Supplement at which the First Subordinate Bonds, Second Subordinate Bonds and Additional Subordinate Bonds will accrete on and during the continuance of a Subordinate Payment Default for such Bonds, (ii) with respect to the Series 2021 Bonds, that rate of interest per annum that accrues on a Capital Appreciation Bond from and after its Maturity Date as set forth in the Series 2021 Supplement and (iii) with respect to any Refunding Bonds or Additional Subordinate Bonds that constitute Capital Appreciation Bonds, the rate of interest per annum set forth in a Series Supplement authorizing the issuance of such Bonds. The Default Rate with respect to the Series 2021B-2 Bonds is _____%.

"**Pro Rata**" means, for an allocation of available amounts to any payment of interest, Accreted Value, principal or Swap Payments to be made under the Indenture, the application of a fraction to such available amounts (a) the numerator of which is equal to the amount due to the respective Owners and any party who has entered into a Swap Contract with the Authority to whom such payment is owing, and (b) the denominator of which is equal to the total amount due to all Owners and Swap Contract counterparties to whom such payment is owing.

Prepayment from Lump Sum Payments

Upon the receipt of a sum that has been identified by an Officer's Certificate as a Lump Sum Payment, the Trustee shall, after making provision for the amounts required to be deposited pursuant to clause (i) under "*Transfers to Accounts*" above, use all such amounts on deposit in the Lump Sum Payments Account to make the following payments on the next Distribution Date following such receipt, in the following order of priority:

(i) to pay any past due interest on the Class 1 Senior Bonds (including interest at the stated rate on any unpaid interest, to the extent legally permissible), Pro Rata;

(ii) to pay the accrued and unpaid interest on the Class 1 Senior Bonds and Swap Payments, Pro Rata;

(iii) to pay principal or Accreted Value on all Class 1 Senior Bonds then Outstanding in chronological order of the date on which such principal is due and Pro Rata within such a principal due date;

(iv) to pay any past due interest on the Class 2 Senior Bonds (including interest at the stated rate on any unpaid interest, to the extent legally permissible), Pro Rata;

(v) to pay the accrued and unpaid interest on the Class 2 Senior Bonds, Pro Rata;

(vi) to pay principal or Accreted Value on all Class 2 Senior Bonds then Outstanding in chronological order of the date on which such principal is due and Pro Rata within such a principal due date;

(vii) to pay principal and interest or Accreted Value on all First Subordinate Bonds then Outstanding, Pro Rata;

(viii) to pay principal and interest or Accreted Value on all Second Subordinate Bonds then Outstanding, Pro Rata; and

(ix) to pay Additional Subordinate Bonds in accordance with the provisions of the applicable Series Supplement.

Prepayment from Total Lump Sum Payments

Upon the receipt of a sum that has been identified by an Officer's Certificate as a Total Lump Sum Payment, the Trustee shall, after making provision for the amounts required to be deposited pursuant to clause (i) under "*Transfers to Accounts*" above, use all such remaining amounts on deposit in the Lump Sum Payments Account to make the following payments in the following order of priority:

(i) to pay any past due interest on the Class 1 Senior Bonds (including interest at the stated rate on any unpaid interest, to the extent legally permissible), Pro Rata;

(ii) to pay the accrued and unpaid interest on the Class 1 Senior Bonds and Swap Payments, Pro Rata;

(iii) to pay principal or Accreted Value on all Class 1 Senior Bonds then Outstanding in chronological order of the date on which such principal is due and Pro Rata within such a principal due date, Pro Rata;

(iv) to pay any past due interest on the Class 2 Senior Bonds (including interest at the stated rate on any unpaid interest, to the extent legally permissible), Pro Rata;

(v) to pay the accrued and unpaid interest on the Class 2 Senior Bonds, Pro Rata;

(vi) to pay principal or Accreted Value on all Class 2 Senior Bonds then Outstanding, Pro Rata, irrespective of any principal due date;

(vii) to pay principal and interest or Accreted Value on all First Subordinate Bonds then Outstanding, Pro Rata;

(viii) to pay principal and interest or Accreted Value on all Second Subordinate Bonds then Outstanding, Pro Rata; and

(ix) to pay Additional Subordinate Bonds in accordance with the provisions of the applicable Series Supplement.

Other Applications

After making all deposits and payments set forth above, and provided that there are no Outstanding Bonds and no obligations to make Swap Payments under a Swap Contract, the Trustee shall deliver any amounts remaining in a Fund or Account in accordance with the order of the Authority.

Funds in the Operating Account shall be applied by the Trustee at any time, in accordance with directions in an Officer's Certificate pursuant to the Indenture, to pay Operating Expenses (other than Termination Payments), or to fund an account of the Authority free and clear of the Indenture for purposes of paying such Operating Expenses.

Funds in the Operating Contingency Account shall be applied by the Trustee at any time, in accordance with directions in an Officer's Certificate pursuant to the Indenture, to pay Operating Expenses not otherwise paid from the Operating Account, or to fund an account of the Authority free and clear of the Indenture for purposes of paying such Operating Expenses.

Events of Default; Remedies

Events of Default Under the Indenture

"**Event of Default**" in the Indenture means any one of the events set forth below:

(a) failure to pay when due any Swap Payment or interest on any Class 1 Senior Bonds;

(b) failure to pay when due any Serial Maturity, Fixed Sinking Fund Installment or Term Bond Maturity for Class 1 Senior Bonds; or

(c) failure of the Authority to observe or perform any other covenant, condition, agreement, or provision contained in the Senior Bonds or in the Indenture relating to Senior Bonds, which breach is not remedied within 60 days after Written Notice, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee or by the Owners of at least 25% in Bond Obligation of the Senior Bonds then Outstanding. In the case of a default specified in this clause, if the default be such that it cannot be corrected within the said 60-day period, it shall not constitute an Event of Default if corrective action is instituted by the Authority within said 60-day period and diligently pursued until the default is corrected.

Except as specified in clauses (a) and (b) above, failure to make any payment or to make provision therefor, including any Projected Turbo Redemption, does not constitute an Event of Default to the extent that such failure results from the insufficiency of available Collateral to make such payment or provision therefor.

Notwithstanding anything in the Indenture to the contrary, neither a Class 2 Payment Default nor a Subordinate Payment Default is an Event of Default under the Indenture, provided that in the event of a Class 2 Payment Default or a Subordinate Payment Default, so long as no Series 2021B-1 Bonds or Class 1 Senior Bonds are Outstanding, Owners of Class 2 Senior Bonds (in the event of a Class 2 Payment Default) and Owners of First Subordinate Bonds, Second Subordinate Bonds and Additional Subordinate Bonds (in the event of a Subordinate Payment Default) shall have the respective specified remedies described in "*Remedies Available to the Trustee*" below.

"**Class 2 Payment Default**" means a failure to pay when due interest or principal or Accreted Value at maturity on any Class 2 Senior Bonds.

"**Subordinate Payment Default**" means a failure to pay when due interest or principal or Accreted Value at maturity on any First Subordinate Bonds, Second Subordinate Bonds or Additional Subordinate Bonds.

Remedies Available to the Trustee

If an Event of Default occurs, the Trustee may, and upon written request of the Owners of at least 25% in Bond Obligation of the Senior Bonds Outstanding shall, in its own name by action or proceeding in accordance with law:

(A) enforce all rights of the Owners and require the Authority to carry out its agreements under the Bonds, the Indenture or the Loan Agreement;

(B) sue upon such Bonds;

(C) require the Authority to account as if it were the trustee of an express trust for such Owners; and

(D) enjoin any acts or things which may be unlawful or in violation of the rights of such Owners.

If an Event of Default occurs, the Trustee shall, in addition to the other provisions described herein, have and possess all of the powers necessary or appropriate for the exercise of any functions incident to the general representation of Owners in the enforcement and protection of their rights.

Upon an Event of Default described in clause (a) or (b) of the definition of Event of Default, or a failure to make any other payment required under the Indenture within 7 days after the same becomes due and payable, the Trustee shall give Written Notice thereof to the Authority. The Trustee shall give notice under clause (c) of the definition of Event of Default when instructed to do so by the written direction of another Fiduciary or the Owners of at least 25% in Bond Obligation of the Outstanding Senior Bonds. Upon the occurrence of an Event of Default, the Trustee shall proceed under the Indenture for the benefit of the Owners in accordance with the written direction of a Majority in Interest of the Outstanding Senior Bonds. The Trustee shall not be required to take any remedial action (other than the giving of notice) unless reasonable indemnity is furnished for any expense or liability to be incurred

therein. Upon receipt of Written Notice, direction, and indemnity, and after making such investigation, if any, as it deems appropriate to verify the occurrence of any Event of Default of which it is notified as aforesaid, the Trustee shall promptly pursue the remedies provided by the Indenture or any such remedies (not contrary to any such direction) as it deems appropriate for the protection of the Owners, and shall act for the protection of the Owners with the same promptness and prudence as would be expected of a prudent person in the conduct of such person's own affairs.

Upon the occurrence of an Event of Default, the Bonds and Swap Payments shall be paid as described in "—Flow of Funds—*Payment Upon an Event of Default*" above.

Remedies for Class 2 Senior Bonds, First Subordinate Bonds, Second Subordinate Bonds and Additional Subordinate Bonds. Only if the Class 1 Senior Bonds are no longer Outstanding, the Owners of Class 2 Senior Bonds may enforce the provisions of the Indenture for their benefit by appropriate legal proceedings in accordance with clause (1) of the definition of Payment Priorities. Only if the Senior Bonds are no longer Outstanding, the Owners of First Subordinate Bonds, the Second Subordinate Bonds and Additional Subordinate Bonds may enforce the provisions of the Indenture for their benefit by appropriate legal proceedings in accordance with clauses (2) - (4) of the definition of Payment Priorities.

The principal or Accreted Value, premium, if any, and interest on First Subordinate Bonds will be subordinated in right of payment to principal or Accreted Value, premium, if any, and interest payments on the Senior Bonds. In any Event of Default, Owners of Senior Bonds will be entitled to receive payment thereof in full before the Owners of the First Subordinate Bonds are entitled to receive payment thereof; and any payment or distribution of assets otherwise payable to Owners of the First Subordinate Bonds will be paid to Owners of Senior Bonds until all Senior Bonds have been paid in full, and the Owners of the First Subordinate Bonds will be subrogated to the rights of such Owners of Senior Bonds to receive payments or distributions of assets with respect thereto.

The principal or Accreted Value, premium, if any, and interest on Second Subordinate Bonds will be subordinated in right of payment to principal or Accreted Value, premium, if any, and interest payments on the First Subordinate Bonds. In any Subordinate Payment Default, Owners of First Subordinate Bonds will be entitled to receive payment thereof in full before the Owners of the Second Subordinate Bonds are entitled to receive payment thereof; and any payment or distribution of assets otherwise payable to Owners of the Second Subordinate Bonds will be paid to Owners of First Subordinate Bonds until all First Subordinate Bonds have been paid in full, and the Owners of the Second Subordinate Bonds will be subrogated to the rights of such Owners of First Subordinate Bonds to receive payments or distributions of assets with respect thereto.

The principal or Accreted Value, premium, if any, and interest on Additional Subordinate Bonds will be subordinated in right of payment to principal or Accreted Value, premium, if any, and interest payments on the Second Subordinate Bonds. In any Subordinate Payment Default, Owners of Second Subordinate Bonds will be entitled to receive payment thereof in full before the Owners of the Additional Subordinate Bonds are entitled to receive payment thereof; and any payment or distribution of assets otherwise payable to Owners of the Additional Subordinate Bonds will be paid to Owners of Second Subordinate Bonds until all Second Subordinate Bonds have been paid in full, and the Owners of the Additional Subordinate Bonds will be subrogated to the rights of such Owners of Second Subordinate Bonds to receive payments or distributions of assets with respect thereto.

No Sale of Rights or Foreclosure. The Indenture does not provide the Trustee or the Owners any right to sell or foreclose on the Collateral or the rights of the Corporation under the Loan Agreement.

Refunding Bonds and Additional Subordinate Bonds

"**Refunding Bonds**" are Bonds, other than the Series 2005 Bonds and the Additional Subordinate Bonds, issued pursuant to the Indenture for the purposes of refunding any Outstanding Bonds.

Refunding Bonds may be issued to refund all Bonds in whole (including the funding of defeasance escrows and deposits to Accounts in connection with such issuance).

Refunding Bonds may be issued to refund Bonds in part (including the funding of defeasance escrows and deposits to Accounts in connection with such issuance) but only if upon the issuance of such Refunding Bonds: (A) the amount on deposit in the Senior Liquidity Reserve Account will be at least equal to the Senior Liquidity Reserve

Requirement; (B) no Event of Default shall have occurred and be continuing; (C) the weighted average life of each Turbo Term Bond that will remain Outstanding after the date of issuance of the Refunding Bonds as computed on the basis of new projections on the date of issuance of the Refunding Bonds will not exceed (x) the remaining weighted average life of each such Turbo Term Bond as computed by the Authority on the basis of new projections assuming that no such Refunding Bonds are issued plus (y) one year; and (D) a Rating Confirmation is received for any Bonds that will remain Outstanding after the date of issuance of the Refunding Bonds which are then rated by a Rating Agency.

One or more Series of Bonds (the "**Additional Subordinate Bonds**") may be issued for any lawful purpose if there is no payment permitted for such Bonds until all previously issued Bonds are Fully Paid. Additional Subordinate Bonds may be issued to refund all or a portion of the Bonds without satisfying the requirements described above.

Non-Impairment Covenants

In accordance with the Indenture, the Authority shall from time to time authorize, execute or authenticate, deliver and file all documents and instruments, and will take such other action, as is necessary or advisable to (1) maintain or preserve the lien, pledge and security interest of the Indenture; (2) perfect or protect the validity of any grant made or to be made by the Indenture; (3) preserve and defend title to the Collateral and the rights of the Trustee in the Collateral against the claims of all Persons and parties, including the challenge by any party to the validity or enforceability of the MOU, the ARIMOU, the Basic Documents or the performance by any party thereunder; (4) enforce the Loan Agreement and the Sale Agreement; (5) pay any and all taxes levied or assessed upon all or any part of the Collateral; or (6) carry out more effectively the purposes of the Indenture.

In accordance with the Indenture, the Authority (1) shall diligently pursue any and all actions to enforce its rights in the Collateral and under each instrument or agreement included therein, and (2) shall not take any action and will use its best efforts not to permit any action to be taken by others that would release any Person from any of such Person's covenants or obligations under any such instrument or agreement or that would result in the amendment, hypothecation, subordination, termination, or discharge of, or impair the validity or effectiveness of, any such instrument or agreement, except, in each case, as expressly provided in the Basic Documents, the MOU and the ARIMOU.

In accordance with the Sale Agreement, the County shall not take any actions or omit to take any action which adversely affect the interests of the Corporation in the County Tobacco Assets and in the proceeds thereof. The County shall not take any action or omit to take any action that shall adversely affect the ability of the Corporation, and any assignee of the Corporation, to receive payments made under the MOU, the ARIMOU, the MSA and the Consent Decree; provided that nothing in the Sale Agreement shall be deemed to prohibit the County from undertaking any activities (including educational programs, regulatory actions, or any other activities) intended to reduce or eliminate smoking or the consumption or use of tobacco or tobacco related products.

In accordance with the Sale Agreement, the County shall not take any action or omit to take any action and shall use its reasonable efforts not to permit any action to be taken by others that would release any Person from any of such Person's covenants or obligations under the MOU or the ARIMOU, or that would result in the amendment, hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, the MOU or the ARIMOU, nor, without the prior written consent of the Corporation or its assignee, amend, modify, terminate, waive or surrender, or agree to any amendment, modification, termination, waiver or surrender of, the terms of MOU or the ARIMOU, or waive timely performance or observance under such documents, in each case if the effect thereof would be materially adverse to the Owners. Nothing in the Sale Agreement shall impose a duty on the County to seek to enforce the MSA or to seek enforcement thereof by others, or to prevent others from modifying, terminating, discharging or impairing the validity or effectiveness of the MSA.

In accordance with the Loan Agreement, the Corporation shall take all actions as may be required by law to fully preserve, maintain, defend, protect and confirm the interests of the Authority and the interests of the Trustee in the Corporation Tobacco Assets. The Corporation shall not take any action that shall adversely affect the Authority's or the Trustee's ability to receive payments made under the MOU, the ARIMOU, the MSA and the Consent Decree.

In accordance with the Loan Agreement, the Corporation shall not limit or alter the rights of the Authority to fulfill the terms of its agreements with the Owners of the Bonds, or in any way impair the rights and remedies of such Owners or the security for the Bonds and shall enforce all of its rights under the Sale Agreement, until the Bonds, together with the interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of such Owners, are fully paid and discharged.

In accordance with the Loan Agreement, the Corporation shall not take any action and shall use its best efforts not to permit any action to be taken by others that would release any Person from any of such Person's covenants or obligations under the MOU or the ARIMOU or that would result in the amendment, hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, the MOU or the ARIMOU, nor, without the prior written consent of the Authority and the Trustee, amend, modify, terminate, waive or surrender, or agree to any amendment, modification, termination, waiver or surrender of, the terms of the MOU or the ARIMOU, or waive timely performance or observance under such documents, in each case if the effect thereof would be materially adverse to the Owners.

THE SERIES 2021 BONDS

The following summary describes certain terms of the Series 2021 Bonds. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Indenture and the Series 2021 Bonds. Terms used herein and not previously defined have the meanings given to them in the Indenture, the form of which is attached hereto as APPENDIX F-1 – "FORMS OF AMENDED AND RESTATED INDENTURE AND SERIES 2021 SUPPLEMENT". Copies of the Indenture, the Loan Agreement and the Sale Agreement may be obtained upon written request to the Trustee.

General

The Series 2021 Bonds will be dated their date of delivery, will be issued in the initial principal amounts, and will accrue or accrete interest, as applicable, at the rates and mature on the dates set forth on the inside front cover page of this Offering Circular. The Series 2021 Bonds are Refunding Bonds and Senior Bonds under the Indenture; the Series 2021A Bonds are Class 1 Senior Bonds, and the Series 2021B Bonds are Class 2 Senior Bonds. The Series 2021B Bonds are Turbo Term Bonds. The Series 2021A Bonds and the Series 2021B-1 Bonds are Current Interest Bonds, and the Series 2021B-2 Bonds are Capital Appreciation Bonds. The Series 2021 Bonds are payable in accordance with the Payment Priorities described under "SECURITY FOR THE BONDS — Payment Priorities."

The Series 2021 Bonds will initially be represented by one certificate for each maturity and interest rate of each Series of the Series 2021 Bonds, registered in the name of DTC, New York, New York, or its nominee. DTC will act as securities depository for the Series 2021 Bonds. Beneficial owners of the Series 2021 Bonds will not receive physical delivery of the Series 2021 Bonds. See APPENDIX G – "BOOK-ENTRY ONLY SYSTEM" attached hereto. The Series 2021A Bonds and the Series 2021B-1 Bonds will be sold in denominations of $5,000 or any integral multiple thereof, and the Series 2021B-2 Bonds will be sold such that the Accreted Value thereof at the Maturity Date is in the denomination of $100,000 or any integral multiple of $5,000 in excess thereof (each, as applicable, an "**Authorized Denomination**").

"**Current Interest Bond**" means a Bond (including, as the context requires, a Convertible Bond on and after the applicable Conversion Date), the interest on which is payable currently on each Distribution Date (or, for a Convertible Bond, each Distribution Date after the applicable Conversion Date). "**Capital Appreciation Bond**" means a Bond (including, as the context requires, a Convertible Bond prior to the applicable Conversion Date), the interest on which is compounded on each Distribution Date, commencing on the first Distribution Date after its issuance through (1) and including the Maturity Date or earlier redemption date of such Bond in the case of a Capital Appreciation Bond which is not a Convertible Bond, or (2) and excluding the Conversion Date or earlier redemption date in the case of a Convertible Bond.

Payments on the Series 2021 Bonds

Interest

Interest will be calculated on the basis of a year of 360 days and twelve 30-day months. Interest on the Series 2021A Bonds and the Series 2021B-1 Bonds will accrue from their dated date and shall be payable currently on each Distribution Date, commencing June 1, 2021, through and including their respective Maturity Dates or earlier redemption dates of such Bonds. Interest on the Series 2021B-2 Bonds will not be paid currently but will accrete in value, compounded semiannually on each Distribution Date, commencing June 1, 2021 (to become part of Accreted Value as more fully described herein), from the initial principal amount on the date of delivery thereof to maturity or earlier redemption, at the rate of accretion specified on the inside front cover page hereof. See APPENDIX I — "TABLE OF ACCRETED VALUES OF SERIES 2021B-2 BONDS". In the event that a Series 2021B-2 Bond remains Outstanding after its Maturity Date, such Bond will accrue and pay interest at its Default Rate from its Maturity Date.

For each Distribution Date, payments will be made to the registered owners of the Series 2021 Bonds as of the 15th day of the calendar month immediately preceding the calendar month in which a Distribution Date occurs whether or not such day is a Business Day (the "**Record Date**"). The Authority or the Trustee may in its discretion establish special record dates for the determination of the Owners for various purposes of the Indenture, including giving consent or direction to the Trustee.

Principal or Accreted Value

The principal or Accreted Value of the Series 2021 Bonds shall be paid by their respective Maturity Dates as set forth on the inside front cover page of this Offering Circular. "**Accreted Value**" means, with respect to any Capital Appreciation Bond, an amount equal to the initial principal amount of such Bond, plus interest accrued thereon from its date, compounded on each Distribution Date, commencing on the first Distribution Date after its issuance (through and including the Maturity Date or earlier redemption date of such Bond, or in the case of a Convertible Bond, through and excluding the applicable Conversion Date or earlier redemption date of such Bond) at the "original issue yield" for such Bond, as set forth in the related Series Supplement or in an exhibit thereto; provided, however, that the Authority shall calculate or cause to be calculated the Accreted Value on any date other than a Distribution Date set forth in the related Series Supplement or in an exhibit thereto by straight line interpolation of the Accreted Values as of the immediately preceding and succeeding Distribution Dates. In performing such calculation, the Authority shall be entitled to engage and rely upon a firm of accountants, consultants or financial advisors with appropriate knowledge and experience (which may include BLX Group LLC (formerly known as BondLogistix LLC)). The Trustee may conclusively rely upon such calculations. The term "original issue yield" means, with respect to any particular Bond, the yield to the applicable Maturity Date of such Bond from the initial date of delivery thereof calculated on the basis of semiannual compounding on each Distribution Date. See APPENDIX I – "TABLE OF ACCRETED VALUES OF SERIES 2021B-2 BONDS."

Redemption Price

In accordance with the Indenture, when Series 2021 Bonds are called for redemption (as described below), the accrued interest thereon or Accreted Value thereof, as applicable, shall be due on the date fixed for redemption. If notice of redemption has been duly given as provided in the Indenture and money for the payment of the redemption price of the Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice, Bonds so called for redemption shall become due and payable, and from and after the date so designated, interest on such Bonds shall cease to accrue or accrete, and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof, which payment shall be secured by the lien of the Indenture.

Mandatory Redemption of Series 2021A Term Bonds by Fixed Sinking Fund Installments

The Series 2021A Bonds maturing on June 1, 2049* are Term Bonds that are subject to mandatory redemption in part by Fixed Sinking Fund Installments on June 1 of the years and in the principal amounts as set forth in the table below.

$[_____]* Series 2021A Bonds due June 1, 2049*

June 1*	Fixed Sinking Fund Installment*	June 1*	Fixed Sinking Fund Installment*
[____]	$[____]	[____]	$[____]
		2049†	[____]

† Stated Maturity

Turbo Redemption of Series 2021B Bonds

Under the Indenture, 100% of all Collections in excess of the requirements for, among other things, the periodic funding of Operating Expenses, interest payments due on Outstanding Bonds, Fixed Sinking Fund Installments, Serial Bond Maturities, Term Bond Maturities and replenishment of the Senior Liquidity Reserve Account are applied to the mandatory redemption of Turbo Term Bonds at the principal amount or Accreted Value thereof on each Distribution Date (or a special redemption date pursuant to the Indenture) in accordance with the Payment Priorities ("**Turbo Redemptions**"). Accordingly, the Series 2021B Bonds shall be redeemed in whole or in part prior to their Maturity Dates from amounts on deposit in the Senior Turbo Redemption Account on any Distribution Date (or on a special redemption date as set forth in the Indenture), following notice of such redemption in accordance with the Indenture, at the principal amount, together with accrued interest, or Accreted Value thereof, without premium, in accordance with the Senior Bonds Payment Priorities. See "SECURITY FOR THE BONDS — Flow of Funds." Within a Payment Priority, the amount of any Turbo Redemptions shall be credited against Turbo Term Bond Maturities for the Turbo Term Bonds in the order of priority and within a priority in the chronological order set forth in the Series Supplement (for more information on the selection of Bonds within a maturity, see "— Selection of Bonds for Redemption" below). The Trustee may specify a special redemption date for purposes of redeeming Turbo Term Bonds if amounts are available therefor pursuant to the Indenture and if the Trustee is instructed to do so by the Authority in an Officer's Certificate.

Turbo Redemptions may also be made in accordance with the Payment Priorities from amounts on deposit in the Lump Sum Payment Account with a Rating Confirmation with respect to any Senior Bonds which are then rated by a Rating Agency. Amounts in the Senior Liquidity Reserve Account are not available to make Turbo Redemptions.

In accordance with the Indenture, moneys in any Pledged Account shall not be used to make open market purchases of Turbo Term Bonds.

Failure to make any Turbo Redemptions will not constitute an Event of Default or a Class 2 Payment Default under the Indenture if such failure is due to the insufficiency of available Collateral to make such payment therefor.

For a schedule of projected Turbo Redemptions ("**Projected Turbo Redemptions**"), see the table entitled "Projected Series 2021 Bonds Debt Service Schedule Incorporating Turbo Redemptions of the Series 2021B Bonds" and the column heading "[Series 2021B Bonds — Total Projected Principal Payments]" in "TABLES OF PROJECTED BOND DEBT SERVICE AND COVERAGE" herein.

When Series 2021B Bonds are to be defeased, they are to be defeased pursuant to the Pro Rata Defeasance Redemption Schedule described in "SECURITY FOR THE BONDS—Defeasance." The provisions of the Indenture

* Preliminary, subject to change.

with respect to defeasance of Turbo Term Bonds shall not be construed to limit the optional redemption of Bonds pursuant to the applicable Series Supplement.

Mandatory Redemption of Defeased Series 2021B Bonds

The Series 2021B Bonds that are defeased in accordance with the Indenture are subject to mandatory redemption, at a redemption price equal to 100% of the Bond Obligation being redeemed, on such date or dates in accordance with the Pro Rata Defeasance Redemption Schedule described in "SECURITY FOR THE BONDS — Defeasance."

Optional Redemption

The Series 2021B-1 Bonds and the Series 2021B-2 Bonds are each subject to redemption at the option of the Authority, (x) in the case of the Series 2021B-1 Bonds, at a redemption price equal to one hundred percent (100%) of the principal amount being redeemed, plus interest accrued to the redemption date, and (y) in the case of the Series 2021B-2 Bonds, at a redemption price equal to one hundred percent (100%) of the Accreted Value being redeemed on the redemption date, in each case in whole or in part at any time, but only in an amount that may not exceed the amount of the Projected Turbo Redemptions that were projected to be paid as set forth in the Projected Turbo Redemption schedule but, as of the date of such redemption, have not been paid with respect to such Series 2021B-1 Bonds or Series 2021B-2 Bonds, as applicable.

In addition, the Series 2021A Bonds, the Series 2021B-1 Bonds and the Series 2021B-2 Bonds are each subject to redemption at the option of the Authority (x) in the case of the Series 2021A Bonds and the Series 2021B-1 Bonds, at a redemption price equal to one hundred percent (100%) of the principal amount being redeemed, plus interest accrued to the redemption date, and (y) in the case of the Series 2021B-2 Bonds, at a redemption price equal to one hundred percent (100%) of the Accreted Value being redeemed on the redemption date, in each case in whole or in part on any date on or after December 1, 2030*, and if in part, from any Maturity Date selected by the Authority in its discretion.

Notice of Redemption

When a Bond is to be redeemed prior to its Maturity Date, the Trustee will give notice to the Owner thereof in the name of the Authority, which notice will identify the Bond to be redeemed, state the date fixed for redemption, and state that such Bond will be redeemed at the Corporate Trust Office of the Trustee or a Paying Agent. The notice will further state that on such date there will become due and payable upon each Bond to be redeemed the redemption price thereof, together with interest accrued or accreted to the redemption date, and that money therefor having been deposited with the Trustee or Paying Agent, from and after such date, interest thereon will cease to accrue or accrete. With respect to the Series 2021 Bonds, the Trustee will give at least 20 days' notice by mail, or otherwise transmit the redemption notice in accordance with any appropriate provisions under the Indenture, to the Owners of any Bonds which are to be redeemed, at their addresses shown on the registration books of the Authority. Such notice may be waived by any Owners holding Bonds to be redeemed. Failure by a particular Owner to receive notice, or any defect in the notice to such Owner, will not affect the redemption of any other Bond. Any notice of redemption given pursuant to the Indenture may be rescinded by Written Notice to the Trustee by the Authority no later than five days prior to the date specified for redemption. The Trustee will give notice of such rescission as soon thereafter as practicable in the same manner and to the same persons, as notice of such redemption was given as described above. In making the determination as to how much money will be available in the Senior Turbo Redemption Account, the First Subordinate Turbo Redemption Account or the Second Subordinate Turbo Redemption Account on any Distribution Date for the purpose of giving notice of redemption, the Trustee will take into account investment earnings and amounts to be transferred from the respective subaccount of the Senior Liquidity Reserve Account (as and if applicable under the Indenture) to the Senior Debt Service Account, which it reasonably expects to be available for application pursuant to the Indenture.

* Preliminary, subject to change.

Selection of Bonds for Redemption

Unless otherwise specified in the Indenture or by Series Supplement, if less than all the Outstanding Bonds of like Series, interest rate and Maturity Date are to be redeemed, the particular Bonds to be redeemed shall be selected by the Trustee by such method as it shall deem fair and appropriate, including by lot, and which may provide for the selection for redemption of portions (equal to any Authorized Denominations) of the principal or Accreted Value of Bonds of a denomination larger than the minimum Authorized Denomination. Turbo Redemptions of Capital Appreciation Bonds shall be credited against the amount Outstanding at the Accreted Value thereof. Upon surrender of any Capital Appreciation Bond redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Capital Appreciation Bond of Authorized Denominations equal to the Accreted Value Outstanding on the date set for redemption after deducting the Accreted Value to be redeemed on such date. In determining these amounts, the Trustee may compute: (x) the Accreted Value outstanding per Authorized Denomination on the date set for redemption; (y) the number of Authorized Denominations to be redeemed on the date set for redemption at the Accreted Value thereof from the amounts available for such redemption; and (z) the number of Authorized Denominations to remain Outstanding after the redemption.

Application of Redemptions on Fixed Sinking Fund Installments and Turbo Term Bond Maturities

For all purposes of the Indenture, including without limitation calculating the deposits required as described in clause (iii) under "SECURITY FOR THE BONDS—Flow of Funds—*Transfers to Accounts*", calculating the payments required as described in clause (ii) under "SECURITY FOR THE BONDS—Flow of Funds—*Distribution Date Transfers*", and determining whether an Event of Default has occurred pursuant to the Indenture, all redemptions made under the Indenture shall be credited as follows:

(i) the amount of any Turbo Redemptions shall be credited against Turbo Term Bond Maturities for the Turbo Term Bonds, in the order of priority and within a priority in the chronological order set forth in the applicable Series Supplement;

(ii) the amount of any Fixed Sinking Fund Installments made under the Indenture shall be credited against Term Bond Maturities for the Term Bonds in the order of priority and within a priority in the chronological order set forth in the applicable Series Supplement; provided, however, that Fixed Sinking Fund Installments scheduled for the same date shall be credited Pro Rata regardless of the maturity date of the related Term Bond Maturity; and

(iii) the amount of any optional redemption of Term Bonds in part shall be credited against any Fixed Sinking Fund Installment as directed by the Authority.

Clean-Up Call Redemptions

Optional Clean-Up Call of Class 1 Senior Bonds. The Class 1 Senior Bonds (including the Series 2021A Bonds) and any Refunding Bonds secured on parity with the Class 1 Senior Bonds are subject to optional redemption in whole at a redemption price equal to 100% of the Bond Obligation of the Class 1 Senior Bonds being redeemed plus interest accrued to the redemption date at any time that the available amounts on deposit in the Pledged Accounts allocable to the Class 1 Senior Bonds exceed the aggregate principal amount of, and accrued interest on, all Outstanding Class 1 Senior Bonds.

Mandatory Clean-Up Call of Class 2 Senior Bonds Secured by the Class 2 Senior Liquidity Reserve Subaccount. The Class 2 Senior Bonds secured by the Class 2 Senior Liquidity Reserve Subaccount (including the Series 2021B-1 Bonds) and any Refunding Bonds secured on parity with the Class 2 Senior Bonds and which are secured by the Class 2 Senior Liquidity Reserve Subaccount are subject to mandatory redemption in whole at a redemption price equal to 100% of the Bond Obligation of such Class 2 Senior Bonds being redeemed plus interest accrued to the redemption date at any time that the available amounts on deposit in the Pledged Accounts allocable to such Class 2 Senior Bonds exceed the aggregate principal amount of, and accrued interest on, all such Outstanding Class 2 Senior Bonds.

Payment Upon an Event of Default

Upon the occurrence of any Event of Default and continuing on each succeeding Distribution Date commencing with the Distribution Date following the Event of Default, the Bonds (including the Series 2021 Bonds) shall be paid as described herein under "SECURITY FOR THE BONDS—Flow of Funds—*Payment Upon an Event of Default*."

Prepayment from Lump Sum Payments and Total Lump Sum Payments

Upon the receipt of a sum that has been identified by an Officer's Certificate as a Lump Sum Payment or a Total Lump Sum Payment, the Trustee shall, after making provision for the amounts required to be deposited to the Operating Account in accordance with the Indenture, use all such amounts on deposit in the Lump Sum Payments Account to make payments on the Bonds (including the Series 2021 Bonds) as described herein under "SECURITY FOR THE BONDS — Flow of Funds — *Prepayment from Lump Sum Payments*" and "— *Prepayment from Total Lump Sum Payments*", as applicable.

THE AUTHORITY

The Authority is a public entity created by an Amended and Restated Joint Exercise of Powers Agreement (the "**Joint Powers Agreement**"), dated as of November 16, 2005, between the County and the county of San Diego, California (each, a "**Local Agency**"), pursuant to Article 1 of Chapter 5 of Division 7 of Title 1 of the California Government Code (Section 6500 and following) (the "**Act**," which includes the Marks-Roos Local Bond Pooling Act of 1985). The Authority was created for the purpose of financing and refinancing the tobacco settlement payments to be received by the County under the MOU, the ARIMOU or from any other source (including, but not limited to, the issuance, sale, execution and delivery of Bonds secured by such tobacco settlement payments or the lending of money based on the security thereof), or to securitize, sell, purchase or otherwise dispose of, or administer, some or all of such tobacco settlement payments of the County, and to provide for the exercise of additional powers given to a joint powers entity under the Act.

The Authority is a separate entity from the County and the other Local Agency. The Authority's debts, liabilities and obligations do not constitute debts, liabilities or obligations of the County or the other Local Agency.

Governing Board

The Authority shall be administered by the Board of Directors, whose members shall be, at all times, designees of the Governing Body of each Local Agency. For this purpose, the term "**Governing Body**" shall mean the Board of Supervisors, in the case of a Local Agency which is a county. The Governing Body of the County will designate two members of the Board of Directors and the Governing Body of the other Local Agency will designate one member of the Board of Directors. The County and the other Local Agency are the only members of the Authority. The Governing Body of each Local Agency may designate an alternate representative. Each representative of the Board of Directors has one vote. The alternate representative may vote at meetings of the Board of Directors in the absence of the Local Agency's representative. Representatives and alternate representatives serve at the pleasure of the Local Agency which has appointed them.

Officers

The officers of the Authority are the Chair, Vice-Chair, Secretary and Treasurer/Controller. The Chair is one of the members of the Board of Directors designated as such by the Board of Supervisors of the County and serves until his or her successor is selected. The Clerk of the Board of Supervisors of the County is the Secretary and the Chief Financial/Operations Officer of the County is the Treasurer/Controller. The Vice-Chair was selected by the Board of Directors.

THE CORPORATION

The Corporation is organized under California law as a nonprofit public benefit corporation. The Corporation is governed by a six-person board of directors consisting of five directors appointed by the County and one independent director. The Corporation has no assets other than the County Tobacco Assets. The Corporation was organized for the special purpose of financing and refinancing the purchase of the County Tobacco Assets.

PLAN OF REFUNDING

A portion of the proceeds of the Series 2021 Bonds, together with other available funds, will be used to refund, through defeasance and redemption, on a current basis, [all][a portion] of the Series 2005 Bonds of the Authority, as described below. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

Maturity Date (June 1)	Series Designation	Bond Classification	Principal Amount or Accreted Value at Maturity Outstanding	Principal Amount or Accreted Value at Maturity to be Redeemed*	Interest Rate or Rate of Accretion	Redemption Date*	Type of Redemption
2023	2005A-1	Senior Current Interest Turbo Term Bonds	$16,215,000	$16,215,000	4.750%	February [4], 2021	Optional Redemption
2038	2005A-1	Senior Current Interest Turbo Term Bonds	87,290,000	87,290,000	5.375	February [4], 2021	Optional Redemption
2045	2005A-1	Senior Current Interest Turbo Term Bonds	86,570,000	86,570,000	5.500	February [4], 2021	Optional Redemption
2027	2005A-2	Senior Current Interest Turbo Term Bonds	14,235,000	14,235,000	5.400	February [4], 2021	Optional Redemption
2045	2005B	First Subordinate Capital Appreciation Turbo Term Bonds	115,975,000	[_____]	5.900	February [4], 2021	Optional Redemption
2045	2005C	Second Subordinate Capital Appreciation Turbo Term Bonds	157,335,000	[_____]	6.700	February [4], 2021	Optional Redemption

* Preliminary, subject to change.

On the date of delivery of the Series 2021 Bonds, the Authority will enter into an Escrow Agreement, dated as of January 1, 2021 (the "**Escrow Agreement**"), between the Authority and the Trustee, as escrow agent, to provide for the refunding of the Series 2005 Bonds described above. The Escrow Agreement will create an irrevocable trust fund, which is to be held by the Trustee, the moneys to the credit of which will be applied to the payment of, and pledged solely for the benefit of, the Series 2005 Bonds to be refunded. The Authority will deposit a portion of the proceeds from the sale of the Series 2021 Bonds, together with other available funds, into the trust fund in amounts that will be retained as cash or invested, at the direction of the Authority, in Defeasance Collateral, in accordance with the Indenture as then in effect with respect to the Series 2005 Bonds, that matures or is subject to redemption at the option of the holder in amounts and bearing interest at rates sufficient without reinvestment (i) to redeem such Series 2005 Bonds on their redemption date at their redemption price and (ii) to pay the interest on such Series 2005 Bonds to the redemption date.

Upon issuance of the Series 2021 Bonds, the Series 2005 Bonds to be refunded will be irrevocably designated for redemption as described above, provision will be made in the Escrow Agreement for the giving of notice of such redemption, and such Series 2005 Bonds shall not be redeemed other than as described above.

By virtue of the provision for payment of the Series 2005 Bonds upon redemption, together with the irrevocable deposit and application of monies and securities in the trust fund and certain other provisions of the Escrow

Agreement, the Series 2005 Bonds to be refunded will be deemed to be no longer outstanding under the Indenture and, except for purposes of any payment from such moneys and securities, shall no longer be secured by or entitled to the benefits of the Indenture.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds are expected to be as follows:

Sources of Funds:	
Initial Principal Amount of the Series 2021 Bonds	$
Net Original Issue Premium	
Funds Held Under the Indenture for the Series 2005 Bonds	
Total Sources	$
Uses of Funds:	
[Partial] Defeasance of Series 2005 Bonds	$
Deposit to Class 1 Senior Liquidity Reserve Subaccount	
Deposit to Class 2 Senior Liquidity Reserve Subaccount	
Costs of Issuance [(1)]	
Total Uses	$

(1) Includes underwriters' discount, legal fees, rating agency fees, verification agent fees, printing costs and certain other expenses related to the issuance of the Series 2021 Bonds.

OUTSTANDING BONDS

[Following the issuance of the Series 2021 Bonds and the application of proceeds thereof to refund Series 2005 Bonds as described in "PLAN OF REFUNDING" herein, the following Series 2005 Bonds will remain Outstanding under the Indenture:]

Series Designation	Bond Classification	Maturity Date (June 1)	Rate of Accretion	Accreted Value at Maturity*
2005B	First Subordinate Capital Appreciation Turbo Term Bonds	2045	5.900%	$[_____]
2005C	Second Subordinate Capital Appreciation Turbo Term Bonds	2045	6.700	[_____]
				Total: $[_____]

* Preliminary, subject to change.

TABLES OF PROJECTED BOND DEBT SERVICE AND COVERAGE

The following tables set forth the projected debt service coverage for the Series 2021A Bonds and projected debt service requirements for the Series 2021 Bonds based on the application of the Tobacco Settlement Revenues Projection Methodology and Assumptions and the Bond Structuring Methodology and Assumptions described herein under "TOBACCO SETTLEMENT REVENUES PROJECTION METHODOLOGY AND BOND STRUCTURING ASSUMPTIONS".

No assurance can be given that actual cigarette consumption in the U.S. will be as assumed, that actual County population during the term of the Series 2021 Bonds will be as assumed, or that the other assumptions underlying the Tobacco Settlement Revenues Projection Methodology and Assumptions, including the market shares

of the OPMs and the SPMs and the assumption that there will not be an NPM Adjustment, will be consistent with future events. If actual events deviate from one or more of the assumptions underlying the Tobacco Settlement Revenues Projection Methodology and Assumptions and the Bond Structuring Methodology and Assumptions, the amount of funds available to the Authority to pay the principal or Accreted Value of and interest on the Series 2021 Bonds and to make Turbo Redemptions on the Series 2021B Bonds could be adversely affected. See "RISK FACTORS" herein.

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Series 2021A Bonds Debt Service and Projected Debt Service Coverage*

[TABLE TO COME]

_____

* Preliminary, subject to change.

(1) Based on application of the Tobacco Settlement Revenues Projection Methodology and Assumptions described in "TOBACCO SETTLEMENT REVENUES PROJECTION METHODOLOGY AND BOND STRUCTURING ASSUMPTIONS" herein.

(2) Excludes application of the Clean-Up Call.

(3) Series 2021A Bonds Debt Service Coverage equals Net Revenues Available for Debt Service divided by Series 2021A Bonds Net Debt Service.

Projected Series 2021 Bonds Debt Service Schedule Incorporating Turbo Redemptions of the Series 2021B Bonds*

[TABLE TO COME]

_____

* Preliminary, subject to change.

(1) Based on application of the Tobacco Settlement Revenues Projection Methodology and Assumptions described in "TOBACCO SETTLEMENT REVENUES PROJECTION METHODOLOGY AND BOND STRUCTURING ASSUMPTIONS" herein.

(2) Includes application of the Clean-Up Call.

(3) Reflects Turbo Redemption of Series 2021B-2 Bonds at their then Accreted Value.

(4) Includes all Interest, Series 2021A Bonds principal and Fixed Sinking Fund Installments, Series 2021B Bonds Projected Turbo Redemptions, less assumed earnings and releases on the Senior Liquidity Reserve Account.

SERIES 2021B BONDS PROJECTED TURBO REDEMPTION UNDER VARIOUS CONSUMPTION DECLINE SCENARIOS

Series 2021B Bonds Projected Final Turbo Redemption Payment Dates Under Various Consumption Decline Scenarios

The following tables set forth the expected final redemption dates at which the Series 2021B Bonds would be paid in full based on the following cigarette consumption decline projections:

- IHS Global forecast;
- –[___]%* constant annual decline beginning in 2020 (for the Series 2021B-2 Bonds only);
- –[5.00]%* constant annual decline beginning in 2020 (for the Series 2021B-1 Bonds only);
- –[6.00]%* constant annual decline beginning in 2020 (for the Series 2021B-1 Bonds only);
- –[___]%* constant annual decline beginning in 2020 (for the Series 2021B-1 Bonds only);
- –[___]%* constant annual decline beginning in 2020 (for the Series 2021B-1 Bonds maturing in 2030* only).

The –[___]%*, –[___]%* and –[___]%* constant annual declines represent the "breakeven" consumption decline rates at which debt service on the Series 2021B Bonds maturing in 2060*, 2049* and 2030*, respectively, would be paid in full at legal final maturity. The tables below further assume the Series 2021B Bonds bear or accrete interest at the rates described on the inside front cover page hereof and the Tobacco Settlement Revenues are received in accordance with the Tobacco Settlement Revenues Projection Methodology and Assumptions and the Bond Structuring Methodology and Assumptions described herein under "TOBACCO SETTLEMENT REVENUES PROJECTION METHODOLOGY AND BOND STRUCTURING ASSUMPTIONS" and applied as set forth in the Indenture, including the application of amounts in the Turbo Redemption Account. See "SECURITY FOR THE BONDS" herein.

No assurance can be given that actual cigarette consumption in the U.S. will be as assumed, that actual County population during the term of the Series 2021 Bonds will be as assumed, or that the other assumptions underlying the Tobacco Settlement Revenues Projection Methodology and Assumptions, including the market shares of the OPMs and the SPMs and the assumption that there will not be an NPM Adjustment, will be consistent with future events. If actual events deviate from one or more of the assumptions underlying the Tobacco Settlement Revenues Projection Methodology and Assumptions and the Bond Structuring Methodology and Assumptions, the amount of funds available to the Authority to pay the principal or Accreted Value of and interest on the Series 2021 Bonds and to make Turbo Redemptions on the Series 2021B Bonds could be adversely affected. See "RISK FACTORS" herein.

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* Preliminary, subject to change.

Projected Principal Repayment Dates for Series 2021B Bonds
Under Various Consumption Decline Scenarios*

[TABLE TO COME]

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* Preliminary, subject to change.

(1) Based on application of the Tobacco Settlement Revenues Projection Methodology and Assumptions described under "TOBACCO SETTLEMENT REVENUES PROJECTION METHODOLOGY AND BOND STRUCTURING ASSUMPTIONS" herein.

(2) Based on application of the Tobacco Settlement Revenues Projection Methodology and Assumptions described under "TOBACCO SETTLEMENT REVENUES PROJECTION METHODOLOGY AND BOND STRUCTURING ASSUMPTIONS" herein with the exception of the Volume Adjustment, which utilizes the above listed annual declines in cigarette consumption in the U.S. beginning in 2020.

BREAKEVEN CONSUMPTION AND REVENUE DECLINE RATES BY MATURITY

The following table sets forth the "breakeven" constant annual rate of consumption decline at which each maturity of the Series 2021 Bonds would be paid in full at maturity.

The table below assumes that Tobacco Settlement Revenues are received based on the application of the Tobacco Settlement Revenues Projection Methodology and Assumptions and the Bond Structuring Methodology and Assumptions described herein under "TOBACCO SETTLEMENT REVENUES PROJECTION METHODOLOGY AND BOND STRUCTURING ASSUMPTIONS" with the exception that the Volume Adjustment utilizes the listed "breakeven" assumption for cigarette consumption in the U.S.

No assurance can be given that actual cigarette consumption in the U.S. will be as assumed, that actual County population during the term of the Series 2021 Bonds will be as assumed, or that the other assumptions underlying the Tobacco Settlement Revenues Projection Methodology and Assumptions, including the market shares of the OPMs and the SPMs and the assumption that there will not be an NPM Adjustment, will be consistent with future events. If actual events deviate from one or more of the assumptions underlying the Tobacco Settlement Revenues Projection Methodology and Assumptions, the amount of Tobacco Settlement Revenues available to the Authority to pay the principal or Accreted Value of and interest on the Series 2021 Bonds could be adversely affected. See "RISK FACTORS" herein.

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Series 2021 Bonds Consumption Decline Rates By Maturity*(1)(2)

[TABLE TO COME]

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* Preliminary, subject to change.

(1) Assumes the applicable subaccounts of the Senior Liquidity Reserve Account are used to pay debt service on each respective series of Series 2021 Bonds, as applicable, on or prior to the final maturity of such series without a payment default.

(2) Based on application of the Tobacco Settlement Revenues Projection Methodology and Assumptions described in "TOBACCO SETTLEMENT REVENUES PROJECTION METHODOLOGY AND BOND STRUCTURING ASSUMPTIONS" herein with the exception of the Volume Adjustment, which utilizes the above listed annual declines in cigarette consumption in the U.S. beginning in 2020.

Projected Series 2021 Bonds Debt Service Under a –[___]%* Constant Annual Cigarette Shipment Decline

Set forth below is a schedule showing the projected debt service on the Series 2021A Bonds and the Series 2021B Bonds calculated based on a –[___]%* constant annual "breakeven" consumption decline rate for the Series 2021B-2 Bonds.

[TABLE TO COME]

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* Preliminary, subject to change.

(1) Based on application of the Tobacco Settlement Revenues Projection Methodology and Assumptions described in "TOBACCO SETTLEMENT REVENUES PROJECTION METHODOLOGY AND BOND STRUCTURING ASSUMPTIONS" herein with the exception of the Volume Adjustment, which utilizes –[___]%* annual declines in cigarette consumption in the U.S. beginning in 2020.

(2) Includes application of the Clean-Up Call.

(3) Reflects Turbo Redemption of Series 2021B-2 Bonds at their then Accreted Value.

(4) Includes all Interest, Series 2021A Bonds principal and Fixed Sinking Fund Installments, Series 2021B Bonds Projected Turbo Redemptions, less assumed earnings and releases on the Senior Liquidity Reserve Account.

TOBACCO SETTLEMENT REVENUES PROJECTION METHODOLOGY AND BOND STRUCTURING ASSUMPTIONS

Introduction

The following discussion describes the methodology and assumptions used to project the amount of Tobacco Settlement Revenues to be received by the Authority (the "**Tobacco Settlement Revenues Projection Methodology and Assumptions**"), as well as the methodology and assumptions used to structure the Turbo Term Bond Maturities and Projected Turbo Redemptions for the Series 2021B Bonds (the "**Bond Structuring Methodology and Assumptions**").

The assumptions set forth herein are only assumptions, and no guarantee can be made as to the ultimate outcome of certain events assumed herein. Actual results will differ from those assumed, and any such difference could have a material effect on the receipt of Tobacco Settlement Revenues. See "RISK FACTORS" herein. The discussions are followed by a table of projected Tobacco Settlement Revenues to be received by the Trustee.

In projecting the amount of Tobacco Settlement Revenues to be received by the Trustee, (a) the forecast of cigarette consumption in the U.S. developed by IHS Global and contained within the Tobacco Consumption Report is assumed to represent actual cigarette shipments measured pursuant to the MSA for the years covered by the report, (b) the forecast developed by the California State Department of Finance and published on its website as of the date hereof at http://www.dof.ca.gov/Forecasting/Demographics/Projections/ under the title "P-1: State Population Projections (2010-2060) – Total Population by County (1-year increments)" (the "**Population Forecast**") is assumed to represent the population of the State and the County to be determined by the 2020, 2030, 2040 and 2050 Official United States Decennial Census, and (c) such forecasts are applied to calculate Annual Payments to be made by the PMs pursuant to the MSA. See "RISK FACTORS—Risks Relating to the Tobacco Consumption Report" and "—Potential Payment Adjustments for Population Changes Under the MOU and the ARIMOU" herein. The calculation of payments required to be made was performed in accordance with the terms of the MSA, the MOU and the ARIMOU; however, as described below, certain further assumptions were made with respect to shipments of cigarettes in the U.S. and the applicability to such payments of certain adjustments and offsets set forth in the MSA (including an assumption that there will not be an NPM Adjustment). Such further assumptions may differ materially from the actual information utilized by the MSA Auditor in calculating payments due under the MSA as adjusted by the NPM Adjustment Settlement.

It was assumed, among other things described below, that:

- the PMs make all payments required to be made by them pursuant to the MSA,
- the aggregate Market Share of the OPMs remains constant throughout the forecast period at 81.36127%, based on the NAAG-reported OPM shipments as a percentage of total net market shipments in sales year 2019 (measuring roll-your-own shipments at 0.0325 ounces per cigarette conversion rate), and
- the aggregate Market Share of the SPMs remains constant at 10.22611%, based on the NAAG-reported market share for SPMs in sales year 2019 (measuring roll-your-own shipments at 0.09 ounces per cigarette conversion rate).

Tobacco Settlement Revenues Projection Methodology and Assumptions

Cigarette Shipments under the MSA

In applying the consumption forecast from the Tobacco Consumption Report, it was assumed that U.S. cigarette consumption forecasted by IHS Global was equal to the number of cigarettes shipped in and to the U.S., the District of Columbia and Puerto Rico, which, when adjusted by the aggregate OPM Market Share, is the number used to determine the Volume Adjustment. The Tobacco Consumption Report states that the quantities of cigarettes shipped and cigarettes consumed may not match at any given point in time as a result of various factors, such as inventory adjustments, but are substantially the same when compared over a period of time. IHS Global's forecast

for U.S. cigarette consumption is set forth in the Tobacco Consumption Report in APPENDIX A—"TOBACCO CONSUMPTION REPORT." The Tobacco Consumption Report contains a discussion of the assumptions underlying the projections of cigarette consumption contained therein. No assurance can be given that future consumption will be consistent with that projected in the Tobacco Consumption Report. See "RISK FACTORS – Risks Relating to the Tobacco Consumption Report."

Annual Payments

In accordance with the Tobacco Settlement Revenues Projection Methodology and Assumptions, the anticipated amounts of Annual Payments for the years 2021-2060 to be made by the OPMs were calculated by applying the adjustments applicable to the base amounts of Annual Payments set out in the MSA, in order, as described below. The anticipated amounts of Annual Payments for the years 2021-2060 to be made by the SPMs were calculated by (i) multiplying the base amounts of Annual Payments by the Adjusted SPM Market Share (as described below) and (ii) then applying the adjustments applicable to the Annual Payments for SPMs set out in the MSA, in order, as described below.

Inflation Adjustment. First, the Inflation Adjustment was applied to the schedule of base amounts for the Annual Payments set forth in the MSA. The inflation adjustment rate is compounded annually at the greater of 3.0% or the percentage increase in the actual Consumer Price Index for all Urban Consumers ("**CPI-U**") in the prior calendar year as published by the Bureau of Labor Statistics (released each January). The calculations of Annual Payments assume the minimum Inflation Adjustment Percentage provided in the MSA of 3.0% in every year since inception, except for calendar years 2000, 2004, 2005, and 2007 where the actual percentage increases in CPI-U of approximately 3.387%, 3.256%, 3.416%, and 4.081%, respectively, were used. Thereafter, the annual Inflation Adjustment Percentage was assumed to be the 3.0% minimum provided in the MSA. See "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT—Adjustments to Payments—Inflation Adjustment" for a description of the formula used to calculate the Inflation Adjustment.

Volume Adjustment. Next, the Annual Payments calculated after application of the Inflation Adjustment were adjusted for the Volume Adjustment by multiplying the forecast for U.S. cigarette consumption contained in the Tobacco Consumption Report by the assumed aggregate Market Share of the OPMs (81.36127% as described above). No add-back or benefit was assumed from any Income Adjustment. See "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT—Adjustments to Payments—Volume Adjustment" for a description of the formula used to calculate the Volume Adjustment.

Previously Settled States Reduction. Next, the amounts calculated for each year after application of the Inflation Adjustment and the Volume Adjustment were reduced by the Previously Settled States Reduction, which applies only to the payments owed by the OPMs. The Previously Settled States Reduction is not applicable to Annual Payments owed by the SPMs. The Previously Settled States Reduction is 11.0666667% for each year.

Non-Settling States Reduction. The Non-Settling States Reduction was not applied to the Annual Payments because such reduction has no effect on the amount of payments to be received by states that remain parties to the MSA. Thus, the Tobacco Settlement Revenues Projection Methodology and Assumptions include an assumption that the State will remain a party to the MSA.

NPM Adjustment. The Tobacco Settlement Revenues Projection Methodology and Assumptions include an assumption that the State has diligently enforced and will diligently enforce a Qualifying Statute that is not held to be unenforceable, and, except as described in the immediately following sentences, the NPM Adjustment is assumed not to reduce Annual Payments. In accordance with the 2018-2022 NPM Adjustments Settlement Agreement, the State has agreed to transition year payment adjustments relating to sales years 2018-2022 equal to 25% of the State's Allocable Share of the Potential Maximum NPM Adjustment (as defined in the NPM Adjustment Settlement Agreement) for such years, which will result in credits against each PM's annual MSA payment due in 2021-2025, respectively. It is further assumed that with respect to sales years 2018 and 2019 the PMs have previously withheld from the State's Annual Payments due in 2019 and 2020, respectively, amounts equal to their payment credits for such sales years. Therefore, it is assumed that (i) the Annual Payments due in 2021 and 2022 will not be reduced, as the release of amounts previously withheld by the PMs will equally offset the PMs' payment credits in such years and (ii) the Annual Payments due in 2023-2025 will be reduced by 25% of the Potential Maximum NPM Adjustment for sales

years 2020-2022, respectively. It is further assumed that the Potential Maximum NPM Adjustment for sales years 2020-2022 is equal to 18.24% of the Annual Payment due in such years. For a discussion of the NPM Adjustment Settlement Agreement, see "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT—NPM Adjustment Claims and NPM Adjustment Settlement—*NPM Adjustment Settlement*" (see also APPENDIX C-1 — "NPM ADJUSTMENT SETTLEMENT AGREEMENT," APPENDIX C-2 — "2016 AND 2017 NPM ADJUSTMENTS SETTLEMENT AGREEMENT" and APPENDIX C-3 — "2018 THROUGH 2022 NPM ADJUSTMENTS SETTLEMENT AGREEMENT" for a copy of the NPM Adjustment Settlement Agreement and related extension settlements), and for a discussion of the State's Qualifying Statute, which is the Model Statute, see "STATE LAWS RELATED TO THE MSA—California Qualifying Statute."

Offset for Miscalculated or Disputed Payments. The Tobacco Settlement Revenues Projection Methodology and Assumptions include an assumption that there will be no adjustments to the Annual Payments due to miscalculated or disputed payments.

Litigating Releasing Parties Offset. The Tobacco Settlement Revenues Projection Methodology and Assumptions include an assumption that the Litigating Releasing Parties Offset will have no effect on payments.

Offset for Claims-Over. The Tobacco Settlement Revenues Projection Methodology and Assumptions include an assumption that the Offset for Claims-Over will have no effect on payments.

Subsequent Participating Manufacturers. The Tobacco Settlement Revenues Projection Methodology and Assumptions treat the SPMs as a single manufacturer having executed the MSA on or prior to February 22, 1999 for purposes of calculating Annual Payments under Section IX(i) of the MSA. Further, the Market Share (as defined in the MSA) of the SPMs remains constant at 10.22611% (measuring roll your own cigarettes at 0.09 ounces per cigarette conversion rate) as described above. Because the 10.22611% Market Share exceeds the greater of (i) the SPM's 1998 Market Share or (ii) 125% of its 1997 Market Share, the SPMs are assumed to make Annual Payments in each year. For purposes of calculating Annual Payments owed by the SPMs, their aggregate adjusted Market Share ("**Adjusted SPM Market Share**") is equal to (y) the SPM Market Share (assumed at 10.22611%) less the Base Share (assumed at 3.63656%) divided by (z) the aggregate Market Share of the OPMs at 81.26878% (measuring roll your own cigarettes at 0.09 ounces per cigarette conversion rate), or 8.108340%.

Allocation Percentage for the State of California Under the MSA. The amount of Annual Payments, after application of the Inflation Adjustment, the Volume Adjustment and the Previously-Settled States Reduction for each year, was multiplied by the allocation percentage for Annual Payments for the State under the MSA (12.7639554%) in order to determine the amount of Annual Payments in each year to be made by the PMs to be allocated to the State.

Current Allocation Percentage for the County Under the MOU and the ARIMOU. 45% of the State's receipts of Annual Payments under the MSA are allocated to the State's counties under the MOU and the ARIMOU. Each county receives its allocation of the 45% based upon the county's population relative to the population of the State according to the then most recent Official United States Decennial Census. According to the 2010 Official United State Decennial Census, the County had a population of 1,418,788 and the State had a population of 37,253,956, which currently results in the County receiving an allocation of 1.713790% of the State's Annual Payments (1,418,788 ÷ 37,253,956 × 0.45 = 1.713790%).

Future Allocation Percentage for the County Under the MOU and the ARIMOU — Population Adjustment. By law, the Official United States Decennial Census is required to be published by March 31 of the calendar year following each census. It is therefore assumed that the next succeeding ten Annual Payments following such publication will reflect a revised County population adjustment. Based on the Population Forecast, the percentage of the State's Annual Payments allocated to the County from 2021-2060 will be as follows: [CHECK FOR DEPARTMENT OF FINANCE PROJECTION UPDATE]

Official United States Decennial Census	*Application to Annual Payments Beginning*	*Department of Finance Projection: County*	*Department of Finance Projection: State*	*Portion of State's Annual Payments Allocated to the County*

2020	2021	1,567,975	40,129,160	1.758294%
2030	2031	1,697,555	42,263,654	1.807463%
2040	2041	1,799,258	43,946,643	1.842384%
2050	2051	1,876,422	44,856,461	1.882426%

California Escrow Agent Fees. The annual California Escrow Agent Fee (assumed to be $36,000) is assumed to be allocated among the Participating Jurisdictions, including the County, under the MOU and the ARIMOU based upon their then allocable payment percentages. Therefore, it is assumed that [$632.99 is deducted from the County's allocation of Annual Payments in 2021-2030, $650.69 in 2031-2040, $663.26 in 2041-2050 and $677.67 in 2051-2060].

Receipt and Application of Tobacco Settlement Revenues

It is assumed that the Trustee will receive Tobacco Settlement Revenues ten days after April 15 in each year, commencing in 2021, and will apply receipts, together with interest earnings in the Accounts held by the Trustee, as provided in the Indenture. See "SECURITY FOR THE BONDS—Flow of Funds."

Projection of Tobacco Settlement Revenues to be Received by the Trustee

The following table shows the projection of Tobacco Settlement Revenues to be received by the Trustee in each year through 2060, calculated in accordance with the Tobacco Settlement Revenues Projection Methodology and Assumptions and using the forecast contained within the Tobacco Consumption Report and the Department of Finance's Population Forecast. The forecast contained within the Tobacco Consumption Report for U.S. cigarette consumption is set forth in APPENDIX A—"TOBACCO CONSUMPTION REPORT" attached hereto. See APPENDIX A hereto for a discussion of the assumptions underlying the projection of cigarette consumption contained in the Tobacco Consumption Report. See also "RISK FACTORS—Risks Relating to the Tobacco Consumption Report." The Department of Finance's Population Forecast is described in "DEPARTMENT OF FINANCE POPULATION FORECAST." See also "RISK FACTORS—Potential Payment Adjustments for Population Changes Under the MOU and the ARIMOU."

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Projection of Tobacco Settlement Revenues to be Received by the Trustee*

[TABLE TO COME]

_____

* Preliminary, subject to change.

Bond Structuring Methodology and Assumptions

The Bond Structuring Methodology and Assumptions of the Series 2021 Bonds and the forecast contained within the Tobacco Consumption Report and the Department of Finance's Population Forecast were applied to the projections of Tobacco Settlement Revenues described above. See "SUMMARY OF THE TOBACCO CONSUMPTION REPORT", APPENDIX A—"TOBACCO CONSUMPTION REPORT" and "DEPARTMENT OF FINANCE POPULATION FORECAST." See also "RISK FACTORS—Risks Relating to the Tobacco Consumption Report" and "—Potential Payment Adjustments for Population Changes Under the MOU and the ARIMOU."

The Bond Structuring Methodology and Assumptions are as follows:

Delivery Date

The Series 2021 Bonds are assumed to be delivered on January __, 2021.

Issue Size

The objective in issuing the Series 2021 Bonds is to provide proceeds in an amount, together with other available funds, sufficient to: (1) refund [all][a portion] of the Series 2005 Bonds by establishing an irrevocable escrow for the defeasance and redemption of such Series 2005 Bonds, (2) fund the Class 1 Senior Liquidity Reserve Subaccount for the Series 2021A Bonds and the Class 2 Senior Liquidity Reserve Subaccount for the Series 2021B-1 Bonds, and (3) pay the costs of issuance of the Series 2021 Bonds.

Maturity Dates

The stated maturity dates of the Series 2021 Bonds are set forth on the inside front cover page hereof.

Mandatory Redemptions of Outstanding Bonds

All mandatory redemptions of the Series 2021 Bonds, including Turbo Redemptions of the Series 2021B Bonds and the mandatory clean-up call redemption of the Series 2021B Bonds, are assumed to be made on June 1 in any year to the extent that sufficient Collateral is available therefor.

Interest Rates

The Series 2021 Bonds bear or accrete interest at the rates shown on the inside front cover page hereof. Interest is calculated on the basis of a 360-day year consisting of twelve 30-day months.

Senior Liquidity Reserve Account

The Class 1 Senior Liquidity Reserve Subaccount will be fully funded on the Closing Date at the Class 1 Senior Liquidity Reserve Requirement of $[_____][*]. The Class 2 Senior Liquidity Reserve Subaccount will be fully funded on the Closing Date at the Class 2 Senior Liquidity Reserve Requirement of $[_____][*].

Operating Expense Assumptions

Annual Operating Expenses of the Authority have been assumed at $200,000 through the Fiscal Year ending June 30, 2021 (the Operating Cap for such year) and are assumed to be inflated in each year thereafter by 3%. No Operating Expenses are assumed in excess of the annual Operating Cap, and no arbitrage payments, rebate or penalties were assumed to be paid since it has been assumed that the yield on the invested bond proceeds of the Series 2021 Bonds will not exceed the arbitrage yield on the [outstanding Series 2005 Bonds and the] Series 2021 Bonds. Further,

[*] Preliminary, subject to change.

it is assumed that the Authority will have sufficient funds on deposit in the Operating Account as of the Closing Date to fund its Operating Expenses through Fiscal Year [2021].

Senior Debt Service Account

[As of the Closing Date, no amounts will be on deposit in the Senior Debt Service Account.]

Interest Earnings

Amounts on deposit in the Senior Liquidity Reserve Account are assumed to be invested at a rate of 0.25% per annum with earnings distributed semi-annually on each June 1 and December 1. Amounts in all other Accounts under the Indenture are assumed to be invested at a rate of 0.00% per annum. No interest earnings have been assumed on the Annual Payments prior to the time it is assumed they will be received by the Trustee.

Miscellaneous

The Tobacco Settlement Revenues Projection Methodology and Assumptions assume that there is no optional redemption of the Series 2021 Bonds, that no Event of Default occurs, and that no PM makes a Lump Sum Payment or Total Lump Sum Payment under the MSA. It is further assumed that all Distribution Dates occur on the first day of each June and December, whether or not such date is a Business Day.

No assurance can be given that actual cigarette consumption in the United States during the term of the Series 2021 Bonds will be as assumed, that actual County population during the term of the Series 2021 Bonds will be as assumed, or that the other assumptions underlying the Tobacco Settlement Revenues Projection Methodology and Assumptions and Bond Structuring Methodology and Assumptions, including that certain adjustments (including the NPM Adjustment) and offsets will not apply to payments due under the MSA, will be consistent with future events. If actual events deviate from one or more of the assumptions underlying the Tobacco Settlement Revenues Projection Methodology and Assumptions and Bond Structuring Methodology and Assumptions, the amount of funds available to the Authority to pay the principal or Accreted Value of and interest on the Series 2021 Bonds and to make Turbo Redemptions on the Series 2021B Bonds could be adversely affected. See "RISK FACTORS" and "LEGAL CONSIDERATIONS" herein.

RISK FACTORS

The Series 2021 Bonds differ from many other state and local governmental securities in a number of respects. Prospective investors should carefully consider the factors set forth below regarding an investment in the Series 2021 Bonds, as well as the other information contained in this Offering Circular. One or a combination of the risk factors set forth below, and other risks, may materially adversely affect the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full, and could have a material adverse effect on the liquidity and/or market value of the Series 2021 Bonds.

*The discussion of certain risks has been compiled from certain publicly available documents of the tobacco companies and their current or former parent companies, certain publicly available analyses of the domestic tobacco industry and other public sources. Certain of those companies currently file annual, quarterly and certain other reports with the Securities and Exchange Commission (the "**SEC**"). Such reports are available on the SEC's website (www.sec.gov) and upon request from the SEC's Investor Information Service, 100 F Street, NE, Washington, D.C. 20549 (phone: (800) SEC-0330 or (202) 551-8090; e-mail: publicinfo@sec.gov). To the extent that any risk discussed in this section describes the domestic tobacco industry and litigation relating thereto, the Authority does not warrant the accuracy or completeness of such information.*

The risks set forth herein do not comprise all of the risks associated with the Tobacco Settlement Revenues, nor does the order of presentation necessarily reflect the relative importance of the various and separate risks. Certain general categories of risks discussed below include, among others, payment decreases under the terms of the MSA and the NPM Adjustment Settlement, declines in cigarette consumption, federal and state regulation, alternative tobacco products, litigation and bankruptcy. There can be no assurance that other risk factors will not become

material in the future. See also "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT," "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY," APPENDIX A – "TOBACCO CONSUMPTION REPORT," APPENDIX C-1 — "NPM ADJUSTMENT SETTLEMENT AGREEMENT," APPENDIX C-2 — "2016 AND 2017 NPM ADJUSTMENTS SETTLEMENT AGREEMENT" and APPENDIX C-3 — "2018 THROUGH 2022 NPM ADJUSTMENTS SETTLEMENT AGREEMENT." Additional risk factors are set forth in "LEGAL CONSIDERATIONS."

Payment Decreases Under the Terms of the MSA

Adjustments to MSA Payments

The MSA provides that the amounts payable by the PMs are subject to numerous adjustments, offsets and recalculations, some of which are material, including without limitation, the NPM Adjustment discussed below. Any such adjustment could trigger the Offset for Miscalculated or Disputed Payments. See "— Disputed MSA Payments and Potential for Significant Future Year Offsets to MSA Payments" and "— NPM Adjustment" below for a description of disputes concerning MSA payments and the calculation thereof, including a settlement that the State and certain other Settling States entered into regarding the NPM Adjustment. Any such adjustments, offsets and recalculations could materially adversely affect the amount and/or timing of the Tobacco Settlement Revenues and the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full.

An amendment to the MSA (as described further herein, the "**PSS Credit Amendment**") has been proposed that would allow SPMs to elect to receive a reduction in their MSA payments in an amount equal to a percentage of the fees paid to Previously Settled States pursuant to state legislation in the Previously Settled States requiring tobacco product manufacturers that did not sign onto the Previously Settled State Settlements to pay a fee to such Previously Settled States. By its terms, the PSS Credit Amendment will only take effect if and when all Settling States having aggregate Allocable Shares equal to at least 99.937049% (the equivalent of the aggregate Allocable Share of the 46 states that are Settling States), and all OPMs and Commonwealth Brands, Inc., have executed the PSS Credit Amendment. No assurance can be given as to if or when such an amendment will take effect. Further, no assurance can be given as to whether the PSS Credit Amendment, if and when it takes effect, will reduce the amount of Tobacco Settlement Revenues available to the Authority to pay debt service on the Series 2021 Bonds. See "RISK FACTORS—Other Risks Relating to the MSA and Related Statutes—Amendments, Waivers and Termination," "RISK FACTORS—Reliance on State Enforcement of the MSA; State Impairment," "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT—Adjustments to Payments—Previously Settled States Reduction—PSS Credit Amendment" and "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT—NPM Adjustment Claims and NPM Adjustment Settlement—*NPM Adjustment Settlement*." See also "SECURITY FOR THE BONDS – Non-Impairment Covenants" herein.

Disputed MSA Payments and Potential for Significant Future Year Offsets to MSA Payments

Disputes concerning Annual Payments (as well as Strategic Contribution Payments) and their calculations may be raised up to four years after the respective Payment Due Date (as defined in the MSA). The resolution of disputed payments that arise in prior years may result in the application of offsets against subsequent payments. Disputes could result in the future diversion of disputed payments to the Disputed Payments Account under the MSA (the "**DPA**"), the withholding of all or a portion of any disputed amounts, or the application of offsets against future payments. Any such disputes or the resolution thereof could materially adversely affect the amount and/or timing of the Tobacco Settlement Revenues and the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full.

Miscalculations or recalculations by the MSA Auditor or disputed calculations by any of the parties to the MSA have resulted and could in the future result in offsets to, or delays in disbursements of, payments to the Settling States pending resolution of the disputed item in accordance with the provisions of the MSA, which could materially adversely affect the amount and/or timing of the Tobacco Settlement Revenues and the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full. See "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT—Adjustments to Payments—*Offset for Miscalculated or Disputed Payments*."

The cash flow assumptions used to prepare the debt service coverage table herein do not factor in an offset for miscalculated or disputed payments or any release of funds currently held in the DPA, and include an assumption that there will not be an NPM Adjustment. Adjustments in future Tobacco Settlement Revenues, including adjustments pursuant to the NPM Adjustment Settlement described below, could be different from those projected. See "TOBACCO SETTLEMENT REVENUES PROJECTION METHODOLOGY AND BOND STRUCTURING ASSUMPTIONS," APPENDIX C-1 — "NPM ADJUSTMENT SETTLEMENT AGREEMENT," APPENDIX C-2 — "2016 AND 2017 NPM ADJUSTMENTS SETTLEMENT AGREEMENT" and APPENDIX C-3 — "2018 THROUGH 2022 NPM ADJUSTMENTS SETTLEMENT AGREEMENT."

NPM Adjustment

General. One of the adjustments under the MSA is the "**NPM Adjustment**," which operates in certain circumstances to reduce the payments of the PMs under the MSA in the event of losses in Market Share by PMs (who are subject to the payment obligations and marketing restrictions of the MSA) to non-participating manufacturers ("**NPMs**") (who are not subject to such obligations and restrictions), during a calendar year as a result of such PMs' participation in the MSA. Under the MSA, three conditions must be met in order to trigger an NPM Adjustment for one or more Settling States: (1) a Market Share loss for the applicable year must exist (as described herein); (2) a nationally recognized firm of economic consultants must determine that the disadvantages experienced as a result of the provisions of the MSA were a "significant factor" contributing to the Market Share loss for the year in question; and (3) the Settling States in question must be found to not have diligently enforced their Qualifying Statutes. If the PMs make a claim for an NPM Adjustment for any particular year and a Settling State is determined to be one of a few states (or the only state) not to have diligently enforced its Qualifying Statute in such year, the amount of the NPM Adjustment applied to such Settling State in the year following such determination could be as great as the amount of Annual Payments that could otherwise have been received by such Settling State in such year.

NPM Adjustment Settlement. On December 17, 2012, terms of a settlement were agreed to in the form of a term sheet (the "**NPM Adjustment Settlement Term Sheet**") by 19 jurisdictions (including the State), the OPMs and certain SPMs regarding claims related to the 2003 through 2012 NPM Adjustments and the determination of subsequent NPM Adjustments. Subsequently, seven additional jurisdictions (Oklahoma, Connecticut, South Carolina, Indiana, Kentucky, Rhode Island and Oregon) joined the NPM Adjustment Settlement Term Sheet. On October 10, 2017, a final settlement agreement (the "**NPM Adjustment Settlement Agreement**") became effective, incorporating the terms of, and superseding, the NPM Adjustment Settlement Term Sheet, and also providing for settlement of claims related to the 2013 through 2015 NPM Adjustments. According to Altria Group, Inc. ("**Altria**", the parent company of Philip Morris) in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, 10 additional jurisdictions (Alaska, Colorado, Delaware, Hawaii, Maine, North Dakota, Pennsylvania, South Dakota, Utah and Vermont) joined the NPM Adjustment Settlement Agreement in 2018, settling disputes related to the 2004-2017 NPM Adjustments. On various dates between June 14, 2018 and November 27, 2018, the initial 26 jurisdictions (including the State) that had joined the NPM Adjustment Settlement Agreement, and 39 tobacco manufacturers (including Philip Morris, Reynolds Tobacco, Liggett, Imperial Tobacco, and Lorillard), executed the 2016 and 2017 NPM Adjustments Settlement Agreement (the "**2016 and 2017 NPM Adjustments Settlement Agreement**"), providing for settlement of disputes related to the 2016-2017 NPM Adjustments, as further described below. In the first quarter of 2020, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, the PMs' settlement with Pennsylvania (one of the 10 jurisdictions that joined the NPM Adjustment Settlement Agreement in 2018) was extended to include NPM Adjustments for 2018-2024. In the third quarter of 2020, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, the initial 26 jurisdictions that joined the NPM Adjustment Settlement Agreement (including the State), along with the remaining 9 jurisdictions that joined the NPM Adjustment Settlement Agreement in 2018, and the signatory tobacco manufacturers, executed the 2018 Through 2022 NPM Adjustments Settlement Agreement (the "**2018-2022 NPM Adjustments Settlement Agreement**"), providing for settlement of disputes related to the 2018-2022 NPM Adjustments, as further described below. The signatory jurisdictions to the NPM Adjustment Settlement Term Sheet, the NPM Adjustment Settlement Agreement and related joinder agreements, the 2016 and 2017 NPM Adjustments Settlement Agreement and the 2018-2022 NPM Adjustments Settlement Agreement, as applicable, are referred to herein as the "**NPM Adjustment Settlement Signatories**", and the settlement effected by the NPM Adjustment Settlement Term Sheet, the NPM Adjustment Settlement Agreement and related joinder agreements, the 2016 and 2017 NPM Adjustments Settlement Agreement and the 2018-2022 NPM Adjustments Settlement Agreement, as applicable, is referred to herein as the "**NPM Adjustment Settlement**."

On March 12, 2013, a three-judge panel that was selected to arbitrate the 2003 NPM Adjustment claims (the "**Arbitration Panel**") issued a Stipulated Partial Settlement and Award (the "**NPM Adjustment Stipulated Partial Settlement and Award**"), in which it ruled that the NPM Adjustment Settlement Term Sheet was binding on the signatory jurisdictions and directed PricewaterhouseCoopers LLP, the independent auditor under the MSA (the "**MSA Auditor**"), to implement the terms of the NPM Adjustment Settlement Term Sheet. The Arbitration Panel concluded in the NPM Adjustment Stipulated Partial Settlement and Award that neither the NPM Adjustment Stipulated Partial Settlement and Award nor the NPM Adjustment Settlement Term Sheet constitutes an amendment to the MSA that would require the consent of any non-signatory jurisdiction. No assurance can be given, however, that a court would not hold that the NPM Adjustment Stipulated Partial Settlement and Award and the NPM Adjustment Settlement constitute amendments to the MSA. See "—Other Risks Relating to the MSA and Related Statutes—*Amendments, Waivers and Termination*" and "—*Reliance on State Enforcement of the MSA; State Impairment*."

Under the NPM Adjustment Settlement, each of the then NPM Adjustment Settlement Signatories received in connection with the April 2013 MSA payment its allocable share of over $4.7 billion then on deposit in the DPA (for a total of approximately $1.76 billion plus earnings released to the NPM Adjustment Settlement Signatories from the DPA). In addition, under the NPM Adjustment Settlement, PMs received certain reductions and credits in April 2013 through April 2017, as described herein, to reflect a percentage of the NPM Adjustment Settlement Signatories' aggregate share of the 2003 through 2012 NPM Adjustment claims that were settled and to reflect a percentage of the NPM Adjustment Settlement Signatories' aggregate share of the NPM Adjustment claims for transition years 2013-2014. PMs received a reduction in April 2018 to reflect a percentage of the NPM Adjustment Settlement Signatories' aggregate share of the NPM Adjustment claim for 2015, which, in October 2017, the PMs and the NPM Adjustment Settlement Signatories agreed pursuant to the NPM Adjustment Settlement Agreement to settle as a transition year. PMs received a reduction in April 2019 to reflect a percentage of the NPM Adjustment Settlement Signatories' aggregate share of the NPM Adjustment claim for 2016, and received a reduction in April 2020 to reflect a percentage of the NPM Adjustment Settlement Signatories' aggregate share of the NPM Adjustment claim for 2017, each of which sales years were settled under the 2016 and 2017 NPM Adjustments Settlement Agreement described below. PMs will receive reductions in April 2021-2025 (with respect to the MSA payments payable to the initial 26 jurisdictions, including the State, to have executed the NPM Adjustment Settlement Agreement, and in April 2022-2026 with respect to the MSA payments payable to any additional signatories to the 2018-2022 NPM Adjustments Settlement Agreement) to reflect a percentage of the NPM Adjustment Settlement Signatories' aggregate share of the NPM Adjustment claims for 2018-2022, respectively, each of which sales years were settled under the 2018-2022 NPM Adjustments Settlement Agreement described below.

Pursuant to the 2016 and 2017 NPM Adjustments Settlement Agreement, the disputes relating to the 2016-2017 NPM Adjustments were settled, providing for the following adjustments to the NPM Adjustments. First, the PM's Annual Payments made for the benefit of the states signatory to the 2016 and 2017 NPM Adjustments Settlement Agreement (the "**2016-17 Settlement Signatory States**") are not subject to downward adjustment pursuant to Section V.B of the NPM Adjustment Settlement Agreement (the "**Section V.B Adjustment**") relating to Non-Compliant NPM Cigarettes (as defined herein) for the 2015 sales year. See "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT—NPM Adjustment Claims and NPM Adjustment Settlement—*NPM Adjustment Settlement*." Second, in lieu of the 2016 NPM Adjustment and the 2017 NPM Adjustment (as defined in the NPM Adjustment Settlement Agreement), the PMs received, as applicable to the 2016-17 Settlement Signatory States, the following adjustments applied to their MSA payments due April 16, 2019 (with respect to the 2016 NPM Adjustment) and April 16, 2020 (with respect to the 2017 NPM Adjustment): (A) an aggregate adjustment applicable to Annual Payments, subject to quarterly recognition provisions under the NPM Adjustment Settlement Agreement, equal to 25% of the Potential Maximum 2016 NPM Adjustment and 2017 NPM Adjustment applicable to Annual Payments and to Strategic Contribution Payments (as applicable) multiplied by the aggregate Allocable Share of all 2016-17 Settlement Signatory States. Such aggregate amount is allocated to the PMs as provided in the 2016 and 2017 NPM Adjustments Settlement Agreement, and is allocated solely to and among the 2016-17 Settlement Signatory States, in proportion to their Allocable Shares and Strategic Contribution Payments Allocable Shares, as applicable; and (B) the amounts of the adjustments pursuant to clause (A) immediately above are determined based on the Market Share Loss for 2016 and the Potential Maximum NPM Adjustment for 2016, and the Market Share Loss for 2017 and the Potential Maximum NPM Adjustment for 2017, as applicable, as determined by the MSA Auditor in the latest Final Calculation or Revised Final Calculation preceding the April 16, 2018 Payment Due Date and the April 15, 2019 Payment Due Date, respectively, and are not subject to the Section V.B Adjustment for the 2016 sales year. Capitalized terms used in this paragraph and not defined have the meanings given in the 2016 and 2017 NPM Adjustments Settlement

Agreement. See APPENDIX C-2 — "2016 AND 2017 NPM ADJUSTMENTS SETTLEMENT AGREEMENT" for a copy of the 2016 and 2017 NPM Adjustments Settlement Agreement.

Pursuant to the 2018-2022 NPM Adjustments Settlement Agreement, the disputes relating to the 2018-2022 NPM Adjustments were settled, and sales years 2018-2022 were added as transition years as described in section V of the NPM Adjustment Settlement Agreement. The states that execute the 2018-2022 NPM Adjustments Settlement Agreement (the "**2018-2022 Settlement Signatory States**") will not be subject to the NPM Adjustment for sales years 2018-2022 (resulting in certain amounts released to the 2018-2022 Settlement Signatory States on or before the April 2021 MSA payment date relating to the 2018 NPM Adjustment claims and on or before the April 2022 MSA payment date relating to the 2019 NPM Adjustment claims, and resulting in no withholdings by the PMs in payment years 2020-2022 with respect to 2018-2022 Settlement Signatory States), and the PMs will receive credits relating to sales years 2018-2022 as described as follows. In lieu of the 2018 through 2022 NPM Adjustments with respect to sales years 2018-2022 applicable to the 2018-2022 Settlement Signatory States, each PM will receive a transition year adjustment to its Annual Payment in payment years 2021-2025, respectively, with respect to the initial 26 jurisdictions, including the State, that executed the NPM Adjustment Settlement Agreement, and in payment years 2022-2026, respectively, with respect to any additional signatories to the 2018-2022 NPM Adjustments Settlement Agreement, allocated solely to and among the respective 2018-2022 Settlement Signatory States as they direct. As to each PM, the amount of its transition year adjustment credit for a sales year applied in a given payment year shall equal the product of (a) the Potential Maximum NPM Adjustment allocated to that PM (as calculated by the MSA Auditor in the Final Notice for such sales year as revised in the year immediately preceding application of the credit, but which shall not change regardless of any subsequent revision of the Final Notice by the MSA Auditor), (b) the aggregate Allocable Share of the applicable group of 2018-2022 Settlement Signatory States (for example, the initial 26 jurisdictions that executed the NPM Adjustment Settlement Agreement), and (c) 25%. For each of the 2018-2022 transition years, the adjustment for SET-Paid NPM Sales will continue to apply and the adjustment for Non-SET-Paid NPM Sales will not apply. Capitalized terms used in this paragraph and not defined have the meanings given in the 2018-2022 NPM Adjustments Settlement Agreement. See APPENDIX C-3 — "2018 THROUGH 2022 NPM ADJUSTMENTS SETTLEMENT AGREEMENT" for a copy of the 2018-2022 NPM Adjustments Settlement Agreement. In connection with its execution of the 2018-2022 NPM Adjustments Settlement Agreement, the State of California signed the optional Document Production Agreement, Bootleg Agreement, Reporting Agreement and Tribal Compacting Agreement contained as exhibits to the 2018-2022 NPM Adjustments Settlement Agreement.

The NPM Adjustment Settlement also details the determination of NPM Adjustments for the NPM Adjustment Settlement Signatories for sales years subsequent to those that were settled. Under the NPM Adjustment Settlement, for state cigarette excise tax-paid NPM sales of "non-compliant NPM cigarettes" (defined in the NPM Adjustment Settlement, with certain exceptions, as any NPM cigarette on which state cigarette excise tax was paid but for which escrow is not deposited as required by the Model Statute, either by payment by the NPM or by collection upon a bond, or for which escrow was impermissibly released or refunded), the adjustment of PM payments due from signatory PMs is three times the per-cigarette escrow deposit rate contained in the Model Statute for the year of the sale, including the inflation adjustment in the statute (subject to a safe harbor). For NPM sales for which state cigarette excise tax was not paid, the total NPM Adjustment liability, if any, of each NPM Adjustment Settlement Signatory under the original formula for a year would be reduced by a percentage, as described herein.

The NPM Adjustment Settlement provides that the arbitration regarding NPM Adjustment Settlement Signatories' diligent enforcement for a specified year will not commence until the diligent enforcement arbitration for such year begins as to NPM Adjustment Settlement Non-Signatories (as defined below) (with an exception for an accelerated schedule as described therein). In the interim, pending the ultimate outcome of the applicable proceedings with respect to NPM Adjustments, the signatory PMs will deposit into the DPA on the next April's MSA payment date the NPM Adjustment Settlement Signatories' aggregate Allocable Share of the potential maximum NPM Adjustment for such sales year, and the PMs and the NPM Adjustment Settlement Signatories will jointly instruct the MSA Auditor to release promptly the entire amount deposited to the DPA and distribute it among the PMs and the NPM Adjustment Settlement Signatories according to a formula as described herein. In the NPM Adjustment Settlement, the NPM Adjustment Settlement Signatories agree that diligent enforcement will be determined as to them in a single arbitration each year. The NPM Adjustment Settlement also provides that, except for the DPA deposit (and subsequent release) described above, and except in certain other cases (primarily, if the dispute was noticed for arbitration by the PM and the party-selected arbitrator has not been appointed for over one year from the date notice was first given despite good faith efforts by the PM), the PMs will not withhold payments or pay into the DPA based

on a dispute arising out of the NPM Adjustment as set forth in the NPM Adjustment Settlement. For a discussion of the terms of the NPM Adjustment Settlement and related matters, see "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT—NPM Adjustment Claims and NPM Adjustment Settlement—*NPM Adjustment Settlement*." See APPENDIX C-1 — "NPM ADJUSTMENT SETTLEMENT AGREEMENT," APPENDIX C-2 — "2016 AND 2017 NPM ADJUSTMENTS SETTLEMENT AGREEMENT" and APPENDIX C-3 — "2018 THROUGH 2022 NPM ADJUSTMENTS SETTLEMENT AGREEMENT" for a copy of the NPM Adjustment Settlement Agreement and related extension settlements. See also "STATE LAWS RELATED TO THE MSA—State Statutory Enforcement Framework—*Indian Country Cigarette Sales*."

The Tobacco Settlement Revenues Projection Methodology and Assumptions include an assumption that the State has diligently enforced and will diligently enforce a Qualifying Statute that is not held to be unenforceable, and that there will not be an NPM Adjustment. Adjustments pursuant to the NPM Adjustment Settlement could be different from those projected and could have an adverse effect on the amount and/or timing of Tobacco Settlement Revenues available to the Authority to pay debt service on the Series 2021 Bonds on a timely basis or in full. See "TOBACCO SETTLEMENT REVENUES PROJECTION METHODOLOGY AND BOND STRUCTURING ASSUMPTIONS."

Jurisdictions that did not sign the NPM Adjustment Settlement (the "**NPM Adjustment Settlement Non-Signatories**", which term as used herein excludes the State of New York, which entered into a separate settlement with the PMs relating to the NPM Adjustment) objected to the NPM Adjustment Settlement Term Sheet and NPM Adjustment Stipulated Partial Settlement and Award. States that were found to be non-diligent in the 2003 NPM Adjustment arbitration challenged the judgment reduction method applied by the Arbitration Panel as to those states, arguing that their respective share of the 2003 NPM Adjustment should be reduced because the NPM Adjustment Settlement Signatories should not have been deemed diligent for purposes of the calculation, and in certain cases their share was ordered to be reduced. The status of these cases is discussed in "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT—NPM Adjustment Claims and NPM Adjustment Settlement—*2003 NPM Adjustment Arbitration Results and Disputes Concerning the NPM Adjustment Settlement Term Sheet and Stipulated Partial Settlement and Award*." No assurance can be given that other challenges to the NPM Adjustment Stipulated Partial Settlement and Award or NPM Adjustment Settlement will not be commenced in other MSA courts or that the NPM Adjustment Settlement Non-Signatories' pending arbitrations relating to the 2004 NPM Adjustment and future arbitrations relating to subsequent sales years' NPM Adjustments will not have an adverse effect on NPM Adjustment Settlement Signatories such as the State. If any such challenge is successful, there could be an adverse effect on the amount and/or timing of Tobacco Settlement Revenues available to the Authority to pay debt service on the Series 2021 Bonds on a timely basis or in full.

Furthermore, no assurance can be given as to the implementation in future years of the NPM Adjustment Settlement by the MSA Auditor with regard to the State, or as to whether or not the NPM Adjustment Settlement will be revised and any consequences thereto. Any such development could have an adverse effect on the amount and/or timing of Tobacco Settlement Revenues available to the Authority to pay debt service on the Series 2021 Bonds on a timely basis or in full.

Declines in Cigarette Consumption

Cigarette consumption in the U.S. has declined significantly over the last several decades. According to the Tobacco Consumption Report, a Centers for Disease Control and Prevention ("**CDC**") study released in 2019 reported that approximately 34 million American adults were current smokers in 2018, representing approximately 13.7% of the population age 18 and older, a decline from 14.0% in 2017, 15.5% in 2016, and 19.4% in 2010. NAAG reported that total industry domestic cigarette shipment volume was 225.1 billion in 2019, 236.9 billion cigarettes in sales year 2018, 248.8 billion cigarettes in sales year 2017, and 260.4 billion cigarettes in sales year 2016 (including a roll-your-own equivalent of 0.0325 ounces per cigarette), as compared to shipments of approximately 391.3 billion in 2006. According to the Tobacco Consumption Report, consumption fell to 225.1 billion cigarettes (including a roll-your-own equivalent of 0.0325 ounces per cigarette) in 2019, and in April 2020 NAAG reported an industry volume decline for 2019 of 5.0% (which followed declines of 4.5% in 2017 and 4.8% in 2018), an acceleration in the industry decline rate that coincided with the extraordinary growth of the e-cigarette JUUL, as discussed below. In its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, Altria stated that a growing number of adult smokers are converting from cigarettes to exclusive use of non-combustible tobacco product alternatives, and that the

significant growth of the e-vapor category in recent years negatively impacted consumption levels and sales volume of cigarettes. Altria estimates that the full-year domestic cigarette industry adjusted volume for 2020 is in a range of unchanged versus the prior year to down 1.5% versus the prior year, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020. See "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY—Cigarette Shipment Trends."

A trend in the percentage of the population that smokes cigarettes does not necessarily correlate with the trends in the volume of cigarettes sold. As noted in the Tobacco Consumption Report, because of the growing number of "light smokers" (those who smoke just a few cigarettes per day), the rate of decline in the overall prevalence of smoking has slowed, while the rate of decline of the volume of cigarettes consumed has accelerated.

Payments under the MSA are determined in part by the volume of cigarettes sold by the PMs in the U.S. cigarette market. U.S. cigarette consumption in recent years has been reduced because of price increases, restrictions on advertising and promotions, increases in excise taxes, smoking bans in public places, the raising of the minimum age to possess or purchase tobacco products, other increased regulation such as state and local bans on characterizing flavors, a decline in the social acceptability of smoking, health concerns, funding of smoking prevention campaigns, increased pressure from anti-tobacco groups, increased usage of alternative products such as e-cigarettes and other vapor products, curtailments in the chain of distribution, and other factors. U.S. cigarette consumption is expected to continue to decline for the reasons stated above and others. Continuing declines in cigarette consumption could materially adversely affect the amount and/or timing of the Tobacco Settlement Revenues and the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full. The following factors, among others, may negatively affect cigarette consumption in the U.S.

The Regulation of Tobacco Products by the FDA May Adversely Affect Overall Consumption of Cigarettes in the U.S. and the Operations of the PMs

The Family Smoking Prevention and Tobacco Control Act (the "**FSPTCA**"), signed by President Obama on June 22, 2009, granted the U.S. Food and Drug Administration (the "**FDA**") broad authority over the manufacture, sale, marketing and packaging of tobacco products. The legislation, among other things, requires larger and more severe health warnings on cigarette packs and cartons, bans the use of certain descriptors on tobacco products, requires the disclosure to consumers of ingredients and additives, requires FDA pre-market review for new or modified products, and allows the FDA to place more severe restrictions on the advertising, marketing and sales of cigarettes. Since the passage of the FSPTCA, the FDA, among other things, has prohibited fruit, candy or clove flavored cigarettes (menthol is currently exempted from this ban), prohibited misleading marketing terms ("Light," "Low," and "Mild") for tobacco products, rejected applications for the introduction of new tobacco products into the market, and issued its final rule subjecting e-cigarettes and certain other tobacco products to FDA regulations. In July 2017, the FDA announced its intent to develop a comprehensive plan for tobacco and nicotine regulation and is considering, among other matters, the issues surrounding the presence of menthol in cigarettes. On March 15, 2018, as part of this comprehensive plan, the FDA announced an Advance Notice of Proposed Rulemaking ("**ANPRM**") to explore and seek comment on lowering the nicotine in cigarettes to minimally or non-addictive levels, but on November 20, 2019, the FDA removed its nicotine reduction plan from its current regulatory agenda (although the FDA may revive the plan in the future). On March 21, 2018, the FDA issued an additional ANPRM regarding the role that flavors, including menthol, play in initiation, use and cessation of use of tobacco products. In April 2018, as part of the comprehensive plan, the FDA announced a Youth Tobacco Prevention Plan focused on stopping the use by youth of tobacco products, particularly e-cigarettes. In a press release dated November 15, 2018, the FDA announced its intent to advance a Notice of Proposed Rulemaking that would seek to ban menthol in combustible tobacco products, including cigarettes and cigars, based on comments received from the March 21, 2018 ANPRM. In the March 15, 2018 announcement, the FDA also stated that it is starting new work to re-evaluate and modernize its approach to the development and regulation of medicinal nicotine replacement products such as gums, patches and lozenges. In November 2020, the FDA and other government agencies and health groups filed a joint stipulation in a federal court in California stating that in January 2021 the FDA will release a decision on whether it will impose a menthol cigarette ban. See "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY—Regulatory Issues—*FSPTCA*."

Tobacco manufacturers have filed suit regarding certain provisions of the FSPTCA and actions taken thereunder. In August 2009, a group of tobacco manufacturers and a tobacco retailer filed a complaint against the

United States in the U.S. District Court for the Western District of Kentucky, *Commonwealth Brands, Inc. v. U.S.*, in which they asserted that various provisions of the FSPTCA violate their free speech rights under the First Amendment, constitute an unlawful taking under the Fifth Amendment, and are an infringement on their Fifth Amendment due process rights. In March 2012, the U.S. Court of Appeals for the Sixth Circuit affirmed the district court's earlier decision upholding the FSPTCA's restrictions on the marketing of modified-risk tobacco products, the FSPTCA's bans on event sponsorship, branding non-tobacco merchandise, and free sampling, and the requirement that tobacco manufacturers reserve significant packaging space for textual health warnings. However, the Sixth Circuit affirmed the district court's grant of summary judgment to plaintiff manufacturers on the unconstitutionality of the FSPTCA's restriction of tobacco advertising to black and white text. See "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY—Regulatory Issues—*FSPTCA Litigation*" for a discussion of this case.

On June 22, 2011, the FDA issued a final regulation for the imposition of larger, graphic health warnings on cigarette packaging and advertising, which was scheduled to take effect September 22, 2012 (but which the FDA was enjoined from enforcing, as described below). On August 16, 2011, tobacco companies filed a lawsuit against the FDA in the U.S. District Court for the District of Columbia, *R. J. Reynolds Tobacco Co. v. U.S. Food and Drug Administration*, challenging the FDA's final regulation specifying nine new graphic "warnings" pursuant to the FSPTCA and seeking a declaratory judgment that the final regulation violates the plaintiffs' rights under the First Amendment to the U.S. Constitution and the Administrative Procedure Act ("**APA**"). On August 24, 2012, the U.S. Court of Appeals for the District of Columbia Circuit affirmed a February 29, 2012 decision of the district court that invalidated the graphic warning rule. On March 19, 2013, the FDA announced that it would undertake research to support a new rulemaking on different warning labels consistent with the FSPTCA. In October 2016, several public health groups filed suit in the Federal District Court for the District of Massachusetts to force the FDA to issue final rules requiring graphic warnings on cigarette packs and advertising (*American Academy of Pediatrics, et al v. United States Food and Drug Administration*). In a March 5, 2019 Memorandum and Order, the court directed the FDA to submit by March 15, 2020 a final rule mandating color graphic warnings on cigarette packs and in cigarette advertisements as required by the FSPTCA. On March 17, 2020, the FDA issued a final rule to require new health warnings on cigarette packages and in cigarette advertisements. The warnings feature textual statements with photo-realistic color images depicting some of the lesser-known but serious health risks of cigarette smoking. Beginning October 16, 2021, the new cigarette health warnings will be required to appear prominently on cigarette packages and in advertisements, and must be randomly and equally displayed and distributed on cigarette packages and rotated quarterly in cigarette advertisements. The final cigarette health warnings each consist of one of 11 textual warning statements paired with an accompanying photo-realistic image depicting the negative health consequences of smoking. See "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY—Regulatory Issues" for a discussion of these cases and several other cases.

The FDA has yet to issue final guidance with respect to many provisions of the FSPTCA. It is likely that future regulations promulgated by the FSPTCA, including regulation of menthol (including an outright ban thereof) or, if the FDA adds back a nicotine reduction plan to its regulatory agenda, decreasing the permitted level of nicotine (though not to zero), as discussed herein, could result in a decrease in cigarette sales in the U.S., and an increase in costs to PMs, potentially resulting in a material adverse effect on the PMs' financial condition, results of operations and cash flows. Altria reported in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020 that in addition to the payment of user fees required by the FSPTCA, compliance with the FSPTCA's regulatory requirements has resulted and will continue to result in additional costs and that although the amount of additional compliance and related costs has not been material in any given quarter or year to date period, such costs could become material, either individually or in the aggregate, to one or more of its tobacco subsidiaries. Additionally, the FDA's rules regarding clearance for new or modified cigarette products could adversely affect PMs' access to the market and could result in the removal of products from the market. President Trump's budget plan released February 10, 2020 proposed to move the Center for Tobacco Products out of the FDA and to create a new agency within the U.S. Department of Health and Human Services to focus on tobacco regulation, which, according to the Trump administration, would have greater capacity to respond strategically to the growing complexity of new tobacco products.

The effect of the foregoing factors could be to reduce consumption of cigarettes in the U.S. and adversely affect the operations of the PMs, thereby reducing payments under the MSA, which could materially adversely affect the amount and/or timing of the Tobacco Settlement Revenues and the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full.

Concerns That Mentholated Cigarettes May Pose Greater Health Risks Could Result in Further Federal, State and Local Regulation Which Could Adversely Affect the Volume of Cigarettes Sold in the U.S. and Thus Payments Under the MSA

According to research published in *Nicotine and Tobacco Research* in 2018, the menthol cigarette market share was 31.5% during 2011-2015. News reports have estimated the 2018 market share of menthol cigarettes at 35%. Some plaintiffs and constituencies, including public health agencies and non-governmental organizations, have claimed or expressed concerns that mentholated cigarettes may pose greater health risks than non-mentholated cigarettes, including concerns that mentholated cigarettes may make it easier to start smoking and harder to quit, and increase smoking initiation among youth and the incidence of smoking among youth.

The FSPTCA established the Tobacco Products Scientific Advisory Committee ("**TPSAC**") and directed the TPSAC to evaluate issues surrounding the use of menthol as a flavoring or ingredient in cigarettes. In addition, the legislation permits the FDA to ban menthol upon a finding that such a prohibition would be appropriate for the public health. The TPSAC or the Menthol Report Subcommittee held meetings throughout 2010 and 2011 to consider the issues surrounding the use of menthol in cigarettes. At a March 2011 meeting, TPSAC presented its findings that menthol likely increases experimentation and regular smoking, menthol likely increases the likelihood and degree of addiction for youth smokers, non-white menthol smokers (particularly African-Americans) are less likely to quit smoking and are less responsive to certain cessation medications, and consumers continue to believe that smoking menthol cigarettes is less harmful than smoking nonmenthol cigarettes as a result of the cigarette industry's historical marketing. TPSAC's overall recommendation to the FDA was that "removal of menthol cigarettes from the marketplace would benefit public health in the United States." In July 2013, the FDA released a preliminary evaluation on menthol cigarettes, finding among other things that menthol cigarettes likely pose a public health risk above that seen with non-menthol cigarettes. On November 8, 2013, twenty-seven jurisdictions (including the State) sent a letter to the FDA in support of a ban on menthol-flavored cigarettes. In an August 2016 letter, the African American Tobacco Control Leadership Council asked President Obama to direct the FDA to issue a proposed rule to remove all flavored tobacco products, including mentholated cigarettes, from the marketplace. On March 21, 2018, as part of the FDA's comprehensive plan for tobacco and nicotine regulation, the FDA issued an ANPRM regarding the role that flavors (including menthol) play in initiation, use and cessation of use of tobacco products. The FDA is not required to follow the TPSAC's recommendations, and the FDA has not yet taken any final action with respect to menthol use. In a press release dated November 15, 2018, the FDA announced its intent to advance a Notice of Proposed Rulemaking that would seek to ban menthol in combustible tobacco products, including cigarettes and cigars, based on comments received from the March 21, 2018 ANPRM. There is no timeline or statutory requirement for the FDA to act on the TPSAC's recommendations. In June 2020, the African American Tobacco Control Leadership Council and the Action on Smoking and Health filed a complaint against the FDA, seeking to compel the FDA to fulfill its mandate to take action on the FDA's conclusions that it would benefit the public health to add menthol to the list of prohibited characterizing flavors and therefore ban it from sale. In November 2020, the FDA and other government agencies and health groups filed a joint stipulation in a federal court in California stating that in January 2021 the FDA will release a decision on whether it will impose a menthol cigarette ban. See "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY—Regulatory Issues–*FSPTCA Litigation*" for a discussion on litigation regarding the TPSAC.

If the FDA determines that the regulation of menthol is warranted, the FDA could promulgate regulations that, among other things, could result in a ban on or a restriction on the use of menthol in cigarettes. Several jurisdictions have already enacted bans on menthol and other characterizing flavors. The State of Maine, in 2007, became the first state to enact a statute that prohibits the sale of cigarettes and cigars that have a characterizing flavor, including menthol. In June 2017, San Francisco amended its city health code to prohibit tobacco retailers from selling flavored tobacco products, including flavored e-cigarettes and menthol cigarettes, and voters approved the measure on June 5, 2018. In February 2018, New Jersey introduced a bill that would add menthol to its list of prohibited characterizing flavors. Los Angeles County banned the sale of all flavored tobacco products, including menthol cigarettes, effective May 1, 2020. In November 2019, Massachusetts banned the sale of all flavored tobacco products, effective June 1, 2020 for menthol cigarettes. On February 28, 2020, the U.S. House of Representatives approved a bill banning the sale of all flavored cigarettes and e-cigarettes. On August 28, 2020, California banned the retail sale of all flavored tobacco products, including menthol-flavored cigarettes, effective January 1, 2021 (and allowed local ordinances to be more restrictive). [UPDATE FOLLOWING SIGNATURE DEADLINE:] A referendum against the ban was filed by the tobacco industry, which, if the requisite number of signatures are collected to place the issue on

the November 2022 ballot, would delay implementation of the California law until voters act in the November 2022 election. Any ban or material limitation on the use of menthol in cigarettes could materially adversely affect the results of operations, cash flow and financial condition of the PMs that sell large quantities of mentholated cigarettes (especially Reynolds Tobacco, a significant portion of whose sales, after the merger with Lorillard, are dependent on the Newport brand of mentholated cigarettes), and could materially adversely affect the overall sales volume of cigarettes by the PMs, thereby reducing payments under the MSA, which could materially adversely affect the amount and/or timing of the Tobacco Settlement Revenues and the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full.

The Volume of Cigarettes Sold by PMs in the U.S. Cigarette Market is Expected to Continue to Decline as a Result of Increases in Cigarette Excise Taxes

In the U.S., tobacco products are subject to substantial and increasing federal and state excise taxation, which has a negative effect on consumption. On April 2, 2009, Congress increased the federal excise tax per pack of cigarettes to $1.01 per pack (an increase of $0.62), and significantly increased taxes on other tobacco products. All of the states, the District of Columbia, Puerto Rico, Guam and the Northern Mariana Islands currently impose cigarette taxes, which ranged from $0.17 per pack in Missouri to $5.10 per pack in Puerto Rico, according to the Campaign for Tobacco-Free Kids as of June 15, 2020. In recent years, almost every state has increased tobacco taxes, according to the Campaign for Tobacco-Free Kids. In particular, in California, a $2.00 per pack increase in the State's cigarette excise tax (in addition to the State's then current $0.87 per pack excise tax) was passed by voters on November 8, 2016, effective April 1, 2017. In addition to federal and state excise taxes, certain city and county governments also impose substantial excise taxes on tobacco products sold, such as New York, Philadelphia and Chicago. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, between the end of 1998 (the year that the MSA was executed) and October 27, 2020, the weighted-average state cigarette excise tax increased from $0.36 to $1.83 per pack. During 2018, Kentucky, Oklahoma and Washington, D.C. enacted cigarette excise tax increases, and during 2019, New Mexico and Illinois increased their cigarette excise taxes. During 2020, a cigarette excise tax increase went into effect in Virginia, and voters in Oregon and Colorado approved cigarette excise tax increases effective January 1, 2021 — an increase of $2.00 in Oregon, from $1.33 to $3.33 per pack, and incremental increases in Colorado, from $0.84 to $2.64 per pack by July 2027. See "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY—Regulatory Issues—*Excise Taxes*" for a further description of excise taxes on cigarettes.

It is expected that state and local governments will continue to raise excise taxes on cigarettes in future years (including as a result of the COVID-19 pandemic, discussed herein, as a way for governments to address potential budget shortfalls). Increased excise taxes are likely to result in declines in overall sales volume and shifts by consumers to less expensive brands, deep discount brands, untaxed cigarettes sold on certain Native American reservations and duty-free shops, counterfeit brands or pipe tobacco for roll-your-own consumers. Such trends and reductions in consumption will lead to reductions of payments under the MSA, which could materially adversely affect the amount and/or timing of the Tobacco Settlement Revenues and the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full.

The Volume of Cigarettes Sold by PMs in the U.S. Cigarette Market is Expected to Continue to Decline Because of Legislation Raising the Minimum Age for Purchase and Possession of Cigarettes

U.S. cigarette consumption is expected to continue to decline due to legislation raising the minimum age to possess or purchase tobacco products. On December 20, 2019, the President of the United States signed legislation, effective January 1, 2020, banning the sale of tobacco products to anyone under the age of 21 (federal law had previously set the minimum age at 18). This federal legislation had been preceded by various states having raised the minimum age to purchase tobacco from 18 to 21 (or 19, in certain states), beginning in 2016 with Hawaii setting the minimum age at 21, and by numerous municipalities having enacted similar legislation. According to Altria, the following states enacted such legislation: Ohio (21), Maryland (21), Vermont (21), New York (21), Texas (21), Connecticut (21), Nebraska (19), Delaware (21), Illinois (21), Arkansas (21), Washington (21), Utah (21), Virginia (21), California (21), Hawaii (21), Alabama (19), Alaska (19), New Jersey (21), Oregon (21), Maine (21) and Massachusetts (21). According to the Campaign for Tobacco-Free Kids, prior to the federal legislation raising the minimum age, at least 540 localities had raised the tobacco age to 21.

On March 12, 2015, the Institute of Medicine of the National Academy of Sciences released a report concluding that raising the minimum legal age to 21 would likely decrease smoking prevalence by 12% among today's teenagers when they become adults. Declines in consumption due to the increased minimum age to possess or purchase tobacco products could lead to reductions of payments under the MSA, which could materially adversely affect the amount and/or timing of the Tobacco Settlement Revenues and the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full.

Increased Restrictions on Smoking in Public Places Could Adversely Affect U.S. Tobacco Consumption and Therefore Amounts to be Paid Under the MSA

In recent years, federal, state and many local and municipal governments and agencies, as well as private businesses, have adopted legislation, regulations, insurance provisions or policies which prohibit, restrict, or discourage smoking generally, smoking in public buildings and facilities, public housing, stores, restaurants and bars, and smoking on airline flights and in the workplace. Other similar laws and regulations are currently under consideration and may be enacted by state and local governments in the future. Restrictions on smoking in public and other places may lead to a decrease in the number of people who smoke or a decrease in the number of cigarettes smoked or both. Smoking bans have recently been extended by many state and local governments to outdoor public areas, such as beaches, parks and space outside restaurants, and others may do so in the future. Increased restrictions on smoking in public and other places have caused a decrease, and may continue to cause a decrease, in the volume of cigarettes that would otherwise be sold in the U.S. absent such restrictions, which could lead to reductions of payments under the MSA and could materially adversely affect the amount and/or timing of the Tobacco Settlement Revenues and the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full. See "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY—Regulatory Issues—*State and Local Regulation.*"

Several of the PMs and Their Competitors Have Developed Alternative Tobacco and Cigarette Products, Including Electronic Cigarettes and Vaporizers, Sales of Which Do Not Currently Result in Payments Under the MSA, and Have Announced Long-Term Goals of Ending the Sale of Traditional Cigarettes in Favor of Such Alternative Products

Certain of the major cigarette makers and other manufacturers have developed (or acquired) and marketed alternative cigarette products the shipments of which do not give rise to payment obligations under the MSA. For example, numerous manufacturers have developed and are marketing "**electronic cigarettes**" or "**e-cigarettes**," which are not tobacco products but are battery powered devices that vaporize liquid nicotine which is then inhaled. E-cigarettes do not currently constitute "cigarettes" within the meaning of the MSA (as deemed by the manufacturers and certain states) because they do not contain or burn or heat tobacco. The growth in this area includes devices called "vaporizers," which are larger, customizable devices that hold more liquid, produce larger vapor clouds and last longer. They allow users to mix and match hardware and refill cartridges with liquid bought in bulk, so that they are cheaper than e-cigarettes. E-cigarettes and other vapor products are currently not subject to the advertising restrictions to which tobacco products are subject. In addition, many jurisdictions do not subject electronic cigarettes or other vapor products to excise taxes. According to research cited by the Campaign for Tobacco-Free Kids, in 2017 there were more than 430 brands of e-cigarettes, and over 15,500 unique e-cigarette flavors were available online. See "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY—E-Cigarettes and Vapor Products." See also "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY—Regulatory Issues—*FSPTCA*" for a discussion of the regulation of e-cigarettes and vapor products by the FDA as well as by various states and municipalities.

According to the Tobacco Consumption Report, 2018 sales of electronic cigarettes in the U.S. were estimated at over $7 billion, with rapid growth in the past two years, led by sales of the JUUL brand. JUUL is an e-cigarette shaped like a USB flash drive. No single e-cigarette manufacturer dominated the U.S. market through 2013. However, sales of BAT's e-cigarette devices surged 146% during 2014 and led the market well into 2017. During 2016-2017, Juul Labs, Inc.'s sales increased 641 percent — from 2.2 million JUUL devices sold in 2016 to 16.2 million devices sold in 2017. By December 2017, according to the Tobacco Consumption Report, JUUL was the most popular electronic cigarette, accounting for approximately three-fourths of the e-cigarette market. According to a CDC release dated October 2, 2018, based on an analysis of retail sales data from 2013-2017, sales of JUUL grew more than seven-

fold from 2016 to 2017, and held the greatest share of the U.S. e-cigarette market by December 2017. Sales of e-cigarettes have been projected to reach $9 billion for 2019, according to the Campaign for Tobacco-Free Kids.

Cigarette manufacturers also market other types of alternative products, such as moist snuff, "snus" (a smokeless, spitless tobacco product that originated in Sweden), disposable nicotine discs, dissolvable tobacco tablets, orbs, strips and sticks, and oral tobacco-derived nicotine pouches. According to a CDC report published November 9, 2018, 2.1% of U.S. adults were current users of smokeless tobacco (defined as chewing tobacco, snuff, dip, snus, or dissolvable tobacco) in 2017.

Electronic cigarettes, other vapor products and smokeless tobacco products are viewed by some as alternatives to cigarette smoking that may lead to cigarette smoking cessation. According to the CDC, e-cigarettes are not currently approved by the FDA as a quit smoking aid; however, e-cigarettes may help non-pregnant adult smokers quit smoking cigarettes if used as a complete substitute for all cigarettes and other smoked tobacco products. The Tobacco Consumption Report notes that a new British study provides evidence that e-cigarettes are more effective as a smoking cessation aid than other forms of nicotine replacement products, and also notes that a study from the Centre for Substance Use Research in the United Kingdom found that at least 28.3% of adult smokers had quit smoking cigarettes completely after using a JUUL vaporizer for 3 months. Altria reported in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020 that up until the second half of 2019 the e-vapor category had experienced significant growth in recent years, and the number of adults who exclusively use e-vapor products also increased during that time which, along with growth in oral nicotine pouches, negatively impacted consumption levels and sales volume of cigarettes. Altria noted in such SEC filing that growth in the e-vapor category has been negatively impacted by legislative and regulatory activities and is increasingly competitive.

In September 2017, Philip Morris International announced that it would contribute approximately $80 million each year for the following 12 years to a non-profit organization called the Foundation for a Smoke-Free World, to fund research on smoke-free alternatives, among other things. In addition, in January 2018, Philip Morris International announced that its long-term goal is to replace its traditional cigarettes with smoke-free alternative products. On May 22, 2018, Altria announced the creation of two divisions within Altria—one division for traditional cigarettes, pipe tobacco, cigars and snuff, and a second division for innovative, non-combustible, reduced-risk products such as vapor products. Altria reported that the new structure is expected, among other things, to accelerate innovation. In March 2020, BAT announced the evolution of its "A Better Tomorrow" strategy, including plans to reduce the health impact of its business by offering a greater choice of less risky products, and to increase the number of consumers of its non-combustible products.

It has been reported that increases in cigarette taxes have caused an increase in the sale of e-cigarettes and other alternatives to cigarettes. According to the Tobacco Consumption Report, certain sources have shown that e-cigarette use is associated with quit attempts by smokers; that youth use of e-cigarettes is unlikely to increase the number of future cigarette smokers; and that the substantial increase in e-cigarette use among U.S. adult smokers this decade was associated with a statistically significant increase in the smoking cessation rate at the population level; however, the Tobacco Consumption Report cites two studies published in 2019 that found that teens who use e-cigarettes or other tobacco-related products are more likely to later initiate cigarette use. Growth in the electronic cigarette, vapor product and smokeless tobacco product markets may have an adverse effect on the traditional cigarette market. If consumers use such alternative products in lieu of traditional cigarettes containing nicotine or to quit smoking, it could reduce the size of the cigarette market. In addition, recreational marijuana, which has been legalized in the states of Alaska, Arizona, California, Colorado, Illinois, Maine, Massachusetts, Michigan, Nevada, New Jersey, Oregon, Vermont and Washington, as well asWashington, D.C., may be an alternative to cigarette smoking and reduce the size of the cigarette market. Furthermore, because many alternative cigarette products continue to be deemed not to constitute "cigarettes" under the MSA, as these products gain market share of the domestic cigarette market to the detriment of traditional cigarettes, payments under the MSA may decrease, which could materially adversely affect the amount and/or timing of the Tobacco Settlement Revenues and the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full. See "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY—E-Cigarettes and Vapor Products," "—Heat-Not-Burn Tobacco Products" and "—Smokeless Tobacco Products."

U.S. Tobacco Companies are Subject to Significant Limitations on Advertising and Marketing Cigarettes That Could Negatively Affect Sales Volume

Television and radio advertisements of tobacco products have been prohibited since 1971. U.S. tobacco companies generally cannot use billboard advertising, cartoon characters, sponsorship of concerts, non-tobacco merchandise bearing brand names and various other advertising and marketing techniques. In addition, the MSA prohibits the targeting of youth in advertising, promotion or marketing of tobacco products. Accordingly, the tobacco companies have determined not to advertise cigarettes in magazines with large readership among underage people. Under the FSPTCA, which grants authority over the regulation of tobacco products to the FDA, the FDA has issued rules restricting access and marketing of cigarettes and smokeless tobacco products to youth, and in March 2020 the FDA issued a final rule to require larger, color graphic warnings on cigarette packs and in cigarette advertisements as required by the FSPTCA, as discussed herein. In addition, many states, cities and counties have enacted legislation or regulations further restricting tobacco advertising, marketing and sales promotions, and others may do so in the future. Additional restrictions may be imposed or agreed to in the future. These limitations significantly impair the ability of tobacco product manufacturers to launch new premium brands. Moreover, these limitations may make it difficult for PMs to maintain sales volume of cigarettes in the U.S., which could lead to reductions of payments under the MSA and could materially adversely affect the amount and/or timing of the Tobacco Settlement Revenues and the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full.

As discussed above, electronic cigarettes and other vapor products are not currently subject to the advertising restrictions to which tobacco products are subject, and the FDA did not include advertising restrictions in its final regulations on e-cigarettes and other vapor products. Therefore, e-cigarettes and other vapor products, which can currently be marketed more extensively than traditional cigarettes and other tobacco products, could gain market share to the detriment of the traditional cigarette market. See "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY—E-Cigarettes and Vapor Products."

Federal, State and Local Anti-Smoking Campaigns Could Negatively Affect Cigarette Sales Volume

Federal, state and local anti-smoking campaigns have resulted and may continue to result in a decline in cigarette consumption. For example, the FDA launched an integrated anti-smoking campaign targeting teenagers, including the "Real Cost" campaign that targets young people aged 12-17 years and shows the costs and health consequences associated with tobacco use. The FDA reported that the "Real Cost" campaign prevented nearly 350,000 youth aged 11 to 18 nationwide from smoking during 2014-2016 and announced the campaign's expansion in May 2018. See "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY—Regulatory Issues—*Other Federal Action*." A decline in cigarette consumption as a result of such anti-smoking campaigns could materially adversely affect the amount and/or timing of the Tobacco Settlement Revenues and the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full.

The Distribution Chain for Cigarettes May Continue to be Curtailed, Which Could Negatively Affect Sales Volume

Certain stores have ceased the sale of tobacco products. The retail chain store Target reportedly stopped selling tobacco products in 1996. In September 2014 the national pharmacy chain CVS reportedly stopped selling all cigarettes and other tobacco products in all its stores (following a February 2014 announcement), citing that such sales were inconsistent with its mission. A group of state attorneys general have pressured large retail stores with pharmacies to take similar action, and in April 2014 several members of Congress called on these retailers to stop selling cigarettes and other items containing tobacco. According to the American Nonsmokers' Rights Foundation ("**ANRF**"), as of August 15, 2020, two states (Massachusetts and New York) and 242 cities and counties, located principally in California and Massachusetts, have tobacco-free pharmacy laws. In addition, Costco has also reportedly reduced the number of locations that sell cigarettes because of slowing demand, according to news reports in March 2016. Furthermore, certain municipalities have enacted laws limiting the number or density of cigarette retailers. For example, in 2014, San Francisco's Tobacco Use Reduction Act was passed, which sets a cap on the number of tobacco retailers in each supervisory district and prohibits new stores from locating within 500 feet of schools or within 500 feet of another existing tobacco retailer. In 2016, Philadelphia's Retailer Reduction Regulations were passed, setting a cap on the number of tobacco retailers allowed at one per 1,000 persons in each planning district and restricting any new retailer from locating within 500 feet of K-12 schools. In August 2017, New York City updated its comprehensive

point-of-sale regulations, to, among other things, set a city-wide cap on retailer licenses at half of the current number in each district. Continued curtailment in the distribution of cigarettes could negatively affect sales volume, which could lead to reductions of payments under the MSA and could materially adversely affect the amount and/or timing of the Tobacco Settlement Revenues and the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full.

Smoking Cessation Products May Reduce Cigarette Sales Volumes and Adversely Affect Payments Under the MSA

Large pharmaceutical companies have developed and increasingly expanded their marketing of smoking cessation products. Companies such as GlaxoSmithKline, Johnson & Johnson, Novartis and Pfizer are well capitalized public companies that have entered this market and have the capability to fund significant investments in research and development and marketing of these products. Smoking cessation products can be obtained both in prescription and over-the-counter forms. From Nicorette gum in 1984, to nicotine patches, nicotine inhalers and tablets, as well as other non-pharmaceutical smoking cessation products, this market has evolved into a $1 billion business in the U.S., according to some estimates. Studies have shown that these programs are effective, and that excise taxes and smoking restrictions drive additional expenditures to the smoking cessation market. On March 15, 2018, as part of the FDA's comprehensive plan for tobacco and nicotine regulation, the FDA announced that it is starting new work to re-evaluate and modernize its approach to the development and regulation of medicinal nicotine replacement products such as gums, patches and lozenges, and on August 3, 2018, the FDA released draft guidance aimed at supporting the development of novel, inhaled nicotine replacement therapies that could be submitted to the FDA for approval as new drugs, similar to current over-the-counter pharmaceutical nicotine replacement therapy products. Certain health insurance policies, including Medicaid and Medicare, cover various forms of smoking cessation treatments, making smoking cessation treatments more affordable for covered smokers. To the extent that existing smoking cessation products, new products or products used in combination become more effective and more widely available, or that more smokers use these products, sales volumes of cigarettes in the U.S. may decline, which could lead to reductions of payments under the MSA and could materially adversely affect the amount and/or timing of the Tobacco Settlement Revenues and the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full. See "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY—Smoking Cessation Products."

The U.S. Cigarette Industry is Subject to Significant Legal, Regulatory, and Other Requirements That Could Adversely Affect the Businesses, Results of Operations or Financial Condition of Tobacco Product Manufacturers

The consumption of cigarettes in the U.S., and therefore the amounts payable under the MSA and the Tobacco Settlement Revenues available to the Authority to pay debt service on the Series 2021 Bonds, could be materially adversely affected by new or future legal requirements imposed by legislative or regulatory initiatives, including but not limited to those relating to health care reform, climate change and environmental matters affecting the PMs and their manufacturing practices or business operations, which could adversely affect the businesses, results of operations or financial condition of the PMs.

Price Increases of Branded Cigarettes and the Availability of Counterfeit Cigarettes Could Adversely Affect Payments by the PMs Under the MSA

Price increases of cigarettes manufactured by PMs could result in a decline in consumption of PM cigarette brands. In addition, sales of counterfeit cigarettes in the U.S. could adversely affect sales by the PMs of the brands that are counterfeited and potentially damage the value and reputation of those brands. Smokers who mistake counterfeit cigarettes for cigarettes of the PMs may attribute quality and taste deficiencies in the counterfeit product to the actual branded products brands and discontinue purchasing such brands. Most significantly, the availability of counterfeit cigarettes coupled with substantial increases in excise taxes and other price increases of branded products could result in increased demand for counterfeit products and decreased demand for branded products. Such a dynamic could have a material adverse effect on the sales volume of the PMs, resulting in lower payments under the MSA, which could materially adversely affect the amount and/or timing of the Tobacco Settlement Revenues and the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full.

General Economic and Other Conditions, Including the COVID-19 Pandemic, May Adversely Affect Consumption of Cigarettes and the Ability of the PMs to Continue to Operate, Reducing Their Sales of Cigarettes and Payments Under the MSA

The volume of cigarette sales in the U.S. is adversely affected by general economic downturns as smokers tend to reduce expenditures on cigarettes, especially premium brands, in times of economic hardship, such as the current national economic contraction resulting from the COVID-19 pandemic caused by the outbreak of novel coronavirus in late 2019 and the subsequent spread of the virus to the United States and around the world beginning in early 2020. The economic, social, and health disruptions and dislocations resulting from the COVID-19 pandemic may result in reduced consumption of cigarettes or increased cessation of smoking. In times of economic hardship, consumers may also become more price-sensitive, which may result in some consumers switching from PM brands to lower priced, deep discount NPM brands, or counterfeit brands, or travelling to purchase untaxed NPM cigarettes on Native American reservations. In addition, according to the Tobacco Consumption Report, there is a correlation between an increase in the price of gasoline and a reduction in tobacco consumption. Reductions in cigarette consumption or changes in consumption habits to NPM cigarettes could lead to reductions of payments under the MSA, which could materially adversely affect the amount and/or timing of the Tobacco Settlement Revenues and the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full.

Altria stated in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020 that although Altria's tobacco businesses have not been materially impacted to date by COVID-19, there is continued uncertainty as to how COVID-19 may impact adult tobacco consumers in the future, and Altria continues to monitor the macro-economic risks of COVID-19 and their effect on adult tobacco consumers, including unemployment rates, disposable income (which may be impacted by potential future changes in government stimulus and federal unemployment benefit payments) and mobility, as well as adult tobacco consumers' purchasing behaviors, including overall tobacco product expenditures, mix between premium and discount brand purchases and interest in noncombustible products. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, prior economic downturns have resulted in adult tobacco consumers choosing discount products and other lower-priced tobacco products, and as a result of the current economic downturn resulting from the COVID-19 pandemic, adult tobacco consumers may increasingly choose these products.

The ability of the PMs to continue their operations selling cigarettes in the U.S. generally is dependent on the health of the overall economy and their ability to access the capital markets on favorable terms. In addition, the ability of the PMs to continue their operations manufacturing cigarettes is affected by, among other things, their production facilities, shifts in crops, government mandated prices, economic trade sanctions, geopolitical instability, production control programs and access to raw materials. Increased costs or an extended disruption in operations experienced by a PM or in the supply or distribution of raw materials, goods or services by one or more key suppliers, distributors or distribution chain service providers could have a material adverse effect on the PM's business, consolidated results of operations, cash flows or financial position. Altria stated in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020 that the COVID-19 pandemic may limit access to and increase the cost of raw materials, component parts and personal protective equipment as U.S. and global suppliers temporarily shut down facilities in order to address exposure to the virus or as a result of a government mandate.

In March 2020, Altria's tobacco businesses temporarily suspended operations at several of their manufacturing facilities, including Philip Morris's manufacturing facility in Richmond, Virginia (the primary facility for manufacturing Philip Morris cigarettes), as a result of the COVID-19 pandemic. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, all of its manufacturing facilities are currently operational under enhanced safety protocols, and Altria's critical information technology systems have remained operational. Some state governors also have issued executive orders requiring that certain businesses temporarily suspend operations for varying periods of time while the COVID-19 pandemic persists. According to Altria, operations of Altria's subsidiaries, suppliers, distributors and distribution chain service providers and those of its investees could be suspended temporarily once or multiple times, or closed permanently, depending on various factors, including how long the COVID-19 pandemic persists and the extent to which state, local and federal governments, as well as foreign countries, impose restrictions on the operation of facilities or otherwise place limits on the supply and distribution chains. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, the majority of retail stores in which Altria's tobacco products are sold, including convenience stores, have been deemed to be essential businesses by authorities and have remained open, and Altria

continues to monitor the risk that one or more suppliers, distributors or any other entities within its supply and distribution chain closes temporarily or permanently. Altria stated in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020 that although much uncertainty still surrounds the pandemic, including its duration and ultimate overall impact on U.S and global economies and on Altria's subsidiaries' operations and those of Altria's investees, Altria continues to monitor the macroeconomic risks of COVID-19 and to carefully evaluate potential outcomes and work to mitigate risks, and remains focused on any potential impact to its liquidity, operations, supply and distribution chains and on economic conditions. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, Altria has implemented remote working for many employees and aligned with the social distancing protocols recommended by public health authorities, and to date, Altria believes its tobacco businesses have not experienced any material adverse effects associated with governmental actions to restrict consumer movement or business operations, but continues to monitor these factors. Altria also stated in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020 that it continues to believe that remote working due to the COVID-19 pandemic has had minimal impact on productivity, and it continues to monitor the risks associated with facility disruptions and workforce availability as a result of COVID-19 uncertainty. Altria recorded net pre-tax charges totaling $50 million, for the nine months ended September 30, 2020, directly related to disruptions caused by or efforts to mitigate the impact of the COVID-19 pandemic, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020.

To the extent that overall economic or other conditions or constrained capital access including (but not limited to) as a result of the COVID-19 pandemic materially adversely affects their operations, the PMs may manufacture and sell fewer cigarettes, potentially resulting in reduced payments under the MSA and reduced Tobacco Settlement Revenues available to the Authority to pay debt service on the Series 2021 Bonds.

Furthermore, the effects of the COVID-19 pandemic on cigarette consumption and the PMs' operations heighten the risk of bankruptcy of a PM. See "—Bankruptcy of a PM May Delay, Reduce or Eliminate Payments Under the MSA" below.

If Litigation Challenging the MSA, the Qualifying Statutes and Related Legislation Were Successful, Payments Under the MSA Might be Suspended or Terminated

Certain parties, including smokers, smokers' rights organizations, consumer groups, cigarette manufacturers, cigarette wholesalers, cigarette importers, cigarette distributors, Native American tribes, taxpayers, taxpayers' groups and other parties have filed actions against some, and in certain cases all, of the signatories to the MSA, alleging, among other things, that the MSA and related legislation including the Settling States' Qualifying Statutes, Allocable Share Release Amendments and Complementary Legislation (as each term is defined herein) as well as other legislation such as "Contraband Statutes" are void or unenforceable under certain provisions of law, such as the U.S. Constitution, state constitutions, federal antitrust laws, federal civil rights laws, state consumer protection laws, bankruptcy laws, federal cigarette advertising and labeling laws, unfair competition laws, and the North American Free Trade Agreement (including its successor the United States-Mexico-Canada Agreement, "**NAFTA**"). Certain of the lawsuits further sought, among other relief, an injunction against one or more of the Settling States from collecting any moneys under the MSA, an injunction barring the PMs from collecting cigarette price increases related to the MSA, a determination that the MSA is void or unenforceable, and an injunction against the enforcement of the Qualifying Statutes and the related legislation. In addition, class action lawsuits have been filed in several federal and state courts alleging that under the federal Medicaid law, any amount of tobacco settlement funds that the Settling States receive in excess of what they paid through the Medicaid program to treat tobacco related diseases should be paid directly to Medicaid recipients.

All of the judgments rendered to date on the merits have rejected challenges to the MSA, Qualifying Statutes and Complementary Legislation presented in the cases. Courts rendering those decisions include the U.S. Courts of Appeals for the Ninth Circuit, in *Sanders v. Brown*; the Second Circuit in *Freedom Holdings v. Cuomo* and *Grand River Enterprises Six Nations, Ltd. v. King*; the Tenth Circuit in *KT & G Corp. v. Edmondson*, and *Hise v. Philip Morris Inc*.; the Eighth Circuit in *Grand River Enterprises v. Beebe*; the Third Circuit in *Mariana v. Fisher*, and *A.D. Bedell Wholesale Co. v. Philip Morris Inc.*; the Fourth Circuit in *Star Sci., Inc. v. Beales*; the Fifth Circuit in *Xcaliber Int'l Ltd. v. Caldwell* and *S&M Brands v. Caldwell*; the Sixth Circuit in *S&M Brands v. Cooper, S&M Brands, Inc. v. Summers*, *Tritent Inter'l Corp. v. Commonwealth of Kentucky* and *Vibo Corporation, Inc. d/b/a/ General Tobacco v.*

Conway, et al.; and multiple lower courts. In addition, in January 2011, an international arbitration tribunal rejected claims brought against the United States challenging MSA-related legislation in various states under NAFTA.

The MSA, Qualifying Statutes and related state legislation may continue to be challenged in the future, on the theories described above or for other reasons that are not described herein. A determination by a court that the MSA, the NPM Adjustment Settlement, the Qualifying Statutes or related state legislation (including the 2013 amendment to the State's Qualifying Statute made in furtherance of the NPM Adjustment Settlement) is void or unenforceable could have a material adverse effect on the payments by the PMs under the MSA, which could materially adversely affect the amount and/or timing of the Tobacco Settlement Revenues and the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full. No assurance can be given that a court will not find the MSA, the NPM Adjustment Settlement, a Qualifying Statute, or related legislation to be unenforceable, unconstitutional, or void.

Although a determination that a Qualifying Statute is unconstitutional would have no effect on the enforceability of the MSA, such a determination could have a material adverse effect on payments to be made under the MSA and Tobacco Settlement Revenues available to the Authority if an NPM were to gain market share in the future and there occurred an effect on the market share of the PMs under the MSA. A determination that an Allocable Share Release Amendment is unenforceable would not constitute a breach of the MSA but could permit NPMs to exploit differences among states, and thereby potentially increase their market share at the expense of the PMs. A determination that the State's Complementary Legislation is unenforceable would not constitute a breach of the MSA or affect the enforceability of the State's Qualifying Statute; such a determination could, however, make enforcement of the State's Qualifying Statute against NPMs more difficult for the State. See "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT" and "LEGAL CONSIDERATIONS—MSA and Qualifying Statute Enforceability."

Litigation Seeking Monetary and Other Relief from Tobacco Industry Participants May Adversely Affect the Ability of the PMs to Continue to Make Payments Under the MSA

The tobacco industry has been the target of litigation for many years. Numerous legal actions, proceedings and claims arising out of the sale, distribution, manufacture, development, advertising, marketing and claimed health effects of cigarettes are pending against the PMs, and it is likely that similar claims will continue to be filed for the foreseeable future. Both individual and class action lawsuits have been brought by or on behalf of smokers alleging various theories of recovery including that smoking has been injurious to their health, by non-smokers alleging harm from environmental tobacco smoke ("**ETS**"), also known as "secondhand smoke," and by the federal, state and local governments seeking recovery of expenditures relating to the adverse effects on the public health caused by smoking. The claimants have sought recovery on a variety of legal theories, including, among others, negligence, fraud, misrepresentation, strict liability in tort, design defect, breach of warranty, enterprise liability (including claims asserted under the Racketeer Influenced and Corrupt Organizations Act ("**RICO**")), civil conspiracy, intentional infliction of harm, injunctive relief, indemnity, restitution, unjust enrichment, public nuisance, unfair trade practices, claims based on antitrust laws and state consumer protection acts, and claims based on failure to warn of the harmful or addictive nature of tobacco products. Various forms of relief are sought, including compensatory and, where available, punitive damages in amounts ranging in some cases into the hundreds of millions or even billions of dollars. Claimants in some of the cases have sought treble damages, statutory damages, disgorgement of rights, equitable and injunctive relief and medical monitoring and smoking cessation programs, among other damages. It is possible that the outcome of these and similar cases, individually or in the aggregate, could result in bankruptcy or cessation of operations by one or more of the PMs. It is also possible that the PMs may be unable to post a surety bond in an amount sufficient to stay execution of a judgment in jurisdictions that require such bond pending an appeal on the merits of the case. Furthermore, even if the PMs are successful in defending some or all of the tobacco-related lawsuits against them, these types of cases are expensive to defend. The ultimate outcome of pending or future lawsuits is uncertain. Verdicts of substantial magnitude that are enforceable as to one or more PMs, if they occur, could encourage commencement of additional litigation, or could negatively affect perceptions of potential triers of fact with respect to the tobacco industry, possibly to the detriment of the PMs' positions in pending litigation. A material increase in the number of pending claims could significantly increase defense costs and have a material adverse effect on the results of operations and financial condition of the PMs and could result in a PM insolvency. Adverse decisions in litigation against the tobacco companies could have an adverse effect on the industry overall. Any of the foregoing results could potentially lower the volume of cigarette sales and could materially adversely affect the amount and/or timing of the Tobacco Settlement Revenues and the ability of the Authority to pay debt service on all or a portion of

the Series 2021 Bonds on a timely basis or in full. See "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY—Civil Litigation" for more information regarding the litigation described below.

Engle Progeny

The case of *Engle v. R.J. Reynolds Tobacco Co., et al.* (Circuit Court, Dade County, Florida, filed May 5, 1994) was certified in 1996 as a class action on behalf of Florida residents, and survivors of Florida residents, who were injured or died from medical conditions allegedly caused by addiction to smoking and a multi-phase trial resulted in verdicts in favor of the class. During a three-phase trial, a Florida jury awarded compensatory damages to three individuals and approximately $145 billion in punitive damages to the certified class. In 2006, although the Florida Supreme Court vacated the punitive damages award and determined that the case could not proceed further as a class action, it permitted members of the *Engle* class to file individual claims, including claims for punitive damages, and held that these individual plaintiffs are entitled to rely on a number of the jury's findings in favor of the plaintiffs in the first phase of the *Engle* trial, including that smoking cigarettes causes a number of diseases; that cigarettes are addictive or dependence-producing; and that the defendants were negligent, breached express and implied warranties, placed cigarettes on the market that were defective and unreasonably dangerous, and concealed or conspired to conceal the risks of smoking. In the wake of the Florida Supreme Court ruling, thousands of individuals that were members of the *Engle* class filed separate lawsuits in various state and federal courts in Florida seeking to benefit from the *Engle* findings (the "***Engle* Progeny Cases**"). According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, as of October 27, 2020, approximately 1,300 state court *Engle* Progeny Cases were pending against Philip Morris or Altria asserting individual claims by or on behalf of approximately 1,600 state court plaintiffs. Most federal cases were settled, as discussed herein. It is not possible to predict the final outcomes of any of the *Engle* Progeny Cases, but such outcomes may materially adversely affect the operations of the defendants and thus payments under the MSA and the Tobacco Settlement Revenues available to the Authority to pay debt service on the Series 2021 Bonds. See "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY—Civil Litigation—*Engle Progeny Cases*."

The DOJ Case

In August 2006, a final judgment and remedial order was entered in *United States of America v. Philip Morris USA, Inc., et al.* (U.S. District Court, District of Columbia, filed September 22, 1999) (the "**DOJ Case**") and in June 2010 the U.S. Supreme Court denied all petitions for review of the case. Although the verdict did not award monetary damages to the plaintiff U.S. government, the final judgment and remedial order imposed a number of requirements on the defendants. Such requirements include, but are not limited to, corrective statements by defendants related to the health effects of smoking. The remedial order also placed certain prohibitions on the manner in which defendants market their cigarette products and enjoined any use of "lights" or similar product descriptors. On November 27, 2012, the district court released the text of the corrective statements that the defendants must make. In January 2013, defendants appealed to the U.S. Court of Appeals for the District of Columbia Circuit the district court's November 2012 ruling on the text of the corrective statements, claiming a violation of free speech rights. On June 2, 2014, the U.S. District Court for the District of Columbia approved a joint motion by the U.S. government and the defendant tobacco companies, pursuant to which, for specified time periods following the date when all appeals are exhausted, corrective statements would be disseminated in newspapers (print and online), on television, on the tobacco companies' websites, and on "onserts" affixed to cigarette packs. In June 2017, after the U.S. Court of Appeals ordered revisions to such statements, the U.S. District Court for the District of Columbia issued an order adopting modified corrective statements, featuring a preamble to the effect that a federal court has ordered the OPMs to make the specified statements, and featuring statements regarding the adverse health effects of smoking, the addictiveness of smoking and nicotine, the lack of significant health benefit from smoking "low tar," "light," "ultra light," "mild" and "natural" cigarettes, the manipulation of cigarette design and composition to ensure optimum nicotine delivery, and the adverse health effects of exposure to second hand smoke. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, the requirements related to corrective statements at point-of-sale remain outstanding, and a hearing on the point-of-sale signage issue is currently scheduled for July 2021. See "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY—Civil Litigation—*Health-Care Cost Recovery Cases*."

According to an October 2017 court order, in November 2017 the OPMs began running court-mandated announcements containing the agreed-upon corrective statements. Television announcements were between 30 and 45 seconds long and ran in prime time five days a week for 52 weeks. Full-page print ads appeared in at least 45 newspapers and ran on five weekends spread over approximately four months, and also appeared on the newspapers' websites. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, the parties reached agreement in April 2018 on the implementation details of the corrective statements remedy for "onserts" affixed to cigarette packs and for company-owned websites and, under the agreement, the corrective statements began appearing on websites in the second quarter of 2018 and the onserts began appearing in the fourth quarter of 2018. It is possible that the district court's order, including the prohibitions on the use of the descriptors relating to low tar cigarettes and the stark text required in the corrective statements, will negatively affect the PMs' sales of and profits from cigarettes, as well as result in significant compliance costs, which could materially adversely affect their payments under the MSA, which in turn could materially adversely affect the amount and/or timing of the Tobacco Settlement Revenues and the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full.

Non-Preemption of Claims

In December 2008, the U.S. Supreme Court in a purported "lights" class action, *Good v. Altria Group, Inc.*, issued a decision that neither the Federal Cigarette Labeling and Advertising Act nor the Federal Trade Commission's ("**FTC**") regulation of cigarettes' tar and nicotine disclosures preempts (or bars) some of plaintiffs' claims. The decision also more broadly addresses the scope of preemption based on the Federal Cigarette Labeling and Advertising Act, and could significantly limit cigarette manufacturers' arguments that certain of plaintiffs' other claims in smoking and health litigation, including claims based on the alleged concealment of information with respect to the hazards of smoking, are preempted. In addition, the Supreme Court's ruling could encourage litigation against cigarette manufacturers regarding the sale of cigarettes labeled as "lights" or "low tar," and it may limit cigarette manufacturers' ability to defend such claims with regard to the use of these descriptors prior to the FDA's ban thereof in June 2010. See "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY—Civil Litigation—*Class Action Cases and Aggregated Claims*."

The PMs Have Substantial Payment Obligations Under Litigation Settlement Agreements Which, Together With Their Other Litigation Liabilities, May Adversely Affect the Ability of the PMs to Continue Operations in the Future

In 1998, the OPMs entered into the MSA with 46 states and 6 other U.S. jurisdictions to settle asserted and unasserted health care cost recovery and other claims of these jurisdictions. Certain U.S. tobacco product manufacturers had previously settled similar claims brought by Mississippi, Florida, Texas and Minnesota (the "**Previously Settled State Settlements**" and, together with the MSA, are referred to as the "**State Settlement Agreements**").

Under the State Settlement Agreements, the PMs are obligated to pay billions of dollars each year. Annual payments under the State Settlement Agreements are required to be paid in perpetuity and are based, among other things, on domestic market share and unit volume of domestic shipments. If the volume of cigarette sales by the PMs were materially reduced, these payment obligations, together with PMs' other litigation liabilities, could materially adversely affect the business operations and financial condition of the PMs and potentially the ability of PMs to make payments under the MSA, which could materially adversely affect the amount and/or timing of the Tobacco Settlement Revenues and the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full. See "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT."

Risks Relating to the Tobacco Consumption Report

The projections developed using the Tobacco Settlement Revenues Projection Methodology and Assumptions and described in "TOBACCO SETTLEMENT REVENUES PROJECTION METHODOLOGY AND BOND STRUCTURING ASSUMPTIONS" are based in part upon the tobacco consumption forecast contained in the Tobacco Consumption Report. No assurance can be given that actual future consumption will be consistent with that which is projected in the Tobacco Consumption Report. See "SUMMARY OF THE TOBACCO CONSUMPTION

REPORT." For a copy of the Tobacco Consumption Report, see APPENDIX A — "TOBACCO CONSUMPTION REPORT."

Other Risks Relating to the MSA and Related Statutes

Severability

Most of the major provisions of the MSA are not severable. If a court materially modifies, renders unenforceable or finds unlawful any non-severable provision, the attorneys general of the Settling States and the OPMs are required by the MSA to attempt to negotiate substitute terms. If, however, any OPM does not agree to the substitute terms, the MSA terminates in all Settling States affected by the court's ruling. Even if substitute terms are agreed upon, payments under such terms may be less than payments under the MSA or otherwise could be made according to or subject to different terms and conditions, which could materially adversely affect the amount and/or timing of the Tobacco Settlement Revenues and the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full. See "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT—Severability."

Amendments, Waivers and Termination

As a settlement agreement between the PMs and the Settling States, the MSA is subject to amendment in accordance with its terms, and may be terminated upon consent of the parties thereto. Parties to the MSA, including the State, may waive the performance provisions of the MSA. The Authority is not a party to the MSA; accordingly, the Authority has no right to challenge any such amendment, waiver or termination. While the economic interests of the State and the holders of the Series 2021 Bonds are expected to be the same in many circumstances, no assurance can be given that such an amendment, waiver or termination of the MSA would not have a material adverse effect on the Authority's ability to make payments to the holders of the Series 2021 Bonds. See "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT—Amendments and Waivers."

Reliance on State Enforcement of the MSA; State Impairment

The State may not convey and has not conveyed to the County, the Corporation, the Authority or the Owners any right to enforce the terms of the MSA. Pursuant to its terms, the MSA, as it relates to the State, can only be enforced by the State. Although the State is entitled under the MOU to 50% of the State's allocable share of each Annual Payment under the MSA, no assurance can be given that the State will enforce any particular provision of the MSA. Failure to do so may have a material adverse effect on the Authority's ability to make payments to the holders of the Series 2021 Bonds. It is possible that the State could attempt to claim some or all of the Tobacco Settlement Revenues for itself or otherwise interfere with the security for the Series 2021 Bonds. In that event, the Owners, the Trustee, the Authority, the Corporation or the County may assert claims based on contractual, fiduciary or constitutional rights, but no prediction can be made as to the disposition of such claims. See "LEGAL CONSIDERATIONS."

Amendment to the State's Qualifying Statute

The MSA provides that if a state adopts the Model Statute or a Qualifying Statute but then repeals it or amends it in such fashion that it is no longer a Qualifying Statute, then such state will no longer be entitled to any protection from the NPM Adjustment. The State amended its Qualifying Statute in 2013 in furtherance of the NPM Adjustment Settlement and NPM Adjustment Stipulated Partial Settlement and Award, and the State received letters from counsels to the OPMs and certain SPMs to the effect that such amendment does not affect the status of the State's Qualifying Statute as a Qualifying Statute under the MSA. See "STATE LAWS RELATED TO THE MSA—California Qualifying Statute." No assurance can be provided, however, that a PM would not assert that, or a court or arbitrator would not determine that, the State's Qualifying Statute as so amended would not continue to constitute a Qualifying Statute. Should it be determined that any amendments to the State's Qualifying Statute cause it to no longer be a Qualifying Statute, then the State would no longer be entitled to any protection from the NPM Adjustment, and there could be substantial reductions in the amount of Tobacco Settlement Revenues available to the Authority to

make payments on the Series 2021 Bonds. See "LEGAL CONSIDERATIONS—MSA and Qualifying Statute Enforceability."

Bankruptcy of a PM May Delay, Reduce or Eliminate Payments Under the MSA

The enforceability of the rights and remedies of the Authority, the Trustee and the holders of the Series 2021 Bonds, and of the obligations of a PM under the MSA are subject to Title 11 of the United States Code (the "**Bankruptcy Code**") and to other applicable insolvency or similar laws. If one or more PMs were to become a debtor in a case under the Bankruptcy Code, there could be delays or reductions in or elimination of payments under the MSA by the PMs in bankruptcy, and the Tobacco Settlement Revenues received by the Authority could be delayed, reduced, or eliminated.

In the event of the bankruptcy of a PM, unless approval of the bankruptcy court is obtained, the automatic stay provisions of the Bankruptcy Code could prevent any action by the State, the Authority, the Trustee or the holders or the beneficial owners of the Series 2021 Bonds to collect any tobacco settlement payments or any other amounts owing by the bankrupt PM. In addition, even if the bankrupt PM wanted to continue paying the tobacco settlement payments, it could be prohibited as a matter of law from making such payments. In particular, if it were to be determined that the MSA was not an "executory contract" under the Bankruptcy Code, then the PM may be unable to make further payments of tobacco settlement payments. If the MSA is determined in a bankruptcy case to be an "executory contract" under the Bankruptcy Code, the bankrupt PM could seek court approval to reject the MSA and stop making payments under it. No assurance can be given as to whether a court will find that the MSA is or is not an executory contract.

Furthermore, payments previously made to the holders or beneficial owners of the Series 2021 Bonds within a certain period prior to the bankruptcy of a PM could be avoided as preferential payments, so that such holders or beneficial owners would be required to return such payments to the bankrupt PM. Also, the bankrupt PM may have the power to alter the terms of its payment obligations under the MSA without the consent, and even over the objection of the State, the Authority, the Trustee or the holders and beneficial owners of the Series 2021 Bonds. Finally, while there are provisions of the MSA purporting to deal with the situation when a PM goes into bankruptcy (including provisions regarding the termination of that PM's obligations) (see "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT—Termination of MSA"), such provisions may be unenforceable. NAAG has stated that it actively monitors any bankruptcy related activity of the PMs with the goals of preventing the debtors from using bankruptcy law to avoid their MSA payment obligations to the Settling States and ensuring that Settling States can continue to perform their regulatory duties despite the bankruptcy filing, but there can be no assurance that the actions of NAAG will be successful. There may be other possible effects of a bankruptcy of a PM that could result in delays and/or reductions in, or elimination of, tobacco settlement payments under the MSA. Regardless of any specific adverse determination in a PM bankruptcy proceeding, the fact of a PM bankruptcy proceeding could materially adversely affect the liquidity and value of the Series 2021 Bonds and could materially adversely affect the amount and/or timing of the Tobacco Settlement Revenues and the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full.

Failures by PMs to Make Payments Under the MSA Could be Coupled with an Inability on the Part of the Settling States to Enforce and Collect Defaulted Payments

A PM could discontinue making required payments under the MSA for any reason. Any attempts to enforce payments under the MSA from a PM in breach could be costly and time consuming as well as likely to include litigation. For example, Vibo Corporation, Inc., d/b/a General Tobacco ("**General Tobacco**") ceased production of cigarettes in 2010 and has defaulted upon certain of its MSA payments. General Tobacco has stated that it will be unable to make any back payments it owes under the MSA. Two Settling States brought suit on behalf of all of the Settling States seeking full payment by General Tobacco of its MSA obligations. The ability of the Settling States to enforce and collect such payments in instances such as this is limited by the ability of the defaulting PM to meet its obligations and may be costly. Failure by other PMs to make payments could be coupled with an inability on the part of the Settling States to enforce and collect defaulted payments under the MSA, which could materially adversely affect the amount and/or timing of the Tobacco Settlement Revenues and the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full.

Potential Payment Adjustments for Population Changes Under the MOU and the ARIMOU

The MOU provides that the amount of tobacco settlement payments payable to Participating Jurisdictions that are counties are subject to adjustments for population changes. The amount of the tobacco settlement payments distributed to Participating Jurisdictions that are counties, including the County, pursuant to the MOU and the ARIMOU is allocated based on the proportion of each county's population to the total State population, calculated using the then most current Official United States Decennial Census figures, which are currently updated every ten years. Based on the 2010 Official United States Decennial Census, approximately 3.808% of the residents of the State resided in the County. Pursuant to the MOU and the ARIMOU, the County is therefore entitled to an equivalent percentage of the 45% share of the tobacco settlement payments allocable to the Participating Jurisdictions that are counties. There can be no assurance that future Official United States Decennial Census reports will not conclude that the County represents a smaller relative percentage of the overall population of the State than in 2010, or that the tobacco settlement payments payable to the County will not decline. Subsequent adjustments are expected to occur at subsequent ten-year intervals following each Official United States Decennial Census, and there can be no assurance that the percentage of tobacco settlement payments payable to the County will not materially decline following such adjustments. In addition, there can be no assurance that the frequency of such Official United States Decennial Census reports will not change, or that the methodology utilized by the United States in performing the Official United States Decennial Census will not change, or that any such change in methodology would not result in a determination that the County represents a smaller relative percentage of the overall State population than reported in any prior Official United States Decennial Census.

Series 2021 Bonds Secured Solely by the Collateral

The Series 2021 Bonds are limited obligations of the Authority, payable solely from certain funds held under the Indenture, including the Collections. Except as expressly provided in the Indenture and the Bonds, Owners shall have no recourse against the Authority, but shall look only to the Collateral with respect to any amounts due to the Owners under the Indenture. The Series 2021 Bonds are not secured by the proceeds thereof, with the exception of the proceeds deposited in the Senior Liquidity Reserve Account, with the Class 1 Senior Liquidity Reserve Subaccount securing only the Series 2021A Bonds (and any other Class 1 Senior Bonds that may be issued) and the Class 2 Senior Liquidity Reserve Subaccount securing only the Series 2021B-1 Bonds (and any other Class 2 Senior Bonds designated to be secured by such Subaccount that may be issued). The Senior Liquidity Reserve Account does <u>not</u> secure the Series 2021B-2 Bonds [or the outstanding Series 2005 Bonds] or any First Subordinate Bonds, Second Subordinate Bonds or Additional Subordinate Bonds.

The Series 2021 Bonds do not constitute a charge against the general credit of the Authority (except with respect to Collections), the County or the other Local Agency, and under no circumstances will the Authority, the County or the other Local Agency be obligated to pay the interest on or the principal or Accreted Value of or redemption premiums, if any, on the Series 2021 Bonds, except from Collections and balances held in the Senior Liquidity Reserve Account (where applicable, and, to the extent available). The Series 2021 Bonds and other obligations of the Authority are not a debt or obligation of the State or any of its municipalities or other political subdivisions (including the County), other than the Authority, and neither the State nor any such municipalities or other subdivisions (including the County), other than the Authority, shall be liable for the payment of the principal or Accreted Value of or interest on the Series 2021 Bonds or such other obligations. The Authority has no taxing power. The Series 2021 Bonds do not constitute a debt or obligation of the Corporation, and the Corporation is under no obligation to make payments of the principal or Accreted Value of or interest on the Series 2021 Bonds in the event that Collections are insufficient for the payment thereof.

Uncertainty as to Timing of Turbo Redemptions of the Series 2021B Bonds

No assurance can be given as to the timing of Turbo Redemptions of the Series 2021B Bonds. A certain level of payments due under the MSA has been forecast based on various assumptions, including, among others, levels of domestic cigarette consumption as set forth in the Tobacco Consumption Report, County population levels as set forth in the Population Forecast available from the Department of Finance, and an assumption that there will not be an NPM Adjustment. These assumptions, which were used to provide expectations of Turbo Redemptions of the Series 2021B Bonds from available Collections, are discussed in "TOBACCO SETTLEMENT REVENUES PROJECTION METHODOLOGY AND BOND STRUCTURING ASSUMPTIONS." No assurance can be given

that these assumptions will be realized. Actual results could and likely will vary from such assumptions. Such variance could be material. Any material reduction in Tobacco Settlement Revenues or earnings on the Pledged Accounts would impair the Collections available to make Turbo Redemptions of the Series 2021B Bonds and extend the average lives of the Series 2021B Bonds. Owners of the Series 2021B Bonds bear the reinvestment risk from faster than expected amortization as well as the extension risk from slower than expected amortization. Turbo Redemptions on the Series 2021B-1 Bonds are not rated by S&P. The Series 2021B-2 Bonds are not rated by S&P.

Limited Remedies

The Trustee is limited under the terms of the Loan Agreement and the Sale Agreement to enforcing the terms of such agreements and to receiving the Tobacco Settlement Revenues and applying them in accordance with the Indenture. The Trustee cannot sell or foreclose on the County Tobacco Assets or its rights under the Loan Agreement or the Sale Agreement. The County, the Corporation and the Authority have not made any representation or warranty that the MSA is enforceable. The MOU provides by its terms that the distribution of tobacco-related recoveries is not subject to alteration by legislative, judicial or executive action at any level, and the County has made representations as to the enforceability of the MOU and the ARIMOU. However, such agreements cannot be enforced directly by the Corporation, the Authority or the Trustee. In accordance with the Sale Agreement, the County has agreed not to take any action or omit to take any action and has agreed to use its reasonable efforts not to permit any action to be taken by others that would release any Person from any of such Person's covenants or obligations under the MOU or the ARIMOU, or that would result in the amendment, hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, the MOU or the ARIMOU, nor, without the prior written consent of the Corporation or its assignee, amend, modify, terminate, waive or surrender, or agree to any amendment, modification, termination, waiver or surrender of, the terms of MOU or the ARIMOU, or waive timely performance or observance under such documents, in each case if the effect thereof would be materially adverse to the Owners. Remedies under the Loan Agreement and the Sale Agreement do not include the repurchase by the County of the County Tobacco Assets under any circumstances, including unenforceability of the MSA or breach of any representation or warranty. There is no direct right of enforcement by anyone other than the State against the PMs as obligors to make the tobacco settlement payments needed to make payments with respect to the Series 2021 Bonds.

Limited Liquidity of the Series 2021 Bonds; Price Volatility

There is currently a limited secondary market for securities such as the Series 2021 Bonds. The Underwriters are under no obligation to make a secondary market for the Series 2021 Bonds. There can be no assurance that a secondary market for the Series 2021 Bonds will develop, or if a secondary market does develop, that it will provide holders of the Series 2021 Bonds with liquidity or that it will continue for the life of the Series 2021 Bonds. Tobacco settlement revenue bonds generally have also exhibited greater price volatility than traditional municipal bonds. Any purchaser of the Series 2021 Bonds must be prepared to hold such securities for an indefinite period of time or until redemption or final payment of such securities.

Limited Nature of Ratings; Reduction, Suspension or Withdrawal of a Rating

In recent years, rating agencies have revised their assumptions regarding their ratings of unenhanced tobacco settlement bonds on account of the continuing decline in MSA payments resulting from cigarette volume decline, withholdings by PMs of MSA payments, and disputes and settlements relating to MSA payments. One rating agency (Fitch Ratings) withdrew in June 2016 its outstanding structured finance ratings on all of its rated U.S. tobacco asset-backed securities. In its May 2016 announcement of its intention to withdraw the ratings, Fitch Ratings said the primary reason for the withdrawal was that individual, custom modifications (by several participants) to material calculations originally part of the MSA eroded Fitch Ratings' confidence that ratings "can be consistently maintained, as insufficient information exists to predict the likelihood and effect of future modifications or that insufficient information will exist to support new, material variables included in them."

S&P Global Ratings ("**S&P**"), the sole rating agency providing ratings for the rated Series 2021 Bonds, has periodically revised its assumptions for all tobacco settlement securitizations and placed on downgrade watch or lowered its ratings on various tobacco settlement securitizations. Most recently, in October 2019 S&P downgraded various tobacco settlement securitizations following its May 2019 and January 2019 announcements of a ratings downgrade watch as a result of NAAG's publication of data indicating an accelerating decline in domestic cigarette

shipment volume and a ratings downgrade of Altria, respectively. There is no assurance that S&P will not change its assessment of unenhanced tobacco settlement bonds as a class of securities in a way that would result in a reduction, suspension or withdrawal of the ratings of the rated Series 2021 Bonds.

The ratings assigned to the Series 2021A Bonds and Series 2021B-1 Bonds by S&P will reflect S&P's assessment of the likelihood of the payment of interest on such Bonds, when due, and the payment of principal of such Bonds by their Maturity Dates and, with respect to the Series 2021A Bonds that are Term Bonds, Fixed Sinking Fund Installment dates. The ratings do not address the payment of Turbo Redemptions on the Series 2021B-1 Bonds. The Series 2021B-2 Bonds are not rated and involve additional risks that may not be appropriate for certain investors. See "RISK FACTORS—Market for Series 2021B-2 Bonds; No Credit Rating on Series 2021B-2 Bonds." The ratings of the Series 2021A Bonds and Series 2021B-1 Bonds will not be a recommendation to purchase, hold or sell such Bonds and such ratings will not address the marketability of such Bonds, any market price or suitability for a particular investor. There is no assurance that any rating will remain for any given period of time or that any rating will not be lowered, suspended or withdrawn entirely by S&P if, in S&P's judgment, circumstances so warrant based on factors prevailing at the time. Any such reduction, suspension or withdrawal of a rating, if it were to occur, could adversely affect the availability of a market for, or the market prices of, the rated Series 2021 Bonds. See "RATINGS" herein.

Market for Series 2021B-2 Bonds; No Credit Rating on Series 2021B-2 Bonds

The Series 2021B-2 Bonds are not rated. There may be a limited secondary market for the Series 2021B-2 Bonds because the absence of any rating could adversely affect the ability of holders of such Bonds to sell such Bonds or the price at which such Bonds can be sold.

LEGAL CONSIDERATIONS

The following discussion summarizes some, but not all, of the possible legal issues that could adversely affect the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full, and could have an adverse effect on the liquidity and/or market value of the Series 2021 Bonds. The discussion does not address every possible legal challenge that could result in a decision that would cause the Tobacco Settlement Revenues to be reduced or eliminated. Any reference in the discussion to an opinion is an incomplete summary of such opinion and is qualified in its entirety by reference to the actual opinion.

Bankruptcy of a PM

The enforceability of the rights and remedies of the Authority, the Trustee and the holders of the Series 2021 Bonds and of the obligations of a PM under the MSA are subject to the Bankruptcy Code and to other applicable insolvency or similar laws. See "RISK FACTORS—Bankruptcy of a PM May Delay, Reduce or Eliminate Payments Under the MSA" for a description of risks arising from the bankruptcy of a PM, including, without limitation, the automatic stay provisions of the Bankruptcy Code, "executory contracts," preferential payments, alteration of the terms of payment obligations, and other factors.

Recharacterization of Transfer of County Tobacco Assets Could Void Transfer

As a matter of California law, the County does not have the authority to borrow money secured by the County Tobacco Assets. Thus, if the transfer from the County to the Corporation is not a sale of the County Tobacco Assets, but is instead a borrowing by the County secured by the County Tobacco Assets, the transfer of the County Tobacco Assets to the Corporation may be void. The County and the Corporation have taken steps to structure the transfer of the County Tobacco Assets to the Corporation as an absolute sale and not as the grant of a security interest in the County Tobacco Assets to secure a borrowing by the County. Nonetheless, no assurance can be given that a court would not find that the transfer of the County Tobacco Assets to the Corporation is a secured borrowing. Because neither the Corporation nor the Authority has any other funds with which to make payments on the Series 2021 Bonds, if there were such a finding, the Owners could suffer a loss of their entire investment.

Effect of Bankruptcy of the County on County Tobacco Assets

Because the County is a governmental entity, it cannot be the subject of an involuntary bankruptcy case under the Bankruptcy Code. It can become a debtor only in a voluntary case.

The County and the Corporation have taken steps to structure the transfer of the County Tobacco Assets to the Corporation as an absolute sale and not as the grant of a security interest in the County Tobacco Assets to secure a borrowing by the County. If the County were to become a debtor in a bankruptcy case, and a party in interest (including the County itself) were to take the position that the transfer of the County Tobacco Assets to the Corporation should be recharacterized as the grant of a security interest in the County Tobacco Assets, then delays in payments on the Series 2021 Bonds could result. If a court were to adopt such position, then delays, reductions or elimination of payments on, or other losses with respect to, the Series 2021 Bonds could result. Losses suffered by Owners could be even more severe because, under California state law, the County does not have the authority to borrow money secured by the County Tobacco Assets, and thus, if the transfer from the County to the Corporation is recharacterized as a borrowing, the transfer of the County Tobacco Assets to the Corporation may be void. Because neither the Corporation nor the Authority has any other funds with which to make payments on the Series 2021 Bonds, the Owners and the beneficial owners of the Bonds could suffer a loss of their entire investment in such circumstances.

The County, the Corporation, and the Authority have taken steps to minimize the risk that in the event the County were to become the debtor in a bankruptcy case, a court would order that the assets and liabilities of the Corporation or the Authority be substantively consolidated with those of the County. The Corporation is a separate not-for-profit corporation, the organizational documents of which provide that it shall not commence a voluntary bankruptcy case without the unanimous affirmative vote of all of its directors, although this restriction may not be enforceable. The Authority is a separate, special purpose joint powers authority, the organizational documents of which provide that it shall not commence a voluntary bankruptcy case without the unanimous affirmative vote of all

of its directors, although this restriction may not be enforceable. If a party in interest (including the County itself) were to take the position that the assets and liabilities of the Corporation or the Authority should be substantively consolidated with those of the County, delays in payments on the Series 2021 Bonds could result. If a court were to adopt such position, then delays, reductions or elimination of payments on, or other losses with respect to, the Series 2021 Bonds could result.

Actions could be taken in a bankruptcy of the County which would adversely affect the exclusion of interest on the Series 2021 Bonds from gross income for federal income tax purposes. There may be other possible effects of the bankruptcy of the County that could result in delays, reductions or elimination of payments on, or other losses with respect to, the Series 2021 Bonds. Regardless of any specific adverse determinations in a County bankruptcy proceeding, the fact of a County bankruptcy proceeding could have an adverse effect on the liquidity and value of the Series 2021 Bonds.

MSA and Qualifying Statute Enforceability

Certain parties have filed lawsuits against some, and in certain cases all, of the signatories to the MSA, alleging, among other things, that the MSA, Qualifying Statutes and Complementary Legislation violate and are void or unenforceable under certain provisions of law. See "RISK FACTORS—If Litigation Challenging the MSA, the Qualifying Statutes and Related Legislation Were Successful, Payments Under the MSA Might be Suspended or Terminated."

No assurance can be given that a particular court would not hold that the MSA is not valid or enforceable, or that the State's Qualifying Statute is not valid, enforceable, or constitutional, thus resulting in delays and/or reductions in, or elimination of, payments on the Series 2021 Bonds.

The MSA provides that it can be amended only with the consent of the parties affected by the amendment. No assurance can be given that the NPM Adjustment Settlement does not constitute an amendment of the MSA or that the NPM Adjustment Settlement does not have an effect on parties that are not signatories to the NPM Adjustment Settlement. If it were to be determined that the NPM Adjustment Settlement does have an effect on parties that are not signatories, then all or part of the NPM Adjustment Settlement may be unenforceable, which could have a material adverse effect on the Authority and its ability to pay debt service on the Series 2021 Bonds.

See "RISK FACTORS—Payment Decreases Under the Terms of the MSA—*NPM Adjustment*" and "RISK FACTORS—Other Risks Relating to the MSA and Related Statutes—*Amendment to the State's Qualifying Statute*."

Limitations on Certain Opinions of Counsel

A court's decision regarding the matters upon which a lawyer is opining would be based on such court's own analysis and interpretation of the factual evidence before it and of applicable legal principles. Thus, if a court reached a result different from that expressed in an opinion, it would not necessarily constitute reversible error or be inconsistent with that opinion. An opinion of counsel is not a prediction of what a particular court (including any appellate court) that reached the issue on the merits would hold, but, instead, is the opinion of such counsel as to the proper result to be reached by a court applying existing legal rules to the facts as properly found after appropriate briefing and argument and, in addition, is not a guarantee, warranty or representation, but rather reflects the informed professional judgment of such counsel as to specific questions of law. Opinions of counsel are not binding on any court or party to a court proceeding. The descriptions of the opinions set forth herein are summaries, do not purport to be complete and are qualified in their entirety by the opinions themselves.

Enforcement of Rights to Tobacco Settlement Revenues

It is possible that the State could in the future attempt to claim some or all of the Tobacco Settlement Revenues for itself, or otherwise interfere with the security for the Series 2021 Bonds. In that event, the Owners, the Trustee, the Authority, the Corporation, or the County may assert claims based on contractual, fiduciary, or constitutional rights, but no prediction can be made as to the disposition of such claims.

Contractual Remedies

Under California law, settlements are treated as contracts and may be enforced according to their terms. The MOU is a court-approved settlement that establishes the County's right to receive its share of the tobacco settlement payments and to bring suit against the State to enforce such right. The Sale Agreement obligates the County to take all actions necessary to preserve, maintain and protect the title of the Corporation to the County Tobacco Assets. Thus, if the State violates the provisions of the MOU so as to impair the County's right to the County Tobacco Assets, the Trustee, as assignee of the Corporation's rights under the Sale Agreement, could seek to compel the County to enforce its payment rights under the MOU. Such enforcement costs will be paid from the Operating Account. As interested parties, the Corporation on its own behalf and the Trustee on behalf of the Owners could also seek to enforce the County's rights under the MOU, although, since they are not parties to the MOU they may not have enforceable rights to do so.

Fiduciary Relationship Remedies

As the lead California plaintiff in the class action lawsuit underlying the MOU, the State stands in a relationship of faith and trust with the other class members, including the County. Among other fiduciary obligations, the State as lead plaintiff bears a duty to protect faithfully the settlement interests of the other class members. Consequently, action by the State, either unilaterally or by agreement with the OPMs, to amend the MOU, or otherwise impair the County's rights to the County Tobacco Assets without its consent, may constitute a breach of the State's fiduciary duties, but it is likely that the State would deny such a breach, and no prediction can be made as to the outcome of such a claim.

Constitutional Claims

The Owners are entitled to the benefit of the prohibitions in the United States Constitution's Contract Clause against any state's impairment of the obligation of contracts. The State has entered into the MOU and the ARIMOU allocating the State's share of the benefits of the MSA among itself and Participating Jurisdictions, including the County. The Tobacco Settlement Revenues and money derived therefrom are the principal source of payment for the Series 2021 Bonds.

Based on the U.S. Supreme Court's standard of review for Contract Clause challenges in *Energy Reserves Group, Inc. v. Kansas Power & Light Co.*, the State must justify the exercise of its inherent police power to safeguard the vital interests of its people before the State may alter the MSA, the MOU or the financing arrangements in a manner that would substantially impair the rights of the Owners to be paid from the Tobacco Settlement Revenues. However, to justify the enactment by the State of legislation that substantially impairs the contractual rights of the Owners to be paid from the Collateral, the State must demonstrate a significant and legitimate public purpose, such as the remedying of a broad and general social or economic problem. In the event that the State demonstrates a significant and legitimate public purpose for such legislation, the State must also show that the impairment of the Owners' rights is based upon reasonable conditions and are of a character appropriate to the public purpose justifying the legislation's adoption.

Finally, the Owners may also have constitutional claims under the Due Process Clauses of the United States and State Constitutions.

No Assurance As to the Outcome of Litigation or Arbitration Proceedings

With respect to all matters of litigation or arbitration proceedings mentioned herein that have been brought and may in the future be brought against the PMs, or involving the enforceability or constitutionality of the MSA, the NPM Adjustment Settlement and NPM Adjustment Settlement Stipulated Partial Settlement and Award, and/or the State's related legislation, Qualifying Statute or the enforcement of the right to the Tobacco Settlement Revenues or otherwise filed in connection with the domestic tobacco industry, the outcome of such litigation or arbitration proceedings, in general, cannot be predicted with certainty and depends, among other things, on (i) the issues being appropriately presented and argued before the courts (including the applicable appellate courts) and arbitration panels and (ii) the courts or panels, having been presented with such issues, correctly applying applicable legal principles in

reaching appropriate decisions regarding the merits. In addition, courts and panels may, in their exercise of equitable jurisdiction, reach judgments based not upon the legal merits but upon a balancing of the equities among the parties. Accordingly, no assurance can be given as to the outcome of any such litigation or arbitration and any such adverse outcome could materially adversely affect the amount and/or timing of the Tobacco Settlement Revenues and the ability of the Authority to pay debt service on all or a portion of the Series 2021 Bonds on a timely basis or in full.

SUMMARY OF THE MASTER SETTLEMENT AGREEMENT

The following is a brief summary of certain provisions of the MSA and related information. This summary is not complete and is subject to, and qualified in its entirety by reference to, the MSA as amended. A copy of the MSA in its original form is attached hereto as APPENDIX B. Several amendments have been made to the MSA which are not included in APPENDIX B. Except for those amendments pursuant to which certain tobacco companies became SPMs, such amendments involve technical and administrative provisions not material to the summary below. In addition, the following includes a brief summary of certain provisions of the NPM Adjustment Settlement. See "RISK FACTORS" and "LEGAL CONSIDERATIONS" herein for a discussion of certain risks related to the MSA and the NPM Adjustment Settlement. See also APPENDIX C-1 — "NPM ADJUSTMENT SETTLEMENT AGREEMENT," APPENDIX C-2 — "2016 AND 2017 NPM ADJUSTMENTS SETTLEMENT AGREEMENT" and APPENDIX C-3 — "2018 THROUGH 2022 NPM ADJUSTMENTS SETTLEMENT AGREEMENT" for a copy of the NPM Adjustment Settlement Agreement and related extension settlements.

General

The MSA is an industry-wide settlement of litigation between the Settling States (including the State) and the four original OPMs that was entered into between the attorneys general of the Settling States and the original OPMs on November 23, 1998. The MSA provides for other tobacco companies (the "**SPMs**") to become parties to the MSA. The OPMs together with the SPMs are referred to as the "**PMs**." The settlement represents the resolution of a large potential financial liability of the PMs for smoking-related injuries, the costs of which have been borne and will likely continue to be borne by states. Pursuant to the MSA, the Settling States agreed to settle all their past, present and future smoking-related claims against the PMs in exchange for agreements and undertakings by the PMs concerning a number of issues. These issues include, among others, making payments to the Settling States, abiding by more stringent advertising restrictions and funding educational programs, all in accordance with the terms and conditions set forth in the MSA. Distributors of PMs' products are also covered by the settlement of such claims to the same extent as the PMs.

Parties to the MSA

The Settling States are all of the states, territories and the District of Columbia, except for the four states (Florida, Minnesota, Mississippi and Texas) that separately settled with the original OPMs prior to the adoption of the MSA (the "**Previously Settled States**"). According to NAAG, the following PMs are parties to the MSA (as of July 21, 2020, NAAG's most recent reference date):

(Remainder of Page Intentionally Left Blank)

OPMs	SPMs	
Philip Morris USA Inc. (formerly Philip Morris Incorporated)	Bekenton, S.A. [1]	Liggett Group LLC
R.J. Reynolds Tobacco Company (formerly R.J. Reynolds Tobacco Company, Brown & Williamson Tobacco Corporation (2004 merger) and Lorillard Tobacco Company (2015 merger))	Canary Islands Cigar Co.	Mac Baren Tobacco Company A/S
	Caribbean-American Tobacco Corp. (CATCORP)	Monte Paz (Compania Industrial de Tabacos Monte Paz S.A.)
	The Chancellor Tobacco Company, UK Ltd.	NASCO Products, LLC [4]
	Commonwealth Brands, Inc.	OOO Tabaksfacrik Reemtsma Wolga (Russia)
	Daughters & Ryan, Inc.	P.T. Djarum
	M/s. Dhanraj International [1]	Pacific Stanford Manufacturing Corporation
	Eastern Company S.A.E.	Peter Stokkebye Tobaksfabrik A/S
	Ets L Lacroix Fils NV S.A. (Belgium)	Planta Tabak-manufaktur Gmbh & Co.
	Farmers Tobacco Company of Cynthiana, Inc.	Poschl Tabak GmbH & Co. KG
	General Jack's Incorporated	Premier Manufacturing Incorporated
	General Tobacco (Vibo Corporation d/b/a General Tobacco) [2]	Reemtsma Cigarettenfacbriken GmbH (Reemtsma)
	House of Prince A/S	Santa Fe Natural Tobacco Company, Inc.
	Imperial Tobacco Limited/ITL (USA) Limited	Scandinavian Tobacco Group Lane Ltd. (formerly Lane Limited and Tobacco Exporters International (USA) Ltd.)
	Imperial Tobacco Limited/ITL (UK)	Sherman's 1400 Broadway N.Y.C., LLC [5]
	Imperial Tobacco Mullingar (Ireland)	Societe National d'Exploitation Industrielle des Tabacs et Allumettes (SEITA)
	Imperial Tobacco Polska S.A. (Poland)	Tabacalera del Este, S.A. (TABESA)
	Imperial Tobacco Production Ukraine	Top Tobacco, LP
	Imperial Tobacco Sigara ve Tutunculuk Sanayi Ve Ticaret S.A. (Turkey)	U.S. Flue-Cured Tobacco Growers, Inc.
	International Tobacco Group (Las Vegas), Inc.	Van Nelle Tabak Nederland B.V. (Netherlands)
	ITG Brands, LLC (formerly known as Lignum-2, LLC) [3]	Vector Tobacco Inc. (formerly Vector Tobacco Inc. and Medallion Company, Inc.)
	Japan Tobacco International USA, Inc.	Virginia Carolina Corporation, Inc.
	King Maker Marketing	Von Eicken Group
	Konci Group (USA) Inc. (formerly known as Konci G&D Management Group (USA) Inc.)	Wind River Tobacco Company, LLC
	Kretek International	VIP Tobacco USA, LTD. (formerly Winner Sales Company)
	Liberty Brands, LLC [1]	ZNF International, LLC

[1] Has filed for bankruptcy relief. There may be other PMs that have filed for bankruptcy relief, of which the Authority is not aware. NAAG reports that other tobacco manufacturers that had been SPMs are no longer SPMs due to dissolution from bankruptcy or otherwise.

[2] Ceased production of cigarettes and other tobacco products.

[3] A subsidiary of Imperial Tobacco and an OPM with respect to those cigarette brands purchased from Reynolds Tobacco and Lorillard.

[4] Acquired by 22nd Century Group, Inc. in August 2014, with 22nd Century Group, Inc. and its subsidiaries becoming signatories to an adherence agreement to the MSA, according to news reports.

[5] Altria acquired Sherman Group Holdings, LLC and its subsidiaries in January 2017.

The MSA restricts PMs from transferring their tobacco product brands, cigarette product formulas and cigarette businesses (unless they are being transferred exclusively for use outside the United States) to any entity that is not a PM under the MSA, unless the transferee agrees to assume the obligations of the transferring PM under the MSA related to such brands, formulas or businesses. The MSA expressly provides that the payment obligations of each PM are not the obligation or responsibility of any affiliate of such PM or any other PM and, further, that the remedies, penalties and sanctions that may be imposed or assessed in connection with a breach or violation of the MSA will only apply to the PMs and not against any other person or entity. Obligations of the SPMs, to the extent that they differ from the obligations of the OPMs, are described below under "—Subsequent Participating Manufacturers."

Scope of Release

Under the MSA, the PMs and the other "Released Parties" (defined below) are released from:

- claims based on past conduct, acts or omissions (including any future damages arising therefrom) in any way relating to the use, sale, distribution, manufacture, development, advertising, marketing or health effects of, or exposure to, or research statements or warnings regarding, tobacco products; and

- monetary claims based on future conduct, acts or omissions in any way relating to the use of or exposure to tobacco products manufactured in the ordinary course of business, including future claims for reimbursement of healthcare costs.

This release is binding upon each Settling State and any of its past, present and future agents, officials acting in their official capacities, legal representatives, agencies, departments, commissions and divisions. The MSA is further stated to be binding on the following persons, to the full extent of the power of the signatories to the MSA to release past, present and future claims on their behalf: (i) any Settling State's subdivisions (political or otherwise, including, but not limited to, municipalities, counties, parishes, villages, unincorporated districts and hospital districts), public entities, public instrumentalities and public educational institutions; and (ii) persons or entities acting in a *parens patriae*, sovereign, quasi-sovereign, private attorney general, qui tam, taxpayer, or any other capacity, whether or not any of them participate in the MSA (a) to the extent that any such person or entity is seeking relief on behalf of or generally applicable to the general public in such Settling State or the people of such Settling State, as opposed solely to private or individual relief for separate and distinct injuries, or (b) to the extent that any such entity (as opposed to an individual) is seeking recovery of healthcare expenses (other than premium or capitation payments for the benefit of present or retired state employees) paid or reimbursed, directly or indirectly, by a Settling State. All such persons or entities are referred to collectively in the MSA as "**Releasing Parties**."

To the extent that the attorney general of a Settling State does not have the power or authority to bind any of the Releasing Parties in such state, the release of claims contemplated by the MSA may be ineffective as to the Releasing Parties and any amounts that become payable by the PMs on account of their claims, whether by way of settlement, stipulated judgment or litigated judgment, will trigger the Litigating Releasing Parties Offset. See "—Adjustments to Payments."

The release inures to the benefit of all PMs and their past, present and future affiliates, and the respective divisions, officers, directors, employees, representatives, insurers, lenders, underwriters, tobacco-related organizations, trade associations, suppliers, agents, auditors, advertising agencies, public relations entities, attorneys, retailers and distributors of any PM or any such affiliate (and the predecessors, heirs, executors, administrators, successors and assigns of each of the foregoing). They are referred to in the MSA individually as a "**Released Party**" and collectively as the "**Released Parties**." However, the term "Released Parties" does not include any person or entity (including, but not limited to, an affiliate) that is an NPM at any time after the MSA execution date, unless such person or entity becomes a PM.

Overview of Payments by the Participating Manufacturers; MSA Escrow Agent

The MSA requires that the PMs make several types of payments, including Initial Payments, Annual Payments and Strategic Contribution Payments, as discussed below.* These payments (with the exception of the upfront Initial Payment) are subject to various adjustments and offsets, some of which could be material. See "—Adjustments to Payments" and "—Subsequent Participating Manufacturers" below. SPMs were not required to make Initial Payments. The OPMs have made all of the Initial Payments. Thus far, most of the PMs† have made the Annual Payments due in 2000 through, and including, 2020, and Strategic Contribution Payments due in 2008 through, and including, 2017, which was the last year in which such Strategic Contribution Payments were due (subject, in each case, to certain withholdings and payments into the DPA, including as described in "—NPM Adjustment Claims and NPM Adjustment Settlement"). See "—Payments Made to Date" below.

Payments required to be made by the OPMs are calculated annually based on actual domestic shipments of cigarettes in the prior calendar year by reference to the OPMs' domestic shipment of cigarettes in 1997, with consideration under certain circumstances for the profitability of each OPM. Payments to be made by the SPMs are recalculated each year based on the Market Share of each individual SPM in relation to the Market Share of the OPMs. For SPMs that became signatories to the MSA within 90 days of its execution, payments are recalculated each year based on the Market Share less the Base Share of such SPM in relation to the Market Share of the OPMs. See "—Subsequent Participating Manufacturers" below. Pursuant to an escrow agreement (the "**MSA Escrow Agreement**") established in conjunction with the MSA, Annual Payments are to be made to Citibank, N.A., as escrow agent (the "**MSA Escrow Agent**"), which in turn will disburse the funds to the parties entitled thereto.

Beginning with the payments due in the year 2000, PricewaterhouseCoopers LLP, the independent auditor under the MSA (the "**MSA Auditor**") has, among other things, calculated and determined the amount of all payments owed pursuant to the MSA, the adjustments, reductions and offsets thereto (and all resulting carry-forwards, if any) and the allocation of such payments, adjustments, reductions, offsets and carry-forwards among the PMs and among the Settling States. This information is not publicly available, and the MSA Auditor has agreed to maintain the confidentiality of all such information, except that the MSA Auditor may provide such information to PMs and the Settling States as set forth in the MSA.

Initial Payments

Initial Payments were made only by the OPMs. In December 1998, the OPMs collectively made an up-front Initial Payment of $2.40 billion. The 2000 Initial Payment, which had a scheduled base amount of approximately $2.47 billion, was paid in December 1999 in the approximate amount of $2.13 billion due to various adjustments. The 2001 Initial Payment, which had a scheduled base amount of approximately $2.55 billion, was paid in December 2000 in the approximate amount of $2.04 billion after taking into account various adjustments and an earlier overpayment. The 2002 Initial Payment, which had a scheduled base amount of approximately $2.62 billion, was paid in December 2001, in the approximate amount of $1.89 billion after taking into account various adjustments and a deposit made to the DPA. Approximately $204 million, which was substantially all of the money previously deposited in the DPA for payment to the Settling States, was distributed to the Settling States with the Annual Payment due April 15, 2002. The 2003 Initial Payment, which had a scheduled base amount of approximately $2.7 billion, was paid in December 2002 and January 2003, in the approximate amount of $2.14 billion after taking into account various adjustments. No Initial Payments were due after the 2003 Initial Payment.

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* Other payments that are required to be made by the PMs, such as payments of attorneys' fees and payments to a national foundation established pursuant to the MSA, are not allocated to the Settling States and are not available to the holders of the Bonds, and consequently are not discussed herein.

† Vibo Corporation, Inc., d/b/a General Tobacco, ceased production of cigarettes in 2010 and has defaulted upon certain of its MSA payments. General Tobacco has stated that it will be unable to make any back payments it owes under the MSA.

Annual Payments

The OPMs and the other PMs are required to make Annual Payments on each April 15 in perpetuity. Most of the PMs made the Annual Payments due April 15 in each of the years 2000 through 2020. The MSA sets forth the following table of scheduled base amounts of Annual Payments:

Base Amounts of Annual Payments[(1)]

Payment Year	Base Amount	Payment Year	Base Amount
2000	$4,500,000,000	2010	$8,139,000,000
2001	5,000,000,000	2011	8,139,000,000
2002	6,500,000,000	2012	8,139,000,000
2003	6,500,000,000	2013	8,139,000,000
2004	8,000,000,000	2014	8,139,000,000
2005	8,000,000,000	2015	8,139,000,000
2006	8,000,000,000	2016	8,139,000,000
2007	8,000,000,000	2017	8,139,000,000
2008	8,139,000,000	Thereafter	9,000,000,000
2009	8,139,000,000		

(1) The Annual Payments from 2000 through 2020 have been made. Adjustments to Annual Payments for a given year may affect Annual Payments due in subsequent years. This table reflects base amounts of Annual Payments only, and does not reflect adjustments. Actual payments received have been substantially lower than the base amounts due to the application of adjustments. See "—Payments Made to Date" below.

The respective portion of each base amount applicable to each OPM is calculated by multiplying the base amount by the OPM's Relative Market Share (defined below) during the preceding calendar year. The base annual payments in the above table will be increased by at least the minimum 3% Inflation Adjustment, adjusted by the Volume Adjustment, reduced by the Previously Settled States Reduction, and further adjusted by the other adjustments described below. Each SPM has Annual Payment obligations under the MSA (separate from the payment obligations of the OPMs) according to its market share. However, any SPM that became a party to the MSA within 90 days after it became effective pays only if its market share exceeds the higher of its 1998 market share or 125% of its 1997 market share (such higher share, the "**Base Share**").

"**Relative Market Share**" is defined as an OPM's percentage share of the number of cigarettes shipped by all OPMs in or to the 50 states, the District of Columbia and Puerto Rico (defined hereafter as the "**United States**"), as measured by the OPM's reports of shipments to Management Science Associates, Inc. ("**MSAI**") (or any successor acceptable to all the OPMs and a majority of the attorneys general of the Settling States who are also members of the NAAG executive committee). The term "**cigarette**" is defined in the MSA to mean any product that contains nicotine, is intended to be burned or heated under ordinary conditions of use, contains tobacco and is likely to be offered to, or purchased by, consumers as a cigarette and includes "roll-your-own" tobacco.

The base amounts shown in the table above are subject to the following adjustments applied in the following order:

- the Inflation Adjustment,
- the Volume Adjustment,
- the Previously Settled States Reduction,
- the Non-Settling States Reduction,
- the NPM Adjustment,
- the Offset for Miscalculated or Disputed Payments,
- the Litigating Releasing Parties Offset, and
- the Offset for Claims-Over.

Application of these adjustments resulted in a material reduction of the Tobacco Settlement Revenues under the MSA from the scheduled base amounts for the years 2000 through 2020, as discussed below under the caption "—Payments Made to Date."

Strategic Contribution Payments

The OPMs were required to make Strategic Contribution Payments on April 15 of each year from 2008 through 2017. Most of the PMs made the Strategic Contribution Payments due April 15 in each of the years 2008 through 2017. The base amount of each Strategic Contribution Payment was $861 million. The respective portion of the base amount applicable to each OPM was calculated by multiplying the base amount by the OPM's Relative Market Share during the preceding calendar year. The SPMs were required to make Strategic Contribution Payments if their Market Share increased above their respective Base Shares. See "—Subsequent Participating Manufacturers" below.

The base amounts of the Strategic Contribution Payments were subject to the adjustments as described in "—Annual Payments" above, except for the Previously Settled States Reduction, which was not applicable to Strategic Contribution Payments. Application of the adjustments resulted in a material reduction of the Strategic Contribution Payments due to the State under the MSA from the scheduled base amount for the years 2000 through 2017, as discussed below under the caption "—Payments Made to Date." No Strategic Contribution Payments are due after the 2017 Strategic Contribution Payment.

Adjustments to Payments

The base amounts of the Annual Payments are subject to certain adjustments to be applied sequentially and in accordance with formulas contained in the MSA.

Inflation Adjustment

The base amounts of the Annual Payments are increased each year to account for inflation. The increase in each year will be 3% or a percentage equal to the percentage increase in the Consumer Price Index (the "**CPI**") (or such other similar measures as may be agreed to by the Settling States and the PMs) for the preceding year, whichever is greater (the "**Inflation Adjustment**"). The inflation adjustment percentages are compounded annually on a cumulative basis beginning in 1999 and were first applied in 2000.

Volume Adjustment

Each of the Annual Payments is increased or decreased by an adjustment which accounts for fluctuations in the number of cigarettes shipped by the OPMs in or to the United States (the "**Volume Adjustment**").

If the aggregate number of cigarettes shipped in or to the United States by the OPMs in any given year (the "**Actual Volume**") is greater than 475,656,000,000 cigarettes (the "**Base Volume**"), the base amount allocable to the OPMs is adjusted to equal the base amount (after application of the Inflation Adjustment) multiplied by a ratio, the numerator of which is the Actual Volume and the denominator of which is the Base Volume.

If the Actual Volume in a given year is less than the Base Volume, the base amount due from the OPMs (after application of the Inflation Adjustment) is decreased by 98% of the percentage by which the Actual Volume is less than the Base Volume, multiplied by such base amount. If, however, the aggregate operating income of the OPMs from sales of cigarettes in the United States during the year (the "**Actual Operating Income**") is greater than $7,195,340,000, as adjusted for inflation in accordance with the Inflation Adjustment (the "**Base Operating Income**"), all or a portion of the volume reduction is added back (the "**Income Adjustment**"). The amount by which the Actual Operating Income of the OPMs exceeds the Base Operating Income is multiplied by the percentage of the allocable shares under the MSA represented by Settling States in which State-Specific Finality (as defined in the MSA) has been reached and divided by four, then added to the payment due. However, in no case will the amount added back due to the increase in operating income exceed the amount deducted due to the decrease in domestic volume.

Any add-back due to an increase in Actual Operating Income will be allocated among the OPMs on a Pro Rata basis in accordance with their respective increases in Actual Operating Income over 1997 Base Operating Income.

Certain PMs and Settling States were in dispute regarding whether the "roll-your-own" tobacco conversion for OPMs of 0.0325 ounces for one individual cigarette should continue to be used for purposes of calculating the downward Volume Adjustments to the MSA payments (as Settling States contended), or, rather, a 0.09 ounce conversion (as PMs contended). Forty-three jurisdictions entered into arbitration, and in an award dated January 21, 2013, the arbitration panel held that the MSA Auditor is to use the 0.0325 ounce conversion method for OPMs for purposes of roll-your-own tobacco. The State was not a party to this arbitration proceeding.

Previously Settled States Reduction

The base amounts of the Annual Payments (as adjusted by the Inflation Adjustment and the Volume Adjustment, if any) are subject to a reduction reflecting the four states that had settled with the OPMs prior to the adoption of the MSA (Mississippi, Florida, Texas and Minnesota) (the "**Previously Settled States Reduction**"). The Previously Settled States Reduction reduces by 12.4500000% each applicable payment on or before December 31, 2007, by 12.2373756% each applicable payment between January 1, 2008 and December 31, 2017, and by 11.0666667% each applicable payment on or after January 1, 2018. The SPMs are not entitled to any reduction pursuant to the Previously Settled States Reduction.

PSS Credit Amendment. Certain of the Settling States have executed documentation approving an amendment to the MSA that would allow SPMs to elect to receive a reduction in their MSA payments in an amount equal to a percentage (100% or a lesser percentage, depending on the SPM's election and the number of years the amendment has been in effect) of the fees paid to Previously Settled States pursuant to state legislation in the Previously Settled States requiring tobacco product manufacturers that did not sign onto the Previously Settled State Settlements to pay a fee to such Previously Settled States (the "**PSS Credit Amendment**"). The PSS Credit Amendment would also provide for certain increases in the electing SPMs' MSA payments. Three Previously Settled States impose a fee on tobacco product manufacturers that did not sign onto the applicable state's Previously Settled State Settlement ($0.50 per pack of 20 cigarettes in Minnesota, $0.27, adjusted for inflation, per pack of 20 cigarettes in Mississippi, and $0.55 per pack of 20 cigarettes in Texas; see "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY—Regulatory Issues—*Excise Taxes*" for a discussion of litigation relating to the Texas fee). The PSS Credit Amendment is not currently in effect, because by its terms it will only take effect if and when all Settling States having aggregate Allocable Shares equal to at least 99.937049% (the equivalent of the aggregate Allocable Share of the 46 states that are Settling States), and all OPMs and Commonwealth Brands, Inc., have executed the PSS Credit Amendment. No assurance can be given as to if or when the PSS Credit Amendment will take effect. Further, no assurance can be given as to whether the PSS Credit Amendment, if and when it takes effect, will reduce the amount of Tobacco Settlement Revenues available to the Authority to pay debt service on the Series 2021 Bonds. See "RISK FACTORS—Other Risks Relating to the MSA and Related Statutes—*Amendments, Waivers and Termination" and "—Reliance on State Enforcement of the MSA; State Impairment."* See also "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT—NPM Adjustment Claims and NPM Adjustment Settlement—*NPM Adjustment Settlement*."

Non-Settling States Reduction

In the event that the MSA terminates as to any Settling State, the remaining Annual Payments, if any, due from the PMs shall be reduced to account for the absence of such state. This adjustment has no effect on the amounts to be collected by states which remain a party to the MSA, and the reduction is therefore not detailed.

Non-Participating Manufacturers Adjustment

The "**NPM Adjustment**" under the MSA is based upon market share increases, measured by domestic sales of cigarettes by NPMs, and operates to reduce the payments of the PMs under the MSA in the event that the PMs incur losses in market share to NPMs during a calendar year as a result of the MSA.

Under the MSA, three conditions must be met in order to trigger an NPM Adjustment: (1) the aggregate market share of the PMs in any year must fall more than 2% below the aggregate market share held by those same PMs in 1997, (2) a nationally recognized firm of economic consultants must determine that the disadvantages experienced as a result of the provisions of the MSA were a significant factor contributing to the market share loss for the year in question, and (3) the Settling States in question must be proven to not have diligently enforced their Model Statutes. Once a significant factor determination in favor of the PMs for a particular year has been made by an economic consulting firm, or the states' agreement not to contest that the disadvantages of the MSA were a significant factor contributing to the PMs' collective loss of market share in a particular year has become effective, a PM has the right under the MSA to pay the disputed amount of the NPM Adjustment for that year into the DPA or withhold it altogether. The NPM Adjustment, after conclusion of the applicable arbitration regarding diligent enforcement for the relevant sales year, is applied to the subsequent year's Annual Payment and the decrease in total funds available as a result of the NPM Adjustment is then allocated on a Pro Rata basis among those Settling States that have been found (i) to not diligently enforce their Qualifying Statutes, or (ii) to have enacted the Model Statute or a Qualifying Statute that is declared invalid or unenforceable by a court of competent jurisdiction.

The 1997 market share percentage for the PMs, less 2%, is defined in the MSA as the "**Base Aggregate Participating Manufacturer Market Share**." If the PMs' actual aggregate market share is between 0% and 16 ⅔% less than the Base Aggregate Participating Manufacturer Market Share, the amounts paid by the PMs would be decreased by three times the percentage decrease in the PMs' actual aggregate market share. If, however, the aggregate market share loss from the Base Aggregate Participating Manufacturer Market Share is greater than 16 ⅔%, the NPM Adjustment will be calculated as follows:

NPM Adjustment = 50% +
[50% / (Base Aggregate Participating Manufacturer Market Share – 16⅔%)]
x [market share loss – 16⅔%]

Regardless of how the NPM Adjustment is calculated, it is always subtracted from, and may not exceed, the total Annual Payments due from the PMs in any given year. The NPM Adjustment for any given year for a specific state cannot exceed the amount of Annual Payments due to such state. The NPM Adjustment does not apply at all if the number of cigarettes shipped in or to the United States in the year prior to the year in which the payment is due by all manufacturers that were PMs prior to December 7, 1998 exceeds the number of cigarettes shipped in or to the United States by all such PMs in 1997.

The NPM Adjustment is also state-specific in that a Settling State may avoid or mitigate the effects of an NPM Adjustment by enacting and diligently enforcing the Model Statute or a Qualifying Statute. Any Settling State that adopts and diligently enforces the Model Statute or a Qualifying Statute is exempt from the NPM Adjustment. The decrease in total funds available due to the NPM Adjustment is allocated on a Pro Rata basis among those Settling States that either (i) did not enact and diligently enforce the Model Statute or Qualifying Statute, or (ii) enacted the Model Statute or a Qualifying Statute that is declared invalid or unenforceable by a court of competent jurisdiction. The practical effect of a decision by a PM to claim an NPM Adjustment for a given year and pay its portion of the amount of such claimed NPM Adjustment into the DPA, or withhold payment of such amount, would be to reduce the payments to all Settling States on a pro rata basis until a resolution is reached regarding the diligent enforcement dispute for all Settling States for such year, or until a settlement is reached for some or all such disputes for such year (such as in the NPM Adjustment Settlement discussed below). If the PMs make a claim for an NPM Adjustment for any particular year and a state is determined to be one of a few states (or the only state) not to have diligently enforced its Model Statute or Qualifying Statute in such year, the amount of the NPM Adjustment applied to such state in the year following such determination could be as great as the amount of Annual Payments that could otherwise have been received by such state in such year.

If a Settling State enacts and diligently enforces a Qualifying Statute that is the Model Statute but it is declared invalid or unenforceable by a court of competent jurisdiction, the NPM Adjustment for any given year will not exceed 65% of the amount of such state's allocated payment for the subsequent year. If a Qualifying Statute that is not the Model Statute is held invalid or unenforceable, however, such state is not entitled to any protection from the NPM Adjustment. Moreover, if a state adopts the Model Statute or a Qualifying Statute but then repeals it or amends it in such fashion that it is no longer a Qualifying Statute, then such state will no longer be entitled to any protection from the NPM Adjustment. At all times, a state's protection from the NPM Adjustment is conditioned upon the diligent

enforcement of its Model Statute or Qualifying Statute, as the case may be. See "RISK FACTORS—Payment Decreases Under the Terms of the MSA" above and "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT—MSA Provisions Relating to Model/Qualifying Statutes" below. See also "—Most Favored Nation Provisions."

For a discussion of the terms of the NPM Adjustment Settlement, which the State joined and which settled claims related to the 2003 through 2022 NPM Adjustments and set forth a methodology for determining subsequent NPM Adjustments, and matters related thereto, see "—NPM Adjustment Claims and NPM Adjustment Settlement" below.

Offset for Miscalculated or Disputed Payments

If information becomes available to the MSA Auditor not later than four years after the scheduled due date of any payment due pursuant to the MSA showing an underpayment or overpayment by a PM, the MSA Auditor will recalculate the payment and make provisions for rectifying the error (the "**Offset for Miscalculated or Disputed Payments**"). There are no time limits specified for recalculations although the MSA Auditor is required to determine amounts promptly. Disputes as to determinations by the MSA Auditor may be submitted to binding arbitration governed by the Federal Arbitration Act. In the event that mispayments have been made, they will be corrected through payments with interest (in the event of underpayments) or withholdings with interest (in the event of overpayments). Interest will be at the prime rate published from time to time by *The Wall Street Journal* or, in the event *The Wall Street Journal* is no longer published or no longer publishes such rate, an equivalent successor reference rate determined by the MSA Auditor, except where a party fails to pay undisputed amounts or fails to provide necessary information readily available to it, in which case a penalty rate of the prime rate plus 3% applies. If a PM disputes any required payment, it must determine whether any portion of the payment is undisputed and pay that amount for disbursement to the Settling States. The disputed portion may be paid into the DPA pending resolution of the dispute, or may be withheld. Failure to pay such disputed amounts into the DPA will result in liability for interest at the penalty rate if the disputed amount was in fact properly due and owing. See "RISK FACTORS—Payment Decreases Under the Terms of the MSA."

Litigating Releasing Parties Offset

If any Releasing Party initiates litigation against a PM for any of the claims released in the MSA, the PM may be entitled to an offset against such PM's payment obligation under the MSA (the "**Litigating Releasing Parties Offset**"). A defendant PM may offset dollar-for-dollar any amount paid in settlement, stipulated judgment or litigated judgment against the amount to be collected by the applicable Settling State under the MSA only if the PM has taken all ordinary and reasonable measures to defend that action fully and only if any settlement or stipulated judgment was consented to by the state attorney general. The Litigating Releasing Parties Offset is state-specific. Any reduction in MSA payments as a result of the Litigating Releasing Parties Offset would apply only to the Settling State of the Releasing Party.

Offset for Claims-Over

If a Releasing Party pursues and collects on a released claim against an NPM or a retailer, supplier or distributor arising from the sale or distribution of tobacco products of any NPM or the supply of component parts of tobacco products to any NPM (collectively, the "**Non-Released Parties**"), and the Non-Released Party in turn successfully pursues a claim for contribution or indemnification against a Released Party (as defined herein), the Releasing Party must (i) reduce or credit against any judgment or settlement such Releasing Party obtains against the Non-Released Party the full amount of any judgment or settlement such Non-Released Party may obtain against the Released Party, and (ii) obtain from such Non-Released Party for the benefit of such Released Party a satisfaction in full of such Non-Released Party's judgment or settlement against the Released Party. In the event that such reduction or satisfaction in full does not fully relieve any OPM (or any person or entity that is a Released Party by virtue of its relation to any OPM) of its duty to pay to the Non-Released Party, such OPM (or any person or entity that is a Released Party by virtue of its relation to any OPM) is entitled to a dollar-for-dollar offset from its payment to the applicable Settling State (the "**Offset for Claims-Over**"). For purposes of the Offset for Claims-Over, any person or entity that is enumerated in the definition of Releasing Party set forth above is treated as a Releasing Party without regard to whether the applicable attorney general had the power to release claims of such person or entity. The Offset for

Claims-Over is state-specific and would apply only to MSA payments owed to the Settling State of the Releasing Party.

Subsequent Participating Manufacturers

SPMs are obligated to make Annual Payments, which are made at the same times as the corresponding payments to be made by OPMs. Such payments for SPMs are calculated differently, however, from such payments for OPMs. Each SPM's payment obligation is determined according to its market share if, and only if, its "**Market Share**" (defined in the MSA to mean a manufacturer's share, expressed as a percentage, of the total number of cigarettes sold in the United States in a given year, as measured by excise taxes (or similar taxes, in the case of Puerto Rico)), for the year preceding the payment exceeds its Base Share. If an SPM executes the MSA after February 22, 1999 (*i.e.*, 90 days after the effective date of the MSA), its Base Share, is deemed to be zero. Fourteen of the current 52 SPMs signed the MSA on or before the February 22, 1999 deadline, according to NAAG.

For each Annual Payment, each SPM is required to pay an amount equal to the base amount of the Annual Payment owed by the OPMs, collectively, adjusted for the Volume Adjustment described above but prior to any other adjustments, reductions or offsets, multiplied by (i) the difference between that SPM's Market Share for the preceding year and its Base Share, divided by (ii) the aggregate Market Share of the OPMs for the preceding year. Other than the application of the Volume Adjustment, payments by the SPMs are also subject to the same adjustments (including the Inflation Adjustment), reductions and offsets as are the payments made by the OPMs, with the exception of the Previously Settled States Reduction.

Because the Annual Payments to be made by the SPMs are calculated in a manner different from the calculations for Annual Payments to be made by the OPMs, a change in market share between the OPMs and the SPMs could cause the amount of Annual Payments required to be made by the PMs in the aggregate to be greater or less than the amount that would be payable if their market share remained the same. In certain circumstances, an increase in the market share of the SPMs could increase the aggregate amount of Annual Payments because the Annual Payments to be made by the SPMs are not adjusted for the Previously Settled States Reduction. However, in other circumstances, an increase in the market share of the SPMs could decrease the aggregate amount of Annual Payments because the SPMs are not required to make any Annual Payments unless their market share increases above their Base Share, or because of the manner in which the Inflation Adjustment is applied to each SPM's payments.

Certain PMs and Settling States were in dispute regarding whether the payment obligations of one SPM (Liggett Group LLC) should continue to be determined based on the "net" number of cigarettes on which federal excise tax is paid (as Settling States contended), or, rather, an "adjusted gross" number of cigarettes (as PMs contended). Forty-three jurisdictions entered into arbitration, and in an award dated January 21, 2013, the arbitration panel held that the MSA Auditor is to use the market share for Liggett Group LLC on a net basis, but increase that calculation by a specified factor to avoid unfairness given the gross basis used for Liggett Group LLC in the MSA Auditor's March 30, 2000 calculation. The State was not a party to this arbitration proceeding.

Payments Made to Date

As required, the OPMs made all of the Initial Payments due in the years 1998 to 2003 (the last year such payments were due), and most PMs made the Strategic Contribution Payments due in the years 2008 to 2017 (the last year such payments were due). Most PMs have made Annual Payments each year since 2000, the first year that Annual Payments were due. The California Escrow Agent has disbursed to the Authority its allocable portions thereof and certain other amounts under the MSA, the MOU and the ARIMOU. Under the MSA, the computation of Annual Payments by the MSA Auditor is confidential and may not be used for purposes other than those stated in the MSA. The County's and the Authority's sole sources of information regarding the computation and amount of such payments are the reports and accountings furnished to them by the State.

The following table sets forth for each of the preceding 10 years the base amount of Annual Payments and Strategic Contribution Payments, as applicable, allocable to the County pursuant to the MSA, as modified by the MOU and the ARIMOU, and the amounts of Tobacco Settlement Revenues actually received by the Trustee in such year, as described below. The amounts actually received may reflect adjustments attributable to prior years' payments.

Year[(1)]	Base Payment Allocable to the County[(2)]	Trustee's Actual Receipts of Tobacco Settlement Revenues[(3)]
2011 Annual Payment and Strategic Contribution Payment	$18,567,000	$12,365,000
2012 Annual Payment and Strategic Contribution Payment	18,567,000	12,609,000
2013 Annual Payment and Strategic Contribution Payment	18,567,000	19,004,000
2014 Annual Payment and Strategic Contribution Payment	18,567,000	12,493,000
2015 Annual Payment and Strategic Contribution Payment	18,567,000	12,368,000
2016 Annual Payment and Strategic Contribution Payment	18,567,000	12,229,000
2017 Annual Payment and Strategic Contribution Payment	18,567,000	12,577,000
2018 Annual Payment	19,687,000	15,016,000
2019 Annual Payment	19,687,000	14,555,000
2020 Annual Payment	19,687,000	13,954,000

(1) Annual Payments are, and Strategic Contribution Payments were, due from the PMs on April 15 of the applicable calendar year (payment year) pursuant to the MSA. Actual receipts are listed as of June 30 (the end of the Authority's fiscal year) of each year.

(2) Rounded. The County's allocable portion of base payments as represented in this table consists of the State's 12.7639554% share of Annual Payments under the MSA, and the State's 5.1730408% share of Strategic Contribution Payments under the MSA, in each case (x) multiplied by 45% (representing the portion of the State's receipts of tobacco settlement payments under the MSA that are allocated to the State's counties under the MOU and the ARIMOU), which result is then (y) multiplied by the quotient obtained by dividing the County's population of 1,418,788 by the State's population of 37,253,956, according to the 2010 Official United States Decennial Census (applicable to payment years 2011 through 2020).

(3) Rounded. Reflects adjustments. Amounts are set forth to the best of the Authority's knowledge. For fiscal years ending June 30, 2013 onward, reflects the NPM Adjustment Settlement (including a release from the DPA in 2013), as discussed herein. Any adjustment is reflected in the period in which it was actually made.

The terms of the MSA relating to such payments and various adjustments thereto are described above under the captions "—Annual Payments," "—Strategic Contribution Payments" and "—Adjustments to Payments." One or more of the PMs are disputing or have disputed the calculations of some of the Annual Payments for the years 2000 through 2020 and Strategic Contribution Payments for the years 2008 through 2017, as described further herein. In addition, subsequent revisions in the information delivered to the MSA Auditor (on which the MSA Auditor's calculations of Annual Payments are based) have in the past and may in the future result in a recalculation of the payments shown above. Such revisions may also result in routine recalculation of future payments. No assurance can be given as to the magnitude of any such recalculation and such recalculation could trigger the Offset for Miscalculated or Disputed Payments.

Most Favored Nation Provisions

In the event that any non-foreign governmental entity other than the federal government should reach a settlement of released claims with PMs that provides more favorable terms to the governmental entity than does the MSA to the Settling States, the terms of the MSA will be modified to match those of the more favorable settlement. Only the non-economic terms may be considered for comparison.

In the event that any Settling State should reach a settlement of released claims with NPMs that provides more favorable terms to the NPMs than the MSA does to the PMs, or relieves in any respect the obligation of any PM to make payments under the MSA, the terms of the MSA will be deemed modified to match the NPM settlement or such payment terms, but only with respect to the particular Settling State. In no event will the adjustments discussed

in this paragraph modify the MSA with regard to other Settling States. See "RISK FACTORS—Payment Decreases Under the Terms of the MSA."

Disbursement of Funds from Escrow

The MSA Auditor makes all calculations necessary to determine the amounts to be paid by each PM, as well as the amounts to be disbursed to each of the Settling States. Not less than 40 days prior to the date on which any payment is due, the MSA Auditor must provide copies of the disbursement calculations to all parties to the MSA, who must within 30 days prior to the date on which such payment is due advise the other parties if it questions or challenges the calculations. The final calculation is due from the MSA Auditor not less than 15 days prior to the payment due date. The calculation is subject to further adjustments if previously missing information is received. In the event of a challenge to the calculations, the non-challenged part of a payment shall be processed in the normal course. Challenges will be submitted to binding arbitration. The information provided by the MSA Auditor to the State with respect to calculations of amounts to be paid by PMs is confidential under the terms of the MSA and may not be disclosed to the Authority or the Owners.

Disbursement of the funds by the MSA Escrow Agent from the escrow accounts shall occur within ten business days of receipt of the particular funds. The MSA Escrow Agent will disburse the funds due to, or as directed by, each Settling State in accordance with instructions received from that state.

Advertising and Marketing Restrictions; Educational Programs

The MSA prohibits the PMs from certain advertising, marketing and other activities that may promote the sale of cigarettes and smokeless tobacco products ("**Tobacco Products**"). Under the MSA, the PMs are generally prohibited from targeting persons under 18 years of age within the Settling States in the advertising, promotion or marketing of Tobacco Products and from taking any action to initiate, maintain or increase smoking by underage persons within the Settling States. Specifically, the PMs may not: (i) use any cartoon characters in advertising, promoting, packaging or labeling Tobacco Products; (ii) distribute any free samples of Tobacco Products except in a restricted facility where the operator thereof is able to ensure that no underage persons are present; or (iii) provide to any underage person any item in exchange for the purchase of Tobacco Products or for the furnishing of proofs-of-purchase coupons. The PMs are also prohibited from placing any new outdoor and transit advertising, and are committed to remove any existing outdoor and transit advertising for Tobacco Products in the Settling States. Other examples of prohibited activities include, subject to limited exceptions: (i) the sponsorship of any athletic, musical, artistic or other social or cultural event in exchange for the use of tobacco brand names as part of the event; (ii) the making of payments to anyone to use, display, make reference to or use as a prop any Tobacco Product or item bearing a tobacco brand name in any motion picture, television show, theatrical production, music performance, commercial film or video game; and (iii) the sale or distribution in the Settling States of any non-tobacco items containing tobacco brand names or selling messages.

In addition, the OPMs have agreed under the MSA to provide funding for the organization and operation of a charitable foundation (the "**Foundation**") and educational programs to be operated within the Foundation. The main purpose of the Foundation is to support programs to reduce the use of Tobacco Products by underage persons and to prevent diseases associated with the use of Tobacco Products. Each OPM may be required to pay its Relative Market Share of $300,000,000 on April 15 of each year on and after 2004 (as may be adjusted) in perpetuity if, during the year preceding the year when payment is due, the sum of the Market Shares of the OPMs equals or exceeds 99.05%.

Remedies Upon the Failure of a PM to Make a Payment

Each PM is obligated to pay when due the undisputed portions of the total amount calculated as due from it by the MSA Auditor's final calculation. Failure to pay such portion shall render the PM liable for interest thereon from the date such payment is due to (but not including) the date paid at the prime rate published from time to time by *The Wall Street Journal* or, in the event *The Wall Street Journal* is no longer published or no longer publishes such rate, an equivalent successor reference rate determined by the MSA Auditor, plus 3%. In addition, any Settling State may bring an action in court to enforce the terms of the MSA. Before initiating such proceeding, the Settling State is required to provide thirty (30) days' written notice to the attorney general of each Settling State, to NAAG and to each PM of its intent to initiate proceedings.

Termination of MSA

The MSA is terminated as to a Settling State if (i) the MSA or consent decree in that jurisdiction is disapproved by a court and the time for an appeal has expired, the appeal is dismissed or the disapproval is affirmed, or (ii) the representations and warranties of the attorney general of that jurisdiction relating to the ability to release claims are breached or not effectively given. In addition, in the event that a PM enters bankruptcy and fails to perform its financial obligations under the MSA, the Settling States, by vote of at least 75% of the Settling States, both in terms of number and of entitlement to the proceeds of the MSA, may terminate certain financial obligations of that particular manufacturer under the MSA, although this provision may not be enforceable. See "RISK FACTORS—Bankruptcy of a PM May Delay, Reduce or Eliminate Payments Under the MSA."

The MSA provides that if it is terminated, then the statute of limitations with respect to released claims will be tolled from the date the Settling State signed the MSA until the later of the time permitted by applicable law or one year from the date of termination and the parties will jointly move for the reinstatement of the claims and actions dismissed pursuant to the MSA. The parties will return to the positions they were in prior to the execution of the MSA.

Severability

By its terms, most of the major provisions of the MSA are not severable from its other terms. If a court materially modifies, renders unenforceable or finds unlawful any non-severable provision, the attorneys general of the Settling States and the OPMs are to attempt to negotiate substitute terms. If any OPM does not agree to the substitute terms, the MSA terminates in all Settling States affected by the court's ruling.

Amendments and Waivers

The MSA may be amended by all of the PMs affected by the amendment and by all of the Settling States affected by the amendment. The terms of any amendment will not be enforceable against any PM or Settling State which is not a party to the amendment. Any waiver will be effective only against the parties to such waiver and only with respect to the breach specifically waived.

MSA Provisions Relating to Model/Qualifying Statutes

General

The MSA sets forth the schedule and calculation of payments to be made by OPMs to the Settling States. As described above, the Annual Payments are subject to, among other adjustments and reductions, the NPM Adjustment, which may reduce the amount of money that a Settling State receives pursuant to the MSA. The NPM Adjustment will reduce payments of a PM if such PM experiences certain losses of market share in the United States in a particular year as a result of participation in the MSA and any of the Settling States fail to prove that they have diligently enforced their Qualifying Statutes in such year.

Settling States may eliminate or mitigate the effect of the NPM Adjustment by taking certain actions, including the adoption and diligent enforcement of a statute, law, regulation or rule (a "**Qualifying Statute**" or "**Escrow Statute**") which eliminates the cost disadvantages that PMs experience in relation to NPMs as a result of the provisions of the MSA. "Qualifying Statute," as defined in Section IX(d)(2)(E) of the MSA, means a statute, regulation, law, and/or rule adopted by a Settling State that "effectively and fully neutralizes the cost disadvantages that PMs experience vis-à-vis NPMs within such Settling State as a result of the provisions of the MSA." Exhibit T to the MSA sets forth a model form of Qualifying Statute (a "**Model Statute**") that will qualify as a Qualifying Statute so long as the statute is enacted without modification or addition (except for particularized state procedural or technical requirements) and is not enacted in conjunction with any other legislative or regulatory proposal. The State has enacted the Model Statute, which is a Qualifying Statute. The MSA also provides a procedure by which a Settling State may enact a statute that is not the Model Statute and receive a determination from a nationally recognized firm of economic consultants that such statute is a Qualifying Statute. See "RISK FACTORS—Payment Decreases under

the Terms of the MSA" and "RISK FACTORS—If Litigation Challenging the MSA, the Qualifying Statutes and Related Legislation Were Successful, Payments under the MSA Might be Suspended or Terminated."

If a Settling State continuously has a Qualifying Statute in full force and effect and diligently enforces the provisions of such statute, the MSA states that the payments allocated to such Settling State will not be subject to a reduction due to the NPM Adjustment. Furthermore, the MSA dictates that the aggregate amount of the NPM Adjustment is to be allocated, in a Pro Rata manner, among all Settling States that do not adopt and diligently enforce a Qualifying Statute. In addition, if the NPM Adjustment allocated to a particular Settling State exceeds its allocated payment that excess is to be reallocated equally among the remaining Settling States that have not adopted and diligently enforced a Qualifying Statute. Thus, Settling States that do not adopt and diligently enforce a Qualifying Statute will receive reduced allocated payments if an NPM Adjustment is in effect. The MSA provides an economic incentive for most states to adopt and diligently enforce a Qualifying Statute.

The MSA provides that if a Settling State enacts a Qualifying Statute that is the Model Statute and uses its best efforts to keep the Model Statute in effect, but a court invalidates the statute, then, although that state remains subject to the NPM Adjustment, the NPM Adjustment is limited to no more, on a yearly basis, than 65% of the amount of such state's allocated payment (including reallocations described above). The determination from a nationally recognized firm of economic consultants that a statute constitutes a Qualifying Statute is subject to reconsideration in certain circumstances and such statute may later be deemed not to constitute a Qualifying Statute. In the event that a Qualifying Statute that is not the Model Statute is invalidated or declared unenforceable by a court, or, upon reconsideration by a nationally recognized firm of economic consultants, is determined not to be a Qualifying Statute, the Settling State that adopted such statute will become fully subject to the NPM Adjustment. Moreover, if a state adopts the Model Statute or a Qualifying Statute but then repeals it or amends it in such fashion that it is no longer a Qualifying Statute, then such state will no longer be entitled to any protection from the NPM Adjustment. At all times, a state's protection from the NPM Adjustment is conditioned upon the diligent enforcement of its Model Statute or Qualifying Statute, as the case may be.

For a discussion of the NPM Adjustment Settlement, which the State joined, as well as the State's amendment to its Qualifying Statute in furtherance thereof, see "—NPM Adjustment Claims and NPM Adjustment Settlement" below and "STATE LAWS RELATED TO THE MSA—California Qualifying Statute" herein, respectively.

Summary of the Model Statute

One of the objectives of the MSA (as set forth in the Findings and Purpose section of the Model Statute) is to shift the financial burdens of cigarette smoking from the Settling States to the tobacco product manufacturers. The Model Statute provides that any tobacco manufacturer who does not join the MSA would be subject to the provisions of the Model Statute because, as provided under the MSA,

> [i]t would be contrary to the policy of the state if tobacco product manufacturers who determine not to enter into such a settlement could use a resulting cost advantage to derive large, short-term profits in the years before liability may arise without ensuring that the state will have an eventual source of recovery from them if they are proven to have acted culpably. It is thus in the interest of the state to require that such manufacturers establish a reserve fund to guarantee a source of compensation and to prevent such manufacturers from deriving large, short-term profits and then becoming judgment-proof before liability may arise.

Accordingly, pursuant to the Model Statute, a tobacco manufacturer that is an NPM under the MSA must deposit an amount for each cigarette that constitutes a "unit sold" into an escrow account (which amount increases on a yearly basis, as set forth in the Model Statute).

The amounts deposited into the escrow accounts by the NPMs may only be used in limited circumstances. Although the NPM receives the interest or other appreciation on such funds, the principal may only be released (i) to pay a judgment or settlement on any claim of the type that would have been released by the MSA brought against such NPM by the applicable Settling State or any Releasing Party located within such state; (ii) with respect to Settling States that have enacted and have in effect Allocable Share Release Amendments (described in the next paragraph), to the extent that the NPM establishes that the amount it was required to deposit into the escrow account was greater

than the total payments that such NPM would have been required to make if it had been a PM under the MSA (as determined before certain adjustments or offsets) or, with respect to Settling States that do not have in effect such Allocable Share Release Amendments, to the extent that the NPM establishes that the amount it was required to deposit into the escrow account was greater than such state's allocable share of the total payments that such NPM would have been required to make if it had been a PM under the MSA (as determined before certain adjustments or offsets); or (iii) 25 years after the date that the funds were placed into escrow (less any amounts paid out pursuant to (i) or (ii)).

The Model Statute, in its original form, required an NPM to make escrow deposits approximately in the amount that the NPM would have had to pay to all of the states had it been a PM and further authorized the NPM to obtain from the applicable Settling State the release of the amount by which the escrow deposit in that state exceeded that state's allocable share of the total payments that the NPM would have made as a PM. In recent years legislation has been enacted in the State and all other Settling States, except Missouri,* to amend the Qualifying or Model Statutes in those states by eliminating the reference to the allocable share and limiting the possible release an NPM may obtain under the Model Statute to the excess above the total payment that the NPM would have paid for its cigarettes had it been a PM (each an "**Allocable Share Release Amendment**"). NAAG has endorsed these legislative efforts. A majority of the PMs, including all OPMs, have indicated their agreement in writing that in the event a Settling State enacts legislation substantially in the form of the model Allocable Share Release Amendment, such Settling State's previously enacted Model Statute or Qualifying Statute will continue to constitute the Model Statute or a Qualifying Statute within the meaning of the MSA.

If the NPM fails to place funds into escrow as required by the applicable Qualifying Statute, the attorney general of the applicable Settling State may bring a civil action on behalf of the state against the NPM. If a court finds that an NPM violated the statute, it may impose civil penalties in the following amounts: (i) an amount not to exceed 5% of the amount improperly withheld from escrow per day of the violation and in an amount not to exceed 100% of the original amount improperly withheld from escrow; (ii) in the event of a knowing violation, an amount not to exceed 15% of the amount improperly withheld from escrow per day of the violation and in an amount not to exceed 300% of the original amount improperly withheld from escrow; and (iii) in the event of a second knowing violation, the court may prohibit the NPM from selling cigarettes to consumers within such state (whether directly or through a distributor, retailer or similar intermediary) for a period not to exceed two years.

NPMs include foreign tobacco manufacturers that intend to sell cigarettes in the United States that do not themselves engage in an activity in the United States but may not include the wholesalers of such cigarettes. NPMs also include Native American tobacco manufacturers that manufacture and sell, directly or through other Native American retailers, cigarettes to consumers from their own or other Native American reservations and who assert their rights under various treaties and agreements with the United States and with states to manufacture and sell the cigarettes free of state and local taxes and, generally, free from the constraints and burdens of state and local laws. Enforcement of the Model Statute against any of such manufacturers may be difficult. See "STATE LAWS RELATED TO THE MSA."

Complementary Legislation

Most of the Settling States (including the State) have passed legislation (often termed "**Complementary Legislation**") to further ensure that NPMs are making escrow payments required by the states' respective Qualifying Statutes, as well as other legislation to assist in the regulation of tobacco sales. See "STATE LAWS RELATED TO THE MSA—California Complementary Legislation."

All of the OPMs and other PMs have provided written assurances that the Settling States have no duty to enact Complementary Legislation, that the failure to enact such legislation will not be used in determining whether a Settling State has diligently enforced its Qualifying Statute pursuant to the terms of the MSA, and that diligent enforcement obligations under the MSA shall not apply to the Complementary Legislation. In addition, the written

* The Missouri Attorney General reported February 8, 2016 that Missouri had negotiated with the PMs to resolve Missouri's dispute with the PMs with respect to the NPM Adjustment for years 2003-2014, contingent upon the Missouri legislature adopting an Allocable Share Release Amendment. However, the Missouri legislature failed to adopt an Allocable Share Release Amendment by the April 15, 2016 deadline in the agreement negotiated by the Missouri Attorney General.

assurances contain an agreement that the Complementary Legislation will not constitute an amendment to a Settling State's Qualifying Statute. However, a determination that a Settling State's Complementary Legislation is invalid may make enforcement of its Qualifying Statute more difficult.

NPM Adjustment Claims and NPM Adjustment Settlement

Settlement of 1999 through 2002 NPM Adjustment Claims

In June 2003, the OPMs, certain SPMs and the Settling States settled all NPM Adjustment claims for the payment years 1999 through 2002, subject, however, under limited circumstances, to the reinstatement of a PM's right to an NPM Adjustment for the payment years 2001 and 2002. In connection therewith, such PMs and the Settling States agreed prospectively that PMs claiming an NPM Adjustment for any year will not make a deposit into the DPA or withhold payment with respect thereto unless and until the selected economic consultants determine that the disadvantages of the MSA were a significant factor contributing to the Market Share loss giving rise to the alleged NPM Adjustment. If the selected economic consultants make such a "significant factor" determination regarding a year for which one or more PMs have claimed an NPM Adjustment, such PMs may, in fact, either make a deposit into the DPA or withhold payment reflecting the claimed NPM Adjustment.

NPM Adjustment Claims for 2003 Onward, Generally

According to NAAG, one or more of the PMs are disputing or have disputed the calculations of some Annual Payments and Strategic Contribution Payments, totaling over $15.3 billion, for the sales years 2003 through 2019 (payment years 2004 through 2020) as part of the NPM Adjustment. No provision of the MSA attempts to define what activities, if undertaken by a Settling State, would constitute diligent enforcement. Furthermore, the MSA does not explicitly state which party bears the burden of proving or disproving whether a Settling State has diligently enforced its Qualifying Statute, or whether any diligent enforcement dispute would be resolved in state courts or through arbitration. However, regarding the 2003 NPM Adjustment dispute, the State's MSA court determined that the 2003 NPM Adjustment dispute was to be determined by a panel of arbitrators, and such panel of arbitrators determined that, when contested, a state bears the burden of proving its diligence. As discussed further below, the State had been a contested state in the 2003 NPM Adjustment dispute but then joined the NPM Adjustment Settlement, thereby settling its 2003 NPM Adjustment dispute, together with its 2004 to 2022 NPM Adjustment disputes. The NPM Adjustment Settlement also sets forth a methodology for determining subsequent years' NPM Adjustments, as discussed below.

2003 NPM Adjustment Claims

An independent economic consulting firm, jointly selected by the MSA parties, determined that the disadvantages of the MSA were a significant factor contributing to the PMs' collective loss of market share for 2003. Following the "significant factor" determination with respect to 2003, each of 38 Settling States filed a declaratory judgment action in state court seeking a declaration that such Settling State diligently enforced its Qualifying Statute during 2003. The OPMs and SPMs responded to these actions by filing motions to compel arbitration in accordance with the terms of the MSA, including motions to compel arbitration in 11 states and territories that did not file declaratory judgment actions. With one exception (Montana), the courts have ruled that the states' claims of diligent enforcement are to be submitted to arbitration. The Montana Supreme Court ruled that Montana did not agree to arbitrate the question of whether it diligently enforced a Qualifying Statute and that diligent enforcement claims of that state must be litigated in state court, rather than in arbitration. Subsequently, in June 2012, Montana and the PMs reached an agreement whereby the PMs agreed not to contest Montana's claim that it diligently enforced the Qualifying Statute during 2003 and therefore Montana would not be subject to the 2003 NPM Adjustment.

The MSA provides that arbitration, if required by the MSA, will be governed by the United States Federal Arbitration Act. The decision of an arbitration panel under the Federal Arbitration Act may only be overturned under limited circumstances, including a showing of a manifest disregard of the law by the panel.

The OPMs and approximately 25 other PMs entered into an agreement regarding arbitration with 45 states and territories concerning the 2003 NPM Adjustment. The agreement effectively provided for a partial liability reduction for the 2003 NPM Adjustment for states that entered into the agreement by January 30, 2009 and were

determined in the arbitration not to have diligently enforced a Qualifying Statute during 2003. Based on the number of states that entered into the agreement by January 30, 2009 (45), the partial liability reduction for those states was 20%. This partial liability reduction was effectuated by the PMs jointly reimbursing such states 20% of their respective amounts of the NPM Adjustment. The selection of a three-judge panel arbitrating the 2003 NPM Adjustment claims (the "**Arbitration Panel**") was completed in July 2010.

Following the completion of discovery, the PMs determined to continue to contest the 2003 diligent enforcement claims of 33 states (including the State), the District of Columbia and Puerto Rico and to no longer contest such claims by 12 other states and four U.S. territories (the "**non-contested states**"). Eighteen of these contested states (including the State), the District of Columbia and Puerto Rico, as well as two non-contested states, subsequently entered into the NPM Adjustment Settlement with the OPMs and certain of the SPMs as discussed below under "*—NPM Adjustment Settlement*," leaving 15 states contested in the 2003 NPM Adjustment arbitration proceedings. A common issues hearing was held in April 2012, and state-specific evidentiary hearings began in May 2012 and were completed in May 2013. The decisions of the Arbitration Panel with regard to those 15 states and their enforcement in 2003 of their Qualifying Statutes are discussed below under "*—2003 NPM Adjustment Arbitration Results and Disputes Concerning the NPM Adjustment Settlement Term Sheet and Stipulated Partial Settlement and Award*." Several of those 15 states subsequently joined the NPM Adjustment Settlement, as discussed below.

NPM Adjustment Settlement

On December 17, 2012, terms of a settlement were agreed to in the form of a term sheet (the "**NPM Adjustment Settlement Term Sheet**") by 19 jurisdictions (including the State), the OPMs and certain SPMs regarding claims related to the 2003 through 2012 NPM Adjustments and the determination of subsequent NPM Adjustments. The 19 jurisdictions that signed the NPM Adjustment Settlement Term Sheet on December 17, 2012 were Alabama, Arizona, Arkansas, California, the District of Columbia, Georgia, Kansas, Louisiana, Michigan, Nebraska, Nevada, New Hampshire, New Jersey, North Carolina, Puerto Rico, Tennessee, Virginia, West Virginia and Wyoming. In April 2013, Oklahoma joined the NPM Adjustment Settlement Term Sheet; in May 2013, Connecticut and South Carolina joined the NPM Adjustment Settlement Term Sheet; in June 2014, Kentucky and Indiana joined the NPM Adjustment Settlement Term Sheet (on modified terms); and in April 2017, Rhode Island and Oregon joined the NPM Adjustment Settlement Term Sheet. In October 2017, a final settlement agreement (the "**NPM Adjustment Settlement Agreement**") became effective, incorporating the terms of, and superseding, the NPM Adjustment Settlement Term Sheet, and also providing for settlement of claims related to the 2013 through 2015 NPM Adjustments. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, 10 additional jurisdictions (Alaska, Colorado, Delaware, Hawaii, Maine, North Dakota, Pennsylvania, South Dakota, Utah and Vermont) joined the NPM Adjustment Settlement Agreement in 2018, settling disputes related to the 2004-2017 NPM Adjustments. On various dates between June 14, 2018 and November 27, 2018, the initial 26 jurisdictions (including the State) that had joined the NPM Adjustment Settlement Agreement, and 39 tobacco manufacturers (including Philip Morris, Reynolds Tobacco, Liggett, Imperial Tobacco, and Lorillard), executed the 2016 and 2017 NPM Adjustments Settlement Agreement (the "**2016 and 2017 NPM Adjustments Settlement Agreement**"), providing for settlement of disputes related to the 2016-2017 NPM Adjustments, as further described below. In the first quarter of 2020, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, the PMs' settlement with Pennsylvania (one of the 10 jurisdictions that joined the NPM Adjustment Settlement Agreement in 2018) was extended to include NPM Adjustments for 2018-2024. In the third quarter of 2020, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, the initial 26 jurisdictions that joined the NPM Adjustment Settlement Agreement (including the State), along with the remaining 9 jurisdictions that joined the NPM Adjustment Settlement Agreement in 2018, and the signatory tobacco manufacturers, executed the 2018 Through 2022 NPM Adjustments Settlement Agreement (the "**2018-2022 NPM Adjustments Settlement Agreement**"), providing for settlement of disputes related to the 2018-2022 NPM Adjustments, as further described below. The signatory jurisdictions to the NPM Adjustment Settlement Term Sheet, the NPM Adjustment Settlement Agreement and related joinder agreements, the 2016 and 2017 NPM Adjustments Settlement Agreement and the 2018-2022 NPM Adjustments Settlement Agreement, as applicable, are referred to herein as the "**NPM Adjustment Settlement Signatories**" (which term, where appropriate, includes any additional jurisdictions that may in the future sign the settlement), and the settlement effected by the NPM Adjustment Settlement Term Sheet, the NPM Adjustment Settlement Agreement and related joinder agreements, the 2016 and 2017 NPM Adjustments Settlement Agreement and the 2018-2022 NPM Adjustments Settlement Agreement, as applicable, is referred to herein as the "**NPM Adjustment Settlement**."

Additional jurisdictions were permitted to join the settlement up to the end date of the last individual state-specific diligent enforcement hearings for the 2003 NPM Adjustment claims, although with potentially different and potentially less favorable payment obligations than those detailed in the NPM Adjustment Settlement. After such time, additional jurisdictions may join the settlement only if the signatory PMs, in their sole discretion, agree.

The NPM Adjustment Settlement Term Sheet was subject to approval by the Arbitration Panel. On March 12, 2013, the Arbitration Panel issued its Stipulated Partial Settlement and Award (the "**NPM Adjustment Stipulated Partial Settlement and Award**"). In the NPM Adjustment Stipulated Partial Settlement and Award, the Arbitration Panel, as a threshold matter, ruled that it had jurisdiction (i) to enter the NPM Adjustment Stipulated Partial Settlement and Award, (ii) to rule on the objections of those jurisdictions that did not join the settlement (the "**NPM Adjustment Settlement Non-Signatories**", which term as used herein excludes the State of New York, which entered into a separate settlement with the PMs relating to the NPM Adjustment), (iii) to determine how the 2003 NPM Adjustment settlement would be allocated among the NPM Adjustment Settlement Non-Signatories in light of the settlement and (iv) to incorporate and direct the MSA Auditor to implement the provisions of the NPM Adjustment Settlement Term Sheet, including as they pertain to years beyond 2003. The Arbitration Panel noted that it was neither "approving" the NPM Adjustment Settlement Term Sheet nor assessing the merits of any NPM Adjustment dispute, but giving effect to the NPM Adjustment Settlement Signatories' and signatory PMs' agreed settlement payments as among themselves, by directing the MSA Auditor to implement the settlement provisions at issue.

In the NPM Adjustment Stipulated Partial Settlement and Award, the Arbitration Panel specifically directed the MSA Auditor (i) to release approximately $1.76 billion (plus accumulated earnings thereon) from the DPA to the NPM Adjustment Settlement Signatories, allocating such released amount among the NPM Adjustment Settlement Signatories as they directed in connection with the April 2013 MSA payment and (ii) to apply a credit in the aggregate amount of approximately $1.65 billion to the OPMs' MSA payments, allocating such credit among the OPMs as they directed with 50% of the credit applied against the April 2013 MSA payment and 12.5% to be applied against each of the April 2014 through 2017 MSA payments. Such release to NPM Adjustment Settlement Signatories from the DPA and such application of credits to PMs' MSA payments effected the settlement of the 2003 through 2012 NPM Adjustment claims. Under the NPM Adjustment Settlement, parallel provisions exist for SPMs, which stipulated a credit of approximately $31 million to the SPMs' April 2013 MSA payments. The NPM Adjustment Settlement provided for the NPM Adjustment Settlement Signatories to allocate the settlement amount for the 2003 NPM Adjustment among themselves (through the application of the credits to PMs or the receipt by the NPM Adjustment Settlement Signatories of amounts released from the DPA, or both) so as to fully compensate those NPM Adjustment Settlement Signatories whose diligent enforcement for 2003 was non-contested.

While not ruling on years subsequent to the 2003 NPM Adjustment, the Arbitration Panel ruled that the reduction of the 2003 NPM Adjustment, in light of the NPM Adjustment Stipulated Partial Settlement and Award (for purposes of allocating the 2003 NPM Adjustment to the NPM Adjustment Settlement Non-Signatories), would be on a *pro rata* basis: the dollar amount of the 2003 NPM Adjustment would be reduced by a percentage equal to the aggregate allocable share of the NPM Adjustment Settlement Signatories. In addition, the Arbitration Panel directed the MSA Auditor to treat the NPM Adjustment Settlement Signatories as not being subject to the 2003 NPM Adjustment, resulting in a reallocation of the NPM Adjustment Settlement Signatories' share of the 2003 NPM Adjustment among those NPM Adjustment Settlement Non-Signatories that are found not to have diligently enforced their Qualifying Statutes during 2003. This framework would create an incentive for NPM Adjustment Settlement Non-Signatories to contest the diligent enforcement of NPM Adjustment Settlement Signatories for years 2004 onward. The Arbitration Panel concluded that the NPM Adjustment Settlement Term Sheet and the NPM Adjustment Stipulated Partial Settlement and Award do not legally prejudice or adversely affect the NPM Adjustment Settlement Non-Signatories, but that, should an NPM Adjustment Settlement Non-Signatory found by the Arbitration Panel to be non-diligent have a good faith belief that the *pro rata* reduction method did not adequately compensate it for an NPM Adjustment Settlement Signatory's removal from the reallocation pool, its relief, if any, is by appeal to its individual MSA state court. The NPM Adjustment Settlement Non-Signatories that were found to be non-diligent with respect to the 2003 NPM Adjustment claims filed motions in their MSA state courts objecting to the *pro rata* reduction method; see "*—2003 NPM Adjustment Arbitration Results and Disputes Concerning the NPM Adjustment Settlement Term Sheet and Stipulated Partial Settlement and Award*" below for a discussion of such motions. The Arbitration Panel further concluded that neither the NPM Adjustment Stipulated Partial Settlement and Award nor the NPM Adjustment Settlement Term Sheet constitutes an amendment to the MSA that would require the consent of any NPM Adjustment Settlement Non-Signatory. No assurance can be given, however, that a court would not hold that the

NPM Adjustment Stipulated Partial Settlement and Award and the NPM Adjustment Settlement constitute amendments to the MSA. See "RISK FACTORS—Other Risks Relating to the MSA and Related Statutes—*Amendments, Waivers and Termination*" and "*—Reliance on State Enforcement of the MSA; State Impairment*."

In addition to settling the 2003 through 2012 NPM Adjustment claims as described above, the NPM Adjustment Settlement sets forth the terms by which NPM Adjustments for sales years 2013 onward are to be determined. Under the NPM Adjustment Settlement, sales years 2013-2014 were transition years for which an adjustment was applied in payment years 2014-2015 for SET-Paid NPM Sales, as described below, and for which an adjustment for Non-SET-Paid NPM Sales, as described below, did not apply. In October 2017, pursuant to the NPM Adjustment Settlement Agreement, the NPM Adjustment Settlement Signatories and signatory PMs agreed similarly to settle sales year 2015 as a transition year, and the signatory PMs received an adjustment to the MSA payments in April 2018 for SET-Paid NPM Sales as a result of the settlement of 2015 as a transition year (such adjustment being 25% of the maximum 2015 NPM Adjustment of the NPM Adjustment Settlement Signatories). In 2018, pursuant to the 2016 and 2017 NPM Adjustments Settlement Agreement, claims related to the 2016-2017 NPM Adjustments were settled, and the signatory PMs received an adjustment to the MSA payments in April 2019 and April 2020, as described below under "*—2016 and 2017 NPM Adjustments Settlement Agreement*." In July and August 2020, pursuant to the 2018-2022 NPM Adjustments Settlement Agreement, claims related to the 2018-2022 NPM Adjustments were settled, and the signatory PMs will receive adjustments to the MSA payments in April 2021 through April 2025 (with respect to the MSA payments payable to the initial 26 jurisdictions, including the State, that executed the NPM Adjustment Settlement Agreement; and April 2022 through April 2026 with respect to the MSA payments payable to any additional signatories to the 2018-2022 NPM Adjustments Settlement Agreement), as described below under "*—2018 Through 2022 NPM Adjustments Settlement Agreement*." Furthermore, pursuant to the NPM Adjustment Settlement, beginning with the 2022 NPM Adjustment, the OPMs shall not receive any part of the NPM Adjustment allocated to any NPM Adjustment Settlement Signatory for any year for which the aggregate Market Share of all the PMs, as determined by the MSA Auditor using the 0.0325 roll-your-own conversion factor, is equal to or exceeds 97%.

Beginning in 2013, there is a state-specific adjustment that applies to sales of SET-paid NPM cigarettes ("**SET-Paid NPM Sales**"). "**SET**" consists of state cigarette excise tax or other state tax on the distribution or sale of cigarettes (other than a state or local sales tax that is applicable to consumer products generally and is not in lieu of an excise tax) and, after 2014, any excise or other tax imposed by a state or federally recognized tribe on the distribution or sale of cigarettes (other than a tribal sales tax that is applicable to consumer products generally and is not in lieu of an excise tax). For SET-Paid NPM Sales of "**Non-Compliant NPM Cigarettes**" (defined in the NPM Adjustment Settlement, with certain exceptions, as any NPM cigarette on which SET was paid but for which escrow is not deposited as required by the Model Statute, either by payment by the NPM or by collection upon a bond, or for which escrow was impermissibly released or refunded), the adjustment of PM payments due from signatory PMs is three times the per-cigarette escrow deposit rate contained in the Model Statute for the year of the sale, including the inflation adjustment in the statute. There is a proportional adjustment for each signatory SPM in proportion to the size of its MSA payment for that year. An NPM Adjustment Settlement Signatory will not be subject to this revised adjustment (thus, creating a safe harbor) if (i) the total number of Non-Compliant NPM Cigarettes sold in such state during the sales year in question did not exceed 4% of all NPM cigarettes on which such state's SET was paid during such year, or (ii) the total number of Non-Compliant NPM Cigarettes sold in such state during such sales year did not exceed 2 million cigarettes.

Non-SET-Paid NPM Sales ("**Non-SET-Paid NPM Sales**") will be handled as to the NPM Adjustment Settlement Signatories per the terms of the MSA, with the following adjustments. A data clearinghouse (the "**Data Clearinghouse**") will calculate the total FET-paid NPM volume in the Settling States and nationwide. "**FET**" means the federal excise tax. Beginning in 2016, for Non-SET-Paid NPM Sales, the total NPM Adjustment liability, if any, of each NPM Adjustment Settlement Signatory under the original formula for a year would be reduced by a percentage (the "**SET-Paid NPM Percentage**") equal to the sum of (i) the percentage represented by the fraction of the total number of NPM cigarettes on which SET was paid in such year in the Settling States, divided by the total nationwide number of NPM cigarettes on which FET was paid in such year, plus (ii) in the case of an NPM Adjustment Settlement Signatory that has, as of January 1 of the year at issue, approved the PSS Credit Amendment (even if the PSS Credit Amendment has not yet taken effect), the percentage represented by the fraction of (x) the total number of NPM cigarettes on which an equity fee was paid in such year in those Previously Settled States that had in effect an equity fee law for the entirety of such year (which, by its terms, imposed a per-cigarette payment equal to or greater than 90% of the escrow amount for sales made that year under the Model Statute on all NPM cigarette sales in such state

that it has the authority under federal law to tax), divided by (y) the total nationwide number of NPM cigarettes on which FET was paid in such year. Such liability reduction will be effectuated by each NPM Adjustment Settlement Signatory that is found non-diligent and allocated a share of the NPM Adjustment amount receiving a reimbursement by the signatory PMs. See "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT — Adjustments to Payments — *Previously Settled States Reduction — PSS Credit Amendment*."

The NPM Adjustment Settlement provides that the arbitration regarding NPM Adjustment Settlement Signatories' diligent enforcement for a specified year will not commence until the diligent enforcement arbitration for such year begins as to NPM Adjustment Settlement Non-Signatories (with an exception for an accelerated schedule as described therein). In the interim, pending the ultimate outcome of the applicable proceedings with respect to NPM Adjustments, the signatory PMs will deposit into the DPA on the next April's MSA payment date the NPM Adjustment Settlement Signatories' aggregate Allocable Share of the potential maximum NPM Adjustment for such sales year, and the PMs and the NPM Adjustment Settlement Signatories will jointly instruct the MSA Auditor to release promptly the entire amount deposited to the DPA and distribute it among the PMs and the NPM Adjustment Settlement Signatories according to a formula. Pursuant to such formula, (x) the amount released to the NPM Adjustment Settlement Signatories would be (1) the SET-Paid NPM Percentage with respect only to NPM Adjustment Settlement Signatories (plus other factors as specified in Section VI.I.1 of the NPM Adjustment Settlement Agreement), plus (2) 50% of the portion that remains, and (y) the amount released to the PMs would be the other 50% of the portion that remains. The amount released pursuant to clause (x)(1) of the prior sentence is based on an estimate of the reimbursement percentage determined by the Data Clearinghouse. The NPM Adjustment Settlement also provides that, except for the DPA deposit (and subsequent release) described above, and except in certain other cases (primarily, if the dispute was noticed for arbitration by the PM and the party-selected arbitrator has not been appointed for over one year from the date notice was first given despite good faith efforts by the PM), the PMs will not withhold payments or pay into the DPA based on a dispute arising out of the NPM Adjustment as set forth in the NPM Adjustment Settlement.

In the NPM Adjustment Settlement, the NPM Adjustment Settlement Signatories agree that diligent enforcement will be determined as to them in a single arbitration each year. The NPM Adjustment Settlement further states that the NPM Adjustment Settlement Signatories and the PMs shall cooperate in merging the NPM Adjustment arbitration as to the NPM Adjustment Settlement Signatories with the NPM Adjustment arbitration for the year in question as to the NPM Adjustment Settlement Non-Signatories.

In furtherance of the NPM Adjustment Settlement framework and NPM Adjustment Stipulated Partial Settlement and Award, the State in 2013 amended the definition of "units sold" subject to the required escrow deposits under the Qualifying Statute to be "the number of individual cigarettes sold to a consumer in the state by the applicable tobacco product manufacturer, whether directly or through a distributor, retailer, or similar intermediary or intermediaries, during the year in question, regardless of whether the state excise tax was due or collected." See "STATE LAWS RELATED TO THE MSA—California Qualifying Statute." See also "RISK FACTORS—Other Risks Relating to the MSA and Related Statutes—*Amendment to the State's Qualifying Statute*" and "LEGAL CONSIDERATIONS—MSA and Qualifying Statute Enforceability."

The NPM Adjustment Settlement sets forth a framework for determining whether an NPM Adjustment Settlement Signatory diligently enforced its Qualifying Statute. Pursuant to the NPM Adjustment Settlement, the diligent enforcement standard applies to all NPM cigarettes on which federal excise tax was paid that the NPM Adjustment Settlement Signatory reasonably could have known about and that such state has the authority under federal law to tax or to subject to the escrow requirement, including (i) all such sales made via the internet, (ii) all such tribal sales or sales on tribal lands, and (iii) all such sales that may otherwise constitute contraband (regardless of whether the state's Qualifying Statute imposes a broader or narrower escrow requirement). The NPM Adjustment Settlement provides that no determination that an NPM Adjustment Settlement Signatory failed to diligently enforce a Qualifying Statute may be based on the state's failure to collect escrow on NPM cigarettes that federal law prohibits the state from subjecting to the escrow requirement, regardless of whether the state has authority under federal law to tax such cigarettes, provided the state used reasonable efforts (i) to oppose any claims of such prohibition and (ii) to appeal any ruling finding that such prohibition exists. Pursuant to the NPM Adjustment Settlement, the following are exempt from the diligent enforcement standard: (i) NPM cigarettes sold on a federal installation in a transaction that is exempt from state taxation under federal law, and (ii) NPM cigarettes sold on a Native American tribe's reservation (which includes Indian Country as defined by federal law) by an entity more than 50% of which is owned, and which

is operated, by that tribe or member of that tribe to a consumer who is an adult member of that tribe in a transaction that is exempt from state taxation under federal law.

Pursuant to the NPM Adjustment Settlement, factors relevant to the diligent enforcement determination for an NPM Adjustment Settlement Signatory include, but are not limited to: (i) whether the number of NPM cigarettes on which SET was paid in such state in the year in question was reduced by virtue of a state policy or agreement not to require or collect SET of the state where due or not to enforce an SET stamping requirement of the state, or an indifference of the state to such SET collection or to enforcement of such SET stamping requirement, unless escrow was deposited on such SET-unpaid cigarettes; and (ii) whether the actual number of NPM cigarettes on which SET was paid in such state during that year significantly exceeded the number of such cigarettes used in Non-Compliant NPM Cigarette calculations pursuant to the NPM Adjustment Settlement.

No assurance can be given as to the implementation in future years of the NPM Adjustment Settlement by the MSA Auditor with regard to the State, as to whether or not the NPM Adjustment Settlement will be revised and any consequences thereto, or the effect of such factors on the amount and/or timing of Tobacco Settlement Revenues available to the Authority to pay debt service on the Series 2021 Bonds. See also "*—2003 NPM Adjustment Arbitration Results and Disputes Concerning the NPM Adjustment Settlement Term Sheet and Stipulated Partial Settlement and Award*" below.

See APPENDIX C-1 — "NPM ADJUSTMENT SETTLEMENT AGREEMENT," APPENDIX C-2 — "2016 AND 2017 NPM ADJUSTMENTS SETTLEMENT AGREEMENT" and APPENDIX C-3 — "2018 THROUGH 2022 NPM ADJUSTMENTS SETTLEMENT AGREEMENT" for a copy of the NPM Adjustment Settlement Agreement and related extension settlements. The Tobacco Settlement Revenues Projection Methodology and Assumptions include an assumption that there will not be an NPM Adjustment. See "TOBACCO SETTLEMENT REVENUES PROJECTION METHODOLOGY AND BOND STRUCTURING ASSUMPTIONS."

2016 and 2017 NPM Adjustments Settlement Agreement

Pursuant to the 2016 and 2017 NPM Adjustments Settlement Agreement, the disputes relating to the 2016-2017 NPM Adjustments were settled, providing for the following adjustments to the NPM Adjustments. First, the PM's Annual Payments made for the benefit of the states signatory to the 2016 and 2017 NPM Adjustments Settlement Agreement (the "**2016-17 Settlement Signatory States**") are not subject to downward adjustment pursuant to Section V.B of the NPM Adjustment Settlement Agreement (the "**Section V.B Adjustment**") relating to Non-Compliant NPM Cigarettes (as defined herein) for the 2015 sales year. See "*—NPM Adjustment Settlement*" above. Second, in lieu of the 2016 NPM Adjustment and the 2017 NPM Adjustment (as defined in the NPM Adjustment Settlement Agreement), the PMs received, as applicable to the 2016-17 Settlement Signatory States, the following adjustments applied to their MSA payments due April 16, 2019 (with respect to the 2016 NPM Adjustment) and April 16, 2020 (with respect to the 2017 NPM Adjustment): (A) an aggregate adjustment applicable to Annual Payments, subject to quarterly recognition provisions under the NPM Adjustment Settlement Agreement, equal to 25% of the Potential Maximum 2016 NPM Adjustment and 2017 NPM Adjustment applicable to Annual Payments and to Strategic Contribution Payments (as applicable) multiplied by the aggregate Allocable Share of all 2016-17 Settlement Signatory States. Such aggregate amount is allocated to the PMs as provided in the 2016 and 2017 NPM Adjustments Settlement Agreement, and is allocated solely to and among the 2016-17 Settlement Signatory States, in proportion to their Allocable Shares and Strategic Contribution Payments Allocable Shares, as applicable; and (B) the amounts of the adjustments pursuant to clause (A) immediately above are determined based on the Market Share Loss for 2016 and the Potential Maximum NPM Adjustment for 2016, and the Market Share Loss for 2017 and the Potential Maximum NPM Adjustment for 2017, as applicable, as determined by the MSA Auditor in the latest Final Calculation or Revised Final Calculation preceding the April 16, 2018 Payment Due Date and the April 15, 2019 Payment Due Date, respectively, and are not subject to the Section V.B Adjustment for the 2016 sales year. Capitalized terms used in this paragraph and not defined have the meanings given in the 2016 and 2017 NPM Adjustments Settlement Agreement. See APPENDIX C-2 — "2016 AND 2017 NPM ADJUSTMENTS SETTLEMENT AGREEMENT" for a copy of the 2016 and 2017 NPM Adjustments Settlement Agreement.

2018 Through 2022 NPM Adjustments Settlement Agreement

Pursuant to the 2018-2022 NPM Adjustments Settlement Agreement, the disputes relating to the 2018-2022 NPM Adjustments were settled, and sales years 2018-2022 were added as transition years as described in section V of the NPM Adjustment Settlement Agreement. The states that execute the 2018-2022 NPM Adjustments Settlement Agreement (the "**2018-2022 Settlement Signatory States**") will not be subject to the NPM Adjustment for sales years 2018-2022 (resulting in certain amounts released to the 2018-2022 Settlement Signatory States on or before the April 2021 MSA payment date relating to the 2018 NPM Adjustment claims and on or before the April 2022 MSA payment date relating to the 2019 NPM Adjustment claims, and resulting in no withholdings by the PMs in payment years 2020-2022 with respect to 2018-2022 Settlement Signatory States), and the PMs will receive credits relating to sales years 2018-2022 as described as follows. In lieu of the 2018 through 2022 NPM Adjustments with respect to sales years 2018-2022 applicable to the 2018-2022 Settlement Signatory States, each PM will receive a transition year adjustment to its Annual Payment in payment years 2021-2025, respectively, with respect to the initial 26 jurisdictions, including the State, that executed the NPM Adjustment Settlement Agreement, and in payment years 2022-2026, respectively, with respect to any additional signatories to the 2018-2022 NPM Adjustments Settlement Agreement, allocated solely to and among the respective 2018-2022 Settlement Signatory States as they direct. As to each PM, the amount of its transition year adjustment credit for a sales year applied in a given payment year shall equal the product of (a) the Potential Maximum NPM Adjustment allocated to that PM (as calculated by the MSA Auditor in the Final Notice for such sales year as revised in the year immediately preceding application of the credit, but which shall not change regardless of any subsequent revision of the Final Notice by the MSA Auditor), (b) the aggregate Allocable Share of the applicable group of 2018-2022 Settlement Signatory States (for example, the initial 26 jurisdictions that executed the NPM Adjustment Settlement Agreement), and (c) 25%. For each of the 2018-2022 transition years, the adjustment for SET-Paid NPM Sales will continue to apply and the adjustment for Non-SET-Paid NPM Sales will not apply. Capitalized terms used in this paragraph and not defined have the meanings given in the 2018-2022 NPM Adjustments Settlement Agreement. See APPENDIX C-3 — "2018 THROUGH 2022 NPM ADJUSTMENTS SETTLEMENT AGREEMENT" for a copy of the 2018-2022 NPM Adjustments Settlement Agreement. In connection with its execution of the 2018-2022 NPM Adjustments Settlement Agreement, the State of California signed the optional Document Production Agreement, Bootleg Agreement, Reporting Agreement and Tribal Compacting Agreement contained as exhibits to the 2018-2022 NPM Adjustments Settlement Agreement.

2003 NPM Adjustment Arbitration Results and Disputes Concerning the NPM Adjustment Settlement Term Sheet and Stipulated Partial Settlement and Award

On September 11, 2013, the Arbitration Panel released its decisions in connection with the 2003 NPM Adjustment disputes with respect to each of the fifteen contested states that were NPM Adjustment Settlement Non-Signatories. The Arbitration Panel determined that nine states diligently enforced their respective Qualifying Statutes during 2003, and six states (Indiana, Kentucky, Maryland, Missouri, New Mexico and Pennsylvania, which have an aggregate allocable share of approximately 14.68%) did not diligently enforce their respective Qualifying Statutes during 2003. As a result, the nine states that were determined to have diligently enforced their respective Qualifying Statutes, as well as the jurisdictions that were either not contested or were not subject to the arbitration proceedings, were not to be subject to the 2003 NPM Adjustment, and their share of the 2003 NPM Adjustment was to be reallocated in accordance with the MSA to the six states found by the Arbitration Panel to have not diligently enforced their respective Qualifying Statutes during 2003.

The Arbitration Panel's decisions regarding 2003 diligent enforcement defined diligent enforcement as "an ongoing and intentional consideration of the requirements of a Settling State's Qualifying Statute, and a significant attempt by the Settling State to meet those requirements, taking into account a Settling State's competing laws and policies that may conflict with its MSA contractual obligations." The Arbitration Panel considered various factors in deciding whether or not a state met the diligent enforcement standard, including, in no particular order, (i) such state's collection rate of amounts to be deposited by NPMs into escrow accounts, (ii) the number of lawsuits against manufacturers brought by such state, (iii) how the state gathered reliable data, (iv) resources allocated to enforcement, (v) prevention of non-compliant NPMs from future sales, (vi) legislation enacted by the state, (vii) actions short of legislation taken by the state, and (viii) efforts made to be aware of NAAG and other states' enforcement efforts. The Arbitration Panel stated that such factors were not necessarily given equal weight, but were considered as a whole. Where certain terms defined in the Model Statute were disputed, the Arbitration Panel relied on the plain meaning of the defined terms and did not penalize states for a rational interpretation of the terms in enforcing their Qualifying

Statutes. The Arbitration Panel did not penalize states that provided rational reasons for implementing policies and legislation with respect to enforcement of their Qualifying Statutes, finding that a good faith effort to address an issue where there is no evidence of intentional escrow evasion was an indication of diligent enforcement. The Arbitration Panel also stated that although the Settling States are required under the MSA to diligently enforce their Qualifying Statutes, the Settling States are not required "to elevate those obligations above other statutory or rational policy considerations."

Several states, including all six states that were found to be non-diligent in the 2003 NPM Adjustment claims arbitration, disputed the NPM Adjustment Settlement Term Sheet and NPM Adjustment Stipulated Partial Settlement and Award. As an initial step, on March 13, 2013, the Office of the Attorney General of the State of Illinois sent a letter, on behalf of itself and 23 other NPM Adjustment Settlement Non-Signatories (to which letter several additional NPM Adjustment Settlement Non-Signatories later joined), to the MSA Auditor, affirming their position that the Arbitration Panel lacked jurisdiction and that the NPM Adjustment Stipulated Partial Settlement and Award was inconsistent with the terms of the MSA, and informing the MSA Auditor that they objected to and would contest any action by the MSA Auditor to release funds from the DPA or to reallocate the 2003 NPM Adjustment under the terms of the NPM Adjustment Stipulated Partial Settlement and Award. Subsequently, motions were filed by various NPM Adjustment Settlement Non-Signatories in their respective MSA courts to vacate and/or modify the NPM Adjustment Stipulated Partial Settlement and Award. Two of the states (Colorado and Ohio) had also unsuccessfully sought to preliminarily enjoin the implementation of the NPM Adjustment Stipulated Partial Settlement and Award (but the MSA Auditor carried out the implementation of the NPM Adjustment Stipulated Partial Settlement and Award over the objections of the NPM Adjustment Settlement Non-Signatories, as discussed above).

The status of the motions filed by the six states that were determined by the Arbitration Panel in the 2003 NPM Adjustment dispute not to have diligently enforced their Qualifying Statutes in sales year 2003, is as follows. Indiana and Kentucky joined the NPM Adjustment Settlement in 2014 and those states stayed any further proceedings on their motions. In Pennsylvania, the state court entered an order that modified the judgment reduction method that had been adopted by the Arbitration Panel: the Pennsylvania court ruled that the states that signed the NPM Adjustment Settlement and had been contested in the 2003 NPM Adjustment arbitration (such as the State) would be deemed non-diligent for purposes of calculating Pennsylvania's share of the 2003 NPM Adjustment, resulting in a partial reduction of Pennsylvania's share of the 2003 NPM Adjustment allocation. Upon appeal, in April 2015, the intermediate appellate court in Pennsylvania upheld the trial court ruling. The Pennsylvania Supreme Court declined to take the PMs' appeal of that ruling. The defendant PMs filed a petition for writ of certiorari with the U.S. Supreme Court in April 2016, which was denied in October 2016. Similar to Pennsylvania, the state court in Missouri entered an order that modified the judgment reduction method that had been adopted by the Arbitration Panel, which order reduced Missouri's share of the NPM Adjustment allocation. Upon appeal, in September 2015, the intermediate appellate court in Missouri reversed the trial court ruling. Missouri appealed that ruling to the Missouri Supreme Court, and on February 14, 2017, the Supreme Court of Missouri issued a ruling affirming the trial court decision and overturning the intermediate appellate court decision. The Missouri Supreme Court's decision found in part that the Arbitration Panel exceeded its authority by deeming the NPM Adjustment Settlement Signatories diligent for purposes of reallocation and applying the pro rata judgment reduction. The Supreme Court of Missouri, in its February 14, 2017 decision, also denied Missouri's motion to order the PMs to arbitrate the question of Missouri's diligent enforcement in a single-state arbitration for 2004. In addition, Missouri had negotiated a settlement with PMs regarding the NPM Adjustment but failed to consummate that settlement because the Missouri legislature did not adopt an Allocable Share Release Amendment by the April 15, 2016 deadline that had been a condition to the settlement. In Maryland, that state's motion challenging the judgment reduction method adopted by the Arbitration Panel was denied by its state court. Upon appeal, in October 2015, the intermediate appellate court in Maryland reversed the trial court, the effect of which was to reduce Maryland's share of the NPM Adjustment allocation. The Maryland Supreme Court declined to take the PMs' appeal of that ruling. The PMs filed a petition for writ of certiorari with the U.S. Supreme Court in June 2016, which was denied in October 2016. Lastly, the New Mexico court granted that state's motion challenging the judgment reduction method that had been adopted by the Arbitration Panel, thereby reducing that state's share of the NPM Adjustment allocation.

No assurance can be given that other challenges to the NPM Adjustment Stipulated Partial Settlement and Award or NPM Adjustment Settlement will not be commenced in other MSA courts, nor can any prediction be made as to the effect on NPM Adjustment Settlement Signatories such as the State.

NPM Adjustment Settlement Non-Signatories' Ongoing NPM Adjustment Claims

All of the NPM Adjustment Settlement Non-Signatories other than Montana and New Mexico (as described below) participated in a multi-state arbitration with respect to the 2004 NPM Adjustment. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, that arbitration initially concluded in July 2019, although Missouri was granted a hearing in June 2020, and as of October 27, 2020, no decisions have resulted from the arbitration. The 2004 NPM Adjustment arbitration is pending before two separate arbitration panels.

New Mexico had appealed a trial court ruling that the state must participate in the multi-state arbitration for 2004, and on October 9, 2019, the appellate court upheld the trial court's ruling that New Mexico must participate in the multi-state arbitration for 2004, and in November 2019, the New Mexico Supreme Court declined to review that decision. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, the arbitration hearing for New Mexico has not yet been scheduled. Montana had obtained a ruling from the Montana Supreme Court that the issue of diligent enforcement under the MSA must be heard before that state's MSA court. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, the PMs agreed not to contest the applicability of the 2004 NPM Adjustment to Montana. In April 2020, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, the State of Montana filed a motion in Montana state court against the PMs (including Philip Morris), claiming that Montana's share of the NPM Adjustment amounts should be paid to Montana in advance of the resolution of disputes over the applicability of those adjustments (Philip Morris had been placing the disputed NPM Adjustment amounts in the DPA), and Montana sought a total of approximately $43 million in disputed payments from all defendants combined, as well as treble and punitive damages. On November 16, 2020, the Attorney General of Montana announced that Montana reached a settlement with the PMs pursuant to which Montana will recover $49 million in MSA payments that had been withheld by the PMs from 2006 to 2020, plus interest, and pursuant to which the PMs will fully pay through 2030 Montana's Allocable Share of Annual Payments with no withholdings for NPM Adjustment disputes, resulting in a total settlement value to Montana of over $100 million. The PMs also agreed in perpetuity not to withhold any portion of the Annual Payments payable to Montana based on allegations that Montana is not enforcing its Qualifying Statute.

According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, the PMs have reached an agreement with the NPM Adjustment Settlement Non-Signatories (with the exception of Missouri and Montana) that the next round of NPM Adjustment arbitrations will encompass three years, 2005-2007, and the parties have selected an arbitration panel for the 2005-2007 arbitration, although the hearings in this arbitration have not yet been scheduled. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, Missouri is participating in the selection, but has agreed to arbitrate only one year, 2005, before the panel. No assurance can be given as to when proceedings for 2008 and subsequent years will be scheduled or the precise form those proceedings will take, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020. Altria stated in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020 that it has continued to pursue the NPM Adjustments against jurisdictions that have not signed onto settlements.

Other Settlements

In October 2015, New York State entered into a settlement agreement with the OPMs and certain SPMs pursuant to which the 2004-2014 NPM Adjustment disputes were settled with respect to New York and pursuant to which a methodology for the NPM Adjustments for sales years 2015 onward is determined for such state, involving an adjustment for NPM cigarettes on which New York SET is paid, and credits to PMs for tribal NPM sales. The PMs have received amounts for sales years 2004-2018, and the PMs are currently involved in a proceeding pursuant to the New York settlement in which an independent investigator will determine the amounts due to the PMs from New York for 2019 and 2020, which Philip Morris expects to be received by the PMs in April 2021 and April 2022, respectively, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020.

No prediction can be given as to whether or when any NPM Adjustment Settlement Non-Signatories will enter into settlements with respect to their NPM Adjustment disputes, what form those settlements may take, or what effect, if any, such settlements will have on NPM Adjustment Settlement Signatories such as the State.

STATE LAWS RELATED TO THE MSA

California Qualifying Statute

By letter dated June 18, 1999, counsel for the OPMs notified the State that SB 822, the bill which contained the State's escrow statute, was, if enacted without change, a Qualifying Statute and a Model Statute within the meaning of the MSA. Such bill was enacted without change on October 10, 1999 as the State's Qualifying Statute, in Division 103, Part 3, Chapter 1, Sections 104555 et seq. of the California Health and Safety Code. The State's Qualifying Statute is the Model Statute in the form attached to the MSA as Exhibit T, with certain modifications approved by the OPMs. By letter dated January 19, 2000, counsel to the OPMs confirmed that the OPMs will not dispute that the State's Qualifying Statute constitutes a Model Statute under the MSA.

In 2003, the State enacted an Allocable Share Release Amendment to amend Section 104557 of the Health and Safety Code. The amendment changed the release calculation from being based on the State's allocable share of the payments the NPM would have made if it were a signatory to the MSA to being based on the payments that the NPM would have made as a signatory to the MSA on account of units sold in the State by the NPM. A majority of the PMs, including all three OPMs, had indicated in writing that in the event a Settling State enacted legislation substantially in the form of the Model Allocable Share Release Amendment, the Settling State's previously enacted Qualifying Statute would continue to constitute a Model Statute and a Qualifying Statute within the meaning of the MSA. The State's Allocable Share Release Amendment was in the form of the Model Allocable Share Release Amendment.

In 2013, in furtherance of the NPM Adjustment Settlement and NPM Adjustment Stipulated Partial Settlement and Award, the State amended the definition of "**units sold**" in the State's Qualifying Statute to be "the number of individual cigarettes sold to a consumer in the state by the applicable tobacco product manufacturer, whether directly or through a distributor, retailer, or similar intermediary or intermediaries, during the year in question, regardless of whether the state excise tax was due or collected" (with the definition further providing that "units sold" does not include "cigarettes sold on federal military installations, sold by a Native American tribe to a member of that tribe on that tribe's land, or that are otherwise exempt from state excise tax pursuant to federal law"). The State received letters from counsels to the OPMs and certain SPMs to the effect that such amendment does not affect the status of the State's Qualifying Statute as a Qualifying Statute under the MSA. See "RISK FACTORS—Other Risks Relating to the MSA and Related Statutes—*Amendment to the State's Qualifying Statute*" and "LEGAL CONSIDERATIONS—MSA and Qualifying Statute Enforceability."

Pursuant to Section 104557 of the State's Qualifying Statute, any tobacco product manufacturer selling cigarettes to consumers within the State, whether directly or through a distributor, retailer or similar intermediary or intermediaries, must either (i) become a PM and generally perform its financial obligations under the MSA or (ii) place into a qualified escrow fund by April 15 of the year following the year in question specified escrow amounts per unit sold during the year in question. Each tobacco product manufacturer that elects to place funds into escrow pursuant to the Qualifying Statute (as opposed to becoming a PM) shall annually certify to the Attorney General of the State that it is in compliance with the escrow deposit requirements of the Qualifying Statute. The Attorney General may bring a civil action on behalf of the State against any tobacco product manufacturer that fails to place into escrow the funds required under the Qualifying Statute. Any tobacco product manufacturer that fails in any year to place into escrow the funds required shall (1) be required within 15 days to place the funds into escrow as shall bring it into compliance with the Qualifying Statute (and the court, upon a finding of a violation of the escrow deposit requirements, may impose a civil penalty to be paid to the General Fund of the State in an amount not to exceed 5% of the amount improperly withheld from escrow per day of the violation and in a total amount not to exceed 100% of the original amount improperly withheld from escrow), (2) in the case of a knowing violation, be required within 15 days to place the funds into escrow as shall bring it into compliance with the Qualifying Statute (and the court, upon a finding of a knowing violation of the escrow deposit requirements, may impose a civil penalty to be paid to the General Fund of the State in an amount not to exceed 15% of the amount improperly withheld from escrow per day of the violation and in a total amount not to exceed 300% of the original amount improperly withheld from escrow), and (3) in the case of a second knowing violation, be prohibited from selling cigarettes to consumers within the State, whether directly or through a distributor, retailer, or similar intermediary, for a period not to exceed two years. Each failure to make an annual deposit required under the Qualifying Statute constitutes a separate violation.

California Complementary Legislation

Pursuant to the provisions of Section 30165.1 of the California Revenue and Taxation Code (the State's Complementary Legislation), every tobacco product manufacturer whose cigarettes are sold in the State, whether directly or through a distributor, retailer, or similar intermediary or intermediaries, shall execute and deliver on a form and in the manner prescribed by the State Attorney General, a certification to the Attorney General no later than the 30th day of April each year that, as of the date of the certification, the tobacco product manufacturer is either a PM that has made all payments calculated by the MSA Auditor to be due under the MSA, except to the extent the PM is disputing any of the payments, or is in full compliance with the State's Qualifying Statute, including all installment payments required by the State's Qualifying Statute and Complementary Legislation, and any regulations promulgated pursuant thereto. A tobacco product manufacturer located outside the U.S. shall provide to the Attorney General, and keep current, a list of all importers that sell or will be selling their cigarettes in the State.

A PM (whether located inside or outside the U.S.) shall include in its annual certification a complete list of its brand families. The PM shall update the list 30 days prior to any addition to or modification of its brand families. An NPM (whether located inside or outside the U.S.) shall include in its annual certification a complete list of all of its brand families in accordance with the following requirements: (A) separately listing brand families of cigarettes and the number of units sold for each brand family that were sold in the State during the preceding calendar year, (B) separately listing all of its brand families that have been sold in the State at any time during the current calendar year, (C) indicating by an asterisk any brand family sold in the State during the preceding calendar year that is no longer being sold in the State as of the date of the certification and (D) identifying by name and address any other manufacturer, including all fabricators or makers of the brand families in the preceding or current calendar year in a form, manner, and detail as required by the Attorney General. The NPM shall update the list 30 days prior to any change in a fabricator for any brand family or any addition to or modification of its brand families. In the case of an NPM, the certification shall further certify all of the following: (A) that the NPM is registered to do business in the State, or has appointed a resident agent for service of process and provided notice thereof as required by the Complementary Legislation, (B) that the NPM has done all of the following: (i) established and continues to maintain a qualified escrow fund in accordance with the Qualifying Statute and implementing regulations, (ii) executed a qualified escrow agreement that has been reviewed and approved by the Attorney General and that governs the qualified escrow fund, and (iii) if the NPM is not the fabricator or maker of the cigarettes, that the escrow agreement, certification, reports, and any other forms required by the Qualifying Statute and implementing regulations are signed by the company that fabricates or makes the cigarettes and in the manner required by the Attorney General, (C) that the NPM is in full compliance with both of the following: (i) the Qualifying Statute, the Complementary Legislation, and any regulations promulgated pursuant thereto and (ii) the State's Cigarette and Tobacco Products Licensing Act, and any regulations promulgated pursuant thereto (and the NPM shall provide a copy of a valid, corresponding federal permit issued by the United States Treasury, Alcohol and Tobacco Tax and Trade Bureau), (D) that the NPM has provided specified information regarding its qualified escrow fund, including the amount the NPM placed in the fund for cigarettes sold in the State during the preceding calendar year, the date and amount of each deposit, and any confirming evidence or verification as may be deemed necessary by the Attorney General, and the amounts and dates of any withdrawal or transfer of funds the NPM made at any time from the fund or from any other qualified escrow fund into which it ever made escrow payments pursuant to the Qualifying Statute.

Furthermore, each NPM located outside the U.S. and its importers are required to report, in the manner required by the Attorney General, all cigarette and tobacco products sold in the State each month, including, but not limited to, the quantity, including tobacco weight and number of cigarette sticks, the wholesale cost and sale price of each brand family. The State's Complementary Legislation also provides that, not later than 25 days after the end of each calendar quarter, and more frequently if so directed by the California Department of Tax and Fee Administration (formerly the Board of Equalization) (the "**CDTFA**") or the Attorney General of the State, each distributor shall submit any information as the CDTFA or Attorney General requires to facilitate compliance with the Complementary Legislation, including, but not limited to, a list by brand family of the total number of cigarettes or, in the case of roll-your-own tobacco, the total ounces for which the distributor affixed stamps during the previous calendar month or otherwise paid the tax due.

In addition, the State's Complementary Legislation requires that the Attorney General publish on its internet web site a directory listing all tobacco product manufacturers that have provided current, timely, and accurate certifications conforming to the annual certification requirements of the Complementary Legislation and all brand

families that are listed in the certifications (except as specified in the Complementary Legislation). The Complementary Legislation sets forth procedures for removal of tobacco product manufacturers that no longer qualify for being named on the directory. The Complementary Legislation provides that no person shall affix, or cause to be affixed, any tax stamp or meter impression to a package of cigarettes, or pay the tax levied on a cigarette, unless the brand family of the cigarettes or tobacco product, and the tobacco product manufacturer that makes or sells the cigarettes or tobacco product, are included on the directory. The Complementary Legislation also provides that no person may sell, offer or possess for sale in the State, ship or otherwise distribute into or within the State or import for personal consumption in the State, cigarettes of a tobacco product manufacturer or brand family not included in the then current directory. Furthermore, the Complementary Legislation provides that no person shall either (A) sell or distribute cigarettes that the person knows or should know are intended to be distributed in violation of the foregoing two sentences or (B) acquire, hold, own, possess, transport, import, or cause to be imported cigarettes that the person knows or should know are intended to be distributed in violation of the foregoing two sentences. Notwithstanding the foregoing, a licensed retailer may possess, transport and sell the tax-stamped cigarettes of a manufacturer or brand family affected by a notice of removal from the directory for no more than 60 days following the effective date of the manufacturer or brand family's removal from the directory. After 60 days following removal from the directory, the cigarettes of a manufacturer or brand family identified in the related notice of removal are contraband and are subject to seizure and destruction and may not be purchased or sold in the State.

In addition to any other civil or criminal penalty provided by law, upon a finding that a person has affixed or caused to be affixed a tax stamp or meter impression in violation of the Complementary Legislation, or failed to submit quarterly information required by the CDTFA to facilitate compliance with the Complementary Legislation, as described above, the CDTFA may revoke or suspend the license or licenses issued to the person by the CDTFA.

State Statutory Enforcement Framework

The following information under this subheading "State Statutory Enforcement Framework" appeared in the Official Statement dated August 14, 2018 relating to the Enhanced Tobacco Settlement Asset-Backed Bonds, Series 2018A-2 of the Golden State Tobacco Securitization Corporation, a special purpose trust established as a not-for-profit corporation by Article 7 of Chapter 2 of Division 1 of Title 6.7 of the California Government Code, as amended. Although the Authority and the County have no knowledge of any facts indicating that the following information is inaccurate in any material respect, the Authority and the County have not verified this information and cannot and do not warrant the accuracy or completeness of this information. Further, neither the State nor the Golden State Tobacco Securitization Corporation is making any representation that such information is accurate or complete in connection with the Authority's issuance and sale of the Series 2021 Bonds. The Series 2021 Bonds are not a debt of the State or the Golden State Tobacco Securitization Corporation.

California Statutory Enforcement Provisions.

The State's statutory framework for enforcing laws relating to the manufacture, distribution, sale, possession and taxation of cigarettes within the State of California includes the State Qualifying Statute and Complementary Legislation, as well as, among other things:

- tax laws imposing taxes on cigarettes and other tobacco products (a $2.00 per pack increase in the State's cigarette excise tax, in addition to the State's then current $0.87 per pack excise tax, took effect April 1, 2017; Revenue and Taxation Code) and requiring stamps or meter impressions to be affixed to packages of cigarettes prior to distribution to evidence payment of cigarette taxes (Revenue and Taxation Code);

- laws setting forth licensing requirements for tobacco products, manufacturers and retailers (Business and Professions Code and Revenue and Taxation Code);

- laws prohibiting smoking in most enclosed spaces of places of employment (including restaurants and bars), with certain exceptions (Labor Code; Government Code; Education Code; and Health and Safety Code);

- laws prohibiting smoking by employees and members of the public inside buildings owned or leased by the State, a county, a city, a city and county, or a California Community College district or within a specified distance of a main exit, entrance, or operable window of these buildings (Government Code);

- laws prohibiting smoking in a motor vehicle, whether in motion or at rest, in which there is a minor in the vehicle (Health and Safety Code);

- laws setting the minimum age for sales of tobacco products to minors at 21 (Penal Code and Business and Professions Code);

- laws prohibiting any person engaged in the retail sale of tobacco products or tobacco paraphernalia to sell, offer for sale, or display for sale, tobacco products or tobacco paraphernalia by self-service display, with certain exceptions, and laws governing the location of tobacco product vending machines (Business and Professions Code);

- laws governing internet sales of tobacco products, by virtue of the tax laws providing that no person may engage in a retail sale of cigarettes in the State unless the sale is a vendor-assisted, face-to-face sale, except that a person may engage in delivery sale of cigarettes or tobacco products to a person in the State if the delivery seller has fully complied with the Jenkins Act, obtains and maintains an applicable State license, complies with any applicable State law that imposes escrow or other payment obligations on tobacco product manufacturers and complies with any Attorney General reporting requirements (Revenue and Taxation Code);

- laws restricting advertising of tobacco products (Government Code and Business and Professions Code);

- health laws setting fire safety standards for cigarettes (Health and Safety Code); and

- various implementing regulations promulgated by the California Board of Equalization (currently the CDTFA).

Enforcement

This statutory enforcement framework is administered and enforced by the Office of the Attorney General of the State of California, the CDTFA, the California Fire Marshal, or the local public prosecutors in the city or county in which the violation occurred. See "—California Complementary Legislation" above.

Pursuant to the California Cigarette and Tobacco Products Licensing Act, upon discovery by the CDTFA or a law enforcement agency that a retailer or any other person possesses, stores, owns, or has made a retail sale of an unstamped package of cigarettes, the CDTFA or the law enforcement agency shall be authorized to seize unstamped packages of cigarettes at the retail, or any other person's location, and any cigarettes seized will be deemed forfeited. In addition, upon discovery by the CDTFA or a law enforcement agency that a retailer or any other person possesses, stores, owns, or has made a retail sale of tobacco products on which tax is due but has not been paid to the CDTFA, the CDTFA or law enforcement agency is authorized to seize such tobacco products at the retail, or any other person's location, and any tobacco products seized will be deemed forfeited. In addition to any other civil or criminal penalty provided by law, upon a finding that a retailer has violated such provisions, the CDTFA may revoke or suspend the license of the retailer. (Business and Professions Code)

The California Cigarette and Tobacco Products Licensing Act also provides that, upon discovery by the CDTFA or a law enforcement agency that a distributor possesses, stores, owns, or has made a sale of an unstamped package of cigarettes bearing a counterfeit California state tax stamp or that a wholesaler possesses, stores, owns, or has made a sale of an unstamped package of cigarettes, the CDTFA or the law enforcement agency shall be authorized to seize the unstamped packages of cigarettes at the distributor's or the wholesaler's location, and any cigarettes seized will be deemed forfeited. In addition, upon discovery by the CDTFA or a law enforcement agency that a distributor

or a wholesaler possesses, stores, owns, or has made a sale of tobacco products on which tax is due but has not been paid to the CDTFA, or its designee, the CDTFA or law enforcement agency is authorized to seize such tobacco products at the distributor or wholesaler location, and any tobacco products seized will be deemed forfeited. In addition to any other civil or criminal penalty provided by law, upon a finding that any distributor or any wholesaler has violated such provisions, the CDTFA may revoke or suspend the license of the distributor or wholesaler. (Business and Professions Code)

Further, the California Cigarette and Tobacco Products Licensing Act provides that a person or entity that engages in the business of selling cigarettes or tobacco products (including e-cigarettes) in the State either without a valid license or after a license has been suspended or revoked, and each officer of any corporation that so engages in such business, is guilty of a misdemeanor. Continued sales or gifting of cigarettes and tobacco products either without a valid license or after a notification of suspension or revocation shall result in the seizure of all cigarettes and tobacco products in the possession of the person by the CDTFA or a law enforcement agency. Any cigarettes and tobacco products seized by the CDTFA or by a law enforcement agency shall be deemed forfeited. (Business and Professions Code)

Indian Country Cigarette Sales

The State's ability to enforce State laws, including State cigarette tax laws and regulatory provisions, is limited in various geographical areas in the State that constitute "**Indian Country**" as defined by 18 U.S.C. § 1151. The State does not have authority to regulate an Indian Tribe's ("**Tribe**") manufacture and wholesale distribution of tobacco products in its Indian Country when those products are not distributed outside of that Indian Country. The State is not aware of any cigarette manufacturers that are located in Indian Country within the State. However, one large cigarette distributor is located in Indian Country within the State. This distributor sells untaxed contraband cigarettes manufactured by NPMs to retailers located in Indian Country in the State and directly to members of the general public. The State also does not have authority to regulate sales of tobacco products to Indians in Indian Country or to collect the State cigarette tax on a sale to an Indian where the sale occurs in Indian Country. The State has authority to require a Tribe to collect the State cigarette tax on cigarettes sold in Indian Country to a non-Indian. (See *Chemehuevi Indian Tribe v. California State Board of Equalization*, 800 F.2d 1446 (9th Cir. 1986).) However, principles of Indian sovereign immunity limit the judicial remedies available to the State with respect to such sales. Numerous retailers located in Indian Country in the State sell untaxed contraband cigarettes to members of the general public, and the State has filed lawsuits against some of those retailers.

The State has not entered into any cigarette tax collection agreements with any Tribes located within the State.

See "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT—NPM Adjustment Claims and NPM Adjustment Settlement—*NPM Adjustment Settlement*."

THE CALIFORNIA CONSENT DECREE, THE MOU, THE ARIMOU AND THE CALIFORNIA ESCROW AGREEMENT

There follows a brief description of the Consent Decree, the MOU, the ARIMOU and the California Escrow Agreement. This description is not complete and is subject to, and qualified in its entirety by reference to, the terms of the Consent Decree, the MOU, the ARIMOU and the California Escrow Agreement. See APPENDIX D – "THE CALIFORNIA CONSENT DECREE, THE MOU, THE ARIMOU AND THE CALIFORNIA ESCROW AGREEMENT" for copies of the Consent Decree, the MOU, the ARIMOU and the California Escrow Agreement.

General Description

On December 9, 1998, a Consent Decree and Final Judgment, which governs the class action portion of the State's action against the tobacco companies, was entered by the Superior Court of the State of California, County of San Diego in Case No. J.C.C.P. 4041 (the "**Consent Decree**"). The Consent Decree, which is final and non-appealable, settled the litigation brought by the State against the OPMs and resulted in the achievement of California State-Specific Finality under the MSA. The Consent Decree incorporated by reference the MOU. The Superior Court

of the State of California for the County of San Diego entered an order approving the ARIMOU on January 18, 2000. On July 30, 2001, an order was issued by the Superior Court of the State of California for San Diego County amending the ARIMOU with respect to certain rights of each Eligible City or County to transfer its MOU Proportional Allocable Shares (as defined in the ARIMOU) in tobacco securitizations.

Prior to the entering of the Consent Decree, the plaintiffs of certain pending lawsuits agreed, among other things, to coordinate their pending cases and to allocate certain portions of the recovery among the State and the Participating Jurisdictions. This agreement was memorialized in the MOU, by and among various counsel representing the State and a number of the Participating Jurisdictions. To set forth the understanding of the interpretation to be given to the terms of the MOU and to establish procedures for the resolution of any future disputes that may arise regarding the interpretation of the MOU among the State and the Participating Jurisdictions, the parties entered into the ARIMOU. Upon satisfying certain conditions set forth in the MOU and the ARIMOU, the Participating Jurisdictions are deemed to be "eligible" to receive a share of the tobacco settlement payments to which the State is entitled under the MSA. All of the Participating Jurisdictions under the MOU and ARIMOU, including the County, have satisfied the conditions of the MOU and the ARIMOU and are eligible to receive funds under the MOU and the ARIMOU. See "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT—State-Specific Finality and Final Approval" herein.

Under the MOU, 45% of the State's entire allocation of tobacco settlement payments under the MSA is allocated to the Participating Jurisdictions that are counties, 5% is allocated to the four cities that are Participating Jurisdictions (1.25% each), and the remaining 50% is retained by the State. The 45% share of the tobacco settlement payments allocated to the Participating Jurisdictions that are counties is allocated among the counties based on the proportion of each county's population to the total State population as reported in the 1990 Official United States Decennial Census, as adjusted every ten years by the Official United States Decennial Census. Pursuant to the proportional allocable share provided in the MOU and the ARIMOU, the County is currently entitled to receive 1.7138% of the total statewide share of the tobacco settlement payments (based on adjustments made to reflect the 2010 Official United States Decennial Census.) This percentage is subject to adjustments for population changes every ten years based on the Official United States Decennial Census.

Flow of Funds and California Escrow Agreement

Under the MSA, the State's portion of the tobacco settlement payments are deposited into the California State-Specific Account held by Citibank, N.A., as the MSA Escrow Agent. Pursuant to the terms of the MOU, the ARIMOU and an Escrow Agreement between the State and Citibank, N.A., as escrow agent (the "**California Escrow Agent**"), the State has instructed the MSA Escrow Agent to transfer (upon receipt thereof) all amounts in the California State-Specific Account to the California Escrow Agent. The California Escrow Agent will deposit the State's 50% share of the tobacco settlement payments in an account for the benefit of the State (the "**California State Government Escrow Account**"), and the remaining 50% of the tobacco settlement payments into separate accounts (within the "**California Local Government Escrow Account**") for the benefit of the Participating Jurisdictions. The transfer of the tobacco settlement payments into the California Local Government Escrow Account is not subject to legislative appropriation by the State or any further act by the State, nor are such funds subject to any lien of the State.

Pursuant to the California Escrow Agreement, the California Escrow Agent will distribute to each Participating Jurisdiction (including the County) its allocable proportional share of the tobacco settlement payments as determined by the MOU and the ARIMOU, within one business day of a deposit into the California Local Government Escrow Account, unless the California Escrow Agent receives different instructions in writing from the State three business days prior to a deposit. See the ARIMOU included in APPENDIX D attached hereto for a list of the Participating Jurisdictions and their proportional allocable shares under the ARIMOU.

On July 30, 2001, an order was issued by the Superior Court of the State of California for the County of San Diego amending the ARIMOU (the "**ARIMOU Amendment**"). The order provides that an Eligible City or Eligible County participating in a tobacco securitization may provide that, once the related bonds are issued and so long as the related bonds are Outstanding, all amounts of its MOU Proportional Allocable Share may be transferred directly to the indenture trustee for the related bonds, and that so long as such bonds are Outstanding, no further transfer instructions may be provided to the State for transmission to the California Escrow Agent unless countersigned by the indenture trustee and, after the related bonds are repaid, unless countersigned by the relevant buyer. The County

executed instructions to provide for transfer of its MOU Proportional Allocable Share directly to the Trustee pursuant to the ARIMOU Amendment.

All fees and expenses due and owing the California Escrow Agent will be deducted equally from the California State Government Escrow Account and the California Local Government Escrow Account prior to the disbursement of any funds pursuant to the California Escrow Agreement. Such fees are set forth in the California Escrow Agreement and may be adjusted to conform to its then current guidelines. If at any time the California Escrow Agent is served with any judicial or administrative order or decree that affects the amounts deposited with the California Escrow Agent, the California Escrow Agent is authorized to comply with such order or decree in any manner it or its legal counsel deems appropriate. If any fees, expenses or costs incurred by the California Escrow Agent or its legal counsel are not promptly paid, the California Escrow Agent may reimburse itself from tobacco settlement payments in escrow, but is not permitted to place a lien on any such tobacco settlement payments. The California Escrow Agreement provides that only the State and the California Escrow Agent, and their respective permitted successors, are entitled to its benefits.

The California Escrow Agreement also provides a mechanism for the State to escrow tobacco settlement payments to satisfy "claims over" entitling a PM to an offset for amounts paid under the MSA. See "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT—Adjustments to Payments—*Offset for Claims-Over*" herein.

Enforcement Provisions of the Consent Decree, the MOU and the ARIMOU

The MOU provides that the distribution of tobacco-related recoveries is not subject to alteration by legislative, judicial or executive action at any level, and, if such alteration were to occur and survive legal challenge, any modification would be borne proportionally by the State and the Participating Jurisdictions. The Consent Decree specifically incorporates the entire MOU as if it were set forth in full in the Consent Decree. Thus, the allocation of the State's tobacco settlement payments under the MSA among the State and the Participating Jurisdictions set forth in the MOU is final and non-appealable. However, the MSA provides (and the Consent Decree confirms) that only the State is entitled to enforce the PMs' payment obligations under the MSA, and the State is prohibited expressly from assigning or transferring its enforcement rights. In addition, under the ARIMOU the State and the Participating Jurisdictions are the only intended beneficiaries of the ARIMOU and the only parties entitled to enforce its terms and those provisions of the MOU incorporated into the ARIMOU.

Release and Dismissal of Claims

The MSA provides that, effective upon the occurrence of State-Specific Finality in the State, the State will release and discharge all past, present and future smoking-related claims against all Released Parties. In the MOU and the ARIMOU, the County and the other Participating Jurisdictions agreed that the sharing of the recovery in the State's tobacco settlement payments under the MSA was conditioned upon the release by each Participating Jurisdiction of all tobacco-related claims consistent with the extent of the State's release and a dismissal with prejudice of any state or county's pending action. The County has taken the necessary action to satisfy this condition.

CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY

The following description of the domestic tobacco industry has been compiled from certain publicly available documents of the tobacco companies and their current or former parent companies, certain publicly available analyses of the tobacco industry, and other public sources. Certain of those companies currently file annual, quarterly and certain other reports with the SEC. Such reports are available on the SEC's website (www.sec.gov) and upon request from the SEC's Investor Information Service, 100 F Street, NE, Washington, D.C. 20549 (phone: (800) SEC-0330 or (202) 551-8090; e-mail: publicinfo@sec.gov). The following information does not, nor is it intended to, provide a comprehensive description of the domestic tobacco industry, the business, legal and regulatory environment of the participants therein, or the financial performance or capability of such participants. Although the Authority has no knowledge of any facts indicating that the following information is inaccurate in any material respect, the Authority has not verified this information and cannot and does not warrant the accuracy or completeness of this information. To the extent that reports submitted to the MSA Auditor by the PMs pursuant to the requirements of the MSA provide information that is pertinent to the following discussion, including market share information, the Attorney General of the State has not consented to the release of such information pursuant to the confidentiality provisions of the MSA. Prospective investors in the Series 2021 Bonds should conduct their own independent investigations of the domestic tobacco industry to determine if an investment in the Series 2021 Bonds is consistent with their investment objectives.

MSA payments are computed based in large part on cigarette shipments in or to the 50 states of the United States, the District of Columbia and Puerto Rico. The quantities of cigarettes shipped and cigarettes consumed within the 50 states of the United States, the District of Columbia and Puerto Rico may not match at any given point in time as a result of various factors, such as inventory adjustments, but are substantially the same when compared over a period of time.

Retail market share information, based upon shipments or sales as reported by the OPMs for purposes of their filings with the SEC, may be different from Relative Market Share for purposes of the MSA and the respective obligations of the PMs to contribute to Annual Payments. The Relative Market Share information reported is confidential under the MSA, except to the extent reported by NAAG. See "SUMMARY OF THE MASTER SETTLEMENT AGREEMENT—Overview of Payments by the Participating Manufacturers; MSA Escrow Agent" and "—Annual Payments." Additionally, aggregate market share information, based upon shipments as reported by OPMs and reflected in the chart below entitled "Manufacturers' Domestic Market Share of Cigarettes" is different from that utilized in the Tobacco Settlement Revenues Projection Methodology and Assumptions. See "TOBACCO SETTLEMENT REVENUES PROJECTION METHODOLOGY AND BOND STRUCTURING ASSUMPTIONS."

Industry Overview

According to NAAG, the OPMs accounted for approximately 81.11% (measuring roll-your-own cigarettes at 0.0325 ounces per cigarette conversion rate) of the U.S. domestic cigarette market in sales year 2019. See "—Industry Market Share" below. The market for cigarettes in the U.S. divides generally into premium and discount sales.

Philip Morris USA Inc. ("**Philip Morris**"), a wholly-owned subsidiary of Altria Group, Inc. ("**Altria**"), is the largest tobacco company in the U.S. Prior to a name change on January 27, 2003, Altria was named Philip Morris Companies Inc. In its Form 10-K filed with the SEC for the calendar year 2019, Altria reported that Philip Morris's domestic cigarette market share for the year ended December 31, 2019 was 49.7% (based on retail sales data from IRI/Management Science Associate, Inc., a tracking service that uses a sample of stores and certain wholesale shipments to project market share and depict share trends), compared to 50.2% for 2018 and 50.8% for 2017. In its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, Altria reported that Philip Morris's domestic cigarette market share for the nine months ended September 30, 2020 was 49.2%. Philip Morris's major premium brands are Marlboro, Virginia Slims and Parliament (with Marlboro representing approximately 86.9% of Philip Morris's domestic cigarette shipment volume during the year ended December 31, 2019, according to Altria's Form 10-K filed with the SEC for the calendar year 2019, and approximately 87.5% of Philip Morris's domestic cigarette shipment volume during the nine months ended September 30, 2020, according to Altria's Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020). Marlboro is also the largest selling cigarette brand in the U.S., with approximately 43.1% and 43.2% of the U.S. domestic retail share for the years ended

December 31, 2019 and 2018, respectively, according to Altria in its Form 10-K filed with the SEC for the calendar year 2019, and approximately 43.0% of the U.S. domestic retail share for the nine months ended September 30, 2020, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, and has been the world's largest-selling cigarette brand since 1972. Philip Morris's principal discount brands are Basic and L&M. In 2009, Altria acquired UST LLC, whose subsidiary, U.S. Smokeless Tobacco Company LLC ("**UST**"), is the leading producer of smokeless tobacco in the U.S. On May 22, 2018, Altria announced the creation of two divisions within Altria—one division for traditional cigarettes, pipe tobacco, cigars and snuff, and a second division for innovative, non-combustible, reduced-risk products such as vapor products. Altria reported that the new structure is expected, among other things, to accelerate innovation. According to Altria in its SEC filings, on March 8, 2019, Altria completed its acquisition, through a subsidiary, of a $1.8 billion, 45% economic and voting interest in Cronos Group Inc., a global cannabinoid company headquartered in Toronto, Canada, and in December 2018, Altria purchased, through a wholly-owned subsidiary, shares of non-voting convertible common stock of Juul Labs, Inc., representing a 35% economic interest, for $12.8 billion (Altria's economic interest in Juul Labs, Inc. remained at 35% at September 30, 2020, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020). Altria reported in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020 that during 2019, Altria recorded total pre-tax impairment charges of $8.6 billion related to its Juul Labs, Inc. investment, and a pre-tax impairment charge of $2.6 billion for the nine months ended September 30, 2020, resulting in a $1.6 billion carrying value of such investment at September 30, 2020. Juul Labs, Inc. is engaged in the manufacture and sale of e-vapor products globally. On April 1, 2020, the U.S. Federal Trade Commission ("**FTC**") filed an administrative complaint alleging that Altria's acquisition of a 35% economic interest in Juul Labs, Inc. eliminated competition in violation of federal antitrust laws. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, the administrative trial will take place before an FTC administrative law judge, with any decision by the administrative law judge to be subject to review by the FTC on its own motion or at the request of any party, following which the FTC will issue a ruling, to be subject to appellate review; such administrative trial is currently scheduled to begin in April 2021. If the FTC's challenge is successful, the FTC may order a broad range of remedies, including divestiture of Altria's minority investment in Juul Labs, Inc. and rescission of the transaction and all associated agreements. See "—E-Cigarettes and Vapor Products" below.

R.J. Reynolds Tobacco Company ("**Reynolds Tobacco**") is the second-largest tobacco company in the U.S. Reynolds Tobacco is a wholly-owned subsidiary of Reynolds American Inc. ("**Reynolds American**"), which in turn is a wholly-owned subsidiary of British American Tobacco p.l.c. ("**BAT**") following BAT's acquisition on July 25, 2017 of the approximately 58% of Reynolds American stock not then owned by BAT. As a result of the acquisition by BAT, Reynolds American no longer files quarterly or annual reports with the SEC. BAT is subject to applicable SEC reporting obligations as a foreign private issuer. BAT is responsible for Reynolds Tobacco's payment obligations under the MSA as a result of the acquisition of Reynolds Tobacco's parent company Reynolds American. In an earlier merger, in June 2015, Reynolds American acquired Lorillard, Inc., the parent company of Lorillard Tobacco Company ("**Lorillard**"), the then third-largest tobacco company in the U.S., with Reynolds Tobacco continuing as the surviving entity. In yet an earlier merger, in July 2004, the U.S. operations of Brown & Williamson Tobacco Corporation ("**B&W**") (the then third-largest tobacco company in the U.S.) were combined with Reynolds Tobacco. In its preliminary results for the year ended December 31, 2019, BAT reported that its U.S. retail cigarette market share at December 31, 2019 increased 30 basis points from 2018, and in its half-year report for the six months ended June 30, 2020, BAT reported that its U.S. cigarette market share increased 30 basis points. In its Annual Report on Form 20-F for the year ended December 31, 2018, BAT reported that its U.S. retail cigarette market share at December 31, 2018 declined 20 basis points from 2017. In its Annual Report for calendar year 2017, BAT reported a U.S. market share of 34.7%. In its Form 10-K filed with the SEC for the calendar year 2016, Reynolds American reported that Reynolds Tobacco's domestic retail cigarette market share at December 31, 2016 and December 31, 2015 was 32.3%. Reynolds Tobacco's major premium brands are Newport (which it acquired in the 2015 merger with Lorillard) and Camel, and its discount brands include Pall Mall and Doral. BAT, through Reynolds American, is also the parent company of American Snuff Company, LLC, the second-largest smokeless tobacco products manufacturer in the U.S., and Santa Fe Natural Tobacco Company, Inc. ("**Santa Fe Natural Tobacco Company**"), an SPM that manufactures a super-premium cigarette brand.

Contemporaneous with the 2015 merger of Lorillard, Inc. into Reynolds American, Imperial Tobacco Group PLC, currently named Imperial Brands PLC ("**Imperial Tobacco**") (through its subsidiary ITG Brands, LLC, an SPM under the MSA), purchased Reynolds Tobacco's Kool, Salem and Winston cigarette brands, Lorillard, Inc.'s Maverick cigarette brand and blu eCig electronic cigarette brand, and other assets. Imperial Tobacco is listed on the London

Stock Exchange and does not file quarterly or annual reports with the SEC. According to Imperial Tobacco's full-year results for the fiscal year ended September 30, 2020, Imperial Tobacco's market share in the U.S. tobacco market at fiscal year-end 2020 was 8.9% (representing an increase from 8.8% at fiscal year-end 2019), making it the third-largest tobacco company in the U.S. market. In accordance with Section XVIII(c) of the MSA, which states that "[n]o Original Participating Manufacturer may sell or otherwise transfer or permit the sale or transfer of any of its Cigarette brands, Brand Names, Cigarette product formulas or Cigarette businesses … to any person or entity unless such person or entity is an Original Participating Manufacturer or prior to the sale or acquisition agrees to assume the obligations of an Original Participating Manufacturer with respect to such Cigarette brands, Brand Names, Cigarette product formulas or businesses," the OPM payment obligations under the MSA with respect to the cigarette brands, brand names, cigarette product formulas and businesses acquired by Imperial Tobacco from Reynolds Tobacco and Lorillard have been assumed and continued by Imperial Tobacco. Imperial Tobacco also is the parent company of Commonwealth Brands, Inc. ("**CBI**"), an SPM under the MSA, which markets deep discount brands in the U.S., including USA Gold, Sonoma and Fortuna.

Based on the domestic retail market shares discussed above, the remaining share of the U.S. retail cigarette market was held by a number of other cigarette manufacturers, including Liggett Group LLC ("**Liggett**") (the operating successor to the Liggett & Myers Tobacco Company), an SPM under the MSA and a wholly-owned subsidiary of Vector Group Ltd. ("**Vector Group Ltd.**"). In its Form 10-K filed with the SEC for the calendar year 2019, Vector Group Ltd. reported that the domestic market share of its Liggett subsidiary was 4.0% in 2019, 4.0% in 2018 and 3.7% in 2017. According to Vector Group Ltd. in its SEC filings, Liggett and Vector Tobacco are required to make payments under the MSA to the extent such companies' market shares exceed approximately 1.65% and approximately 0.28%, respectively, of the U.S. cigarette market (with the MSA payment obligations based on each respective company's incremental market share above the aforementioned minimum thresholds). Vector Group Ltd.'s core brands include Pyramid, Eagle 20's, Grand Prix and Liggett Select, all of which are in the discount segment.

Industry Market Share

The following table sets forth the approximate comparative market share positions of the leading producers of cigarettes in the U.S. tobacco industry. Lorillard is included for historical comparison. Individual domestic manufacturers' market shares presented below are derived from the publicly available documents of the respective manufacturers and, as a result of differing methodologies used by the manufacturers to calculate market share, may not be accurate.

Manufacturers' Domestic Market Share of Cigarettes[1]

	Calendar Year							
Manufacturer	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Philip Morris	49.8%	50.7%	50.9%	51.3%	51.4%	50.7%	50.1%	49.7%
Reynolds Tobacco[2]	26.5	26.0	26.5	32.0	32.3	34.7	34.5	34.8
Imperial Tobacco[3]	----	----	----	9.5	9.2	8.7	8.7	8.8
Lorillard[4]	14.4	14.9	15.1	----	----	----	----	----
Other[5]	9.3	8.4	7.5	7.2	7.1	5.9	6.7	6.7

1 Aggregate market share as reported above is different from that used in the Tobacco Settlement Revenues Projection Methodology and Assumptions. In addition, aggregate market share for a given year is as reported in SEC filings for such year and has not been restated due to changes in reporting for subsequent years, if any, or otherwise. Shipments to retail outlets as reported by MSAI do not reflect actual consumer sales and do not track all volume and trade channels, and accordingly, the data may overstate or understate actual market share.

2 Reynolds Tobacco's market share for 2014 and prior years is based on market share information prior to the merger with Lorillard. Reynolds Tobacco's 2015 market share assumes that cigarette brands acquired in the merger were part of Reynolds Tobacco's portfolio for the entire period, and also reflects for that entire period the divestiture of assets to Imperial Tobacco. Data for calendar years 2017 onward is as reported by BAT.

3 As of fiscal year-end September 30. According to Imperial Tobacco's annual report for its fiscal year ended September 30, 2015, the 2015 amount shown reflects the combined performance of U.S. operations before and after the acquisition of the above-described assets of Reynolds Tobacco and Lorillard, which occurred in such fiscal year. For fiscal years 2014 and prior, Imperial Tobacco is included in "Other."

4 Lorillard utilized MSAI market share data in its SEC reports. MSAI divides the cigarette market into two price segments, the premium price segment and the discount or reduced price segment. MSAI's information relating to unit sales volume and market share of certain of the smaller, primarily deep discount, cigarette manufacturers is based on estimates derived by MSAI.

5 The market share specified in "Other" has been determined by subtracting the total market share percentages of Philip Morris, Reynolds Tobacco, Imperial Tobacco and Lorillard, as reported in their publicly available documents, from 100%. Results may not be accurate and may not total 100% due to rounding and the differing sources and methodologies utilized to calculate market share.

Cigarette Shipment Trends

According to NAAG data, U.S. cigarette shipments over the past 10 reported sales years were approximately as set forth in the table below.

NAAG-Reported U.S. Cigarette Shipments 2010-2019

Sales Year	**Overall No. of Cigarettes (in billions) (with 0.0325 oz. RYO conversion)**	**% Change From Prior Year (with 0.0325 oz. RYO conversion)**[1]	**OPM No. of Cigarettes (in billions) (with 0.0325 oz. RYO conversion)**	**% Change From Prior Year (with 0.0325 oz. RYO conversion)**[1]
2019	225.130	(4.98)%	183.169	(7.08)%
2018	236.922	(4.76)	197.132	(5.94)
2017	248.767	(4.47)	209.584	(5.09)
2016	260.411	(4.07)	220.818	(2.39)
2015	271.452	2.00	226.214	(0.15)
2014	266.122	(3.73)	226.553	(3.53)
2013	276.423	(4.85)	234.841	(4.34)
2012	290.520	(1.90)	245.486	(1.99)
2011	296.159	(2.75)	250.461	(3.09)
2010	304.547	(6.36)	258.440	(3.96)

1 Percentage change calculated after rounding of shipment volume.

According to data from the U.S. Department of the Treasury, Alcohol and Tobacco Tax and Trade Bureau (the "**TTB**"), the overall quantity of cigarettes shipped domestically (not including a conversion for roll-your-own tobacco) for the past 10 reported calendar years was approximately as set forth in the table below.

TTB-Reported Quantity of Cigarettes Shipped Domestically 2010-2019

Calendar Year	No. of Cigarettes (in billions)	Percent Change From Prior Year[1]
2019	223.432	(5.05)%
2018	235.321	(4.79)
2017	247.163	(4.00)
2016	257.454	(4.03)
2015	268.261	2.10
2014	262.737	(4.04)
2013	273.787	(4.77)
2012	287.487	(1.80)
2011	292.769	(2.57)
2010	300.489	(5.52)

[1] Percentage change calculated after rounding of shipment volume.

According to Altria in its Form 10-K filed with the SEC for the calendar year 2019, when adjusted for certain factors, total domestic cigarette industry volumes declined by an estimated 5.5% in 2019, compared to 4.5% in 2018. When adjusted for calendar differences, trade inventory movements and other factors, estimated total domestic cigarette industry volumes for the nine months ended September 30, 2020 were unchanged versus the prior year, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020.

The MSA payments are calculated in large part on shipments by the OPMs in or to the U.S., rather than total industry shipments (as shown in the tables above), and rather than consumption. The information in the foregoing tables, which has been obtained from publicly available documents but has not been verified by the Authority, may differ materially from the amounts used by the MSA Auditor for calculating Annual Payments under the MSA.

Physical Plant, Raw Materials, Distribution and Competition

The production facilities of the OPMs tend to be highly concentrated. Material damage to these facilities could materially affect overall cigarette production. A prolonged interruption in the manufacturing operations of the cigarette manufacturers could have a material adverse effect on the ability of the cigarette manufacturers to effectively operate their respective businesses. In March 2020, Altria's tobacco businesses temporarily suspended operations at several of their manufacturing facilities, including Philip Morris's manufacturing facility in Richmond, Virginia (the primary facility for manufacturing Philip Morris cigarettes), as a result of the COVID-19 pandemic described herein. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, all of its manufacturing facilities are currently operational under enhanced safety protocols. In addition, shifts in crops (such as those driven by economic conditions and adverse weather patterns), government mandated prices, economic trade sanctions, geopolitical instability, production control programs and access to raw materials may increase or decrease the cost or reduce the supply or quality of tobacco and other agricultural products or machinery and related materials used to manufacture tobacco products. Any significant change in the price, quality or availability of tobacco leaf or other agricultural products or other raw materials or component parts used to manufacture tobacco products could restrict the cigarette manufacturers' ability to continue marketing existing products.

Cigarette manufacturers sell tobacco products to wholesalers (including distributors), large retail organizations, including chain stores, and the armed services. However, certain stores have ceased the sale of tobacco products. The retail chain store Target reportedly stopped selling tobacco products in 1996. In September 2014, the national pharmacy chain CVS reportedly stopped selling all cigarettes and other tobacco products in all its stores (following a February 2014 announcement), citing that such sales were inconsistent with its mission. CVS recently reported that a year after it stopped selling cigarettes, cigarette sales across all retailers have dropped in 13 states where

it has sizable market share. A group of state attorneys general have pressured large retail stores with pharmacies to take similar action, and in April 2014 several members of Congress called on these retailers to stop selling cigarettes and other items containing tobacco. According to the ANRF, as of August 15, 2020, two states (Massachusetts and New York) and 242 cities and counties, located principally in California and Massachusetts, have tobacco-free pharmacy laws. In addition, Costco has also reportedly removed tobacco products from a majority of its U.S. locations, according to news reports in March 2016. The Walgreens drugstore chain announced in April 2019 that, effective September 1, 2019, it would require customers to be at least 21 years old to purchase tobacco in any of its more than 9,500 stores nationwide. On May 8, 2019, Walmart announced that, beginning July 1, 2019, all Walmart and Sam's Club stores would raise the minimum age to purchase tobacco products, including all e-cigarettes, to 21, and would discontinue the sale of fruit- and dessert-flavored electronic nicotine delivery systems. Furthermore, certain municipalities have enacted laws limiting the number or density of cigarette retailers. For example, in 2014, San Francisco's Tobacco Use Reduction Act was passed, which sets a cap on the number of tobacco retailers in each supervisory district and prohibits new stores from locating within 500 feet of schools or within 500 feet of another existing tobacco retailer. In 2016, Philadelphia's Retailer Reduction Regulations were passed, setting a cap on the number of tobacco retailers allowed at one per 1,000 persons in each planning district and restricting any new retailer from locating within 500 feet of K-12 schools. In August 2017, New York City updated its comprehensive point-of-sale regulations, to, among other things, set a city-wide cap on retailer licenses at half of the current number in each district.

Cigarette manufacturers and their affiliates and licensees also market cigarettes and other tobacco products worldwide, directly or through export sales organizations and other entities with which they have contractual arrangements.

The domestic market for cigarettes is highly competitive. Competition is primarily based on a brand's price, including the level of discounting and other promotional activities, positioning, product attributes and packaging, consumer loyalty, advertising, retail display, quality and taste. Promotional activities include, in certain instances, allowances, the distribution of incentive items, price reductions and other discounts. Considerable marketing support, merchandising display and competitive pricing are generally necessary to maintain or improve a brand's market position. Increased selling prices and taxes on cigarettes have resulted in additional price sensitivity of cigarettes at the consumer level and in a proliferation of discounts and of brands in the discount segment of the market. According to the Tobacco Consumption Report, premium brands are typically $1.00 to $2.00 more expensive per pack than discount brands, allowing a margin for consumers to switch to less costly discount brands in the event of price increases.

The tobacco products of the cigarette manufacturers and their affiliates and licensees are advertised and promoted through various media, although television and radio advertising of cigarettes is prohibited in the U.S. The domestic tobacco manufacturers have agreed to additional marketing restrictions in the U.S. as part of the MSA and other settlement agreements. They are still permitted, however, to conduct advertising campaigns in magazines, at retail cigarette locations, in direct mail campaigns targeted at adult smokers, and in other adult media.

E-Cigarettes and Vapor Products

Numerous manufacturers have recently developed (or acquired) and are marketing "electronic cigarettes" (or "e-cigarettes"), which, while not tobacco products, are battery powered devices in the shape of a cigarette that vaporize liquid nicotine, which is then inhaled by the consumer. Because they do not contain or burn or heat tobacco, the manufacturers (and certain states) do not deem e-cigarettes to constitute "cigarettes" within the meaning of the MSA. Electronic nicotine products also include devices called "vaporizers," which are larger, customizable devices. They have larger batteries and cartridges, hold more liquid, produce larger vapor clouds and last longer. They allow users to mix and match hardware and refill cartridges with liquid bought in bulk, so that they generally are cheaper than e-cigarettes. As discussed below, in May 2016, the U.S. Food and Drug Administration ("**FDA**") released its final rule which subjects manufacturers, importers and/or retailers of e-cigarettes, other vapor products and certain other tobacco related products to the same and additional regulations applicable to cigarettes, cigarette tobacco, roll-your-own tobacco and smokeless tobacco. However, e-cigarettes and vapor products are currently not subject to the advertising restrictions to which tobacco products are subject. According to research cited by the Campaign for Tobacco-Free Kids, in 2017 there were more than 430 brands of e-cigarettes, and over 15,500 unique e-cigarette flavors were available online.

According to the Tobacco Consumption Report, growth of e-cigarette use increased dramatically in 2017 and 2018, led by sales of the JUUL brand. JUUL is an e-cigarette shaped like a USB flash drive, which heats a nicotine-containing liquid to produce an aerosol that is inhaled. No single e-cigarette manufacturer dominated the U.S. market through 2013. However, sales of BAT's e-cigarette devices surged 146% during 2014 and led the market well into 2017. During 2016-2017, Juul Labs, Inc.'s sales increased 641 percent — from 2.2 million JUUL devices sold in 2016 to 16.2 million devices sold in 2017. By December of 2017, Juul Labs, Inc.'s sales comprised nearly 1 in 3 e-cigarette sales nationally, giving it the largest market share in the United States. According to a CDC release dated October 2, 2018, based on an analysis of retail sales data from 2013-2017, sales of JUUL grew more than seven-fold from 2016 to 2017, and held the greatest share of the U.S. e-cigarette market by December 2017. According to Altria, in December 2018, Altria, through a wholly-owned subsidiary, purchased shares of non-voting convertible common stock of Juul Labs, Inc., representing a 35% economic interest, for $12.8 billion (Altria's economic interest in Juul Labs, Inc. remained at 35% at September 30, 2020, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020). Altria reported in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020 that during 2019, Altria recorded total pre-tax impairment charges of $8.6 billion related to its Juul Labs, Inc. investment, and a pre-tax impairment charge of $2.6 billion for the nine months ended September 30, 2020, resulting in a $1.6 billion carrying value of such investment at September 30, 2020. On April 1, 2020, the FTC filed an administrative complaint alleging that Altria's acquisition of a 35% economic interest in Juul Labs, Inc. eliminated competition in violation of federal antitrust laws; see "—Industry Overview" above.

The parent companies of each of the OPMs have launched e-cigarette brands. Altria introduced e-vapor products through its subsidiary Nu Mark LLC under the "MarkTen" brand in 2013, but according to Altria in its SEC filings, in December 2018, Altria refocused its innovative product efforts, which included the discontinuation of production and distribution of all e-vapor products by Nu Mark LLC, and the purchase of its 35% economic interest in Juul Labs, Inc., as described above. As discussed above under "—Industry Overview," on May 22, 2018, Altria announced the creation of a separate division within Altria for innovative, non-combustible, reduced-risk products such as vapor products and reported that the new structure is expected, among other things, to accelerate innovation. Reynolds American markets the e-cigarette product VUSE and introduced its VUSE Fob power unit, which offers an on-device display with information about battery and cartridge levels, in March 2016, and began national distribution of its VUSE Vibe high-volume cartridge and closed-tank system, with a stronger and longer-lasting battery, in November 2016. In April 2012 Lorillard, Inc. acquired the blu eCigs brand, which it sold to Imperial Tobacco contemporaneously with the Lorillard, Inc. merger into Reynolds American in 2015. In May 2018, Imperial Tobacco introduced to the Canadian market its vapor product Vype, a fillable e-cigarette that produces an inhalable aerosol, comes in a number of flavors and is available with various levels of nicotine, including one with no nicotine. In addition, Vector Group Ltd.'s subsidiary Zoom E-Cigs LLC rolled out its Zoom e-cigarette brand nationally in 2014. Other manufacturers also have e-cigarette brands on the market.

E-cigarette and vapor product sales were an estimated $3.5 billion in 2015 and $4 billion in 2016, according to news reports, and estimated at $6 billion for 2018 and projected to reach $9 billion for 2019, according to research cited by Campaign for Tobacco-Free Kids. According to the Tobacco Consumption Report, 2018 sales of electronic cigarettes in the U.S. were estimated at over $7 billion, with rapid growth in the past two years, led by sales of the JUUL brand, which is now the most popular electronic cigarette accounting for approximately three-fourths of the market share. Altria reported in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020 that its subsidiaries believe that a significant number of adult tobacco consumers switch among tobacco categories, use multiple forms of tobacco products and try innovative tobacco products, such as e-vapor products and oral nicotine pouches. In addition, Altria stated that a growing number of adult smokers are converting from cigarettes to exclusive use of non-combustible tobacco product alternatives, that up until the second half of 2019 the e-vapor category had experienced significant growth in recent years, and that the number of adults who exclusively use e-vapor products also increased during that time which, along with growth in oral nicotine pouches, negatively impacted consumption levels and sales volume of cigarettes. Altria noted in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020 that growth in the e-vapor category has been negatively impacted by legislative and regulatory activities and is increasingly competitive. Altria and its tobacco subsidiaries believe that the innovative tobacco products category (in particular, e-vapor) will continue to be dynamic as adult tobacco consumers explore a variety of tobacco product options and as the regulatory environment for these innovative tobacco products evolves, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020.

According to a CDC report published November 9, 2018, in 2017 2.8% of adults were current e-cigarette users. The CDC in September 2014 reported results of a survey that indicated that in 2013 approximately 8.5% of the adult population, and 36.5% of smokers, had tried e-cigarettes at some time. According to the Tobacco Consumption Report, a survey in 2019 reported that the prevalence of self-reported, current e-cigarette use was 27.5% among high school students and 10.5% among middle school students. According to an article in the February 2019 CDC Morbidity and Mortality Weekly Report, current e-cigarette use among high school students had increased to 20.8% in 2018 from 1.5% in 2011, and had increased by 78% (from 11.7% to 20.8%) during 2017–2018 alone. According to the same report, e-cigarettes were the most commonly used tobacco product among high school students (20.8%), followed by cigarettes (8.1%), and among middle school students, the most commonly used tobacco product was e-cigarettes (4.9%), followed by cigarettes (1.8%). In January 2016 the CDC reported that in 2014 approximately 2.4 million middle and high school students had used electronic cigarettes in the preceding 30 days. The CDC in June 2016 released survey results showing that 45% of high school students had tried e-cigarettes in 2015, compared with only 32% who had tried cigarettes. In December 2014 the University of Michigan's Survey for Research Center ("**UMSRC**") reported its findings that e-cigarette use exceeded traditional cigarette smoking among teens in 2014. In December 2015, the UMSRC reported its findings that in 2015, a substantially higher percentage of adolescents used e-cigarettes in the last 30 days than had smoked regular cigarettes and that cigarette smoking among teens continued a decades-long decline in 2015 and reached the lowest levels recorded since annual tracking began over 40 years ago. The National Health Survey of the CDC reported that in 2016, 15.4% of adults had tried e-cigarettes, and 3.2% were current users. In addition, it has been reported that increases in taxes on traditional cigarettes have caused an increase in the sale of e-cigarettes. According to the Tobacco Consumption Report, certain sources have shown that e-cigarette use is associated with quit attempts by smokers; that youth use of e-cigarettes is unlikely to increase the number of future cigarette smokers; and that the substantial increase in e-cigarette use among U.S. adult smokers this decade was associated with a statistically significant increase in the smoking cessation rate at the population level; however, the Tobacco Consumption Report cites two studies published in 2019 that found that teens who use e-cigarettes or other tobacco-related products are more likely to later initiate cigarette use.

On May 5, 2016, the FDA released final rules that extend its regulatory authority to electronic cigarettes and certain other tobacco products under the FSPTCA (following an April 25, 2014 release of proposed rules). The rules ban sales of e-cigarettes and other vapor products, cigars, hookah tobacco, pipe tobacco, oral tobacco-derived nicotine products and other products to people under 18, effective August 2016. The rules also require new health warnings for these products, and manufacturers must seek FDA permission to continue marketing all such products launched since 2007 (comprising virtually all of the market), as discussed below under "—Regulatory Issues—FSPTCA." In addition, the rules require that product manufacturers register with the FDA and report product and ingredient listings; only make direct and implied claims of reduced risk if the FDA confirms that scientific evidence supports the claim and that marketing the product will benefit public health as a whole; not distribute free samples; and not sell products in vending machines, unless in a facility that never admits youth. The rules do not restrict flavored products, online sales or advertising for e-cigarettes and vapor products. The FDA considered banning flavors of e-cigarettes and other vapor products, but comments from President Trump in November 2019 suggested that the administration may not pursue such a ban, and on January 2, 2020, the FDA announced that while it was not banning the sale of flavored e-cigarettes and other vapor products, it would prioritize flavored products in its enforcement efforts against illegally marketed e-cigarettes and other vapor products, as discussed below under "—Regulatory Issues—FSPTCA". Various manufacturers have sued the FDA over the final rules. As part of the FDA's comprehensive plan for tobacco and nicotine regulation discussed below under "—Regulatory Issues—FSPTCA," in March 2018 the FDA announced that it is considering over-the-counter regulation of e-cigarettes and in April 2018 the FDA announced a Youth Tobacco Prevention Plan focused on stopping the use by youth of tobacco products, particularly e-cigarettes. As part of the Youth Tobacco Prevention Plan, the FDA conducted a large-scale, undercover nationwide blitz to crack down on the sale of e-cigarettes – specifically JUUL products – to minors at both brick-and-mortar and online retailers, and sent an official request for information directly to Juul Labs, Inc., requiring the company to submit certain documents to better understand the reportedly high rates of youth use and the particular youth appeal of these products. Moreover, in September 2019, the FDA issued a warning letter to Juul Labs, Inc. for marketing unauthorized modified risk tobacco products by engaging in labeling, advertising, and/or other activities directed to consumers. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, JUUL ceased its sales of all cartridge-based, flavored e-vapor products (other than tobacco and menthol) in 2019. On December 20, 2019, the President of the United States signed legislation, effective January 1, 2020, banning the sale of e-cigarettes and other vapor products (along with tobacco products) to anyone under the age of 21. See also "—Heat-Not-Burn Tobacco Products" below.

On March 2, 2016, the U.S. Department of Transportation announced a final rule that explicitly bans the use of e-cigarettes and other vaping devices on commercial flights and applies to all scheduled flights of U.S. and foreign carriers involving transportation in, to, and from the U.S.; the U.S. Court of Appeals District of Columbia Circuit upheld the rule in July 2017. On January 28, 2016, President Obama signed the Child Nicotine Poisoning Prevention Act into law which requires containers for liquid nicotine used in e-cigarettes to have child-proof packaging.

Electronic cigarettes are currently not subject to federal excise taxes. For a description of state taxes imposed on vapor products, see "—Regulatory Issues—*Excise Taxes*" below.

According to the Tobacco Consumption Report, in October 2019, a bill to limit the amount of nicotine in e-cigarette products was introduced in the U.S. House of Representatives. The bill would restrict nicotine content to a maximum of 20 milligrams per milliliter and would give the FDA the authority to reduce the cap if necessary. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, Massachusetts passed legislation capping the amount of nicotine in vapor products, and similar legislation is pending in three other states.

Certain legislation has been passed by states and localities restricting the use and sale of electronic cigarettes and other vapor products. According to ANRF, as of August 15, 2020, 22 U.S. states and territories and 970 municipalities have banned the use of e-cigarettes in smoke-free venues, and 13 states and territories and 709 municipalities have restricted e-cigarette use in other venues. On December 19, 2013, the New York City Council approved legislation that prohibits the use of e-cigarettes in indoor public places and in places of employment (where smoking of traditional cigarettes is prohibited), and on January 3, 2017 a New York appellate panel affirmed the constitutionality of the ban. Chicago, Los Angeles, San Francisco and Philadelphia passed similar legislation in 2014. In June 2019, San Francisco's Board of Supervisors voted to ban the sale and distribution of e-cigarettes in San Francisco. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, the governors of eight states exercised executive action to temporarily prohibit either the sale of all e-vapor products or e-vapor products with flavors other than tobacco; some of those executive actions have been challenged in the courts and many of those executive actions have expired. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, as of October 27, 2020, 16 states and the District of Columbia have proposed legislation to ban flavors in one or more tobacco products, including vapor products, oral nicotine pouches and cigarettes, and five states, California, Massachusetts, New Jersey, Utah and New York, have passed such legislation. In November 2019, Massachusetts banned the sale of all flavored tobacco products, effective immediately with respect to electronic cigarettes and other vapor products. In September 2019, the Governor of Michigan directed the state health department to issue emergency rules to temporarily ban the sale of flavored vaping products. On January 21, 2020, New Jersey banned the sale of flavored vaping products, effective April 20, 2020. On February 28, 2020, the U.S. House of Representatives approved a bill banning the sale of all flavored cigarettes and e-cigarettes. In March 2020, Rhode Island banned the sale of flavored e-cigarettes (making permanent the similar emergency regulations issued in 2019). In April 2020, New York State banned the sale of vapor products in flavors other than tobacco (effective May 18, 2020). On August 28, 2020, California banned the retail sale of all flavored tobacco products, including e-cigarettes, effective January 1, 2021 (and allowed local ordinances to be more restrictive). [UPDATE FOLLOWING SIGNATURE DEADLINE:] A referendum against the ban was filed by the tobacco industry, which, if the requisite number of signatures are collected to place the issue on the November 2022 ballot, would delay implementation of the California law until voters act in the November 2022 election.

In December 2014, Representatives Henry Waxman and Frank Pallone and Senator Dick Durbin sent letters to 29 Attorneys General urging them to classify e-cigarettes as cigarettes under the MSA in order to prevent e-cigarette companies from targeting youth and getting them addicted to their products. In February 2015, eight Attorneys General sent a response letter stating their position that the MSA does not cover e-cigarettes.

In September 2017, Philip Morris International announced that it would contribute approximately $80 million each year for the following 12 years to a non-profit organization called the Foundation for a Smoke-Free World, to fund research on smoke-free alternatives, among other things. In addition, in January 2018, Philip Morris International announced that its long-term goal is to replace its traditional cigarettes with smoke-free alternative products. In March 2020, BAT announced the evolution of its "A Better Tomorrow" strategy, including plans to reduce the health impact of its business by offering a greater choice of less risky products, and to increase the number of consumers of its non-combustible products.

Heat-Not-Burn Tobacco Products

Certain tobacco product manufacturers have developed alternative products in which the tobacco is electronically heated rather than burned. Philip Morris International has developed the IQOS and TEEPS heat-not-burn tobacco products, over which Altria has sole distribution rights in the United States through a licensing agreement with Philip Morris International. IQOS is the electronic device that is used with the HeatSticks heated tobacco products. BAT has developed a similar heat-not-burn tobacco product, Glo. Such products are currently sold in certain international markets, and, following authorization by the FDA as described below, sales of IQOS began in the United States in October 2019 in Atlanta and November 2019 in Richmond, according to the Tobacco Consumption Report, and Philip Morris launched IQOS in Charlotte in July 2020, according to Altria's Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020. Beginning in November 2020, IQOS is expected to be available for sale in select Charlotte convenience stores, according to a press release by Altria. IQOS will be introduced in four additional markets over the next year, according to the Tobacco Consumption Report. In addition, in July 2018, BAT received approval from the FDA under the substantial equivalence application process to begin selling its Neocore heated-tobacco device, which was formerly known as Eclipse, according to the Tobacco Consumption Report. Neocore is a carbon-tipped product that is lit with a match but does not burn the tobacco. The FDA regulatory authority described under "—E-Cigarettes and Vapor Products" above extends to heat-not-burn tobacco products, and any state and local regulation on vapor products described under "—E-Cigarettes and Vapor Products" above would also extend to heat-not-burn tobacco products.

According to news reports, in December 2016 Philip Morris International filed a modified risk tobacco product application with the FDA to market IQOS in the U.S. as a "less harmful" tobacco product than traditional cigarettes. In March 2017 Philip Morris International filed the corresponding pre-market tobacco production application with the FDA, and in January 2018 an FDA advisory panel found that IQOS significantly reduces exposure to harmful or potentially harmful chemicals, but the panel rejected Philip Morris International's claim that the product is less harmful than traditional cigarettes. On April 30, 2019, the FDA, which is not required to follow the advice of the advisory panel, announced that it had authorized the marketing of the IQOS "Tobacco Heating System" in the U.S. through the FDA's Premarket Tobacco Application pathway (but not the modified risk pathway at that time). On July 7, 2020, the FDA approved IQOS as a "modified risk" tobacco product, which will be allowed to be marketed with "exposure modification" statements to the effect that the product significantly reduces the production of harmful and potentially harmful chemicals and that scientific studies have shown that switching completely from conventional cigarettes to the IQOS system significantly reduces the body's exposure to harmful or potentially harmful chemicals.

On April 9, 2020, BAT sued Philip Morris International for patent infringement based on the sale of IQOS in the United States, seeking remedies for damages caused and an injunction on importing IQOS into the United States. In June 2020, the defendants filed counterclaims against the plaintiffs for infringement of various patents owned by the defendants, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020.

Altria has stated that it considers IQOS and other products in which tobacco is heated rather than burned as "tobacco products" under the MSA.

Smokeless Tobacco Products

Smokeless tobacco products, which are not "cigarettes" within the meaning of the MSA, have been available for centuries. Chewing tobacco and snuff are the most significant components of this market segment. Snuff is a ground or powdered form of tobacco that is placed under the lip to dissolve. It delivers nicotine effectively to the body. Moist snuff, including "snus" (originated in Sweden), is both smoke-free and potentially spit-free. As cigarette consumption expanded in the last century, the use of smokeless products declined. Recently, however, the industry has expanded its smokeless tobacco products in response to the general decline in cigarette consumption, the proliferation of smoking bans and the perception that smokeless use is a less harmful mode of tobacco and nicotine usage than cigarettes. Snuff, for example, is now being marketed to adult cigarette smokers as an alternative to cigarettes. UST, the largest producer of moist smokeless tobacco (and a subsidiary of Altria, Philip Morris's parent company), which manufactures Copenhagen and Skoal smokeless products, among others, is explicitly targeting adult smoker conversion in its growth strategy. In 2006, the OPMs entered the market of smokeless tobacco products. Reynolds American has tested dissolvable tobacco products Camel Sticks (a twisted, dissolvable stick made of

tobacco), Camel Orbs (dissolvable tobacco tablets) and Camel Strips (dissolvable tobacco strips), but in recent years has scaled back marketing of these products. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, during the third quarter of 2019, Helix Innovations LLC, a subsidiary of Altria, acquired Burger Söhne Holding and its subsidiaries as well as certain affiliated companies that are engaged in the manufacture and sale of oral nicotine pouches under the brand name "*on!*". On May 15, 2020, Altria announced that it submitted premarket tobacco product applications to the FDA for 35 *on!* products on behalf of Helix Innovations LLC. In November 2020, BAT announced its acquisition of the nicotine pouch product assets of Dryft Sciences, LLC. The oral nicotine products will be sold under BAT's modern oral nicotine brand, VELO.

As a result of these efforts, smokeless tobacco products have been increasing market share of tobacco products overall at the expense of the market share captured by cigarettes. According to a CDC report published November 9, 2018, 2.1% of U.S. adults were current users of smokeless tobacco (defined as chewing tobacco, snuff, dip, snus, or dissolvable tobacco) in 2017. According to a CDC report published December 9, 2016, per capita consumption of smokeless tobacco (defined as chewing tobacco and dry snuff) increased modestly, from 0.533 pounds in 2000 to 0.555 pounds in 2015, or 4.2%. According to Altria's Form 10-K filed with the SEC for the calendar year 2019, smokeless products (excluding oral nicotine pouches) accounted for approximately 9.7% of Altria's net revenues for the smokeable and smokeless products segments for the year ended December 31, 2019, compared with approximately 9.2% for 2018, and oral tobacco products (comprising the formerly named smokeless products plus oral nicotine pouches) accounted for approximately 9.8% of Altria's net revenues for the smokeable and oral tobacco products segments for the nine months ended September 30, 2020, according to Altria's Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020.

For a description of federal and state taxes imposed on smokeless tobacco products, see "—Regulatory Issues—*Excise Taxes*" below.

On June 10, 2014, Swedish Match submitted an application to the FDA to (i) authorize under the FDA's Premarket Tobacco Application pathway the marketing and sale of updated versions of eight of its snus products under the "General" brand name and (ii) approve the snus products as a "modified risk tobacco product" ("**MRTP**") allowing the manufacturer to alter or remove certain warning labels from its packages and to make claims that its products present a lower risk than cigarettes. The FDA announced in November 2015 that it had for the first time authorized the marketing of a new tobacco product through the Premarket Tobacco Application process by granting Swedish Match's application with respect to the marketing and sale of its snus products. In December 2016 the FDA denied Swedish Match's request to remove one of the required warning statements for eight snus products under the "General" brand name, and the FDA provided recommendations related to Swedish Match's other requests and provided an opportunity for Swedish Match to amend its MRTP applications. In October 2019, the FDA announced that it had authorized the marketing of eight Swedish Match snus products through the MRTP pathway, marking the first time the FDA had authorized modified risk tobacco products.

Smoking Cessation Products

A variety of smoking cessation products and services have been developed to assist individuals to quit smoking. While some studies have shown that smokers who use a smoking cessation product to help them quit smoking are more likely to relapse, other studies have shown that these products and programs are effective, and that excise taxes and smoking restrictions and related tobacco regulation drive additional expenditures to the smoking cessation market. The smoking cessation industry is broadly divided into two segments, counseling services (*e.g.*, individual, group, or telephone), and pharmacological treatments (both prescription and over-the-counter). Several large pharmaceutical companies, including GlaxoSmithKline, Johnson & Johnson, Novartis and Pfizer are significant participants in the smoking cessation market. The FDA has approved a variety of smoking cessation products and these products include prescription medicine, such as Nicotrol, Chantix, and Zyban, as well as over-the-counter products such as skin patches, lozenges and chewing gum. Alternative therapies, such as psychotherapy and hypnosis, are also in use and available to individuals. On March 15, 2018, as part of the FDA's comprehensive plan for tobacco and nicotine regulation discussed below under "—Regulatory Issues—FSPTCA," the FDA announced that it is starting new work to re-evaluate and modernize its approach to the development and regulation of medicinal nicotine replacement products such as gums, patches and lozenges, and on August 3, 2018, the FDA released draft guidance aimed at supporting the development of novel, inhaled nicotine replacement therapies that could be submitted to the

FDA for approval as new drugs, similar to current over-the-counter pharmaceutical nicotine replacement therapy products.

According to the Tobacco Consumption Report, a CDC study released in 2019 reported that approximately 34 million American adults were current smokers in 2018, representing approximately 13.7% of the population age 18 and older, a decline from 14.0% in 2017, 15.5% in 2016, and 19.4% in 2010. It is possible that many former smokers were aided by smoking cessation products.

Regarding smoking cessation generally, the CDC in January 2017 released the results of a study of quitting smoking, which found that in 2015, 68.0% of smokers wanted to stop smoking, 55.4% had made a quit attempt in the past year, 7.4% had recently quit, 57.2% had been advised by a health professional to quit, and 31.2% had used counseling and/or medications when they tried to quit.

Private health insurance carriers have increased premiums on smokers, which often are passed on by the employer to the smoker-employee. Certain of these and other health insurance policies, including Medicaid and Medicare, cover various forms of smoking cessation treatments, making smoking cessation treatments more affordable for covered smokers.

Gray Market

A price differential (principally resulting from differing tax rates) exists between cigarettes manufactured for sale abroad and cigarettes manufactured for U.S. sale. Such differential increases as excise taxes in the U.S. are increased. Consequently, a domestic gray market has developed for cigarettes that are manufactured for sale abroad, but instead are diverted for domestic sales at substantially lower prices that compete with cigarettes manufactured for domestic sale. The U.S. federal government and all states, except Massachusetts, have enacted legislation prohibiting the sale and distribution of gray market cigarettes. Smuggling activities and other illicit trade in cigarettes can adversely affect the sale of cigarettes by PMs, and certain PMs engage in a variety of initiatives to help prevent illicit trade and have taken legal action against certain distributors and retailers who engage in such illicit trade practices.

Regulatory Issues

Regulatory Restrictions and Legislative Initiatives

The tobacco industry is subject to a wide range of laws and regulations regarding the marketing, sale, taxation and use of tobacco products imposed by local, state, federal and foreign governments. Various state governments have adopted or are considering, among other things, legislation and regulations that would increase their excise taxes on cigarettes, restrict displays and advertising of tobacco products, establish ignition propensity standards for cigarettes, raise the minimum age to possess or purchase tobacco products, ban the sale of "flavored" cigarette brands, require the disclosure of ingredients used in the manufacture of tobacco products, impose restrictions on smoking in public and private areas, and restrict the sale of tobacco products directly to consumers or other unlicensed recipients, including over the Internet. Several states charge higher health insurance premiums to state employee smokers than non-smokers, and a number of states have implemented legislation that allows employers to provide incentives to employees who do not smoke. Federal law currently allows insurance companies to charge smokers up to 50% higher premiums than non-smokers, and several large corporations are now charging smokers higher premiums.

Federal Regulation

During the past five decades, various laws affecting the cigarette industry have been enacted. Since 1966, federal law has required a warning statement on cigarette packaging. Since 1971, television and radio advertising of cigarettes has been prohibited in the U.S. Cigarette advertising in other media in the U.S. is required to include information with respect to the "tar" and nicotine yield of cigarettes, as well as a warning statement. In 1984, Congress enacted the Comprehensive Smoking Education Act. Among other things, the Comprehensive Smoking Education Act established an interagency committee on smoking and health that is charged with carrying out a program to inform the public of any dangers to human health presented by cigarette smoking; required a series of four health warnings to be printed on cigarette packages and advertising on a rotating basis; increased type size and area of the warning

required in cigarette advertisements; and required that cigarette manufacturers provide annually, on a confidential basis, a list of ingredients added to tobacco in the manufacture of cigarettes to the Secretary of Health and Human Services.

In 1992, the federal Alcohol, Drug Abuse, and Mental Health Administration Reorganization Act was signed into law. This act required states to adopt a law prohibiting any manufacturer, retailer, or distributor of tobacco products to sell or distribute any such product to any individual under the age of 18 and to establish a system to monitor, report and reduce the illegal sale of tobacco products to minors in order to continue receiving federal funding for mental health and drug abuse programs. Federal law prohibits smoking in scheduled passenger aircraft, and the U.S. Interstate Commerce Commission has banned smoking on buses transporting passengers interstate. Certain common carriers have imposed additional restrictions on passenger smoking. On March 31, 2010, President Obama signed into law the Prevent All Cigarette Trafficking (PACT) Act. This legislation, among other things, restricts the sale of tobacco products directly to consumers or unlicensed recipients, including over the Internet, through expanded reporting requirements, requirements for delivery and sales, and penalties.

FSPTCA

The federal Family Smoking Prevention and Tobacco Control Act of 2009 ("**FSPTCA**") (amending the FDA's Food, Drug and Cosmetics Act) ("**FD&C Act**"), signed by President Obama on June 22, 2009, grants the FDA authority to regulate tobacco products. Among other provisions, the FSPTCA:

- establishes a Tobacco Products Scientific Advisory Committee ("**TPSAC**") to, among other things, evaluate the issues surrounding the use of menthol as a flavoring or ingredient in cigarettes;
- allows the FDA to impose a ban on the use of menthol and other flavors in cigarettes upon a finding that such a prohibition would be appropriate for the public health;
- allows the FDA to require the reduction of nicotine or any other compound in cigarettes;
- imposes restrictions on the advertising, promotion, sale and distribution of tobacco products, including at retail;
- requires larger and more severe health warnings on cigarette packs and cartons;
- requires pre-market approval by the FDA for claims made with respect to reduced risk or reduced exposure products and bans the use of descriptors on tobacco products, such as "low tar," "mild" and "light," when used as descriptors of modified risk, unless expressly authorized by the FDA;
- requires the disclosure of ingredients and additives to consumers;
- allows the FDA to mandate the use of reduced risk technologies in conventional cigarettes;
- permits inconsistent state regulation of the advertising or promotion of cigarettes and eliminates the existing federal preemption of such regulation;
- allows the FDA to subject new or modified tobacco products to application and premarket review and authorization requirements (the "**New Product Application Process**") if the FDA does not find them to be "substantially equivalent" to products commercially marketed as of February 15, 2007, and to deny any such new product application thus preventing the distribution and sale of any product affected by such denial; and
- grants the FDA the regulatory authority to consider and impose broad additional restrictions through a rule making process.

Since the passage of the FSPTCA, the FDA has taken the following actions, among others:

- established the collection of user fees from the tobacco industry;
- created and staffed the TPSAC;
- selected the Director of the Center for Tobacco Products;
- announced and began enforcing a ban on fruit, candy or clove flavored cigarettes (menthol is currently exempted from this ban);
- issued guidance on registration and product listing;
- issued final rules on tobacco marketing, including restricting access and marketing of cigarettes and smokeless tobacco products to youth;
- issued a prohibition on misleading marketing terms ("Light," "Low," and "Mild") for tobacco products;
- has issued final new graphic warnings to appear on cigarette packages and in cigarette advertisements;
- required warning labels for smokeless tobacco products;
- authorized the sale and marketing of new tobacco products and rejected applications to introduce certain new tobacco products into the market;
- issued its final rule subjecting e-cigarettes, vapor products and certain other tobacco products to FDA regulation (as discussed under "—E-Cigarettes and Vapor Products" above);
- stated its intent to issue a notice of proposed rulemaking that would seek to ban menthol in combustible tobacco products; and
- issued an ANPRM in order to obtain information for consideration in developing a tobacco product standard to set the maximum nicotine level for cigarettes (on November 20, 2019, the FDA removed its nicotine reduction plan from its current regulatory agenda, although the FDA may revive the plan in the future).

Marketing Rule. As required by the FSPTCA, the FDA re-promulgated in March 2010 a wide range of advertising and promotion restrictions in substantially the same form as regulations that were previously adopted in 1996 (but never imposed on tobacco manufacturers due to a United States Supreme Court ruling). This marketing rule banned the use of color and graphics in tobacco product labeling and advertising (which ban was ruled to be unenforceable, as described under "*–FSPTCA Litigation*" below); prohibits the sale of cigarettes and smokeless tobacco to underage persons; restricts the use of non-tobacco trade and brand names on cigarettes and smokeless tobacco products (the FDA is currently not issuing enforcement actions with regard to this restriction, as described under "*–FSPTCA Litigation*" below); requires the sale of cigarettes and smokeless tobacco in direct, face-to-face transactions; prohibits sampling of cigarettes and prohibits sampling of smokeless tobacco products except in qualified adult-only facilities; prohibits gifts or other items in exchange for buying cigarettes or smokeless tobacco products; prohibits the sale or distribution of items such as hats and tee shirts with tobacco brands or logos; and prohibits brand name sponsorship of any athletic, musical, artistic or other social or cultural event, or any entry or team in any event. Except as noted above, the marketing rule took effect in June 2010.

Warnings. Pursuant to requirements of the FSPTCA, the FDA issued a proposed rule in November 2010 to modify the required warnings that appear on cigarette packages and in cigarette advertisements. The proposed new

warnings consisted of nine new textual warning statements accompanied by color pictures depicting the negative health consequences of smoking. The FDA took public comments on the proposed rule through January 2011, and in June 2011, the FDA unveiled nine new graphic health warnings that were required to appear on cigarette packages and advertisements no later than September 2012. As discussed below under "*–FSPTCA Litigation*," five tobacco companies in August 2011 filed a complaint against the FDA challenging the FDA's rule, and the district court enjoined the FDA from enforcing the rule. In a March 5, 2019 Memorandum and Order, a federal court directed the FDA to submit by March 15, 2020 a final rule mandating color graphic warnings on cigarette packs and in cigarette advertisements as required by the FSPTCA. On March 17, 2020, the FDA issued a final rule to require new health warnings on cigarette packages and in cigarette advertisements. The warnings feature textual statements with photo-realistic color images depicting some of the lesser-known but serious health risks of cigarette smoking. Beginning October 16, 2021, the new cigarette health warnings will be required to appear prominently on cigarette packages and in advertisements, occupying the top 50% of the area of the front and rear panels of cigarette packages and at least 20% of the area at the top of cigarette advertisements. Once implemented, the new warnings must be randomly and equally displayed and distributed on cigarette packages and rotated quarterly in cigarette advertisements. The final cigarette health warnings each consist of one of the following 11 textual warning statements (each beginning with "WARNING:") paired with an accompanying photo-realistic image depicting the negative health consequences of smoking: "Tobacco smoke can harm your children"; "Tobacco smoke causes fatal lung disease in nonsmokers"; "Smoking causes head and neck cancer"; "Smoking causes bladder cancer, which can lead to bloody urine"; "Smoking during pregnancy stunts fetal growth"; "Smoking can cause heart disease and strokes by clogging arteries"; "Smoking causes COPD, a lung disease that can be fatal"; "Smoking reduces blood flow, which can cause erectile dysfunction"; "Smoking reduces blood flow to the limbs, which can require amputation"; "Smoking causes type 2 diabetes, which raises blood sugar"; and "Smoking causes cataracts, which can lead to blindness." According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, in the preamble to the final rule the FDA stated that it would not exempt HeatSticks, the heat-not-burn tobacco product used with the IQOS electronic device, as part of the graphic warning rulemaking, but would consider marketing orders on a case-by-case basis.

Dissolvable Tobacco Products. In July 2010, the TPSAC conducted hearings on the impact of dissolvable tobacco products on public health. A report on these hearings was submitted to the FDA in 2011. Written comments regarding dissolvable tobacco products were submitted to the TPSAC ahead of its January 2012 meeting, at which the TPSAC continued its discussions of issues related to the nature and impact of dissolvable tobacco products on public health. The TPSAC's final report released to the FDA in March 2012 found that dissolvable tobacco products would reduce health risks compared to smoking cigarettes, but also have the potential to increase the number of tobacco users. The TPSAC could not reach any overall judgment as to whether or not the consequence of dissolvable tobacco products would be an increase or decrease in the number of people who successfully quit smoking. In May 2016, the FDA finalized its rule extending regulatory authority to cover all tobacco products, including dissolvable tobacco products, which do not fit the definition of smokeless tobacco products. The FDA regulates the manufacture, import, packaging, labeling, advertising, promotion, sale, and distribution of all dissolvable tobacco products.

Menthol. The TPSAC and the Menthol Report Subcommittee held meetings throughout 2010 and 2011 to consider the issues surrounding the use of menthol in cigarettes. At its March 2011 meeting, TPSAC presented its report and recommendations on menthol, which included that menthol likely increases experimentation and regular smoking, menthol likely increases the likelihood and degree of addiction for youth smokers, non-white menthol smokers (particularly African-Americans) are less likely to quit smoking and are less responsive to certain cessation medications, and consumers continue to believe that smoking menthol cigarettes is less harmful than smoking non-menthol cigarettes as a result of the cigarette industry's historical marketing. TPSAC's overall recommendation to the FDA was that "removal of menthol cigarettes from the marketplace would benefit public health in the United States." At the July 2011 meeting, TPSAC considered revisions to its report, and the voting members unanimously approved the final report for submission to the FDA with no change in its recommendation. On July 23, 2013, the FDA released its Independent Preliminary Scientific Evaluation of the Public Health Effects of Menthol Versus Non-menthol Cigarettes (the "**Preliminary Evaluation**") for public comment, and issued an Advance Notice of Proposed Rulemaking ("**ANPRM**") seeking additional information to help the FDA make informed decisions about menthol in cigarettes. The Preliminary Evaluation found that although there is little evidence to suggest menthol cigarettes are more toxic than regular cigarettes, the mint flavor of menthol masks the harshness of tobacco, which makes it easier to become addicted and harder to quit, and increases smoking initiation among youth. The FDA concluded that menthol cigarettes likely pose a public health risk above that seen with non-menthol cigarettes. During the public comment period, the FDA was to consider all comments, data and research submitted to determine what regulatory

action, if any, with respect to menthol cigarettes is appropriate, including the establishment of product standards. In the meantime the FDA was to conduct and support research on the differences between menthol and non-menthol cigarettes as they relate to menthol's likely impact on smoking cessation. The FDA is allowed to rely on the TPSAC's report but is not required to follow the TPSAC's recommendations, and the FDA has not yet taken any final action with respect to menthol use. In a press release dated November 15, 2018, the FDA announced its intent to advance a Notice of Proposed Rulemaking that would seek to ban menthol in combustible tobacco products, including cigarettes and cigars, based on comments received from the March 2018 ANPRM. In November 2020, the FDA and other government agencies and health groups filed a joint stipulation in a federal court in California stating that in January 2021 the FDA will release a decision on whether it will impose a menthol cigarette ban. See "*—Comprehensive Regulatory Plan for Tobacco and Nicotine*" below for a description of the FDA's ANPRM issued on March 20, 2018 regarding flavors, including menthol, in tobacco products. See "*—FSPTCA Litigation*" below for a description of litigation regarding the composition of the TPSAC and reliance upon the menthol report.

On November 8, 2013, twenty-seven jurisdictions (including the State) sent a letter to the FDA in support of a ban on menthol-flavored cigarettes. On February 28, 2020, the U.S. House of Representatives approved a bill banning the sale of all flavored cigarettes and e-cigarettes. Any ban or material limitation on the use of menthol in cigarettes could materially adversely affect the results of operations, cash flow and financial condition of the PMs, especially with respect to the *Newport* brand mentholated cigarettes, which is owned by BAT through its subsidiary Reynolds American (following the Reynolds American merger with Lorillard, Inc.). According to research published in *Nicotine and Tobacco Research* in May 2018, the menthol cigarette market share increased from 30.2% in 2011 to 32.5% in 2015. News reports have estimated the 2018 market share of menthol cigarettes at 35%.

Pre-Market Review for New and Modified Products. The FSPTCA imposes restrictions on marketing new and modified tobacco products, requiring FDA review in order for a manufacturer to begin marketing a new product or continue marketing a modified product. Unless a manufacturer can demonstrate that its products are "substantially equivalent" to products commercially marketed as of February 15, 2007, the FDA could require the removal of such products or subject them to the new product application process and, if any such new product applications are denied, prevent the continued distribution and sale of such products. Manufacturers intending to first introduce new and modified cigarette, cigarette tobacco and smokeless tobacco products into the market after March 22, 2011 or intending to first introduce other new and modified products such as e-cigarettes and other vapor products into the market after August 8, 2016 must submit substantial equivalence reports to the FDA and obtain "substantial equivalence orders" from the FDA, or submit new tobacco product applications to the FDA and obtain "new tobacco product marketing orders" from the FDA before introducing the products into the market. According to the FDA, new tobacco product applications must demonstrate with scientific data that the product is appropriate for the protection of the public health. In June 2019, the FDA issued guidance on the content of new tobacco product applications for e-vapor products and in September 2019, the FDA issued a proposed rule in which it set forth proposed requirements for content, format and FDA's procedures for reviewing such applications.

According to FDA guidance issued in January 2011, for cigarettes, cigarette tobacco and smokeless tobacco products modified or first introduced into the market between February 15, 2007 and March 22, 2011 for which a manufacturer submitted substantial equivalence reports that the FDA determines are not "substantially equivalent" to products commercially marketed as of February 15, 2007, the FDA could require the removal of such products from the marketplace. In its May 2016 final rule on e-cigarettes and other vapor products, the FDA left the "grandfather" date of February 15, 2007 in place for e-cigarettes and vapor products. For e-cigarettes and other vapor products modified or first introduced into the market between February 15, 2007 and August 8, 2016, if a manufacturer submits substantial equivalence reports for products that the FDA determines are not "substantially equivalent" to products commercially marketed as of February 15, 2007, or rejects a new tobacco product application submitted by a manufacturer, the FDA could require the removal of such products from the marketplace. Few, if any, e-cigarettes and other vapor products were on the market as of February 15, 2007, and thousands of such products subsequently entered into commerce; therefore, manufacturers of these products may not be able to file substantial equivalence reports and would be required to file new tobacco product applications demonstrating that the marketing of the products would be appropriate for the protection of the public health. To address this issue, the FDA established a compliance policy regarding its premarket review requirements for all products (such as e-cigarettes and other vapor products) deemed by the May 2016 final rule to be tobacco products that are not grandfathered products but were on the market as of August 8, 2016. The FDA will allow such products to remain on the market so long as the manufacturer has filed the appropriate Premarket Tobacco Application ("**PMTA**") by a specific deadline. In August

2017 in a "Guidance for Industry" (the "**August 2017 Guidance**") the FDA extended the filing deadlines for combustible non-cigarette products, such as cigars and pipe tobacco, to August 8, 2021, and for non-combustible products, such as e-cigarettes, other vapor products and oral tobacco-derived nicotine products, to August 8, 2022. The August 2017 Guidance also provided that the FDA will permit manufacturers to continue to market such products that were on the market on August 8, 2016 until the FDA renders a decision on the applicable substantial equivalence report or new tobacco product application. In July 2019, the U.S. District Court for the District of Maryland ruled that the FDA had exceeded its authority in allowing e-cigarettes to remain on the market until 2022 before the manufacturers applied for regulatory approval, and ordered the FDA to adopt a 10-month deadline (May 12, 2020) for the submission of e-cigarette PMTAs (and the products whose applications are timely filed can remain on the market without being subject to FDA enforcement action for up to one year from the date of the application). On April 22, 2020 the court granted a 120-day extension (to September 9, 2020) to the e-cigarette PMTA filing deadline, on account of the COVID-19 pandemic. According to news reports, on October 11, 2019, Reynolds American submitted to the FDA a PMTA for some of its Vuse e-cigarettes.

In addition, modifications to currently-marketed products, including modifications that result from, for example, a supplier being unable to maintain the consistency required in ingredients or a manufacturer being unable to obtain the ingredients with the required specifications, can trigger the FDA's pre-market review process described above.

In March 2015 and September 2015, the FDA issued draft guidance that announced that certain label changes and changes to the quantity of tobacco products in a package would each require submission of substantial equivalence reports and authorization from the FDA prior to marketing tobacco products with such changes, even when the tobacco product itself is not changed. As discussed under "*—FSPTCA Litigation*" below, in response to a legal challenge from the tobacco manufacturers, the United States District Court for the District of Columbia found that labeling changes do not require a substantial equivalence review, but product quantity changes require a substantial equivalence review. In December 2016, the FDA issued a revised final guidance document entitled, "Demonstrating the Substantial Equivalence of a New Tobacco Product: Response to Frequently Asked Questions (Edition 3)" as a result of the court decision.

Since the FSPTCA's enactment, the FDA has received thousands of applications for products that tobacco companies claimed were "substantially equivalent" to ones already on the market. The FDA began announcing decisions on substantial equivalence reports in 2013. The FDA announced on June 25, 2013 that it approved the applications and authorized the sale of two new non-menthol Newport cigarettes that were made by Lorillard (after determining that the cigarettes, while slightly different than previous products, would not pose new health issues) and rejected four other new tobacco products, based on new health concerns raised by some ingredients and a lack of detail about product design. It was the first instance of a federal agency rejecting an application by a tobacco manufacturer to bring a new tobacco product to the market based on the product's threat to public health. Four additional tobacco products were rejected by the FDA on August 28, 2013 because they were found to be "not substantially equivalent" to the predicate products to which they were compared, and in September 2013 four roll-your-own products were approved for marketing and sale by the FDA because the products were determined to be "substantially equivalent" to the predicate products to which they were compared. In February 2014, the FDA issued orders to prevent the further sale and distribution of four of the "not substantially equivalent" tobacco products that were currently on the market, marking the first time the FDA has used its authority to order a tobacco manufacturer to stop selling and distributing currently available tobacco products. In August 2014, the FDA ordered a tobacco product manufacturer to stop selling and distributing seven dissolvable tobacco products because they were not substantially equivalent to predicate products. On December 17, 2019, the FDA authorized the marketing of two new tobacco products manufactured by SPM 22nd Century Group Inc., Moonlight and Moonlight Menthol (formerly named VLN), which are combusted, filtered cigarettes that contain a reduced amount of nicotine compared to typical commercial cigarettes (an approximately 95% reduction). After reviewing the PMTAs submitted by the tobacco manufacturer, the FDA determined that authorizing these reduced nicotine products for sale in the U.S. is appropriate for the protection of the public health because of, among several key considerations, the potential to reduce nicotine dependence in addicted adult smokers. According to the FDA, on average, conventional cigarettes made in the U.S. contain tobacco with a nicotine content of 10 to 14 milligrams per cigarette, and Moonlight and Moonlight Menthol have nicotine content between 0.2 to 0.7 milligrams per cigarette. The FDA has not yet made a ruling on the modified risk tobacco product application for these reduced nicotine cigarettes, in which 22nd Century Group Inc. seeks to sell such products with reduced exposure claims.

Altria reported in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020 that it is difficult to predict the duration of FDA reviews of substantial equivalence reports or PMTAs, and that a "not substantially equivalent" determination, a denial of a PMTA or the withdrawal by the FDA of a prior marketing order on one or more products could result in the removal of products from the market and could have a material adverse impact on Altria's business, cash flows or financial position.

As noted below under "*—Comprehensive Regulatory Plan for Tobacco and Nicotine*," as part of the FDA's comprehensive plan for tobacco and nicotine regulation, the FDA reported that it plans to develop foundational rules and guidance that will delineate key requirements of the regulatory process, such as the demonstration of substantial equivalence and the submission of applications for new tobacco products.

Modified Risk Products. The FSPTCA bans the use of descriptors on tobacco products such as "low tar," "mild" and "light" when used as descriptors of modified risk, prohibits the alteration or removal of warning labels and prohibits the use of modified risk claims, unless expressly authorized by the FDA through the modified risk tobacco product application process. On March 30, 2012 the FDA issued draft guidance on preparing and submitting applications for modified risk tobacco products pursuant to the FSPTCA.

On August 27, 2015, the FDA sent a warning letter to Reynolds American's subsidiary Santa Fe Natural Tobacco Company, claiming that its use of the terms "Natural" and "Additive Free" in the product labeling and advertising for Natural American Spirit cigarettes violates the modified risk tobacco products provision of the FSPTCA. The FDA stated that in order for such terms to be used, these cigarettes must have an FDA modified-risk tobacco product order, which requires scientific evidence in order to legally make those claims. Following discussions between the parties, on January 23, 2017 the FDA and Santa Fe Natural Tobacco Company reached an agreement whereby, among other things, Santa Fe Natural Tobacco Company committed to phasing out use of the terms "Natural" and "Additive Free" from product labeling and advertising for Natural American Spirit cigarettes on an established timeframe, but it may continue to use the term "Natural" in the Natural American Spirit brand name and trademarks.

In connection with a 2016 lawsuit initiated by Altria's subsidiary John Middleton Co. ("**Middleton**") the Department of Justice, on behalf of the FDA, informed Middleton that the FDA does not intend to bring an enforcement action against Middleton for the use of the term "mild" in the trademark "Black & Mild" (Middleton's principal cigar brand), according to Altria's Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020.

As described above under "—Smokeless Tobacco Products," in October 2019, the FDA announced that it had authorized the marketing of eight Swedish Match snus products through the modified risk tobacco product pathway, marking the first time the FDA had authorized modified risk tobacco products.

As described above under "—Heat-Not-Burn Tobacco Products," on July 7, 2020, the FDA approved Philip Morris International's IQOS system as a "modified risk" tobacco product, which will be allowed to be marketed with "exposure modification" statements to the effect that the product significantly reduces the production of harmful and potentially harmful chemicals and that scientific studies have shown that switching completely from conventional cigarettes to the IQOS system significantly reduces the body's exposure to harmful or potentially harmful chemicals.

As described above under "—E-Cigarettes and Vapor Products," in September 2019, the FDA issued a warning letter to Juul Labs, Inc. for marketing unauthorized modified risk tobacco products by engaging in labeling, advertising, and/or other activities directed to consumers.

As described above under "*—Pre-Market Review for New and Modified Products*," the FDA has not yet made a ruling on the modified risk tobacco product application for the reduced nicotine cigarettes of 22nd Century Group Inc.

Product Constituents and Product Standards. On March 30, 2012 the FDA issued draft guidance on the reporting of harmful and potentially harmful constituents in tobacco products and tobacco smoke pursuant to the

FSPTCA. In January 2017, the FDA proposed a product standard for N-nitrosonornicotine (NNN) levels in finished smokeless tobacco products.

Comprehensive Regulatory Plan for Tobacco and Nicotine. On July 28, 2017, the FDA announced its intent to develop a comprehensive plan for tobacco and nicotine regulation that recognizes the continuum of risk for nicotine delivery. On March 15, 2018, as part of this comprehensive plan, the FDA announced an ANPRM to explore and seek comment on lowering the nicotine in cigarettes to minimally or non-addictive levels, but on November 20, 2019, the FDA removed its nicotine reduction plan from its current regulatory agenda (although the FDA may revive the plan in the future). On March 20, 2018, the FDA issued an additional ANPRM regarding the role that flavors, including menthol, play in initiation, use and cessation of use of tobacco products, and in a press release dated November 15, 2018, the FDA announced its intent to advance a Notice of Proposed Rulemaking that would seek to ban menthol in combustible tobacco products, including cigarettes and cigars, based on comments received from the March 2018 ANPRM. In November 2020, the FDA and other government agencies and health groups filed a joint stipulation in a federal court in California stating that in January 2021 the FDA will release a decision on whether it will impose a menthol cigarette ban. In the March 15, 2018 announcement, the FDA also stated that it is starting new work to re-evaluate and modernize its approach to the development and regulation of medicinal nicotine replacement products such as gums, patches and lozenges; and plans to issue a series of foundational rules and guidance that will delineate key requirements of the regulatory process, such as the demonstration of substantial equivalence and the submission of applications for new tobacco products, as well as a framework for addressing substantial equivalence applications for provisional products that entered the market during applicable grace periods. The FDA also noted in the July 2017 announcement that it plans to develop product standards to protect against known public health risks such as issues with electronic nicotine delivery systems batteries and concerns about children's exposure to liquid nicotine. On March 28, 2018, the FDA announced, as part of the comprehensive plan, that it is considering over-the-counter regulation of e-cigarettes. On April 24, 2018, the FDA announced a Youth Tobacco Prevention Plan focused on stopping the use by youth of tobacco products, particularly e-cigarettes, as part of its comprehensive plan. Among other initial actions, the FDA sent official requests for information to several e-cigarette manufacturers, requiring them to submit documents to enable the FDA to better understand the youth appeal of e-cigarettes, and conducted an undercover nationwide blitz to crack down on illicit sales of e-cigarettes. The Youth Tobacco Prevention Plan will also include efforts to make tobacco products less toxic, appealing and addictive in order to deter use by youth, which may include measures on flavors or designs that appeal to youth, child-resistant packaging and product labeling to prevent accidental child exposure to liquid nicotine. Additionally, the FDA plans to explore additional restrictions on the sale and promotion of electronic nicotine delivery systems to further reduce youth exposure and access to these products. On August 3, 2018, the FDA released draft guidance aimed at supporting the development of novel, inhaled nicotine replacement therapies that could be submitted to the FDA for approval as new drugs, similar to current over-the-counter pharmaceutical nicotine replacement therapy products.

FDA March 2019 Draft Guidance. In March 2019 the FDA issued a draft Guidance for Industry entitled "Modifications to Compliance Policy for Certain Deemed Tobacco Products" (the "**March 2019 Draft Guidance**"). The March 2019 Draft Guidance proposed, among other things, to revise the FDA compliance policy for flavored e-vapor products by, among other things, moving the deadline for filing e-vapor product pre-market applications from August 2022 to August 2021 (however, as described above, the U.S. District Court for the District of Maryland ordered a May 12, 2020 deadline for the submission of e-vapor product PMTAs, which the court extended to September 9, 2020 on account of the COVID-19 pandemic), and imposing restrictions on sales of flavored vapor products at in-person locations and online in order to reduce underage access. In the March 2019 Draft Guidance, the FDA also announced its intention to restrict certain flavors of e-vapor products in order to deter underage usage of such products. In September 2019, the United States Department of Health and Human Services announced that the FDA's compliance policy for flavored e-vapor products will be broader than that announced in the March 2019 Draft Guidance by including both mint and menthol flavored e-vapor products as the subject of any FDA enforcement; however, comments from President Trump in November 2019 suggested that the administration may not pursue a ban of flavored e-vapor products, and on January 2, 2020, the FDA announced that while it was not banning the sale of flavored e-cigarettes and other vapor products, it would prioritize flavored products in its enforcement efforts against illegally marketed e-cigarettes and other vapor products. The March 2019 Draft Guidance was subject to a 30-day comment period, after which the FDA may issue a final guidance. According to the March 2019 Draft Guidance, enforcement actions under the revised policies would begin 30 days after the issuance of the final guidance.

User Fees. The FSPTCA imposes quarterly user fees on cigarette, cigarette tobacco, smokeless tobacco, cigar and pipe tobacco manufacturers and importers to pay for the cost of regulation and other matters. The FSPTCA does not impose user fees on vapor product manufacturers. The cost of the FDA user fees is allocated first among tobacco product categories subject to FDA regulation and then among manufacturers and importers within each respective category based on their relative market shares, all as prescribed by the FSPTCA and FDA regulations. Payments for user fees are adjusted for several factors, including inflation, market share and industry volume.

Future Actions. The FDA can issue additional regulations under the FSPTCA to impose broad additional restrictions on tobacco products. In addition, the FSPTCA requires that the FDA promulgate good manufacturing practice regulations for tobacco product manufacturers, but does not specify a timeframe for such regulations.

President Trump's budget plan released February 10, 2020 proposed to move the Center for Tobacco Products out of the FDA and to create a new agency within the U.S. Department of Health and Human Services to focus on tobacco regulation, which, according to the Trump administration, would have greater capacity to respond strategically to the growing complexity of new tobacco products.

FSPTCA Litigation

Tobacco manufacturers have filed suit regarding certain provisions of the FSPTCA and actions taken thereunder. In August 2009, a group of tobacco manufacturers (including Reynolds Tobacco and Lorillard) and a tobacco retailer filed a complaint against the U.S. government in the U.S. District Court for the Western District of Kentucky, *Commonwealth Brands, Inc. v. U.S.*, in which they asserted that various provisions of the FSPTCA violate their free speech rights under the First Amendment, constitute an unlawful taking under the Fifth Amendment, and are an infringement on their Fifth Amendment due process rights. Plaintiffs sought a preliminary injunction and a judgment declaring the challenged provisions unconstitutional. Both plaintiffs and the government filed motions for summary judgment and on November 5, 2009, the district court denied certain plaintiffs' motion for preliminary injunction as to the modified risk tobacco products provision of the FSPTCA and in January 2010 granted partial summary judgment to plaintiffs on their claims that the ban on color and graphics in advertising and the ban on statements implying that tobacco products are safer due to FDA regulation violated their First Amendment speech rights. The district court granted partial summary judgment to the government on all other claims. Both parties appealed from the district court's order and on March 19, 2012, the U.S. Court of Appeals for the Sixth Circuit affirmed the district court's decision upholding the FSPTCA's restrictions on the marketing of modified-risk tobacco products, the FSPTCA's bans on event sponsorship, branding non-tobacco merchandise, and free sampling, and the requirement that tobacco manufacturers reserve significant packaging space for textual health warnings. The Sixth Circuit further affirmed the district court's grant of summary judgment to plaintiff manufacturers on the unconstitutionality of the FSPTCA's restriction of tobacco advertising to black and white text. The Sixth Circuit reversed the district court's determination that the FSPTCA's restriction on statements regarding the relative safety of tobacco products based on FDA regulation is unconstitutional and its determination that the FSPTCA's ban on tobacco continuity programs is permissible under the First Amendment. On May 31, 2012, the Sixth Circuit denied the plaintiffs' motion for rehearing en banc. On October 30, 2012, the plaintiffs filed a petition for writ of certiorari with the U.S. Supreme Court. On April 22, 2013, the U.S. Supreme Court denied plaintiffs' petition for certiorari. The government had not appealed the portion of the Court of Appeals ruling that affirmed the unconstitutionality of the FSPTCA's restriction of tobacco advertising to black and white text.

In a separate lawsuit that challenged the constitutionality of the FDA regulation that restricts tobacco manufacturers from using the trade or brand name of a non-tobacco product on cigarettes or smokeless tobacco products, the case was dismissed without prejudice pursuant to a stipulation by which the FDA agreed not to enforce the current or any amended trade name rule against plaintiffs until at least 180 days after rulemaking on the amended rule concludes. This relief only applies to plaintiffs in the case. However, in May 2010, the FDA issued guidance on the use of non-tobacco trade and brand names applicable to all cigarette and smokeless tobacco product manufacturers. This guidance indicated the FDA's intention not to commence enforcement actions under the regulation while it considers how to address the concerns raised by various manufacturers.

In February 2011, Lorillard, along with Reynolds Tobacco, filed a lawsuit in the U.S. District Court for the District of Columbia, *Lorillard, Inc. v. U.S. Food and Drug Administration*, against the FDA challenging the composition of the TPSAC because of the FDA's appointment of certain voting members with significant financial

conflicts of interest. Lorillard believed these members were financially biased because they regularly testify as expert witnesses against tobacco-product manufacturers, and because they are paid consultants for pharmaceutical companies that develop and market smoking-cessation products. The suit similarly challenged the presence of certain conflicted individuals on the Constituents Subcommittee of the TPSAC. The complaint sought a judgment (i) declaring that, among other things, the appointment of the conflicted individuals to the TPSAC (and its Constituents Subcommittee) was arbitrary, capricious, an abuse of discretion, and otherwise not in compliance with the law because it prevented the TPSAC from preparing a report that was unbiased and untainted by conflicts of interest, and (ii) enjoining the FDA from, among other things, relying on the TPSAC's report. On July 21, 2014, the U.S. District Court for the District of Columbia granted plaintiffs' summary judgment motion, in part, and denied defendants' summary judgment motion, finding that three of the panel's members had conflicts of interest that biased them against the tobacco industry and that "the FDA's appointment of those members was arbitrary and capricious, in violation of the APA, and fatally tainted the composition of the TPSAC and its work product, including the Menthol Report." The court ordered the FDA to reconstitute the TPSAC so that it complies with the applicable ethics laws and barred the FDA from relying on the TPSAC 2011 report on menthol, which the court found to be, "at a minimum suspect, and at worst untrustworthy." The FDA appealed the district court's decision to the U.S. Court of Appeals for the District of Columbia in September 2014. On March 5, 2015, the FDA announced the resignation or termination of four members from the TPSAC and the addition of three members to the TPSAC, in response to the district court's order to reconstitute the committee. The FDA also announced that it would work expeditiously to fill the remaining vacancy. On January 15, 2016, the appellate court reversed the decision of the district court, finding that the plaintiffs did not have standing to challenge appointments of certain TPSAC members. Under the appellate court's order, the three former committee members can serve once again on the TPSAC and the FDA can rely on the TPSAC menthol report. On February 26, 2016, the plaintiff tobacco manufacturers filed a petition for a rehearing en banc, which was denied in May 2016.

On August 16, 2011, five tobacco companies (including OPMs Reynolds Tobacco and Lorillard as well as SPMs Commonwealth Brands, Inc., Liggett Group LLC, and Santa Fe Natural Tobacco Company) filed a complaint against the FDA in the U.S. District Court for the District of Columbia, *R.J. Reynolds Tobacco Co. v. U.S. Food and Drug Administration*, challenging the FDA's rule requiring new textual and graphic warning labels on cigarette packaging and advertisements. The tobacco companies sought a declaratory judgment that the FDA's final rule violates the First Amendment and the Administrative Procedure Act (the "**APA**"). On February 29, 2012, the district court granted the plaintiffs' motion for summary judgment and entered an order permanently enjoining the FDA, until 15 months following the issuance of new regulations implementing Section 201(a) of the FSPTCA that are substantively and procedurally valid and permissible under the United States Constitution and federal law, from enforcing against plaintiffs the new textual and graphic warnings required by Section 201(a) of the FSPTCA. The district court ruled that the mandatory graphic warnings violated the First Amendment by unconstitutionally compelling speech, and that the FDA had failed to carry both its burden of demonstrating a compelling interest for its rule requiring the textual and graphic warning labels and its burden of demonstrating that the rule is narrowly tailored to achieve a constitutionally permissible form of compelled commercial speech. The FDA filed an appeal with the U.S. Court of Appeals for the District of Columbia Circuit on March 4, 2012, and on August 24, 2012, the Court of Appeals affirmed the district court's decision invalidating the graphic warning rule. On October 9, 2012, the FDA filed a motion for rehearing en banc with the Court of Appeals, and on December 5, 2012, the Court of Appeals denied the FDA's petition for a rehearing en banc. On March 19, 2013, the FDA announced that it would not file a petition for a *writ of certiorari* with the U.S. Supreme Court, but instead would undertake research to support a new rulemaking on different warning labels consistent with the FSPTCA. In October 2016, several public health groups filed suit in the Federal District Court for the District of Massachusetts to force the FDA to issue final rules requiring graphic warnings on cigarette packs and advertising (*American Academy of Pediatrics, et al v. United States Food and Drug Administration*, No. 16-cv-11985, D. Mass.). In a March 5, 2019 Memorandum and Order, the court directed the FDA to submit by March 15, 2020 a final rule mandating color graphic warnings on cigarette packs and in cigarette advertisements as required by the FSPTCA. As discussed above under "*—Warnings*", on March 17, 2020, the FDA issued its final rule to require new health warnings on cigarette packages and in advertisements to promote greater public understanding of the negative health consequences of smoking.

In 2015, cigarette manufacturers filed a lawsuit in the federal district court for the District of Columbia challenging the FDA's draft guidance that had announced that certain label changes and changes to the quantity of tobacco products in a package would each require submission of substantial equivalence reports and authorization from the FDA prior to marketing tobacco products with such changes. In August 2016, the court held that a

modification to an existing product's label does not result in a "new tobacco product" and therefore such a label change does not give rise to the substantial equivalence review process, but the court upheld the guidance document's treatment of product quantity changes as modifications that give rise to a "new tobacco product" requiring substantial equivalence review. The parties did not appeal this decision, concluding the litigation.

Surgeon General Reports

In 1964, the Report of the Advisory Committee to the Surgeon General of the U.S. Public Health Service concluded that cigarette smoking was a health hazard of sufficient importance to warrant appropriate remedial action. Since this initial report in 1964, the Secretary of Health, Education and Welfare (now the Secretary of Health and Human Services) and the Surgeon General have issued a number of other reports that find the nicotine in cigarettes addictive and that link cigarette smoking and exposure to cigarette smoke with certain health hazards, including various types of cancer, coronary heart disease and chronic obstructive lung disease. These reports have recommended various governmental measures to reduce the incidence of smoking. Furthermore, there are various Surgeon General's warnings that are required on cigarette packages and advertisements.

In June 2006, the Office of the Surgeon General released a report, "The Health Consequences of Involuntary Exposure to Tobacco Smoke." It is a comprehensive review of health effects of involuntary exposure to tobacco smoke. It concludes definitively that secondhand smoke causes disease and adverse respiratory effects. It also concludes that policies creating completely smoke-free environments are the most economical and efficient approaches to providing protection to non-smokers. On September 18, 2007, the Office of the Surgeon General released the report, "Children and Secondhand Smoke Exposure," which concludes that many children are exposed to secondhand smoke in the home and that establishing a completely smoke-free home is the only way to eliminate secondhand smoke exposure in that setting. The Surgeon General also addressed the health risks of second-hand smoke in its 2010 report entitled "How Tobacco Smoke Can Cause Disease: The Biology and Behavioral Basis for Smoking-Attributable Disease." In 2012, the Surgeon General released a report on preventing tobacco use among youth and young adults, and on January 17, 2014, the Surgeon General released a report on the health consequences of smoking, contending that smoking is linked in the U.S. to a higher number of deaths than previous estimates, that filtered cigarettes may increase the risk of certain diseases, and that cigarettes are a causal factor in certain conditions and diseases that had not previously been linked to cigarette smoking. These reports are expected to strengthen arguments in favor of further smoking restrictions across the country.

In December 2016, the Surgeon General issued a report on e-cigarettes, raising public health concerns regarding the use of e-cigarettes by U.S. youth and young adults. The report recommended that state, local, tribal, and territorial governments implement additional laws and regulations to address e-cigarette use among youth and young adults, including: incorporating e-cigarettes into existing smoke-free policies; preventing youth access to e-cigarettes through various restrictions on sales of e-cigarettes to minors (including age verification requirements, prohibitions against self-service displays, and active enforcement of existing laws); implementing taxation and other price policies for e-cigarettes; increasing regulation of e-cigarette marketing by expanding evidence and facilitating the development of constitutionally feasible restrictions on such marketing; and targeting youth and young adults with educational initiatives on e-cigarettes and their potential for nicotine addiction and adverse health consequences. The report also calls for expanded federal funding of e-cigarette research efforts, including research on health risks and the impact of governmental policies on initiation and use patterns for e-cigarettes and other tobacco products, and recommends continued surveillance of e-cigarette marketing to assess the link between exposure to e-cigarette marketing and use of these products.

Other Federal Action

In October 2011, the FDA and the National Institutes of Health (the "**NIH**") announced a joint national study called the "Tobacco Control Act National Longitudinal Study of Tobacco Users" to monitor and assess the behavioral and health impacts of new government tobacco regulations. This study, now referred to as the Population Assessment of Tobacco and Health (PATH) Study, started in 2013 and is the first large research effort undertaken by the NIH and the FDA after Congress gave the FDA authority to regulate tobacco products in 2009. About 49,000 people ages 12 years and older are participating in the PATH Study. The results of the study will be used to guide the FDA in targeting effective actions to reduce the effects of smoking on public health.

In November 2011, the FDA announced its plans for an integrated anti-smoking campaign targeting teenagers, with a combined budget of up to $600 million over five years. As part of this campaign, the FDA announced in February 2014 that advertisements would run for at least one year under the "Real Cost" campaign that targets young people aged 12-17 years and shows the costs and health consequences associated with tobacco use. The FDA reported that the "Real Cost" campaign prevented as many as 587,000 youths nationwide from smoking during 2014-2016. According to the FDA, subsequent campaigns will target young adults aged 18-24 years and people who influence teens, including parents, family members and peers. In May 2018, the FDA announced that it expanded the "Real Cost" public education campaign with messages focused on preventing use by youth of e-cigarettes and announced the launch of the full-scale campaign in June 2019.

In March 2012, the CDC announced its first national anti-tobacco effort entitled "Tips From Former Smokers" (TIPS) which features graphic advertisements intended to shock smokers into quitting with stories of people damaged by tobacco products. The initial campaign's goal was to convince 500,000 people to try quitting smoking and 50,000 to quit long-term, and the CDC reported that as a result of the 2012 campaign an estimated 1.6 million smokers attempted to quit smoking and more than 200,000 Americans had quit smoking immediately following the campaign, of which researchers estimated that more than 100,000 would likely quit smoking permanently, according to the CDC. The TIPS advertising campaign was subsequently renewed in March of 2013, July of 2014 and March of 2015 with new advertisements showing in stark terms the negative health effects of smoking. The CDC announced the launch of another graphic anti-smoking campaign beginning in January 2016, to run for 20 weeks on television, radio, billboards online and in magazines and newspapers. The CDC has reported that the TIPS advertising campaign helped prompt more than 16 million smokers to try to quit since it began in 2012, and approximately one million have quit for good because of the campaign. Annual budgets of the CDC have consistently included funds for tobacco prevention and control, including in order to continue the national tobacco education campaigns that are meant to raise awareness about the health effects of tobacco use and prompt smokers to quit.

In November 2008, the FTC rescinded guidance it issued in 1966 which provided that tobacco manufacturers were allowed to make factual public statements concerning the tar, nicotine and carbon monoxide yields of their cigarettes without violating the Federal Trade Commission Act if they were based on the "**Cambridge Filter Method**." The Cambridge Filter Method is a machine-based test that "smokes" cigarettes according to a standard protocol and measures tar, nicotine and carbon monoxide yields. The FTC has determined that machine-based yields determined by the Cambridge Filter Method are relatively poor indicators of actual tar, nicotine and carbon monoxide exposure and may be misleading to individual consumers who rely on such information as indicators of the amount of tar, nicotine and carbon monoxide they will actually receive from smoking a particular cigarette and therefore do not provide a good basis for comparison among cigarettes. According to the FTC, this is primarily due to "smoker compensation," which is the tendency of smokers of lower nicotine rated cigarettes to alter their smoking behavior in order to obtain higher doses of nicotine. Now that the FTC has withdrawn its guidance, tobacco manufacturers may no longer make public statements that state or imply that the FTC has endorsed or approved the Cambridge Filter Method or other machine-based testing methods in determining the tar, nicotine and carbon monoxide yields of their cigarettes. Factual statements concerning cigarette yields are allowed by the FTC if they are truthful, non-misleading and adequately substantiated, which is the same basis on which the FTC evaluates other advertising or marketing claims that are subject to the FTC's jurisdiction. It is possible that the FTC's rescission of its guidance regarding the Cambridge Filter Method could be cited as support for allegations by plaintiffs in pending or future litigation, or could encourage additional litigation against cigarette manufacturers.

The U.S. Defense Department has undertaken efforts to reduce smoking among members of the military. A March 14, 2014 Defense Department memo encouraged the services to eliminate tobacco sales and tobacco use on military bases, although it did not order specific actions. In April 2016, Defense Secretary Ash Carter approved a policy set forth in DoD Tobacco Policy Memorandum 16-001 which directs all Department of Defense facilities to restrict tobacco use to outdoor areas; directs military branches to implement plans to improve tobacco education for their personnel, strengthen programs for quitting tobacco, review efforts to institute smoke-free military housing and implement tobacco-free zones in areas frequented by children; and also requires tobacco prices at military base exchanges and commissaries to match local civilian store prices, including tax.

Excise Taxes

Cigarettes are subject to substantial excise taxes in the U.S. On February 4, 2009, President Obama signed into law, effective April 1, 2009, an increase of $0.62 in the excise tax per pack of cigarettes, bringing the total federal excise tax to $1.01 per pack, and significant tax increases on other tobacco products. The federal excise tax rate for snuff increased $0.925 per pound to $1.51 per pound. The federal excise tax on small cigars, defined as those weighing three pounds or less per thousand, increased by $48.502 per thousand to $50.33 per thousand. In addition, the federal excise tax rate for roll-your-own tobacco increased from $1.097 per pound to $24.78 per pound. Press reports have noted that many consumers who previously purchased roll-your-own tobacco began using pipe tobacco to roll their own cigarettes in order to avoid the new excise tax, as pipe tobacco excise taxes were unaffected, and using new, mechanized rolling machines to process cigarettes in bulk. Press reports have also noted that increased excise taxes have led to an increase in cigarette smuggling. On July 6, 2012, President Obama signed into law a provision classifying retailers that operate roll-your-own machines as cigarette manufacturers, thus requiring those retailers to pay the same tax rate as other cigarette manufacturers.

All of the states, the District of Columbia, Puerto Rico, Guam and the Northern Mariana Islands currently impose cigarette taxes, which ranged from $0.17 per pack in Missouri to $5.10 per pack in Puerto Rico, according to the Campaign for Tobacco-Free Kids as of June 15, 2020. Altria reported in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020 that between the end of 1998 (the year in which the MSA was executed) and October 27, 2020, the weighted-average state cigarette excise tax increased from $0.36 to $1.83 per pack. In recent years, almost every state has increased tobacco taxes, according to the Campaign for Tobacco-Free Kids. According to a report by the American Lung Association, in 2009, 14 states turned to cigarette taxes to increase revenue in response to record state deficits. As reported by the American Lung Association's Tobacco Policy Project/State Legislated Actions on Tobacco Issues ("**SLATI**"), six states passed cigarette excise tax increases during 2010, two states (Connecticut and Vermont) passed cigarette excise tax increases during 2011, and in 2012, Illinois and Rhode Island enacted legislation to increase their cigarette excise taxes. During 2013, Massachusetts, Minnesota, Oregon and Puerto Rico had enacted legislation to increase their cigarette taxes. In particular, Minnesota increased its cigarette excise tax in July 2013 by $1.60 per pack, and Massachusetts raised its excise tax by $1.00 per pack, effective July 31, 2013, bringing its tax to $3.51 per pack. New Hampshire's cigarette tax also increased by $0.10 on August 1, 2013 due to legislation enacted in 2011. Vermont enacted a cigarette excise tax increase in 2014. During 2015, Alabama, Nevada, Kansas, Vermont, Louisiana, Ohio, Rhode Island and Connecticut enacted legislation to increase their cigarette excise taxes. During 2016, Louisiana, Pennsylvania, West Virginia and California enacted legislation to increase cigarette excise taxes. In particular, in California, a $2.00 per pack increase in the State's cigarette excise tax (in addition to the State's then current $0.87 per pack excise tax) was passed by voters on November 8, 2016, effective April 1, 2017. During 2017, Rhode Island, Delaware, Connecticut and Puerto Rico enacted legislation to increase their cigarette excise taxes. During 2018, Kentucky, Oklahoma, and Washington D.C. enacted cigarette excise tax increases. During 2019, New Mexico and Illinois increased their cigarette excise taxes. During 2020, a cigarette excise tax increase went into effect in Virginia, and voters in Oregon and Colorado approved cigarette excise tax increases effective January 1, 2021 — an increase of $2.00 in Oregon, from $1.33 to $3.33 per pack, and incremental increases in Colorado, from $0.84 to $2.64 per pack by July 2027.

In addition to federal and state excise taxes, certain city and county governments also impose substantial excise taxes on tobacco products sold, such as New York City, Philadelphia and Chicago. It is expected that state and local governments will continue to raise excise taxes on cigarettes in future years.

All 50 states and the District of Columbia subject smokeless tobacco to excise taxes. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, a majority of states currently tax moist smokeless tobacco products using an ad valorem method, which is calculated as a percentage of the price of the product, typically the wholesale price. As of October 27, 2020, the federal government, 23 states, Puerto Rico, Philadelphia, Pennsylvania and Cook County, Illinois have adopted a weight-based tax methodology for moist smokeless tobacco, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020.

According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, as of October 27, 2020, 26 states, the District of Columbia, Puerto Rico and a number of cities and counties have enacted legislation to tax e-vapor products; these taxes are calculated in varying ways and may differ based on

the e-vapor product form. Ten states and the District of Columbia have enacted legislation to tax oral nicotine pouches, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020.

According to the Campaign for Tobacco-Free Kids, six states have special taxes or fees on brands of manufacturers not participating in the State Settlement Agreements: Alaska, Michigan, Minnesota, Mississippi, Texas and Utah. Texas's tax took effect on September 1, 2013, but in November 2013, a district court judge in *Texas Small Tobacco Coalition. v. Combs* (Tex. Dist. Ct., Travis Cnty.) ruled that the tax violated the Equal and Uniform Taxation clause of the Texas Constitution. The Texas Comptroller of Public Accounts appealed this decision on November 13, 2013, and on August 15, 2014 the Texas Court of Appeals affirmed the district court judge's decision, holding that the tax violates the Texas Constitution, and enjoined Texas from collecting or assessing the tax. The State of Texas filed its petition for review with the Texas Supreme Court in October 2014, and on April 1, 2016, the Texas Supreme Court reversed the Texas Court of Appeals and ruled that the Texas equity fee legislation does not violate the Texas Constitution and remanded the case back to the Texas Court of Appeals for that court to consider the non-settling manufacturers' remaining challenges to the legislation. On March 24, 2017, the Texas Court of Appeals granted Texas' motion for summary judgment, ruling that the tax does not violate the equal protection and due process clauses of the U.S. Constitution.

In 2005, Minnesota enacted a 75-cent "health impact fee" on tobacco manufacturers for each pack of cigarettes sold, in order to recover Minnesota's health costs related to or caused by tobacco use. The imposition of this fee was contested by Philip Morris and upheld by the Minnesota Supreme Court as not in violation of Minnesota's settlement with the tobacco companies (and in February 2007, the U.S. Supreme Court denied Philip Morris's petition for writ of certiorari). In 2013, however, the Minnesota legislature repealed the health impact fee (the bill cited the contemporaneous increase in the cigarette excise tax as offsetting the repeal of the health impact fee).

In November 2013, New York City passed an ordinance that set a minimum price of $10.50 for every pack of cigarettes sold in New York City and prohibited the use of coupons or other promotional discounts to lower that price. In August 2017 New York City further raised the minimum price of a pack of cigarettes to $13.00, effective June 1, 2018. On February 16, 2014, tobacco companies and trade groups representing cigarette retailers filed a motion for preliminary injunction in federal court to block that portion of the ordinance that prohibited the use of coupons and other promotional discounts (*National Association of Tobacco Outlets Inc. et al. v. City of New York et al.*), but in June 2014 the court upheld that portion of the ordinance. On July 1, 2020, New York State prohibited the use of coupons and other price discounts on cigarette sales.

Minimum Age to Possess or Purchase Tobacco Products

On December 20, 2019, the President of the United States signed legislation, effective January 1, 2020, banning the sale of tobacco products to anyone under the age of 21 (federal law had previously set the minimum age at 18). This federal legislation had been preceded by various states having raised the minimum age to purchase tobacco from 18 to 21 (or 19, in certain states), beginning in 2016 with Hawaii setting the minimum age at 21, and by numerous municipalities having enacted similar legislation. According to Altria, the following states enacted such legislation: Ohio (21), Maryland (21), Vermont (21), New York (21), Texas (21), Connecticut (21), Nebraska (19), Delaware (21), Illinois (21), Arkansas (21), Washington (21), Utah (21), Virginia (21), California (21), Hawaii (21), Alabama (19), Alaska (19), New Jersey (21), Oregon (21), Maine (21) and Massachusetts (21). According to the Campaign for Tobacco-Free Kids, prior to the federal legislation raising the minimum age, at least 540 localities had raised the tobacco age to 21.

On March 12, 2015, the Institute of Medicine of the National Academy of Sciences released a report concluding that raising the minimum legal age to 21 would likely decrease smoking prevalence by 12% among today's teenagers when they become adults.

State and Local Regulation

Legislation imposing various restrictions on public smoking has been enacted in all of the states and many local jurisdictions. A number of states have enacted legislation designating a portion of increased cigarette excise taxes to fund either anti-smoking programs, healthcare programs or cancer research. In addition, educational and

research programs addressing healthcare issues related to smoking are being funded from industry payments made or to be made under the MSA.

The FSPTCA substantially expanded federal tobacco regulation, but state regulation of tobacco is not necessarily preempted by federal law in this instance. Importantly, the FSPTCA specifically allows states and localities to impose restrictions on the time, place and manner, but not content, of advertising and promotion of tobacco products. The FSPTCA also eliminated the prior federal preemption of state regulation that, in certain circumstances, had been upheld by the U.S. Supreme Court.

In addition to the FSPTCA disclosure requirements and marketing and labeling restrictions, several states have enacted or proposed legislation or regulations that would require cigarette manufacturers to disclose to state health authorities the ingredients used in the manufacture of cigarettes. According to SLATI, six states require some form of tobacco product disclosure information, including, for example, requiring tobacco manufacturers to disclose any added constituent of tobacco products other than tobacco, water and reconstituted tobacco sheet made wholly from tobacco (Massachusetts and Texas); requiring disclosure of the nicotine yield for each brand of cigarettes (Massachusetts, Texas and Utah); and requiring tobacco manufacturers to disclose the presence of ammonia, any compound of ammonia, arsenic, cadmium, formaldehyde or lead in their unburned or burned states (Minnesota and Utah). According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, Massachusetts passed legislation capping the amount of nicotine in vapor products, and similar legislation is pending in three other states.

In 2003, New York was the first state to pass legislation requiring the introduction of cigarettes with a lower likelihood of starting a fire. Cigarette manufacturers responded by designing cigarettes that would extinguish quicker when left unattended. Since then, according to SLATI, fire-safety standards for cigarettes identical to those of New York are in effect in all 50 states and the District of Columbia.

In July 2007, the State of Maine became the first state to enact a statute that prohibits the sale of cigarettes and cigars that have a characterizing flavor. The legislation defines characterizing flavor as "a distinguishable taste or aroma that is imparted to tobacco or tobacco smoke either prior to or during consumption, other than a taste or aroma from tobacco, menthol, clove, coffee, nuts or peppers." In 2008 New Jersey passed similar legislation prohibiting the sale of cigarettes that have a characterizing flavor (other than the flavors of tobacco, clove or menthol). In February 2018, New Jersey introduced a bill that would add menthol to its list of prohibited characterizing flavors. Numerous counties and municipalities have adopted laws prohibiting or restricting the sale of certain tobacco products containing "characterizing flavors." The scope of these laws varies from jurisdiction to jurisdiction; for example, some, but not all, of these laws exempt menthol from the definition of a "characterizing flavor," and certain laws apply to tobacco products other than cigarettes. The "characterizing flavor" ordinances in New York City and Providence, Rhode Island were each challenged on the grounds, among others, that the FSPTCA preempts such local laws. The U.S. Courts of Appeals for the Second Circuit and First Circuit have held that the FSPTCA does not preempt the New York City and Providence, Rhode Island ordinances, respectively. In June 2017, San Francisco amended its city health code to prohibit tobacco retailers from selling flavored tobacco products, including flavored e-cigarettes and menthol cigarettes, and voters approved the measure on June 5, 2018. In June 2019, San Francisco's Board of Supervisors voted to ban the sale and distribution of e-cigarettes in San Francisco. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, the governors of eight states exercised executive action to temporarily prohibit either the sale of all e-vapor products or e-vapor products with flavors other than tobacco; some of those executive actions have been challenged in the courts and many of those executive actions have expired. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, as of October 27, 2020, 16 states and the District of Columbia have proposed legislation to ban flavors in one or more tobacco products, including vapor products, oral nicotine pouches and cigarettes, and five states, California, Massachusetts, New Jersey, Utah and New York, have passed such legislation. In September 2019, the Governor of Michigan directed the state health department to issue emergency rules to temporarily ban the sale of flavored vaping products. In November 2019, Massachusetts banned the sale of all flavored tobacco products, effective immediately for electronic cigarettes and other vapor products, and effective June 1, 2020 for menthol cigarettes. On January 21, 2020, New Jersey banned the sale of flavored vaping products, effective April 20, 2020. In March 2020, Rhode Island banned the sale of flavored e-cigarettes (making permanent the similar emergency regulations issued in 2019). In April 2020, New York State banned the sale of vapor products in flavors other than tobacco (effective May 18, 2020). Los Angeles County banned the sale of all flavored tobacco products, including

menthol cigarettes, effective May 1, 2020. On August 28, 2020, California banned the retail sale of all flavored tobacco products, including menthol-flavored cigarettes, effective January 1, 2021 (and allowed local ordinances to be more restrictive). [UPDATE FOLLOWING SIGNATURE DEADLINE:] A referendum against the ban was filed by the tobacco industry, which, if the requisite number of signatures are collected to place the issue on the November 2022 ballot, would delay implementation of the California law until voters act in the November 2022 election.

According to ANRF, as of August 15, 2020, 41 states and territories have laws that require 100% smoke-free non-hospitality workplaces or restaurants or bars (and only 14 states and territories do not have laws that require 100% smoke-free non-hospitality workplaces or restaurants or bars, being Alabama, Alaska, Arkansas, Georgia, Kentucky, Mississippi, Missouri, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia and Wyoming). On September 4, 2014, Kentucky banned all uses of tobacco products on most government properties. Also according to ANRF, as of August 15, 2020, 29 states and territories have laws that require 100% smoke-free non-hospitality workplaces and restaurants and bars: Arizona, California, Colorado (with certain exemptions for marijuana smoking), Delaware, Hawaii, Illinois, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan (with certain exemptions for marijuana smoking), Minnesota, Montana, Nebraska, New Jersey, New Mexico, New York, North Dakota, Ohio, Oregon, Puerto Rico, Rhode Island, South Dakota, the U.S. Virgin Islands, Utah, Vermont, Washington and Wisconsin. Restrictions in many jurisdictions also include a ban on outdoor smoking within a specified number of feet of the entrances of restaurants and other public places. ANRF also tracks clean indoor air ordinances by local governments throughout the U.S. Most states without a statewide smoking ban have some local municipalities that have enacted smoking regulations. As of August 15, 2020, according to ANRF, there were 1,620 local jurisdictions with local laws that require 100% smoke-free non-hospitality workplaces or restaurants or bars, of which 1,129 local jurisdictions (including the District of Columbia) have local laws that require 100% smoke-free non-hospitality workplaces and restaurants and bars. In addition, according to ANRF, as of August 15, 2020, there were at least 957 gambling facilities that are required to be 100% smoke-free indoors, and there were at least 634 smoke-free airports. It is expected that restrictions on indoor smoking will continue to proliferate.

Smoking bans have also extended outdoors. For example:

- According to ANRF, as of October 2, 2017 (the most recent reference date), Puerto Rico prohibits smoking on beaches, Maine prohibits smoking on beaches in its state parks, and 317 municipalities had enacted ordinances that specified that all city beaches and/or specifically named city beaches are smoke-free. In July 2018, the Governor of New Jersey signed legislation banning smoking on all public beaches, effective January 1, 2019. On October 11, 2019, legislation banning smoking at all California state beaches was signed by the Governor, effective January 1, 2020;

- According to ANRF, as of October 2, 2017 (the most recent reference date), Oklahoma prohibits tobacco and e-cigarette use on all state lands and parks, Puerto Rico prohibits smoking in all parks, and 1,531 municipalities specified that all city parks and/or specifically named city parks are smoke-free. In addition, on March 31, 2016, New York's highest court upheld a smoking ban in certain outdoor areas, state parks and historic sites; in July 2018, the Governor of New Jersey signed legislation banning smoking in public parks, effective January 1, 2019; and on October 11, 2019, legislation banning smoking at all California state parks was signed by the Governor, effective January 1, 2020;

- According to ANRF, as of August 15, 2020, Hawaii, Maine, Michigan, Washington and Puerto Rico laws prohibit smoking in both outdoor dining areas and bar patios (while Iowa prohibits smoking only in outdoor dining areas), and 555 municipalities have enacted laws for 100% smoke-free outdoor dining, while 373 municipalities have enacted laws for 100% smoke-free outdoor dining areas and bar patios; and

- According to ANRF, as of October 2, 2017 (the most recent reference date), Iowa, New York, Wisconsin, Guam and the U.S. Virgin Islands prohibit smoking in outdoor public transit waiting areas, and there are 535 municipalities with smoke-free outdoor public transit waiting area laws.

Smoking bans have also been enacted for smaller governmental and private entities. According to the ANRF, as of July 1, 2020, there are at least 2,511 100% smoke-free university and college campuses, and of these, 2,076 have a 100% tobacco-free policy and 2,130 prohibit the use of e-cigarettes anywhere on campus. The University of California implemented its system-wide smoke-free and tobacco-free policy effective January 1, 2014. ANRF further reports, as of August 15, 2020, that four national hospitals, clinics, insurers and health service companies, and at least 4,144 local and/or state hospitals, healthcare systems and clinics have adopted 100% smoke-free grounds policies; that in July 2013, New York State enacted a law requiring 100% smoke-free grounds of general hospitals; in April 2016, Hawaii enacted a law requiring 100% tobacco- and e-cigarette-free grounds of state health facility properties; and that certain municipalities had enacted laws specifically requiring 100% smoke-free hospital grounds. In addition, ANRF reports as of October 1, 2019 (the most recent reference date) that, effective January 2015, the Federal Bureau of Prisons prohibits the smoking of tobacco in any form in and on the grounds of its institutions and offices, that correctional facilities in 23 states and territories are 100% smoke-free indoors and outdoors, and that 27 other states ban smoking indoors in correctional facilities (but allow smoking in outdoor areas). ANRF reports that as of August 15, 2020, six states and 260 municipalities have laws requiring that all hotel and motel rooms be 100% smoke-free. Furthermore, ANRF reports as of August 15, 2020 that 63 municipalities prohibit, and an additional 19 municipalities partially restrict, smoking in private units of market-rate multi-unit housing (whether privately-owned or publicly-owned housing), and 623 municipalities have smoke-free policies for publicly-owned multi-unit housing. The Department of Housing and Urban Development prohibits smoking in public housing residences nationwide under a federal rule effective February 3, 2017, which gave public housing agencies 18 months to put smoke-free policies into effect.

Voluntary Private Sector Regulation

In recent years, many employers have initiated programs restricting or eliminating smoking in the workplace and providing incentives to employees who do not smoke, including charging higher health insurance premiums to employees who smoke and refusing to hire people who do smoke, and many common carriers have imposed restrictions on passenger smoking more stringent than those required by governmental regulations. Similarly, many restaurants, hotels and other public facilities have imposed smoking restrictions or prohibitions more stringent than those required by governmental regulations, including outright bans. According to the Tobacco Consumption Report, New York City's first non-smoking apartment building opened in 2009, and many landlords and condominium associations in California and New York City have also established smoke-free apartment policies, including Related Companies, which manages 40,000 rental units across the country and announced in 2013 a ban on smoking for all new tenants.

International Agreements

On March 1, 2003, the member nations of the World Health Organization concluded four years of negotiations on an international treaty, the Framework Convention on Tobacco Control (the "**FCTC**"), whose objective is to establish a global agenda for tobacco regulation with the purpose of reducing initiation of tobacco use and encouraging cessation. The FCTC entered into force in February 2005, and according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, as of October 27, 2020, 181 countries and the European Community have become party to the FCTC. The treaty recommends (and in certain instances, requires) signatory nations to enact legislation that would, among other things: establish specific actions to prevent youth tobacco product use; restrict or eliminate all tobacco product advertising, marketing, promotion and sponsorship; initiate public education campaigns to inform the public about the health consequences of tobacco consumption and exposure to tobacco smoke and the benefits of quitting; implement regulations imposing product testing, disclosure and performance standards; impose health warning requirements on packaging; adopt measures intended to combat tobacco product smuggling and counterfeit tobacco products, including tracking and tracing of tobacco products through the distribution chain; and restrict smoking in public places, according to Altria in its SEC filings. While the United States is a signatory of the FCTC, it is not currently a party to the agreement, as the agreement has not been submitted to, or ratified by, the United States Senate, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020.

Civil Litigation

Overview

Legal proceedings or claims covering a wide range of matters are pending or threatened in various United States and foreign jurisdictions against the tobacco industry. Several types of claims are raised in these proceedings including, but not limited to, claims for product liability, consumer protection, antitrust, and reimbursement. Litigation is subject to many uncertainties and it is possible that there could be material adverse developments in pending or future cases. Damages claimed in some tobacco-related and other litigation are or can be significant and, in certain cases, range in the billions of dollars. It can be expected that at any time and from time to time there will be developments in the litigation presently pending and filing of new litigation that could materially adversely affect the business of the PMs and the market for or prices of securities such as the Series 2021 Bonds payable from tobacco settlement payments made under the MSA.

Thousands of claims have been brought against the PMs in tobacco-related litigation. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, the following tobacco-related cases were pending in the U.S. against Philip Morris and, in some instances, Altria, as of October 27, 2020: 142 individual smoking and health cases (see "*—Individual Smoking and Health Cases*" below); 1,471 flight attendant cases (see "*—Flight Attendant Cases*" below); approximately 1,300 *Engle* Progeny Cases in state court (involving approximately 1,600 state court plaintiffs) and 3 *Engle* Progeny Cases in federal court (see "*—Engle Progeny Cases*" below); 2 smoking and health class action cases and aggregated claims and an additional 2 "Lights/Ultra Lights" class action cases (see "*—Class Action Cases and Aggregated Claims*" below); the federal government's health care cost recovery case (see "*—Health Care Cost Recovery Cases*" below); and 1,145 e-vapor cases (see "*—E-Vapor Cases*" below). Altria reported in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020 that after exhausting all appeals in cases resulting in adverse verdicts associated with tobacco-related litigation, since October 2004 Philip Morris has paid in the aggregate judgments (and related costs and fees) totaling approximately $798 million and interest totaling approximately $217 million as of September 30, 2020.

Plaintiffs assert a broad range of legal theories in these cases, including, among others, theories of negligence, fraud, misrepresentation, strict liability in tort, design defect, breach of warranty, enterprise liability (including claims asserted under RICO), civil conspiracy, intentional infliction of harm, injunctive relief, indemnity, restitution, unjust enrichment, public nuisance, unfair trade practices, claims based on antitrust laws and state consumer protection acts, and claims based on failure to warn of the harmful or addictive nature of tobacco products.

The MSA does not release the PMs from liability in individual plaintiffs' cases or in class action lawsuits. Plaintiffs in most of the cases seek unspecified amounts of compensatory damages and punitive damages that may range into the billions of dollars. Plaintiffs in some of the cases have sought treble damages, statutory damages, disgorgement of profits, equitable and injunctive relief, and medical monitoring and smoking cessation programs, among other damages.

The list below specifies certain categories of tobacco-related cases pending against the tobacco industry. A summary description of each type of case follows the list.

Type of Case

Individual Smoking and Health Cases
Flight Attendant Cases
Engle Progeny Cases
Class Action Cases and Aggregated Claims
Health Care Cost Recovery Cases
E-Vapor Cases

"**Individual Smoking and Health Cases**" are smoking and health cases brought by or on behalf of individual plaintiffs who allege personal injury caused by smoking cigarettes, by using smokeless tobacco products, by addiction

to tobacco, or by exposure to environmental tobacco smoke (but this category of cases as described herein does not include the Flight Attendant Cases or *Engle* Progeny Cases discussed below).

"**Flight Attendant Cases**" are brought by non-smoking flight attendants alleging injury from exposure to environmental smoke in the cabins of aircraft. Plaintiffs in these cases may not seek punitive damages for injuries that arose prior to January 15, 1997. The time for filing Flight Attendant Cases expired in 2000, and thereafter no additional cases in this category may be filed.

"***Engle* Progeny Cases**" are brought by individuals who purport to be members of the decertified *Engle* class. These cases are pending in a number of Florida courts. The time period for filing *Engle* Progeny Cases expired in January 2008, and thereafter no additional cases may be filed. Some of the *Engle* Progeny Cases were filed on behalf of multiple class members. Some of the courts hearing the cases filed by multiple class members severed these suits into separate individual cases. It is possible the remaining suits filed by multiple class members may also be severed into separate individual cases.

"**Class Action Cases**" are purported to be brought on behalf of large numbers of individuals for damages allegedly caused by smoking, including, among other categories, "lights" class action cases. Aggregated claims are claims of a number of individual plaintiffs that are to be tried in a single proceeding.

"**Health Care Cost Recovery Cases**" are brought by or on behalf of entities seeking equitable relief and reimbursement of expenses incurred in providing health care to individuals who allegedly were injured by smoking. Plaintiffs in these cases have included the U.S. federal government, U.S. state and local governments, foreign governmental entities, hospitals or hospital districts, American Indian tribes, labor unions, private companies and private citizens. Included in this category is the suit filed by the federal government, *United States of America v. Philip Morris USA, Inc., et al*. (the "**DOJ Case**"), that sought to recover profits earned by the defendants and other equitable relief.

"**E-Vapor Cases**" are cases relating to e-cigarettes and other vapor products, brought as class actions or by individuals, state or local governments or school districts, seeking various remedies including damages and injunction.

Individual Smoking and Health Cases

This category of cases includes smoking and health cases alleging personal injury caused by smoking cigarettes, by using smokeless tobacco products, by addiction to tobacco, or by exposure to environmental tobacco smoke that are brought by or on behalf of individual plaintiffs, but as described herein does not include the Flight Attendant Cases or *Engle* Progeny Cases discussed below. An example of an Individual Smoking and Health Case is *Laramie*, in which, in August 2019, a jury in a Massachusetts state court returned a verdict in favor of plaintiff, awarding $11 million in compensatory damages and $10 million in punitive damages, and Philip Morris and plaintiff have appealed, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020. Another example of an Individual Smoking and Health Case is *Greene*, in which a jury in a Massachusetts state court returned a verdict in September 2019 in favor of plaintiffs and against Philip Morris, awarding approximately $10 million in compensatory damages; in May 2020, the court ruled on plaintiffs' remaining claim and trebled the compensatory damages award to approximately $30 million, and Philip Morris plans to file post-trial motions, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020.

Flight Attendant Cases

The Flight Attendant Cases were filed as a result of a settlement agreement by the parties in *Broin v. Philip Morris Companies, Inc., et al*. (Circuit Court, Miami-Dade County, Florida, filed October 31, 1991), a class action brought on behalf of flight attendants claiming injury as a result of exposure to environmental tobacco smoke in airplane cabins. The settlement agreement, among other things, permitted the plaintiff class members to file these individual suits. The settlement agreement bars class members from bringing aggregate claims, bars class members from obtaining punitive damages, and bars individual claims to the extent that they are based on fraud, misrepresentation, conspiracy to commit fraud or misrepresentation, RICO, suppression, concealment or any other alleged intentional or willful conduct. The defendant tobacco manufacturers agreed that, in any individual case brought

by a class member, the defendant will bear the burden of proof with respect to whether environmental tobacco smoke can cause certain specifically enumerated diseases, referred to as "general causation." With respect to all other issues relating to liability, including whether an individual plaintiff's disease was caused by his or her exposure to environmental tobacco smoke in airplane cabins, referred to as "specific causation," the individual plaintiff will have the burden of proof. On September 7, 1999, the Florida Supreme Court approved the settlement, and the individual Flight Attendant Cases arose out of such settlement. In October 2000, the *Broin* court entered an order applicable to all Flight Attendant Cases that the terms of the settlement agreement do not require the individual plaintiffs in the Flight Attendant Cases to prove the elements of strict liability, breach of warranty or negligence. Under the order, there is a rebuttable presumption in the plaintiffs' favor on those elements, and the plaintiffs bear the burden of proving that their alleged adverse health effects actually were caused by exposure to environmental tobacco smoke in airplane cabins (specific causation). The period for filing Flight Attendant Cases expired in 2000, and thereafter no additional cases in this category may be filed.

According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, 1,471 cases brought by flight attendants seeking compensatory damages for personal injuries allegedly caused by exposure to environmental tobacco smoke were pending as of October 27, 2020, and an additional 923 Flight Attendant Cases were voluntarily dismissed without prejudice in March 2018.

Engle Progeny Cases

The case of *Engle v. R.J. Reynolds Tobacco Co., et al.* (Circuit Court, Dade County, Florida, filed May 5, 1994) was certified in 1996 as a class action on behalf of Florida residents, and survivors of Florida residents, who were injured or died from medical conditions allegedly caused by addiction to smoking. During the three-phase trial, a Florida jury awarded compensatory damages to three individuals and approximately $145 billion in punitive damages to the certified class. In *Engle v. Liggett Group, Inc.*, 945 So.2d 1246 (Fla. 2006), the Florida Supreme Court vacated the punitive damages award, determined that the case could not proceed further as a class action and ordered decertification of the class. The Florida Supreme Court also reinstated the compensatory damages awards to two of the three individuals whose claims were heard during the first phase of the *Engle* trial. These two awards totaled approximately $7 million.

The Florida Supreme Court's 2006 ruling also permitted *Engle* class members to file individual actions, including claims for punitive damages. The court further held that these individuals are entitled to rely on a number of the jury's findings in favor of the plaintiffs in the first phase of the *Engle* trial. These findings included that smoking cigarettes causes a number of diseases; that cigarettes are addictive or dependence-producing; and that the defendants were negligent, breached express and implied warranties, placed cigarettes on the market that were defective and unreasonably dangerous, and concealed or conspired to conceal the risks of smoking. The time period for filing *Engle* Progeny Cases expired in January 2008, and thereafter no additional cases may be filed. In 2009, the Florida Supreme Court rejected a petition that sought to extend the time for purported class members to file an additional lawsuit.

In the wake of the Florida Supreme Court ruling, thousands of individuals filed separate lawsuits seeking to benefit from the *Engle* findings. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, as of October 27, 2020, 134 state and federal *Engle* Progeny Cases involving Philip Morris have resulted in verdicts since the Florida Supreme Court's *Engle* decision: 78 verdicts were returned in favor of plaintiffs (five of which were reversed post-trial or on appeal and remain pending, and one of which resulted in an appellate reversal of a jury verdict in favor of plaintiff and a judgment in favor of Philip Morris); 48 verdicts were returned in favor of Philip Morris (four of which were subsequently reversed for new trials); 2 verdicts were returned in favor of Philip Morris with zero damages; 2 verdicts were returned against Philip Morris awarding no damages but the trial court in each case decided to award plaintiffs damages; one verdict was returned in favor of Philip Morris following a retrial of an initial verdict returned in favor of plaintiff (appeals by plaintiff and defendants are pending); and three verdicts were returned in favor of plaintiffs following retrial of initial verdicts returned in favor of plaintiffs (post-trial motions or appeals are pending). In addition, according to Altria's Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, as of October 27, 2020 approximately 1,300 state court cases were pending against Philip Morris or Altria asserting individual claims by or on behalf of approximately 1,600 state court plaintiffs, and 3 cases were pending against Philip Morris in federal court representing the federal cases excluded from the settlement agreement discussed below.

On October 23, 2013, Vector Group Ltd. announced that it and its subsidiary Liggett reached a comprehensive settlement (which is now final) resolving substantially all of the individual *Engle* Progeny Cases pending against them. Under the settlement, which did not require court approval, approximately 4,900 (out of approximately 5,300) individual *Engle* plaintiffs would dismiss their claims against Vector Group Ltd. and Liggett. Vector Group Ltd. recorded a charge of approximately $86 million for the year ended December 31, 2013 related to the settlement agreement. Pursuant to the terms of the agreement, Liggett will pay a total of $110 million, with approximately $61.6 million paid collectively in December 2013 and February 2014, and the balance to be paid in equal annual installments over the following 14 years.

In February 2015, Philip Morris, Reynolds Tobacco and Lorillard settled virtually all of the *Engle* Progeny Cases then pending against them in federal district court. The total amount of the settlement of the federal *Engle* Progeny Cases was $100 million, divided among Reynolds Tobacco ($42.5 million), Philip Morris ($42.5 million) and Lorillard ($15 million), which shares of the settlement were paid into escrow in March 2015. The settlement, which received final approval from the court on November 6, 2015, covers more than 400 federal *Engle* Progeny Cases but does not cover certain federal *Engle* Progeny Cases previously tried to verdict and pending on post-trial motions or appeal, or filed by different lawyers from the ones who negotiated the settlement for the plaintiffs. Also, certain state court cases were removed from state to federal court, which were not part of the settlement, and were all remanded back to state court.

At the beginning of the *Engle* Progeny Cases litigation, a central issue was the proper use of the preserved *Engle* findings. The tobacco manufacturers had argued that use of the *Engle* findings to establish individual elements of progeny claims (such as defect, negligence and concealment) was a violation of federal due process, but in 2013, both the Florida Supreme Court (in the *Douglas* case) and the Eleventh Circuit (in the *Duke* and *Walker* cases) rejected that argument. In May 2017, the en banc Eleventh Circuit (in the *Graham* case) rejected Reynolds Tobacco's due process and implied preemption arguments, holding that giving preclusive effect to the findings of negligence and strict liability by the *Engle* jury in individual *Engle* Progeny Case actions against the tobacco companies is not preempted by federal tobacco laws and does not deprive the tobacco companies of due process. In addition, in 2018 the Eleventh Circuit (in the *Burkhart* and *Searcy* cases) rejected defendants' arguments that application of the *Engle* findings to the *Engle* progeny plaintiffs' concealment and conspiracy claims violated defendants' due process rights. The U.S. Supreme Court denied the tobacco manufacturers' petitions for writ of certiorari in all of the above-described cases where such petitions were sought.

In addition to the global due process argument, the tobacco manufacturers raise many other factual and legal defenses as appropriate in each case, including, among other things, arguing that the plaintiff is not a proper member of the *Engle* class, that the plaintiff did not rely on any statements by any tobacco company, that the trial was conducted unfairly, that some or all claims are preempted or barred by applicable statutes of limitation, or that any injury was caused by the smoker's own conduct.

In *Soffer*, the Florida First District Court of Appeal held that *Engle* progeny plaintiffs can recover punitive damages only on their intentional tort claims; the Florida Supreme Court accepted jurisdiction over plaintiff's appeal from the Florida First District Court of Appeal's decision and, in March 2016, held that *Engle* progeny plaintiffs can recover punitive damages in connection with all of their claims, and the plaintiffs now generally seek punitive damages in connection with all of their claims in *Engle* Progeny Cases, according to Altria in its SEC filings. In *Schoeff*, the Florida Supreme Court held that comparative fault does not reduce compensatory damages awards for intentional torts, according to Altria in its SEC filings.

In the *Engle* Progeny Case *Robinson v. R.J. Reynolds*, on July 18, 2014 a jury in Escambia County, Florida rendered a verdict against Reynolds Tobacco and awarded plaintiff $16.9 million in compensatory damages and $23.6 billion in punitive damages for the lung cancer death of plaintiff's spouse who smoked Kool brand cigarettes for more than 20 years from age 13 to his death at age 36. Reynolds Tobacco filed a motion on July 28, 2014 to set aside the jury's verdict on the grounds that it was unconstitutionally disproportionate to plaintiff's actual damages. The court entered partial judgment on the compensatory damages against Reynolds Tobacco in the amount of $16.9 million on July 21, 2014. On January 27, 2015 the court denied the defendant's post-trial motions, but granted the defendant's motion for remittitur of the punitive damages award. The punitive damages award was remitted to approximately $16.9 million. In February 2015, Reynolds Tobacco filed an objection to the remitted award of punitive damages and a demand for a new trial on damages. The court granted a new trial on the amount of punitive damages only. The new

trial on punitive damages was stayed pending Reynolds Tobacco's appeal to the First District Court of Appeal of the partial judgment of compensatory damages and of the order granting a new trial on the amount of punitive damages only. On February 24, 2017, the First District Court of Appeal reversed the judgment of the trial court and remanded the case for a new trial. On May 17, 2017, the First District Court of Appeal denied the plaintiff's motion for rehearing and the plaintiff filed a notice to invoke the discretionary jurisdiction of the Florida Supreme Court on June 14, 2017, which the Florida Supreme Court denied.

In another *Engle* Progeny Case, *Rintoul (Caprio)*, a verdict was rendered in November 2019 against the defendants Philip Morris and Reynolds Tobacco in the amount of $9 million in compensatory damages and $74 million in punitive damages; appeals are pending, according to Altria's Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020. Various *Engle* Progeny Cases in addition to the cases described herein are discussed in detail in the SEC filings of Altria. As of October 27, 2020, no *Engle* Progeny Cases are set for trial through December 31, 2020, according to Altria's Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020. Trial schedules are subject to change.

In June 2009, Florida amended its existing bond cap statute by adding a $200 million bond cap that applied to all *Engle* Progeny Cases in the aggregate. In May 2011, Florida removed the provision that would have allowed it to expire on December 31, 2012. The bond cap for any given individual *Engle* Progeny Case varies depending on the number of judgments in effect at a given time, but never exceeds $5 million per case for appeals within the Florida state court system. The legislation, which became effective in June 2009 and 2011, applies to judgments entered after the original 2009 effective date. The plaintiffs in some cases challenged the constitutionality of the amended statute, but the challenges were unsuccessful. No federal court has yet addressed the constitutionality of the bond cap statute or the applicability of the bond cap to *Engle* Progeny Cases tried in federal court, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020. From time to time, legislation has been presented to the Florida legislature that would repeal the 2009 appeal bond cap statute; however to date, no legislation repealing the statute has passed, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020.

Class Action Cases and Aggregated Claims

In 1996, the Fifth Circuit Court of Appeals in *Castano v. American Tobacco Co.* overturned the certification of a nation-wide class of persons whose claims related to alleged addiction to tobacco products, finding that the district court failed to properly assess variations in the governing state laws and whether common issues predominated over individual issues. Since the Fifth Circuit's ruling in *Castano*, plaintiffs have filed numerous putative smoking and health class action suits in various state and federal courts; in general, these cases purport to be brought on behalf of residents of a particular state or states (although a few cases purport to be nationwide in scope), according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020. In most of the class action cases, plaintiffs seek class certification on behalf of groups of cigarette smokers, or the estates of deceased cigarette smokers, who reside in the state in which the case is filed. Several categories of class action cases are discussed below.

"Lights" Class Action Cases. In "lights" class action cases, plaintiffs generally allege that the tobacco manufacturers made false and misleading claims that "lights" cigarettes were lower in tar and nicotine and/or were less hazardous or less mutagenic than other cigarettes. These cases typically are filed pursuant to state consumer protection laws and related statutes.

In one of the "lights" class action cases, *Good v. Altria Group, Inc., et al*., the U.S. Supreme Court ruled in December 2008 that neither the Federal Cigarette Labeling and Advertising Act nor the Federal Trade Commission's regulation of cigarettes' tar and nicotine disclosures preempts (or bars) certain of plaintiffs' claims. Although the Court rejected the argument that the Federal Trade Commission's actions were so extensive with respect to the descriptors that the state law claims were barred as a matter of federal law, the Court's decision was limited: it did not address the ultimate merits of plaintiffs' claim, the viability of the action as a class action, or other state law issues. The case was returned to the federal court in Maine and consolidated by the Judicial Panel on Multidistrict Litigation ("**JPMDL**") with other federal cases in a multidistrict litigation proceeding. In June 2011, the plaintiffs voluntarily dismissed the *Good* case without prejudice after the district court denied plaintiffs' motion for class certification,

concluding the litigation. The other multidistrict cases were either voluntarily dismissed or resolved in a manner favorable to Philip Morris, according to Altria's SEC filings.

The Price Case. In *Price, et al v. Philip Morris Inc*. (Circuit Court, Madison County, Illinois, filed February 10, 2000) the trial judge found in favor of the plaintiff class and awarded $7.1 billion in compensatory damages and $3 billion in punitive damages against Philip Morris in 2003. In December 2005, the Illinois Supreme Court issued its judgment reversing the trial court's judgment in favor of the plaintiffs and directing the trial court to dismiss the case. In December 2006, the defendant's motion to dismiss and for entry of final judgment was granted, and the case was dismissed with prejudice. In December 2008, plaintiffs filed with the trial court a petition for relief from the final judgment and sought to vacate the 2005 Illinois Supreme Court judgment, contending that the U.S. Supreme Court's December 2008 decision in *Good* demonstrated that the Illinois Supreme Court's decision was "inaccurate." In February 2009, the trial court granted Philip Morris's motion to dismiss plaintiffs' petition. In March 2009, the plaintiffs filed a notice of appeal with the Illinois Appellate Court, Fifth Judicial District. In February 2011, the Illinois Appellate Court, Fifth Judicial District reversed the trial court's dismissal of plaintiffs' petition and remanded for further proceedings, and on September 28, 2011, the Illinois Supreme Court denied Philip Morris' petition for leave to appeal that ruling. As a result, the case returned to the trial court for proceedings on whether the court should grant the plaintiffs' petition to reopen the prior judgment. In February 2012, plaintiffs filed an amended petition, which Philip Morris opposed. Subsequently, in responding to Philip Morris's opposition to the amended petition, plaintiffs asked the trial court to reinstate the original judgment. On December 12, 2012, the trial court denied the plaintiffs' request to reopen the prior judgment, and the plaintiffs filed a notice of appeal to the Fifth District Appellate Court on January 8, 2013. On April 29, 2014, the Fifth District Appellate Court reinstated the $10.1 billion 2003 verdict. In May 2014, Philip Morris filed a petition requesting the Illinois Supreme Court to direct the Fifth Judicial District to vacate its April 2014 judgment and to order the Fifth Judicial District to affirm the trial court's denial of the plaintiff's petition for relief from the judgment, or in the alternative, grant its petition for leave to appeal. In November 2015, the Illinois Supreme Court vacated the judgments of the lower courts and dismissed the case without prejudice to allow the plaintiffs to file a motion to recall the mandate. The plaintiffs filed a motion to recall the mandate or for other appropriate relief in the Illinois Supreme Court, which was denied on January 11, 2016. In January 2016 plaintiffs filed a petition for writ of certiorari with the United States Supreme Court on the question of whether one of the Illinois Supreme Court justices should have recused himself, and in June 2016 the U.S. Supreme Court denied plaintiffs' petition for writ of certiorari, concluding the litigation.

According to Altria's Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, 21 state courts in 23 "lights" cases have refused to certify class actions, dismissed class action allegations, reversed prior class certification decisions or entered judgment in favor of Philip Morris. As of October 27, 2020, two "lights" class actions were pending in U.S. state court, and neither case is active, according to Altria's Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020.

Other Class Action Cases. Other categories of class action cases include, among others, (i) medical monitoring class action cases, wherein plaintiffs seek to recover the cost for, or otherwise the implementation of, court-supervised programs for ongoing medical monitoring providing members of the purported class low dose CT scanning in order to identify and diagnose lung cancer, and other relief such as court-supervised smoking cessation programs; (ii) e-cigarette class action cases (discussed below), wherein plaintiffs seek damages, alleging that defendants made false and misleading claims that e-cigarettes are less hazardous than other cigarette products or failed to disclose that e-cigarettes expose users to certain substances; and (iii) class action cases seeking damages related to Santa Fe Natural Tobacco Company's allegedly deceptive use of the words "natural" and "additive-free" in the labeling, advertising, and promotional materials for Natural American Spirit brand cigarettes.

Aggregated Claims. In a 1999 administrative order, the West Virginia Supreme Court of Appeals transferred to a single West Virginia court a group of roughly 1,200 cases brought by individuals who allege cancer or other health effects caused by smoking cigarettes, smoking cigars, or using smokeless tobacco products (the "**West Virginia Cases**"). The plaintiffs' claims alleging injury from smoking cigarettes were consolidated for trial. The time for filing a case that could be consolidated for trial with the West Virginia Cases expired in 2000. The cases were consolidated for a Phase I trial on various defense conduct issues, to be followed in Phase II by individual trials of remaining claims to determine liability and compensatory damages. On May 15, 2013, the Phase I jury found that defendants' cigarettes were not defectively designed; defendants' cigarettes were not defective due to a failure to warn before July 1, 1969; defendants were not negligent, did not breach warranties, and did not engage in conduct warranting punitive damages;

and defendants' ventilated filter cigarettes manufactured and sold between 1964 and July 1, 1969 were defective for a failure to instruct. In November 2014, the West Virginia Supreme Court affirmed the verdict. On June 8, 2015, the U.S. Supreme Court denied the plaintiffs' petition for writ of certiorari. On the same date, the trial court issued an order finding that only 30 plaintiffs are alleged to have smoked ventilated filter cigarettes in the relevant period. According to Altria, the 30 civil actions were to be tried in six consolidated trials in West Virginia, but the parties agreed to resolve the cases for an immaterial amount, and in the second quarter of 2018 the court dismissed all 30 cases.

Health Care Cost Recovery Cases

Health Care Cost Recovery Cases are brought by or on behalf of entities seeking equitable relief and reimbursement of expenses incurred in providing health care to individuals who allegedly were injured by smoking. Plaintiffs in these cases have included the U.S. federal government, U.S. state and local governments, foreign governmental entities, hospitals or hospital districts, American Indian tribes, labor unions, private companies and private citizens. Relief sought by some but not all plaintiffs includes punitive damages, multiple damages and other statutory damages and penalties, injunctions prohibiting alleged marketing and sales to minors, disclosure of research, disgorgement of profits, funding of anti-smoking programs, additional disclosure of nicotine yields, and payment of attorney and expert witness fees. The claims asserted include the claim that cigarette manufacturers were "unjustly enriched" by plaintiffs' payment of health care costs allegedly attributable to smoking, as well as claims of indemnity, negligence, strict liability, breach of express and implied warranty, violation of a voluntary undertaking or special duty, fraud, negligent misrepresentation, conspiracy, public nuisance, claims under federal and state statutes governing consumer fraud, antitrust, deceptive trade practices and false advertising, and claims under federal and state anti-racketeering statutes.

According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, although there have been some decisions to the contrary, most judicial decisions in the U.S. have dismissed all or most health care cost recovery claims against cigarette manufacturers; nine federal circuit courts of appeals and eight state appellate courts, relying primarily on grounds that plaintiffs' claims were too remote, have ordered or affirmed dismissals of health care cost recovery actions, and the U.S. Supreme Court has refused to consider plaintiffs' appeals from the cases decided by five federal circuit courts of appeals. The MSA and the Previously Settled State Settlements were executed in settlement of asserted and unasserted health care cost recovery and other claims.

The DOJ Case. In 1999, in *United States v. Philip Morris USA Inc.*, the U.S. Department of Justice brought an action against various tobacco manufacturers in the U.S. District Court for the District of Columbia. The government initially sought to recover federal funds expended by the federal government in providing health care to smokers who developed diseases and injuries alleged to be smoking-related, based on several federal statutes. In addition, the government sought, pursuant to the civil provisions of RICO, disgorgement of profits the government contended were earned as a consequence of a RICO racketeering "enterprise." In September 2000, the district court dismissed the government's claims asserted under the Medical Care Recovery Act as well as those under the Medicare Secondary Payer provisions of the Social Security Act, but did not dismiss the RICO claims. In February 2005, the Circuit Court of Appeals for the District of Columbia ruled that disgorgement is not an available remedy in the case. The government's petition for writ of certiorari with the U.S. Supreme Court was denied in October 2005. The non-jury, bench trial concluded in June 2005, and in August 2006, the U.S. District Court for the District of Columbia issued its final judgment and remedial order in favor of the government. The court determined that the defendants violated certain provisions of the RICO statute, that there was a likelihood of present and future RICO violations, and that equitable relief was warranted. The government was not awarded monetary damages.

The equitable relief included permanent injunctions that prohibit the defendant tobacco manufacturers from engaging in any act of racketeering, as defined under RICO; from making any material false or deceptive statements concerning cigarettes; from making any express or implied statement about health on cigarette packaging or promotional materials (these prohibitions include a ban on using such descriptors as "low tar," "light," "ultra-light," "mild" or "natural"); from making any statements that "low tar," "light," "ultra-light," "mild" or "natural" or low-nicotine cigarettes may result in a reduced risk of disease; and from participating in the management or control of certain entities or their successors. The final judgment and remedial order also require the defendants to make corrective statements on their websites, in certain media, in point-of-sale advertisements, and on cigarette package "onserts" (as described below). In addition, the final judgment and remedial order require defendants to make

disclosures of disaggregated marketing data to the government, and to make document disclosures on a website and in a physical depository, and also prohibits each defendant that manufactures cigarettes from selling any of its cigarette brands or certain elements of its business unless certain conditions are met.

On November 27, 2012 the U.S. District Court for the District of Columbia issued an order specifying the text of the corrective statements that the defendants must make on their websites and through other media. The court ordered that the corrective statements include statements, among others, to the effect that smoking kills on average 1,200 Americans every day, results in various detrimental health conditions and is highly addictive, that low tar and light cigarettes are not less harmful than regular cigarettes and cause some of the same detrimental health conditions that regular cigarettes cause, that tobacco companies intentionally designed cigarettes to make them more addictive, and that secondhand smoke causes lung cancer and coronary heart disease in adults who do not smoke. The court further ordered the parties to engage in discussions with the court, regarding implementation of the corrective statements. In January 2013, defendants appealed to the U.S. Court of Appeals for the District of Columbia Circuit the district court's November 2012 order on the text of the corrective statements, claiming a violation of free speech rights.

During the following several years, the parties engaged in court proceedings regarding the content and implementation of the corrective statements. In June 2017, after the U.S. Court of Appeals ordered revisions to the corrective statements, the U.S. District Court for the District of Columbia issued an order adopting modified corrective statements, featuring a preamble to the effect that a federal court has ordered the OPMs to make the specified statements, and featuring statements regarding the adverse health effects of smoking, the addictiveness of smoking and nicotine, the lack of significant health benefit from smoking "low tar," "light," "ultra light," "mild" and "natural" cigarettes, the manipulation of cigarette design and composition to ensure optimum nicotine delivery, and the adverse health effects of exposure to second hand smoke.

In October 2017, the U.S. District Court for the District of Columbia approved the parties' consent order implementing the corrective statements remedy for newspapers and television. According to the October 2017 court order, in November 2017 the OPMs began running court-mandated announcements containing the agreed-upon corrective statements. Television announcements were between 30 and 45 seconds long and ran in prime time five days a week for 52 weeks. Full-page print ads appeared in at least 45 newspapers and ran on five weekends spread over approximately four months, and also appeared on the newspapers' websites. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, the parties reached agreement in April 2018 on the implementation details of the corrective statements remedy for "onserts" affixed to cigarette packs and for company-owned websites. Under the agreement, the corrective statements began appearing on company-owned websites in the second quarter of 2018 and the onserts began appearing in the fourth quarter of 2018. Altria stated in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020 that in 2014 and 2019, Altria and Philip Morris recorded provisions totaling $36 million for the estimated costs of implementing the corrective communications remedy ($31 million in 2014 and $5 million in 2019).

The requirements related to corrective statements at point-of-sale remain outstanding. According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, in May 2018 the parties submitted a joint status report and additional briefing on point-of-sale signage to the district court; in May 2019, the district court ordered a hearing on the point-of-sale signage issue; and such hearing is currently scheduled for July 2021.

E-Vapor Cases

According to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020, as of October 27, 2020, Altria and/or its subsidiaries, including Philip Morris, were named as defendants in 25 class action lawsuits relating to JUUL e-vapor products; Juul Labs, Inc. is an additional named defendant in each of these lawsuits. The theories of recovery include violation of RICO; fraud; failure to warn; design defect; negligence; and unfair trade practices; plaintiffs also sought to add antitrust claims due to the April 1, 2020 administrative complaint filed by the FTC, and although the court denied this request in the class action lawsuits, the individual antitrust claims remain pending before the same court. Plaintiffs seek various remedies including compensatory and punitive damages and an injunction prohibiting product sales. Altria and/or its subsidiaries, including Philip Morris, also have been named as defendants in other lawsuits involving JUUL e-vapor products, including 1,064 individual

lawsuits, 25 lawsuits filed by school districts and 31 lawsuits filed by state or local governments, including the state of Hawaii, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020; Juul Labs, Inc. is an additional named defendant in each of these lawsuits. The majority of the individual and class action lawsuits mentioned above were filed in federal court, and in October 2019, the United States Judicial Panel on Multidistrict Litigation ordered the coordination or consolidation of these lawsuits in the United States District Court for the Northern District of California for pretrial purposes, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020. Altria and its subsidiaries filed motions to dismiss certain claims in the class action and school district cases, including the federal RICO claim; in October 2020, the U.S. District Court for the Northern District of California granted the motion to dismiss the RICO class action claim (but otherwise denied the motion). An additional group of cases is pending in California state courts; in January 2020, the Judicial Council of California determined that this group of cases was appropriate for coordination and assigned the group to the Superior Court of California, Los Angeles County, for pretrial purposes, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020. No case in which Altria or any of its subsidiaries is named has been set for trial, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020. Juul Labs, Inc. also is named in a significant number of additional individual and class action lawsuits to which neither Altria nor any of its subsidiaries is currently named, according to Altria in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020.

Claims involving e-cigarettes and vapor products have been filed following deaths and injuries from using such products. The CDC has reported deaths and injuries from a vaping-related lung disease, although the CDC has noted that the harmful chemical found to be present in cases of such lung disease is used as an additive in vaping products containing THC (a chemical found in cannabis), and the CDC has recommended that people do not use e-cigarettes containing THC.

On February 12, 2020 the Attorney General of Massachusetts sued Juul Labs, Inc. in state court, accusing the company of deliberately targeting young people through its marketing campaigns and alleging that the company's misconduct has created a public health crisis and an epidemic of youth nicotine use and addiction. According to the complaint, the company's e-cigarettes cause underage consumers to absorb large amounts of nicotine, a toxic and addictive substance that is especially detrimental to the health of adolescents and young adults. The complaint alleges that Juul Labs, Inc. bought advertisements on websites designed for teens and children, as well as websites aimed at helping middle and high school students with math and social studies, and that Juul Labs, Inc. tried to recruit celebrities and social media influencers who were popular among young people to tout their products. The lawsuit also alleges that Juul Labs, Inc. has sold and shipped its e-vapor products without age verification. According to news accounts, at least three other states, including Pennsylvania, New York and California, have filed similar lawsuits against Juul Labs, Inc. On February 25, 2020, 39 state attorneys general announced a joint investigation into whether Juul Labs, Inc. is marketing its products to children. The investigation will also examine Juul Labs, Inc.'s claims about its products' nicotine content and their effectiveness in helping longtime smokers quit. Altria reported in its Form 10-Q filed with the SEC for the nine-month period ended September 30, 2020 that Juul Labs, Inc. is currently under investigation by various federal and state agencies, including the SEC, the FDA and the FTC, and state attorneys general, and that such investigations vary in scope but at least some appear to include Juul Labs, Inc.'s marketing practices, particularly as such practices relate to youth.

Other Litigation

By way of example only, and not as an exclusive or complete list, the following are additional types of tobacco-related litigation which the tobacco industry is also the target of: (a) asbestos contribution cases, where asbestos manufacturers and related parties seek contribution or reimbursement where asbestos claims were allegedly caused in whole or in part by cigarette smoking, (b) patent infringement claims, (c) "ignition propensity cases" where wrongful death actions contend fires caused by cigarettes led to other individuals' deaths, (d) "filter cases" which mostly have been filed against Lorillard for alleged exposure to asbestos fibers that were incorporated into filter material used in one brand of cigarettes manufactured by Lorillard over 50 years ago, (e) claims related to smokeless tobacco products, (f) ERISA claims, (g) antitrust claims and (h) employment litigation claims. Tobacco manufacturers are also subject to international litigation.

Defenses

The PMs have stated that they believe that they have valid defenses to the cases pending against them as well as valid bases for appeal should any adverse verdicts be returned against them. While PMs have indicated their intent to defend vigorously all tobacco products liability litigation, it is not possible to predict the outcome of any litigation. Litigation is subject to many uncertainties. Plaintiffs have prevailed in several cases, as noted herein, and it is possible that one or more of the pending actions could be decided unfavorably as to the PMs or the other defendants. The PMs may enter into discussions in an attempt to settle particular cases if the PMs believe it is appropriate to do so.

Some plaintiffs have been awarded damages from cigarette manufacturers at trial. While some of these awards have been overturned or reduced, other damages awards have been paid after the manufacturers have exhausted their appeals. These awards and other litigation activities against cigarette manufacturers and health issues related to tobacco products also continue to receive media attention. It is possible, for example, that the 2006 verdict in the DOJ case, which made many adverse findings regarding the conduct of the defendants, could form the basis of allegations by other plaintiffs or additional judicial findings against cigarette manufacturers. In addition, the U.S. Supreme Court ruling in *Good v. Altria* could result in further "lights" litigation. Any such developments could have material adverse effects on the ability of the PMs to prevail in smoking and health litigation and could influence the filing of new suits against the PMs. The type or extent of litigation that could be brought against PMs in the future cannot be predicted.

The foregoing discussion of civil litigation against the domestic tobacco industry is not exhaustive and is not based upon the examination or analysis by the Authority of the court records of the cases mentioned or of any other court records. It is based on SEC filings by Altria (as well as certain prior SEC filings of other OPMs) and on other publicly available information published by the OPMs or others. Prospective purchasers of the Series 2021 Bonds are referred to such SEC filings and applicable court records for additional descriptions thereof.

Litigation is subject to many uncertainties, and it is not possible to predict the outcome of litigation or estimate the possible loss or range of loss to the tobacco manufacturers. Altria has stated in its SEC filings that damages claimed in some tobacco-related and other litigation are or can be significant and, in certain cases, have ranged in the billions of dollars. Altria has further stated in its SEC filings that it is possible that the consolidated results of operations, cash flows or financial position of itself or one or more of its subsidiaries could be materially affected in a particular fiscal quarter or fiscal year by an unfavorable outcome or settlement of certain pending litigation. It can be expected that at any time and from time to time there will be developments in the litigation currently pending and filing of new litigation that could materially adversely affect the business of the PMs and the market for or prices of securities such as the Series 2021 Bonds payable from tobacco settlement payments made by the PMs under the MSA.

SUMMARY OF THE TOBACCO CONSUMPTION REPORT

The following is a brief summary of the Tobacco Consumption Report, a copy of which is attached hereto as APPENDIX A. This summary does not purport to be complete, and the Tobacco Consumption Report should be read in its entirety for an understanding of the assumptions on which it is based and the conclusions it reaches. The Tobacco Consumption Report forecasts future United States cigarette consumption. The MSA payments are based in large part on cigarettes shipped in and to the United States. Cigarette shipments and cigarette consumption may not match as a result of various factors such as inventory adjustments, but are substantially the same when compared over a period of time. IHS Global's forecasts, including, but not limited to, the forecast regarding future cigarette consumption, are estimates, which have been prepared by IHS Global on the basis of certain assumptions and hypotheses. No representation or warranty of any kind is or can be made with respect to the accuracy or completeness of and no representation or warranty should be inferred from, these forecasts. The cigarette consumption forecast contained in the Tobacco Consumption Report is based upon assumptions as to future events and, accordingly, is subject to varying degrees of uncertainty. Some assumptions inevitably will not materialize and, additionally, unanticipated events and circumstances may occur. Therefore, for example, actual cigarette consumption inevitably will vary from the forecast included in the Tobacco Consumption Report and the variations may be material and adverse. No assurance can be given that actual cigarette consumption in the United States during the term of the Series 2021 Bonds will be as assumed. See "RISK FACTORS" herein.

General

IHS Global prepared the Tobacco Consumption Report for the Authority. IHS Global provided the following description to the Authority for use in this Offering Circular: "IHS Global is an internationally recognized econometric and forecasting firm with over 600 economists located in more than 30 countries. IHS Global is a subsidiary of IHS Markit, Inc., a publicly traded company on the NASDAQ (NASDAQ: INFO). IHS Markit is a leading source of information, insight and advisory services in the areas of finance, economics, energy, chemicals, technology, transportation, healthcare, geopolitical risk, sustainability and supply chain management."

IHS Global has developed an econometric model of cigarette consumption in the United States based on historical United States data between 1965 and 2019, and what IHS Global describes as widely accepted economic principles and IHS Global's experience in building econometric forecasting models. IHS Global considered the impact of demographics, cigarette prices, disposable income, employment and unemployment, industry advertising expenditures, the future effect of the incidence of smoking amongst underage youth, and qualitative variables that captured the impact of anti-smoking regulations, legislation, health warnings, and the availability of alternative tobacco and nicotine products. After determining which variables were effective in building this cigarette consumption model (including real cigarette prices, real per capita disposable personable income, the impact of workplace smoking restrictions, stricter restrictions on smoking in public places, the rapid increase in consumption of electronic cigarettes, and the trend over time in individual behavior and preferences), IHS Global employed standard multivariate regression analysis to determine the nature of the economic relationship between these variables and per capita cigarette consumption in the United States.

IHS Global's model, coupled with its long-term forecast of the United States economy, was then used to project total United States cigarette consumption from 2020 through 2060 (the "**Tobacco Consumption Forecast**"). The Tobacco Consumption Forecast indicates that the total consumption of cigarettes in the United States is projected to fall at an average annual rate of approximately 3.2% from 2020 through 2060, resulting in a forecast of total U.S. cigarette consumption in 2060 of 59.9 billion cigarettes including a roll-your-own equivalent of 0.0325 ounces per cigarette (a 73% decline from the 2019 level), as set forth in the Tobacco Consumption Report. According to IHS Global, the assumptions on which the Tobacco Consumption Forecast is based are reasonable.

Historical Cigarette Consumption

The U.S. Department of Agriculture, which has compiled data on cigarette consumption since 1900, reports that consumption (which is defined as taxable United States consumer sales, plus shipments to overseas armed forces, ship stores, Puerto Rico and other United States possessions, and small tax-exempt categories, as reported by the Bureau of Alcohol, Tobacco, Firearms and Explosives) grew from 2.5 billion in 1900 to a peak of 640 billion in 1981. Following the release of the Surgeon General's Report in 1964, cigarette consumption continued to increase at an average annual rate of 1.2% between 1965 and 1981. Between 1981 and 1990, however, U.S. cigarette consumption declined at an average annual rate of 2.2%. From 1990 to 1998, the average annual rate of decline in cigarette consumption was 1.5%; but for 1998 the decline increased to 3.1% and increased further to 6.5% for 1999. These declines are correlated with large price increases in 1998 and 1999 following the MSA and the Previously Settled States Settlements. In 2000 and 2001, the rate of decline moderated to 1.2%. In 2002 and 2003, coincident with many state excise tax increases, the rate of decline accelerated to an average annual rate of 3.0%. The decline rate moderated for the next four years, through 2007, averaging 2.3%. The rate of decline accelerated dramatically in 2008 through 2010 (due to indoor smoking bans, recession and the increases in the federal and state excise taxes), before finally decelerating in 2011 and 2012. In 2013 the decline sharpened to nearly 5%. This decline has been attributed by the industry to a weak economy, the rapid increase in usage of electronic cigarettes, and to an unfavorable comparison with a surprisingly strong 2012. In addition, some of the decline was due to a reduction in wholesale inventories late in the year, some of which was reversed in 2014. In 2015, cigarette shipment declines stopped, and manufacturers reported increased shipments for most of the year. Cigarette shipment decline resumed in 2016 and continued in 2017-2019. NAAG reported an industry volume decline in 2019 of 5.0%.

Factors Affecting Cigarette Consumption

Most empirical studies have found a common set of variables that are relevant in building a model of cigarette demand. These conventional analyses usually evaluate one or more of the following factors: (i) general population

growth, (ii) price increases, (iii) changes in disposable income, (iv) youth consumption, (v) trend over time, (vi) workplace smoking bans, (vii) smoking bans in public places, (viii) nicotine dependence, and (ix) health warnings. While some of these factors were not found to have a measurable impact on changes in demand for cigarettes, all of these factors are thought to affect smoking in some manner and to be incorporated into current levels of consumption. IHS Global's analysis includes a time trend variable in order to capture the impact of changing health trends and the effects of other such variables, which are difficult to quantify. In addition, IHS Global has added to its forecast the impact of electronic cigarette use, which has significantly increased the cigarette consumption rate of decline and is expected to continue to do so, and the raising of the minimum legal age to 21 to purchase cigarettes in the U.S. beginning in 2020.

Comparison with Prior Forecast

On November 17, 2005, IHS Global presented a study to the Authority, in which IHS Global's base case forecast projected that total consumption in 2045 would be 188 billion cigarettes, a 53% decline from the 2004 level. From 2004 through 2045 the average annual rate of decline was projected to be 1.78%. The current forecast projects an average decline rate, from 2004, of 3.4% through 2045, with a projected annual consumption level of 97.7 billion cigarettes in such year. The current forecast was developed with consideration of the large federal tax increase in 2009, the negative effects of the proliferation of smoking ban legislation across the U.S., and the introduction and expansion of e-cigarette use over the last decade.

DEPARTMENT OF FINANCE POPULATION FORECAST

Projections of County population are based on the Population Forecast published by the Department of Finance in [January 2020]. The Department of Finance is not an independent econometric consultant.

The Population Forecast and related materials (including assumptions and methodology) are available by accessing the following website of the Department of Finance:

http://www.dof.ca.gov/Forecasting/Demographics/projections/

The Population Forecast and the materials published by the Department of Finance in connection therewith, including the Department of Finance's methodology and assumptions, are accessible at the website specified above, and should be read in their entirety for an understanding of the assumptions on which the Population Forecast is based and the conclusions it reaches. The projections are estimates which have been prepared by the Department of Finance on the basis of certain assumptions and hypotheses. No representation or warranty of any kind is or can be made with respect to the accuracy or completeness of, and no representation or warranty should be inferred from, these projections. The Population Forecast is based upon assumptions as to future events and, accordingly, is subject to varying degrees of uncertainty. Some assumptions inevitably will not materialize and, additionally, unanticipated events and circumstances may occur. Therefore, for example, actual State and County population inevitably will vary from the Population Forecast and the variations may be material and adverse to the County. No assurance can be given that actual population of the State and the County during the term of the Series 2021 Bonds will be as assumed, or that the other assumptions underlying the Population Forecast will be consistent with future events.

CONTINUING DISCLOSURE UNDERTAKING

In order to assist the Underwriters in complying with Rule 15c2-12 (the "**Rule**") of the SEC promulgated under the Securities Exchange Act of 1934, as amended, the Authority will execute a Continuing Disclosure Certificate (the "**Continuing Disclosure Undertaking**") for the benefit of the holders and beneficial owners of the Series 2021 Bonds. Pursuant to the Continuing Disclosure Undertaking, the Authority will provide, or cause to be provided by a dissemination agent, to the Municipal Securities Rulemaking Board, on its Electronic Municipal Market Access ("**EMMA**") system, certain annual financial information and operating data and, in a timely manner, notices of the occurrence of certain events specified therein. See APPENDIX H — "FORM OF CONTINUING DISCLOSURE UNDERTAKING."

LITIGATION

There is no litigation pending in any court (either State or federal) to restrain or enjoin the issuance or delivery of the Series 2021 Bonds or questioning the creation, organization or existence of the Authority or the Corporation, the validity or enforceability of the Indenture, the Loan Agreement, the Sale Agreement, the sale of the County Tobacco Assets by the County to the Corporation in 2001, the proceedings for the authorization, execution, authentication and delivery of the Series 2021 Bonds or the validity of the Series 2021 Bonds. For a discussion of other legal matters, including certain pending litigation involving the MSA and the PMs, see "RISK FACTORS," "CERTAIN INFORMATION RELATING TO THE DOMESTIC TOBACCO INDUSTRY" and "LEGAL CONSIDERATIONS" herein.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority ("**Bond Counsel**"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2021 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "**Code**") and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series 2021 Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Series 2021 Bonds is less than the amount to be paid at maturity of such Series 2021 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series 2021 Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series 2021 Bonds which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series 2021 Bonds is the first price at which a substantial amount of such maturity of the Series 2021 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series 2021 Bonds accrues daily over the term to maturity of such Series 2021 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2021 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2021 Bonds. Beneficial Owners of the Series 2021 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series 2021 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series 2021 Bonds in the original offering to the public at the first price at which a substantial amount of such Series 2021 Bonds is sold to the public.

Series 2021 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("**Premium Series 2021 Bonds**") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Series 2021 Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Series 2021 Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Series 2021 Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2021 Bonds. The Authority, the Corporation and the County have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series 2021 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series 2021 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2021 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters

coming to Bond Counsel's attention after the date of issuance of the Series 2021 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2021 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Series 2021 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2021 Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series 2021 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2021 Bonds. Prospective purchasers of the Series 2021 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2021 Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("**IRS**") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority, the Corporation or the County, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority, the Corporation and the County have covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Series 2021 Bonds ends with the issuance of the Series 2021 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the Corporation, the County or the Beneficial Owners regarding the tax-exempt status of the Series 2021 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority, the Corporation and the County and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority, the Corporation or the County legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2021 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2021 Bonds, and may cause the Authority, the Corporation, the County or the Beneficial Owners to incur significant expense.

RATINGS

It is a condition to the obligation of the Underwriters to purchase the Series 2021 Bonds that, at the date of delivery thereof to the Underwriters, S&P Global Ratings (together with its predecessor organizations, "**S&P**") has assigned a rating of "[A] (sf)" to the Series 2021A Bonds maturing [June 1, 2021[*] through June 1, 2030][*]; a rating of "[A-] (sf)" to the Series 2021A Bonds maturing [June 1, 2031[*] through June 1, 2040][*]; a rating of "[BBB+] (sf)" to the Series 2021A Bonds maturing June 1, [2049][*]; a rating of "[BBB+] (sf)" to the Series 2021B-1 Bonds maturing June 1, [2030][*]; and a rating of "[BBB-] (sf)" to the Series 2021B-1 Bonds maturing June 1, [2049][*]. The Series 2021B-2 Bonds are not rated and involve additional risks that may not be appropriate for certain investors. See "RISK FACTORS—Market for Series 2021B-2 Bonds; No Credit Rating on Series 2021B-2 Bonds."

According to the S&P ratings guide, (a) the "sf" identifier shall be assigned to ratings on "structured finance instruments" when required to comply with applicable law or regulatory requirement or when S&P believes it

[*] Preliminary, subject to change.

appropriate, and (b) the addition of the "sf" identifier to a rating does not change that rating's definition or S&P's opinion about the issue's creditworthiness.

The ratings address S&P's assessment of the ability of the Authority to pay (i) interest on the Series 2021A Bonds and Series 2021B-1 Bonds, when due, and (ii) principal of the Series 2021A Bonds and Series 2021B-1 Bonds by their Maturity Dates and, with respect to the Series 2021A Bonds that are Term Bonds, Fixed Sinking Fund Installment dates. The ratings do not address the payment of Turbo Redemptions on the Series 2021B-1 Bonds. The ratings of the Series 2021A Bonds and Series 2021B-1 Bonds by S&P reflect only the views of such organization and any desired explanation of the significance of such ratings and any outlooks or other statements given by S&P with respect thereto should be obtained from S&P at the following address: S&P Global Ratings, 55 Water Street, New York, New York 10041.

There is no assurance that the initial ratings assigned to the rated Series 2021 Bonds will continue for any given period of time or that any of such ratings will not be revised downward, suspended or withdrawn entirely by S&P. Any such downward revision, suspension or withdrawal of such ratings may have an adverse effect on the availability of a market for or the market prices of the rated Series 2021 Bonds.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Upon delivery of the Series 2021 Bonds, the arithmetical accuracy of certain computations included in the schedules relating to the adequacy of the amounts to be applied to the refunding and defeasance of the Series 2005 Bonds will be verified by Causey Demgen & Moore P.C., independent certified public accountants (the "**Verification Agent**"). In addition, the Verification Agent will verify the arithmetical accuracy of certain computations included in the schedules relating to the projections of debt service coverage of the Series 2021 Bonds and breakeven consumption declines under various consumption decline scenarios. The verifications will be based solely upon information and assumptions supplied to the Verification Agent. The Verification Agent has not made a study or evaluation of the information and assumptions on which such computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions or the achievability of the forecasted outcome.

UNDERWRITING

Jefferies LLC, as representative of the Underwriters set forth on the cover page hereof, has agreed, subject to certain conditions, to purchase all, but not less than all, of the Series 2021 Bonds from the Authority at an underwriters' discount of $_____. The Underwriters will be obligated to purchase all of the Series 2021 Bonds if any are purchased. The initial public offering prices of the Series 2021 Bonds may be changed from time to time by the Underwriters. The Series 2021 Bonds may be offered and sold to certain dealers (including the Underwriters and other dealers depositing Series 2021 Bonds into investment trusts) at prices lower than such public offering prices.

Certain of the Underwriters have entered into distribution agreements with other broker-dealers (that have not been designated by the Authority as Underwriters) for the distribution of the Series 2021 Bonds at the original public offering prices. Such agreements generally provide that the relevant Underwriter will share a portion of its underwriting compensation with such other broker-dealers.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Authority. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Authority.

Citigroup Global Markets Inc. is an affiliate of Citibank, N.A., which is acting as MSA Escrow Agent under the MSA and as California Escrow Agent under the California Escrow Agreement.

LEGAL MATTERS

The validity of the Series 2021 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, as Bond Counsel to the Authority. A complete copy of the proposed Form of Opinion of Bond Counsel is contained in APPENDIX E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Offering Circular. Certain legal matters will be passed upon for the Authority, the Corporation and the County by County Counsel, as issuer's counsel to the Authority, counsel to the Corporation and counsel to the County, respectively. Certain legal matters will be passed upon for the Authority by Hawkins Delafield & Wood LLP, as Disclosure Counsel to the Authority, and for the Underwriters by their counsel, Katten Muchin Rosenman LLP.

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OTHER PARTIES

IHS Global

IHS Global has been retained on behalf of the Authority as an independent econometric consultant. The Tobacco Consumption Report attached as APPENDIX A is included herein in reliance on IHS Global as experts in such matters. IHS Global's fees for acting as independent econometric consultant are not contingent upon the issuance of the Series 2021 Bonds. The Tobacco Consumption Report should be read in its entirety.

Municipal Advisor

PFM Financial Advisors LLC ("**PFM**") has served as municipal advisor to the Authority in connection with the issuance of the Series 2021 Bonds. PFM is an independent municipal advisory firm and is not engaged in the business of underwriting municipal bonds or other securities. PFM is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Offering Circular.

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA

By: _____

APPENDIX A

TOBACCO CONSUMPTION REPORT

APPENDIX B

MASTER SETTLEMENT AGREEMENT

APPENDIX C-1

NPM ADJUSTMENT SETTLEMENT AGREEMENT

APPENDIX C-2

2016 AND 2017 NPM ADJUSTMENTS SETTLEMENT AGREEMENT

APPENDIX C-3

2018 THROUGH 2022 NPM ADJUSTMENTS SETTLEMENT AGREEMENT

APPENDIX D

THE CALIFORNIA CONSENT DECREE, THE MOU, THE ARIMOU AND THE CALIFORNIA ESCROW AGREEMENT

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

APPENDIX F-1

FORMS OF AMENDED AND RESTATED INDENTURE AND SERIES 2021 SUPPLEMENT

APPENDIX F-2

SECURED LOAN AGREEMENT AND FORM OF FIRST SUPPLEMENT TO SECURED LOAN AGREEMENT

APPENDIX F-3

PURCHASE AND SALE AGREEMENT

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix concerning DTC and DTC's book-entry system has been obtained from DTC, and the Authority, the Corporation, the County and the Underwriters take no responsibility for the completeness or accuracy thereof. The Authority, the Corporation, the County and the Underwriters cannot and do not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of principal or Accreted Value of and interest on the Series 2021 Bonds, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Series 2021 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2021 Bonds, or that they will do so on a timely basis, or that DTC, Direct Participants or Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC participants are on file with DTC.

The Depository Trust Company ("**DTC**"), New York, NY, will act as securities depository for the Series 2021 Bonds. The Series 2021 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2021 Bond certificate will be issued for each maturity of the Series 2021 Bonds of each series, each in the aggregate principal amount or final Accreted Value of such maturity of such series, and will be deposited with or for the account of DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("**Direct Participants**") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("**DTCC**"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC is rated "AA+" by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com; nothing contained in such website is incorporated into this Offering Circular.

Purchases of Series 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("**Beneficial Owner**") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2021 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2021 Bonds, except in the event that use of the book-entry system for the Series 2021 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2021 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2021 Bonds; DTC's records reflect only the identity of the Direct

Participants to whose accounts such Series 2021 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2021 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2021 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2021 Bond documents. For example, Beneficial Owners of Series 2021 Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2021 Bonds of any maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal or Accreted Value of, premium, if any, and interest on the Series 2021 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal or Accreted Value of, premium, if any, and interest on the Series 2021 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NONE OF THE AUTHORITY, THE CORPORATION, THE COUNTY, THE UNDERWRITERS OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF SERIES 2021 BONDS FOR PREPAYMENT OR REDEMPTION.

DTC may discontinue providing its services as depository with respect to the Series 2021 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2021 Bond certificates are required to be printed and delivered. To the extent permitted by law, the Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered. In the event that the book-entry system is discontinued as described above, the requirements of the Indenture relating, among other things, to payments on the Series 2021 Bonds and their registration of transfer and exchange, will apply.

So long as Cede & Co. is the registered owner of the Series 2021 Bonds, as nominee for DTC, references in the Offering Circular to Owners or registered owners of the Series 2021 Bonds (other than under the caption "TAX MATTERS") shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners of the Series 2021 Bonds.

APPENDIX H

FORM OF CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is dated as of January ___, 2021 and is executed and delivered by the Tobacco Securitization Authority of Northern California (the "Authority") in connection with the issuance of the Authority's Tobacco Settlement Asset-Backed Refunding Bonds (Sacramento County Tobacco Securitization Corporation), Series 2021 Senior Bonds, consisting of $_____ Series 2021A Class 1 Senior Current Interest Bonds (the "Series 2021A Bonds"), $_____ Series 2021B-1 Class 2 Senior Current Interest Bonds (the "Series 2021B-1 Bonds"), and $_____ Series 2021B-2 Class 2 Senior Capital Appreciation Bonds (the "Series 2021B-2 Bonds" and, collectively with the Series 2021A Bonds and the Series 2021B-1 Bonds, the "Series 2021 Bonds"). The Series 2021 Bonds are being issued pursuant to an Amended and Restated Indenture and a Series 2021 Supplement (collectively, and as may be amended or supplemented, the "Indenture"), each dated as of January 1, 2021, between the Authority and The Bank of New York Mellon Trust Company, N.A., a national banking association, as trustee (the "Trustee"). The Authority covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Authority and the Dissemination Agent for the benefit of the Owners and Beneficial Owners of the Series 2021 Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 4 and 5 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2021 Bonds (including persons holding Series 2021 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2021 Bonds for federal income tax purposes.

"CUSIP Numbers" shall mean the Committee on Uniform Security Identification Procedure's unique identification number for each public issue of a security.

"Dissemination Agent" shall mean BLX Group LLC, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Authority a written acceptance of such designation.

"Disclosure Counsel" shall mean an attorney-at-law, or a firm of such attorneys, of nationally recognized standing in matters pertaining to the disclosure obligations under the Rule, duly admitted to the practice of law before the highest court of any state of the United States of America.

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system, the current internet address of which is http://emma.msrb.org.

"Financial Obligation" shall mean "financial obligation" as defined in the Rule.

"Listed Events" shall mean any of the events listed in Section 6(b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate.

"Offering Circular" shall mean the Offering Circular, dated _____, 2021, with respect to the Series 2021 Bonds.

"Owner" shall mean either the registered owners of the Series 2021 Bonds, or if the Series 2021 Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Participating Underwriters" shall mean the original underwriters of the Series 2021 Bonds required to comply with the Rule in connection with the offering of the Series 2021 Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Transmission of Notices, Documents and Information. Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the EMMA System in an electronic format as prescribed by the MSRB, accompanied by such identifying information as is prescribed by the MSRB.

Section 4. Provision of Annual Reports. (a) The Authority shall, or shall cause the Dissemination Agent to, not later than April 1 after the end of the Authority's fiscal year, commencing with the report for the Authority's fiscal year ending June 30, 2020, provide to the MSRB an Annual Report that is consistent with the requirements of Section 5 of this Disclosure Certificate. If the Authority's fiscal year changes, it shall give notice of such change in a filing with the MSRB in the same manner as it gives notice for the occurrence of a Listed Event under Section 6. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Series 2021 Bonds by name and CUSIP Number. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Certificate.

(b) Not less than thirty (30) days (but not more than sixty (60) days) prior to the date on which the Annual Report is to be provided pursuant to subsection (a), the Dissemination Agent shall give notice to the Authority that the Annual Report is so required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) days prior to the date by which such Annual Report is required to be filed, the Authority shall provide the Annual Report to the Dissemination Agent (if other than the Authority). If the Authority is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a timely notice of such fact to the MSRB.

(c) The Dissemination Agent shall file a report with the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and that it was provided to the MSRB through the EMMA System.

Section 5. Content of Annual Reports. (a) The Annual Report shall contain or include by reference the following:

(1) audited financial statements of the Authority for the preceding fiscal year, prepared in accordance with generally accepted accounting principles in effect from time to time;

(2) based on Tobacco Settlement Revenues actually received in the preceding fiscal year, an update of the relevant calendar year information set forth in the Offering Circular under the heading "TOBACCO SETTLEMENT REVENUES PROJECTION METHODOLOGY AND BOND STRUCTURING ASSUMPTIONS" under the last column, "Total Annual Payments to Trustee," in the table captioned "Projection of Tobacco Settlement Revenues to be Received by the Trustee";

(3) based on Tobacco Settlement Revenues actually received in the preceding fiscal year, the calculation of the actual debt service coverage ratio for the relevant calendar year for the Series 2021A Bonds determined in the manner set forth in the Offering Circular under the heading "TABLES OF PROJECTED BOND DEBT SERVICE AND COVERAGE" in the table captioned "Series 2021A Bonds Debt Service and Projected Debt Service Coverage"; and

(4) based on Tobacco Settlement Revenues actually received in the preceding fiscal year, the calculation of total actual debt service for the relevant calendar year for the Series 2021 Bonds determined in the manner set forth in the Offering Circular under the heading "TABLES OF PROJECTED BOND DEBT SERVICE AND COVERAGE" in the table captioned "Projected Series 2021 Bonds Debt Service Schedule Incorporating Turbo Redemptions of the Series 2021B Bonds".

(b) It shall be sufficient for purposes of Section 4 hereof if the Authority provides annual financial information by specific reference to documents (i) available to the public on the MSRB website (currently, www.emma.msrb.org) or (ii) filed with the Securities and Exchange Commission. The Authority shall clearly identify each such other document so included by reference. The provisions of this Section 5(b) shall not apply to notices of Listed Events pursuant to Section 6 hereof.

Section 6. Reporting of Listed Events. (a) If a Listed Event occurs, the Authority shall provide or cause to be provided, in a timely manner not in excess of ten (10) Business Days after the occurrence of such Listed Event, notice of such Listed Event to (i) the MSRB and (ii) the Dissemination Agent.

(b) Pursuant to the provisions of this Section 6, the Authority shall give, or cause to be given, notice of the occurrence of any of the following events (each, a "Listed Event") with respect to the Series 2021 Bonds:

i. principal and interest payment delinquencies;

ii. non-payment related defaults, if material;

iii. unscheduled draws on debt service reserves reflecting financial difficulties of the Authority;

iv. unscheduled draws on any credit enhancement reflecting financial difficulties of the Authority;

v. substitution of credit or liquidity providers or failure of a credit or liquidity provider to perform its obligations with respect to the Series 2021 Bonds;

vi. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2021 Bonds, or other material events affecting the tax status of the Series 2021 Bonds;

vii. modifications to rights of Owners of the Series 2021 Bonds, if material;

viii. redemption or call of the Series 2021 Bonds, if material, and tender offers;

ix. defeasances;

x. release, substitution or sale of property securing repayment of the Series 2021 Bonds, if material;

xi. rating changes;

xii. bankruptcy, insolvency, receivership or similar event of the Authority; provided that for the purposes of the events described in this clause, such an event is considered to occur upon: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority;

xiii. the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

xiv. appointment of a successor or additional trustee or the change of name of the trustee, if material;

xv. incurrence of a Financial Obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, any of which affect Owners, if material; and

xvi. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority, any of which reflect financial difficulties.

(c) If the Authority determines that a Listed Event has occurred, the Authority shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence in accordance with Section 3 and Section 6(a) hereof.

(d) If the Dissemination Agent has been instructed by the Authority to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB in accordance with such instruction and within ten Business Days of such occurrence.

(e) Notwithstanding the foregoing, notice of Listed Events described in subsection (b)(viii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Indenture.

Section 7. CUSIP Numbers. Whenever providing information to the Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, audited financial statements and notices of Listed Events, the Authority shall indicate the full name of the Series 2021 Bonds and the 9-digit CUSIP numbers for the Series 2021 Bonds as to which the provided information relates.

Section 8. Termination of Reporting Obligation. (a) The Authority's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Series 2021 Bonds. If such termination occurs prior to the final maturity of the Series 2021 Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 6.

(b) This Disclosure Certificate, or any provision hereof, shall cease to be effective in the event that the Authority (1) delivers to the Dissemination Agent an opinion of Disclosure Counsel, addressed to the Authority and the Dissemination Agent, to the effect that those portions of the Rule which require this Disclosure Certificate, or such provision, as the case may be, do not or no longer apply to the Series 2021 Bonds, whether because such portions of

the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 9. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be BLX Group LLC. If at any time there is no designated Dissemination Agent appointed by the Authority, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the Authority shall be the Dissemination Agent and undertake or assume its obligations hereunder. The Dissemination Agent (other than the Authority) shall not be responsible in any manner for the content of any notice or report required to be delivered by the Authority pursuant to this Disclosure Certificate.

Section 10. Amendment; Waiver. (a) This Disclosure Certificate may be amended by the Authority without the consent of the Owners of the Series 2021 Bonds (except to the extent required under clause (a)(iv)(2) below), if all of the following conditions are satisfied:

(i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Authority or the type of business conducted thereby;

(ii) this Disclosure Certificate, as so amended, would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(iii) the Authority shall have received an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Authority, to the same effect as set forth in (a)(ii) above;

(iv) either (1) the Authority shall have received an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Authority, to the effect that the amendment does not materially impair the interests of the Owners of the Series 2021 Bonds or (2) is approved by the Owners of the Series 2021 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners; and

(v) the Authority shall have delivered copies of such opinion and amendment to the MSRB within ten (10) Business Days from the execution thereof.

(b) In addition to subsection 10(a) above, this Disclosure Certificate may be amended and any provision of this Disclosure Certificate may be waived, by written certificate of the Authority, without the consent of the Owners of the Series 2021 Bonds, if all of the following conditions are satisfied:

(i) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Disclosure Certificate which is applicable to this Disclosure Certificate;

(ii) the Authority shall have received an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Authority, to the effect that performance by the Authority under this Disclosure Certificate as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule; and

(iii) the Authority shall have delivered copies of such opinion and amendment to the MSRB.

(c) In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Authority shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of

the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 6 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 11. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Authority shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 12. Default. In the event of a failure of the Authority to comply with any provision of this Disclosure Certificate, the Dissemination Agent may (and, at the request of any Participating Underwriters or the Owners or Beneficial Owners of at least 25% of aggregate Bond Obligation of the Series 2021 Bonds then Outstanding, shall) or any Owners or Beneficial Owners of the Series 2021 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in the Superior Court of the State of California in and for the County of Sacramento or in the U.S. District Court in the County of Sacramento. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Authority to comply with this Disclosure Certificate shall be an action to compel performance.

Section 13. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2021 Bonds.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriters and Owners and Beneficial Owners from time to time of the Series 2021 Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, I have hereunto set my hand as of the date first written above.

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA

By: _____
Name:
Title:

ACKNOWLEDGED AND AGREED TO BY:
BLX GROUP LLC, as Dissemination Agent

By: _____
Dissemination Agent

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APPENDIX I

TABLE OF ACCRETED VALUES OF SERIES 2021B-2 BONDS*

(Accreted Values Shown Per $5,000 Maturity Amount)

Rate of Accretion: _____%

Date	Accreted Value ($)
January __, 2021†	
June 1, 2021	
December 1, 2021	
June 1, 2022	
December 1, 2022	
June 1, 2023	
December 1, 2023	
June 1, 2024	
December 1, 2024	
June 1, 2025	
December 1, 2025	
June 1, 2026	
December 1, 2026	
June 1, 2027	
December 1, 2027	
June 1, 2028	
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June 1, 2029	
December 1, 2029	
June 1, 2030	
December 1, 2030	
June 1, 2031	
December 1, 2031	
June 1, 2032	
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June 1, 2034	
December 1, 2034	
June 1, 2035	
December 1, 2035	
June 1, 2036	
December 1, 2036	
June 1, 2037	
December 1, 2037	
June 1, 2038	
December 1, 2038	
June 1, 2039	
December 1, 2039	
June 1, 2040	
December 1, 2040	
June 1, 2041	

* Preliminary, subject to change.

† Closing Date.

Date	Accreted Value ($)
December 1, 2041	
June 1, 2042	
December 1, 2042	
June 1, 2043	
December 1, 2043	
June 1, 2044	
December 1, 2044	
June 1, 2045	
December 1, 2045	
June 1, 2046	
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December 1, 2056	
June 1, 2057	
December 1, 2057	
June 1, 2058	
December 1, 2058	
June 1, 2059	
December 1, 2059	
June 1, 2060	

APPENDIX J

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ATTACHMENT 6

APPENDIX H

FORM OF CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is dated as of January ___, 2021 and is executed and delivered by the Tobacco Securitization Authority of Northern California (the "Authority") in connection with the issuance of the Authority's Tobacco Settlement Asset-Backed Refunding Bonds (Sacramento County Tobacco Securitization Corporation), Series 2021 Senior Bonds, consisting of $_____ Series 2021A Class 1 Senior Current Interest Bonds (the "Series 2021A Bonds"), $_____ Series 2021B-1 Class 2 Senior Current Interest Bonds (the "Series 2021B-1 Bonds"), and $_____ Series 2021B-2 Class 2 Senior Capital Appreciation Bonds (the "Series 2021B-2 Bonds" and, collectively with the Series 2021A Bonds and the Series 2021B-1 Bonds, the "Series 2021 Bonds"). The Series 2021 Bonds are being issued pursuant to an Amended and Restated Indenture and a Series 2021 Supplement (collectively, and as may be amended or supplemented, the "Indenture"), each dated as of January 1, 2021, between the Authority and The Bank of New York Mellon Trust Company, N.A., a national banking association, as trustee (the "Trustee"). The Authority covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Authority and the Dissemination Agent for the benefit of the Owners and Beneficial Owners of the Series 2021 Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Authority pursuant to, and as described in, Sections 4 and 5 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2021 Bonds (including persons holding Series 2021 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2021 Bonds for federal income tax purposes.

"CUSIP Numbers" shall mean the Committee on Uniform Security Identification Procedure's unique identification number for each public issue of a security.

"Dissemination Agent" shall mean BLX Group LLC, or any successor Dissemination Agent designated in writing by the Authority and which has filed with the Authority a written acceptance of such designation.

"Disclosure Counsel" shall mean an attorney-at-law, or a firm of such attorneys, of nationally recognized standing in matters pertaining to the disclosure obligations under the Rule, duly admitted to the practice of law before the highest court of any state of the United States of America.

"EMMA System" shall mean the MSRB's Electronic Municipal Market Access system, the current internet address of which is http://emma.msrb.org.

"Financial Obligation" shall mean "financial obligation" as defined in the Rule.

"Listed Events" shall mean any of the events listed in Section 6(b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate.

"Offering Circular" shall mean the Offering Circular, dated _____, 2021, with respect to the Series 2021 Bonds.

"Owner" shall mean either the registered owners of the Series 2021 Bonds, or if the Series 2021 Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Participating Underwriters" shall mean the original underwriters of the Series 2021 Bonds required to comply with the Rule in connection with the offering of the Series 2021 Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 3. Transmission of Notices, Documents and Information. Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to the EMMA System in an electronic format as prescribed by the MSRB, accompanied by such identifying information as is prescribed by the MSRB.

Section 4. Provision of Annual Reports. (a) The Authority shall, or shall cause the Dissemination Agent to, not later than April 1 after the end of the Authority's fiscal year, commencing with the report for the Authority's fiscal year ending June 30, 2020, provide to the MSRB an Annual Report that is consistent with the requirements of Section 5 of this Disclosure Certificate. If the Authority's fiscal year changes, it shall give notice of such change in a filing with the MSRB in the same manner as it gives notice for the occurrence of a Listed Event under Section 6. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Series 2021 Bonds by name and CUSIP Number. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 5 of this Disclosure Certificate.

(b) Not less than thirty (30) days (but not more than sixty (60) days) prior to the date on which the Annual Report is to be provided pursuant to subsection (a), the Dissemination Agent shall give notice to the Authority that the Annual Report is so required to be filed in accordance with the terms of this Disclosure Certificate. Not later than fifteen (15) days prior to the date by which such Annual Report is required to be filed, the Authority shall provide the Annual Report to the Dissemination Agent (if other than the Authority). If the Authority is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the Dissemination Agent shall send a timely notice of such fact to the MSRB.

(c) The Dissemination Agent shall file a report with the Authority certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and that it was provided to the MSRB through the EMMA System.

Section 5. Content of Annual Reports. (a) The Annual Report shall contain or include by reference the following:

(1) audited financial statements of the Authority for the preceding fiscal year, prepared in accordance with generally accepted accounting principles in effect from time to time;

(2) based on Tobacco Settlement Revenues actually received in the preceding fiscal year, an update of the relevant calendar year information set forth in the Offering Circular under the heading "TOBACCO SETTLEMENT REVENUES PROJECTION METHODOLOGY AND BOND STRUCTURING ASSUMPTIONS" under the last column, "Total Annual Payments to Trustee," in the table captioned "Projection of Tobacco Settlement Revenues to be Received by the Trustee";

(3) based on Tobacco Settlement Revenues actually received in the preceding fiscal year, the calculation of the actual debt service coverage ratio for the relevant calendar year for the Series 2021A Bonds determined in the manner set forth in the Offering Circular under the heading "TABLES OF PROJECTED BOND DEBT SERVICE AND COVERAGE" in the table captioned "Series 2021A Bonds Debt Service and Projected Debt Service Coverage"; and

(4) based on Tobacco Settlement Revenues actually received in the preceding fiscal year, the calculation of total actual debt service for the relevant calendar year for the Series 2021 Bonds determined in the manner set forth in the Offering Circular under the heading "TABLES OF PROJECTED BOND DEBT SERVICE AND COVERAGE" in the table captioned "Projected Series 2021 Bonds Debt Service Schedule Incorporating Turbo Redemptions of the Series 2021B Bonds".

(b) It shall be sufficient for purposes of Section 4 hereof if the Authority provides annual financial information by specific reference to documents (i) available to the public on the MSRB website (currently, www.emma.msrb.org) or (ii) filed with the Securities and Exchange Commission. The Authority shall clearly identify each such other document so included by reference. The provisions of this Section 5(b) shall not apply to notices of Listed Events pursuant to Section 6 hereof.

Section 6. Reporting of Listed Events. (a) If a Listed Event occurs, the Authority shall provide or cause to be provided, in a timely manner not in excess of ten (10) Business Days after the occurrence of such Listed Event, notice of such Listed Event to (i) the MSRB and (ii) the Dissemination Agent.

(b) Pursuant to the provisions of this Section 6, the Authority shall give, or cause to be given, notice of the occurrence of any of the following events (each, a "Listed Event") with respect to the Series 2021 Bonds:

i. principal and interest payment delinquencies;

ii. non-payment related defaults, if material;

iii. unscheduled draws on debt service reserves reflecting financial difficulties of the Authority;

iv. unscheduled draws on any credit enhancement reflecting financial difficulties of the Authority;

v. substitution of credit or liquidity providers or failure of a credit or liquidity provider to perform its obligations with respect to the Series 2021 Bonds;

vi. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2021 Bonds, or other material events affecting the tax status of the Series 2021 Bonds;

vii. modifications to rights of Owners of the Series 2021 Bonds, if material;

viii. redemption or call of the Series 2021 Bonds, if material, and tender offers;

ix. defeasances;

x. release, substitution or sale of property securing repayment of the Series 2021 Bonds, if material;

xi. rating changes;

xii. bankruptcy, insolvency, receivership or similar event of the Authority; provided that for the purposes of the events described in this clause, such an event is considered to occur upon: the appointment of a receiver, fiscal agent or similar officer for the Authority in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Authority, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Authority;

xiii. the consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

xiv. appointment of a successor or additional trustee or the change of name of the trustee, if material;

xv. incurrence of a Financial Obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Authority, any of which affect Owners, if material; and

xvi. default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Authority, any of which reflect financial difficulties.

(c) If the Authority determines that a Listed Event has occurred, the Authority shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence in accordance with Section 3 and Section 6(a) hereof.

(d) If the Dissemination Agent has been instructed by the Authority to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the MSRB in accordance with such instruction and within ten Business Days of such occurrence.

(e) Notwithstanding the foregoing, notice of Listed Events described in subsection (b)(viii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Indenture.

Section 7. CUSIP Numbers. Whenever providing information to the Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, audited financial statements and notices of Listed Events, the Authority shall indicate the full name of the Series 2021 Bonds and the 9-digit CUSIP numbers for the Series 2021 Bonds as to which the provided information relates.

Section 8. Termination of Reporting Obligation. (a) The Authority's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Series 2021 Bonds. If such termination occurs prior to the final maturity of the Series 2021 Bonds, the Authority shall give notice of such termination in the same manner as for a Listed Event under Section 6.

(b) This Disclosure Certificate, or any provision hereof, shall cease to be effective in the event that the Authority (1) delivers to the Dissemination Agent an opinion of Disclosure Counsel, addressed to the Authority and the Dissemination Agent, to the effect that those portions of the Rule which require this Disclosure Certificate, or such provision, as the case may be, do not or no longer apply to the Series 2021 Bonds, whether because such portions of

the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

Section 9. Dissemination Agent. The Authority may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be BLX Group LLC. If at any time there is no designated Dissemination Agent appointed by the Authority, or if the Dissemination Agent so appointed is unwilling or unable to perform the duties of the Dissemination Agent hereunder, the Authority shall be the Dissemination Agent and undertake or assume its obligations hereunder. The Dissemination Agent (other than the Authority) shall not be responsible in any manner for the content of any notice or report required to be delivered by the Authority pursuant to this Disclosure Certificate.

Section 10. Amendment; Waiver. (a) This Disclosure Certificate may be amended by the Authority without the consent of the Owners of the Series 2021 Bonds (except to the extent required under clause (a)(iv)(2) below), if all of the following conditions are satisfied:

(i) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Authority or the type of business conducted thereby;

(ii) this Disclosure Certificate, as so amended, would have complied with the requirements of the Rule as of the date of this Disclosure Certificate, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances;

(iii) the Authority shall have received an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Authority, to the same effect as set forth in (a)(ii) above;

(iv) either (1) the Authority shall have received an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Authority, to the effect that the amendment does not materially impair the interests of the Owners of the Series 2021 Bonds or (2) is approved by the Owners of the Series 2021 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Owners; and

(v) the Authority shall have delivered copies of such opinion and amendment to the MSRB within ten (10) Business Days from the execution thereof.

(b) In addition to subsection 10(a) above, this Disclosure Certificate may be amended and any provision of this Disclosure Certificate may be waived, by written certificate of the Authority, without the consent of the Owners of the Series 2021 Bonds, if all of the following conditions are satisfied:

(i) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Disclosure Certificate which is applicable to this Disclosure Certificate;

(ii) the Authority shall have received an opinion of a nationally recognized bond counsel or counsel expert in federal securities laws, addressed to the Authority, to the effect that performance by the Authority under this Disclosure Certificate as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule; and

(iii) the Authority shall have delivered copies of such opinion and amendment to the MSRB.

(c) In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Authority shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of

the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Authority. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 6 hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 11. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Authority chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Authority shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 12. Default. In the event of a failure of the Authority to comply with any provision of this Disclosure Certificate, the Dissemination Agent may (and, at the request of any Participating Underwriters or the Owners or Beneficial Owners of at least 25% of aggregate Bond Obligation of the Series 2021 Bonds then Outstanding, shall) or any Owners or Beneficial Owners of the Series 2021 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Authority to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in the Superior Court of the State of California in and for the County of Sacramento or in the U.S. District Court in the County of Sacramento. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the Authority to comply with this Disclosure Certificate shall be an action to compel performance.

Section 13. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Authority agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or willful misconduct. The obligations of the Authority under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2021 Bonds.

Section 14. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Authority, the Dissemination Agent, the Participating Underwriters and Owners and Beneficial Owners from time to time of the Series 2021 Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, I have hereunto set my hand as of the date first written above.

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA

By: _____
Name:
Title:

ACKNOWLEDGED AND AGREED TO BY:
BLX GROUP LLC, as Dissemination Agent

By: _____
Dissemination Agent

BLX Group LLC
777 South Figueroa St, Ste 3200
Los Angeles, CA 90017-5855
Ph 213 612 2200 Fx 213 612 2499
blxgroup.com

ATTACHMENT 7

December 10, 2020

Tobacco Securitization Authority
of Northern California
700 "H" Street
Sacramento, California 95814-1280
Attn: Board of Directors

Re: Tobacco Securitization Authority of Northern California
Tobacco Settlement Asset-Backed Refunding Bonds,
Series 2021 Senior Bonds
(Sacramento County Tobacco Securitization Corporation)
Second Amendment to Post-Issuance Services Agreement

Board of Directors:

This letter is to confirm and describe the engagement of BLX Group LLC ("BLX") by the Tobacco Securitization Authority of Northern California (the "Authority") for the purpose of performing the following services (collectively, the "Services") with respect to the bonds as listed on Exhibit 1 (the "Bonds") specifically as described in and as set forth in:

Appendix A: Arbitrage Rebate and Yield Restriction Compliance Services

Appendix B: Continuing Disclosure Services

Appendix C: Tobacco Settlement Revenues Allocation and Monitoring Services

Appendix D: Annual Debt Transparency Reporting and Filing Services

In addition, this letter will amend the engagement dated October 21, 2005 (the "First Amendment") between the Authority and BLX with respect to the Authority's Series 2005 Bonds (the "2005 Bonds"), specifically set forth in:

Appendix E: Revised List of Services for the 2005 Bonds

At the Authority's election, which election is made by the Authority's signature of this engagement letter, the Arbitrage Rebate and Yield Restriction Compliance Services will include legal advice provided by the law firm, Orrick, Herrington & Sutcliffe LLP ("Orrick" and together with BLX, "we" or "us"). Accordingly, the Authority is retaining BLX for the purpose of obtaining legal services from Orrick in the form of legal advice. More specifically, BLX will engage Orrick to provide legal oversight and review as it deems necessary to render its opinion that the computations shown in the Arbitrage Rebate and Yield Restriction reports were performed in accordance with applicable federal law and regulations.

The Authority acknowledges that BLX will not engage Orrick to provide legal oversight in connection with the Services described in Appendices B, C and D hereto.

The Authority undertakes to provide or cause to be provided to BLX all such relevant data (the "Data"), as specified by BLX from time to time, and shall cooperate with all reasonable requests of BLX in connection therewith.

This engagement will be terminable by either party by written notice to the other, such termination to be effective immediately.

Although BLX is an SEC and MSRB registered municipal advisor, it will not be acting in such capacity for this engagement. BLX is a wholly owned subsidiary of Orrick. The Authority acknowledges and agrees that (i) BLX is not acting as a municipal advisor, financial advisor, investment advisor, agent or fiduciary to the Authority; and (ii) BLX has not assumed any advisory or fiduciary responsibility to the Authority with respect to the Services contemplated under this agreement.

Services listed under Appendix A - The Services to be provided by BLX and Orrick under Appendix A are limited. BLX and Orrick are not being engaged for, and BLX and Orrick are not obligated, to undertake any of the following: (1) review the tax-exempt status of interest on the Bonds or any other aspect of the Bonds except to the extent of the Post-Issuance Services set forth in this proposal; (2) consider any information obtained by BLX or Orrick pursuant to this engagement for any purpose other than undertaking the Post-Issuance Services; and (3) except as otherwise set forth herein, update any report delivered hereunder because of events occurring, changes in regulations, or data or information received, subsequent to the date of delivery of such report. Should the Authority desire BLX and/or Orrick to undertake any of the foregoing, such additional services will be the subject of a separate engagement and a separate fee, if any. In addition, BLX and Orrick will be entitled to rely entirely on information provided by the Authority and/or its agents without independent verification for the purpose of performing the Services thereunder.

Services listed under Appendix B - The Authority acknowledges that with respect to the Services listed under Appendix B, although BLX is presently wholly owned by the law firm of Orrick, (1) BLX is not a part of the law firm, its employees are not lawyers and the services it provides, including all services contemplated by this agreement, are not legal services and do not include legal advice or legal opinions of any kind; (2) BLX, therefore, is not being engaged hereunder and does not undertake to independently verify, or otherwise assume any responsibility for, the accuracy, completeness of fairness of any Disclosures made in Annual Reports or notices of Listed Events or compliance with federal or state securities laws; (3) BLX is not being engaged hereunder and does no undertaking to make any inquiry to attorneys or others at Orrick for legal advice or for information anyone at Orrick may have which might be material to the Authority or the disclosures which shall be the sole responsibility of the Authority; (4) this agreement does not establish any attorney-client or other relationship with Orrick, and Orrick is not in any manner involved in or responsible for the services to be provided by BLX under this agreement and shall not be held liable in any manner for such services; and (5) this agreement and BLX's relationship to Orrick does not represent any basis for a conflict-of-interest to be considered to exist by reason of any attorney-client relationship that Orrick may have had, have, or enter into (even if adverse to the Authority), and the Authority specifically consents to any and all such relationships. In addition, the Authority agrees that any or all information obtained or developed pursuant to this engagement may be used and disclosed by BLX as required for BLX to perform its duties under the continuing disclosure agreements.

BLX and/or Orrick may have client relationships with other parties involved in some manner with the Bonds or the Authority (for example, underwriters, trustees, rating agencies, insurers, credit providers, lenders, contractors, developers, advisors, investment advisors/providers/brokers, public entities and others) whether with respect to the Bonds or unrelated matter(s). To the extent that a conflict-of-interest is

created by this engagement, the Authority hereby waives any such conflict.

[Full Refunding of 2005 Bonds]

The Authority will pay BLX an annual fee of $40,000 with respect to the 2021 Bonds. The annual fees are due and payable each November 1. Because the $40,000 annual fee with respect to the 2005 Bonds was previously billed (in advance) on November 1, 2020, the next such payment on the 2021 Bonds is due on November 1, 2021.

[Partial Refunding of 2005 Bonds]

The Authority will pay BLX an annual fee of $55,000 with respect to the Bonds. Because the $40,000 annual fee with respect to the 2005 Bonds was previously billed (in advance) on November 1, 2020, the additional $15,000 annual fee (the "2021 Additional Annual Fee") is due and payable on the issue date of the 2021 Bonds. Subsequent annual fees of $55,000 are due and payable each November 1, with the next such payment due on November 1, 2021.

If the terms of this engagement letter are acceptable, please have an authorized official execute and return to the undersigned.

Very truly yours,

BLX Group LLC

Justin M. Gagnon, CFA
Managing Director

ACCEPTED AND AGREED TO:

TOBACCO SECURITIZATION AUTHORITY OF NORTHERN CALIFORNIA

By: _____
Authorized Representative

Print Name: _____

Dated: _____

APPENDIX A

ARBITRAGE REBATE AND YIELD RESTRICTION COMPLIANCE SERVICES

BLX will provide the following services to the Authority, subject to the conditions and limitations set forth herein.

BLX will calculate the amount of arbitrage rebate and yield restriction liability with respect to the Bonds once per year as of the end of each bond year and as of the final maturity or redemption of the Bonds (each such date on which an arbitrage rebate and/or yield restriction calculation is performed is referred to herein as an "Annual Calculation Date") applying regulations of the United States Department of the Treasury in effect on such Annual Calculation Date.

Within 60 days of each Annual Calculation Date, BLX will prepare schedules reflecting the relevant calculations and the assumptions involved and will deliver a rebate liability report ("Rebate Report") and a yield restriction report ("Yield Restriction Report"), if applicable, addressed to the Authority as to the amount of the rebate liability and yield restriction liability as of such Annual Calculation Date. Each Rebate Report and Yield Restriction Report will include a BLX opinion to the effect that such report is based on calculations performed in accordance with applicable federal law and regulations.

BLX

APPENDIX B

CONTINUING DISCLOSURE SERVICES

BLX will perform the following services, subject to the conditions and limitations set forth herein.

(i) Determine from the Continuing Disclosure Agreement(s) and remind the Authority at least 60 days in advance, by when the Annual Reports must be provided to the Municipal Securities Rulemaking Board's ("MSRB") Electronic Municipal Market Access system ("EMMA");

(ii) Assist the officers or employees of the Authority designated with responsibility for continuing disclosure to assemble information identified in the Continuing Disclosure Agreement(s) required to be included in the Annual Reports;

(iii) Format or assist in formatting such information into an Annual Reports;

(iv) Assist in preparation of the notice concerning any Listed Event determined by the Authority;

(v) Monitor rating changes with respect to the bonds utilizing third party sources, including Bloomberg, to determine if a rating change has occurred; and notifying the Authority of any rating changes on the bonds within 5-7 business days of the date of such rating change, including the revised rating, the effective date of the revised rating, and the rating agency responsible for the rating change;

(vi) Submit or confirm submission of the Annual Reports and Listed Event notices to EMMA; and

(vii) Maintain, or cause to be maintained, for at least six (6) years, a record of the Annual Reports and Listed Event notices submitted to EMMA.

Note: BLX, while providing continuing disclosure services, does NOT provide materiality analysis. The Authority agrees to consult with its our legal, financial, and other advisors with respect to any materiality analysis associated the Annual Reports or Listed Event notices. From time to time, BLX may be included in conference calls or correspondence where others are discussing materiality, however, BLX's role in these scenarios is only in the capacity of the dissemination agent to keep informed of what to incorporate into the Annual Reports or Listed Event notices.

BLX

APPENDIX C

TOBACCO SETTLEMENT REVENUES ALLOCATION AND MONITORING SERVICES

BLX shall provide the following services to the Authority, subject to the conditions and limitations set forth herein. Unless defined herein, all capitalized terms used herein shall have the meanings given such terms in the Indenture or other applicable documentation.

BLX will provide a monitoring service that oversees and manages the allocation of the TSRs under the Master Settlement Agreement to the various funds established in connection with the Bonds. Specifically, such services include:

a. Within five days of each Deposit Date, BLX will provide the Indenture Trustee with a statement specifying the amounts to be transferred to the appropriate accounts to pay (i) operating expenses within the capped amount (as defined in the transaction documents), (ii) principal (including determining the amount of Bonds to be called under the turbo provisions) and interest, and (iii) fund any Reserve Account deficiencies, arbitrage rebate and/or yield restriction liability. BLX will rely on information and data regarding such amounts as provided by the Authority and Indenture Trustee.

b. BLX will keep in effect at all times an accurate and current schedule of all debt service to be payable during the life of the Bonds.

BLX

APPENDIX D

ANNUAL DEBT TRANSPARENCY REPORTING AND FILING SERVICES

These services are designed to assist the Authority with (a) the completion of Annual Debt Transparency Reports ("ADTRs") required by California Senate Bill 1029 ("SB 1029"), and (b) the filing of such ADTRs with the California Debt and Investment Advisory Commission ("CDIAC") in connection with bonds subject to the SB 1029 requirement.

BLX is hereby engaged to provide the following services for the 2021 Bonds:

1. BLX will complete and submit ADTRs within 7 months of the close of the most recent reporting period ending June 30th. Authority hereby agrees to authorize BLX to access CDIAC's online platform on its behalf.

2. BLX will complete all sections of the ADTRs including the sections relating to (i) the debt authorized during the reporting period, (ii) the principal outstanding during the reporting period, and (iii) the use of proceeds during the reporting period.

   (i) **Debt Authorized** – BLX will identify the amount of debt authorized during the reporting period, debt authorized at the beginning of the reporting period, debt issued during the reporting period, and debt authorized but unused during the reporting period.

   (ii) **Principal Outstanding** – BLX will identify the amount of principal issued during the reporting period, the amount of principal outstanding at the beginning of the reporting period, principal redeemed (via refunding) during the reporting period, principal paid (scheduled) during the reporting period, and principal outstanding at the end of the reporting period.

   (iii) **Use of Proceeds** – BLX will identify the amount of proceeds received during the reporting period, the amount of proceeds outstanding as of the beginning of the reporting period, the expenditure of proceeds (by fund and purpose) during the reporting period, and the amount of proceeds remaining at the end of the reporting period.

Services do not include comment regarding whether the information contained in the ADTRs is factually correct or satisfies the Authority's SB 1029 obligations.

BLX

APPENDIX E

REVISED LIST OF SERVICES

2005 BONDS

As the issuance of the Authority's 2021 Bonds will provide for the refunding of [all] [a portion] of the 2005 Bonds, [certain] services provided by BLX under the First Amendment will no longer be required with respect to the 2005 Bonds.

The following services were provided under the First Amendment:

(1) Universal Cap Analysis Services

(2) Arbitrage Rebate and Yield Restriction Compliance Services

(3) Continuing Disclosure Services

(4) Tobacco Settlement Revenues Allocation and Monitoring Services

The following services will ***no longer*** be required upon the refunding of the 2005 Bonds:

(1) Universal Cap Analysis Services

(2) Arbitrage Rebate and Yield Restriction Compliance Services [if full refunding]

(3) Continuing Disclosure Services [if full refunding]

(4) Tobacco Settlement Revenues Allocation and Monitoring Services [if full refunding]

[The following services will ***still be required*** upon the partial refunding of the 2005 Bonds:] [if full refunding - delete]

(1) Arbitrage Rebate and Yield Restriction Compliance Services [if full refunding - delete]

(2) Continuing Disclosure Services [if full refunding - delete]

(3) Tobacco Settlement Revenues Allocation and Monitoring Services [if full refunding - delete]

Such services will be provided until the final maturity date of the 2005 Bonds. [for a partial refunding]

As the 2005 Bonds have been refunding in full, no further services are required with respect to the 2005 Bonds. [for a full refunding]

BLX

EXHIBIT 1

BOND ISSUES

1. Tobacco Securitization Authority of Northern California
   Tobacco Settlement Asset-Backed Bonds
   (Sacramento County Tobacco Securitization Corporation)
   Series 2005 [1]

2. Tobacco Securitization Authority of Northern California
   Tobacco Settlement Asset-Backed Refunding Bonds,
   (Sacramento County Tobacco Asset Securitization Corporation)
   Series 2021 Senior Bonds (the "2021 Bonds")

[1] Previously engaged.

SACRAMENTO COUNTY	**Policy # 1600**
Subject: County Debt Utilization Policy	
Responsible Department: Budget and Debt	
Effective Date: 06/1989	**Revision Date:** 10/08/2019
Britt E. Ferguson **Chief Fiscal Officer**	**Navdeep S. Gill** **County Executive**

1. PURPOSE

The Debt Utilization Policy is intended to provide County staff with a formal statement of existing policy and with general guidelines for the decision–making process of debt issuance and management. The policy is also intended to serve as a tool for improved coordination and management of all debt in which the County has complete or limited obligation for debt repayment. Major elements of the policy include:

A. ESTABLISHING A COUNTY DEBT UTILIZATION COMMITTEE (CDUC). The committee will have responsibility for reviewing, coordinating, and advising the County Executive and Board of Supervisors regarding proposed and existing debt issues in order to assure that debt is utilized in a manner most favorable to the County and only when in the best overall interest of the County.

B. FORMALIZING THE DEBT PROPOSAL PROCESS This Policy aims to formalize the concept that debt proposals by individual departments must be closely coordinated with the County's capital and operating budget processes and must take into account the impact of the proposed debt issue on the County's credit rating and total debt burden.

2. AUTHORITY

The Board of Supervisors adopted the County's Debt Utilization Policy on June 20, 1989. A Revised Policy was adopted by the Board of Supervisors and the Board of Directors of the Sacramento County Water Financing Authority on October 8, 2019. Additional entities may adopt the County Debt

Utilization Policy at a later time. Any entity adopting the County Debt Utilization Policy shall be included in any reference herein to "County" when referring to the issuer of any debt.

3. SCOPE

The County Debt Utilization Policy is intended to comply with Government Code Section 8855(i), effective on January 1, 2017, and will govern all debt undertaken by the County. The County Debt Utilization Policy is applicable to departmental staff involved with utilization or management of County debt. The Policy will serve as a tool for improved coordination and management of all debt in which the County has complete or limited obligation for debt repayment. It is important that all County staff who work on any aspect of debt utilization or management become familiar with these policies, conform their related functions to the policies, and develop appropriate related departmental policies and/or procedures which are consistent with countywide policies. The County Debt Officer will assign responsibilities related to the analysis of proposed borrowings as well as monitor compliance with covenants and restrictions in executed debt agreements.

4. PROCEDURES

A. INTRODUCTION

The proper utilization of debt is a major financing tool of the County to finance capital projects and or one-time, non-operating costs. Costs/risks versus benefits of borrowing will be the major consideration when evaluating each proposed utilization of debt as a source of financing specific for County needs.

Debt is utilized by the County to provide general or specific benefits to its citizens, and debt proposals may originate from various County departments. Debt proposals by individual departments must be closely coordinated with the County's capital and operating budget processes and must take into account the impact of the proposed debt issuance on the County's credit rating and total debt burden. Repayment of borrowed funds is of paramount concern to the County; therefore, proper structuring and continued management of County debt is critical. For these reasons, and to otherwise assure that debt is utilized only when in the best overall interest of the County, a formalized debt utilization review and coordination function is established as outlined in this policy.

B. COUNTY DEBT UTILIZATION COMMITTEE

a. **Purpose** - The County Debt Utilization Committee (CDUC) is established for the purpose of reviewing and advising the County Executive and Board of Supervisors regarding proposed and existing debt issues in which the County has complete or limited obligation for debt repayment. Such debt issues include limited obligation debt such as special assessment and Mello-Roos financing.

b. **Composition** - The CDUC shall be comprised of the following:

i. Chief Fiscal Officer
ii. Deputy County Executive of Administrative Services
ii. Deputy County Executive of Municipal Services
iv. Deputy County Executive of Public Works & Infrastructure
v. Director of Finance
vi. County Counsel
vii. County Debt Officer
viii. Department, Agency or other issuer or obligor representative

A representative from a department proposing a new debt issue will work with the CDUC in performing review and analysis of the proposed debt. The Office of Budget and Debt Management shall be responsible for the overall coordination of CDUC functions. The County Debt Officer will be responsible for the coordination and administration of all County debt. Necessary staff assistance to the County Debt Officer and the CDUC shall be provided as appropriate by the Department of Finance, County Counsel, and the department proposing the borrowing. For each debt issue, the County Debt Officer will be designated as the person responsible for: (1) initiating, follow-up and other coordination of the many decisions and other requirements involved in issuing County debt; and (2) establishing appropriate processes for

monitoring compliance with covenants and restrictions contained in the debt agreements.

The County Debt Officer will utilize Bond Counsel, Disclosure Counsel, Financial Advisors, Underwriters, and other specialized services as appropriate for issues being considered. When additional services from outside firms are needed, County Debt Officer should assure that there is appropriate consideration of and retention of women and minority owned firms when it is in the best interest of the County and in conformance with related County policy.

c. **Subcommittees** - The CDUC may establish subcommittees as appropriate to best utilize available County expertise in the review and coordination of specific areas such as the following:

i. Design and Construction: When applicable to the proposed issue, a design and construction subcommittee may be used to assist in the preparation of a design and project description and cost estimate to be included in the borrowing documents. Representatives from the Department of General Services, Office of Budget and Debt Management, Department of Finance, County Counsel, and proposing departments, agencies, or issuer or obligor should be included in this activity as appropriate.

ii. Finance/Accounting: When applicable to the proposed issue, a finance/accounting subcommittee may be used to assist in the determination and assignment of responsibilities for estimation and managing cash flow, establishing appropriate separation of funds and account records, and other finance/accounting matters. Representatives from the following departments should be included in this activity as appropriate:

- Office of Budget and Debt Management

- Department of Finance
- Proposing Department, Agency, or other issuer or obligor

C. **<u>REVIEW AND ANALYSIS OF DEBT PROPOSALS</u>**. All proposed borrowing to which the County of Sacramento is a party shall be submitted through the Office of Budget and Debt Management for review and recommendations by the CDUC. The CDUC will review the proposed borrowings and assure that the County Executive and the Board of Supervisors are properly advised on relevant considerations, including the following as appropriate:

a. The costs/benefits/risks of recommended borrowing, including Net Present Value financial benefits and Internal Rate of Return.

b. Legal Liability of the County, if any.

c. Impact on ability of the County to borrow short-term or long-term (future debt capacity, rating impact, etc.).

d. Financing stability of the parties involved and the ability of the department/County to generate the debt service requirements.

e. Impact on time and effort required by County staff; i.e., County Counsel, Office of Budget and Debt Management, Director of Finance, etc.

f. Adequacy of coverage and payment procedures in case of default (e.g., guarantees, insurance, etc.) and establishment of standards for Judicial Foreclosure.

g. Provision for accurate and timely redemption procedures; i.e., trustee, sinking funds, notification in case of early calls, registry of bond, etc.

h. Responsibility, if any, of the County for monitoring the full compliance reporting requirements of the proposed borrowing.

D. **<u>POLICY COMPLIANCE/EXCEPTIONS</u>**. Related departmental policies and procedures should be developed as necessary and shall be consistent with these countywide policies unless

requested exceptions for special circumstances are approved by the CDUC or Board of Supervisors as appropriate. Unless exceptions are approved, the countywide policies shall prevail in any instance of conflict between countywide and departmental policies or procedures.

5. DEFINITIONS

A. NET PRESENT VALUE (NPV). The current value of a dollar today, that is to be paid or received in some future time period, net of associated costs.

B. INTERNAL RATE OF RETURN (IRR). The yield or interest rate at which the present value of future cash flows of an investment is equal to the initial cash outlay for the investment.

C. JUDICIAL FORECLOSURE. A foreclosure process for assessment districts in which the County may order the institution of a superior court action to foreclose the lien on the property within a specific time limit. In such a foreclosure, the real property subject to the unpaid amount may be sold at a judicial foreclosure sale.

6. DEBT RELATED BUDGET POLICIES

A. GENERAL. Short-term and long-term borrowing will be limited to borrowings that are within prudent limits regarding applicable debt ratios and those which improve County cash flow and related interest earning capabilities. Appropriate restricted reserves for related future obligations should be maintained. Borrowings in which the General Fund credit is utilized may include borrowings where debt service is covered in part by other dedicated revenues from General Fund departments. If a debt issuance is to be financed by General Fund revenues, there should be a demonstrated benefit to a significantly large proportion of the County of Sacramento's property taxpayers. If the project would primarily serve a definable group of taxpayers, the obligation to repay the debt should be borne by that group of taxpayers when feasible. In certain instances, the Board of Supervisors may determine that exceptions to this general guideline would be in the best interest of the County.

7. DEBT LIMITS

A. **PURPOSE**. Debt should be utilized when it is in the best overall interest of the County, including appropriate short-term borrowings and financing of certain assets with substantial economic lives. All proposals to use debt, the impact of debt financing on the County financial condition, and the ultimate cost of issuing debt should be evaluated by the County Debt utilization Committee. Specific borrowings should be included in the County's larger capital plan and should be examined alongside other financing alternatives, including pay-go funding. The principle of taxpayer equity should be a primary consideration in determining the type of projects as well as the type of financing to utilize.

a. The types of credit that may be issued under this Policy include, but are not limited to:

i. General Obligation (GO) Bonds

- GOs may be used to finance or refinance the acquisition, improvement, and/or construction of real property that benefits the public at large.

ii. Lease Revenue Bonds (LRBs) / Certificates of Participation (COPs)

- LRBs / COPs may be used to finance the acquisition, improvement, and/or construction of real property or the acquisition of capital equipment and other capital projects.

iii. Pension Obligation Bonds (POBs)

- POBs should be issued only to refund outstanding POB when it will result in debt service savings to the County or if there is a need to mitigate any concerns related to the structures of the current outstanding POBs.

iv. Revenue Bonds and Notes

- Revenue Bonds and notes are obligations payable solely from specific special fund

sources and may be used to fund projects backed by restricted revenues or user fees (enterprise revenues). It is preferable that in any instance where the enterprise revenue can support the issuance of debt, that it does so rather than issuing debt backed by the General Fund.

v. Assessment District / Community Facilities District (CFD) Bonds

- Assessment District or CFD Bonds will be used to facilitate improvements to tangible or real property providing public benefits in connection with new development in the County.

- These bonds are often unrated and, as such, the County will only issue these bonds if the bonds generate debt service coverage of at least 1.10x, and one of the following conditions is met: (1) the underlying project has a value-to-lien ratio of at least 3:1; (2) the County has procured insurance for the bonds; or (3) the developer has provided some form of credit enhancement (such as cash deposit or letter of credit) that improves the credit quality.

vi. Tax Allocation Bonds subject to state law

vii. Tobacco Settlement Asset-Backed Bonds

- Tobacco Settlement Asset-Backed Bonds may be issued for various purposes and backed by revenues from legal settlements with tobacco companies.

b. The County may find that alternative forms of debt will further public purposes and may approve the issuance of such debt without an amendment to this Policy as recommended by the CDUC.

B. <u>TERMS OF DEBT</u>.

Depending on the County's needs, debt may be issued:

a. On a long-term basis (bonds);

b. On a short-term basis (short-term leases and notes, lines of credit, etc.);

i. The uses of short-term financing will include, but are not limited to, funding the County's cash flow deficit in anticipation of tax and revenue receipts and funding capital costs in anticipation of refinancing these costs on a long-term basis.

c. Publicly;

d. Privately: if a private process suits the County's needs;

e. With fixed rate debt, which is the County's preferred approach;

f. With variable rate debt, in limited instances, such as refunding current variable rate obligations;

g. Tax-Exempt; the County will issue tax-exempt debt whenever possible to obtain the most cost-effective borrowing; and/or.

h. Taxable: only issued if there is no tax-exempt alternative and the project is in pursuit of other necessary public objectives.

C. <u>LEGAL LIMITATIONS</u>. The County Debt Officer shall determine if the proposed debt transactions comply with the debt limitations prescribed by the Policy. Proposed debt transactions that meet the limitations of the Policy will be subject to approval by the Board of Supervisors and in accordance with State law and the County's existing bond documents. The County will keep outstanding debt within the limits of applicable law and at levels consistent with its credit worthiness objectives.

8. <u>DEBT STRUCTURING</u>. Debt will be structured for a period consistent with a fair allocation of costs to current and future beneficiaries of the financed capital project. The term of the debt must not exceed the

physical life of the financed asset and, ideally, will match the useful life of the asset. The amount of any financing should generally be held to a minimum, taking into consideration any available existing funds to partially finance project costs. In structuring its debt, the County will strive to maximize flexibility and achieve the lowest interest cost possible. To that end, the County will consider a variety of financing tools available to it including, but not limited to, the following:

A. **COUPON PREMIUMS AND DISCOUNTS**. Coupon discounts and premiums shall be determined on a case-by-case basis in line with this Policy.

B. **DEBT SERVICE RESERVE FUNDS**. When appropriate, a debt service reserve fund will be used to adhere to prevailing standards of the municipal bond market, such that the credit profile of issued debt will be best positioned to achieve optimal pricing.

C. **CAPITALIZED INTEREST.** While the County hopes to minimize the use of capitalized interest because of its cost, the County may utilize capitalized interest to fund debt service on projects for which revenue may not be immediately available for payment (such as lease financings).

D. **CALL PROVISIONS.** The County will explore all potential call features to preserve optionality, though the County anticipates utilizing a traditional 10-year call in most of its financings.

E. **CREDIT ENHANCEMENT.** The County will explore credit enhancement methods and consider structuring entire issuances or select maturities with a form of insurance if it will benefit the County.

F. **DERIVATIVES.** These products carry with them certain risks not faced in standard debt instruments, and should only be utilized in limited circumstances, such as refunding existing debt that utilizes derivatives.

9. DEBT ISSUANCE

A. **ISSUING PLAN**. The department proposing the debt issue should begin working with County Debt Officer to begin the review at least six months prior to the proposed issuance of debt. Once a plan is fully developed, the County Debt Officer will take the lead role in presenting the issuance to the CDUC. The

proposing department is generally responsible for formally communicating the proposals to the County Executive and Board of Supervisors through the Department of Budget and Debt Management.

The department proposing the debt issue will prepare and submit statements on the following to the CDUC for its review, analysis, and recommendations:

a. Purpose and feasibility of the project;

b. Public benefit;

c. Available project alternatives;

d. Estimated total costs of the project (excluding costs of financing);

e. Estimated additional ongoing operational costs resulting from the project;

f. Appropriate revenue streams for debt service; and

g. Estimated total General Fund impact from debt service requirements and changed operational costs.

B. **CREDIT OBJECTIVES**. The County seeks to maintain and, if possible, improve its current long-term and short-term debt rating in order to enhance the County's reputation within the financial community and to minimize borrowing costs. Emphasis should be placed on protecting the General Fund and enhancing the County's financial condition. Furthermore, the County will maintain good communication with the bond rating agencies and keep them apprised of the County's financial condition through provision of relevant reports and documents. As stated previously, the County may issue some unrated debt for public purposes, in which case the County will take appropriate measures to mitigate the risks associated with unrated debt.

Expenditure and investment transactions related to borrowings for funds other than the County General Fund shall be structured to eliminate (to the maximum extent possible) direct and/or indirect negative impacts to the General Fund. Interim funding for project expenditures shall be established and financed from proceeds of borrowings (or other appropriate sources) so as to

avoid delays in draw-downs or reimbursements which would have the effect of reducing General Fund interest earnings.

C. **METHOD OF SALE**. In considering alternative methods of sale, the County's objective is to achieve the lowest possible borrowing cost in any debt issuance. The County may utilize all methods of sale at its disposal to realize this goal. Below are some further considerations:

a. Competitive or Negotiated Sale - Determination of whether to sell bonds under a competitive bid or a negotiated sale will depend on many factors, including: the market environment; timing considerations; structure of financing; credit quality; and type of bond or other financing instrument. However, recommended issuances of debt will always be based primarily on judgements of which available options will most likely result in the overall lowest net cost to the issuer.

b. Public Issuance or Private Placement/Direct Purchase – The County will consider both the public and private markets when issuing debt. For larger debt offerings, public offerings will typically offer a lower cost of funds. However, the County may consider a private placement for smaller issuances with shorter terms, more complex bond structures, or financings with short lead times.

D. **REFUNDINGS**. Periodic reviews of the County's outstanding debt will be conducted to identify potential refunding opportunities. Refunding debt issuances will be considered (within federal tax law constraints) if and when there is a net economic benefit of the refunding. Refundings which are non-economic may be undertaken to achieve objectives relating to changes in covenants, call provisions, operational flexibility, tax status, issuer, or debt service structure. In general, refundings which produce a Net Present Value savings of at least three percent (3%) of the refunded principal amount will be considered economically viable. Refundings which produce a Net Present Value savings of less than three percent (3%) will be considered on a case-by-case basis. Refundings with negative Net Present Value savings will not be considered unless there is

a compelling public policy objective that is accomplished by retiring the debt.

E. **FINANCIAL SERVICES**. After initial review of the proposed borrowings and consultation with the proposing departments, the County Debt Officer will determine the required financial services for the proposed borrowings and initiate retention of such services as appropriate. In some instances, it will be possible to utilize services from firms already providing financial services to the County on a continuing basis:

a. Bond Counsel – to assist in the legal structure and preparation of the bond documents, including assistance and appropriate opinions related to tax-exempt status.

b. Financial Advisor or Analyst – to assist the County Debt Officer and the department proposing the debt issue on various financing factors, including the structure and terms of the financing in compliance with Government Code Section 53691 and other relevant laws and codes.

c. Underwriter – to underwrite the bond issue for the County and provide market timing recommendations.

d. Disclosure Counsel - to draft disclosure documents and advise on all disclosure issues.

e. Underwriter's Counsel – to draft the bond purchase agreement and advise the Underwriter as needed.

f. Other Financial Services as Required.

The County will ensure that the terms and conditions of any contracts entered into with the parties above are in the best interests of the County. The County will use a "Request for Proposal" ("RFP") procurement process to assist in the selection process for each of these services when it is in the County's best interest to do so. The County will also take steps to ensure each party has no conflicts of interest while under contract with the County.

F. **SELECTED SERVICES**. Additional specialized services may be required according to the structure and characteristics of specific debt issues. Such services may be provided by County staff and/or by contract with outside sources as determined by County Debt Officer or conditions of the issue. In some instances, the County Debt Officer may determine that a specific department should coordinate the retention of certain services such as the following:

a. Outside Engineer or Consultant – may be selected by the issuing department as required.

b. External Auditors – shall be selected by the County Director of Finance in order to coordinate with the countywide audit.

c. Trustee, Paying Agent, Registrar – shall be selected by the County Debt Officer in order to properly coordinate the long-term handling of the debt issue.

The County will ensure that the terms and conditions of any contracts entered into with the parties above are in the best interests of the County. The County will use a "Request for Proposal" ("RFP") procurement process to assist in the selection process for each of these services when it is in the County's best interest to do so. The County will also take steps to ensure each party has no conflicts of interest while under contract with the County.

10. **DEBT MANAGEMENT**. Current financings and outstanding debt issues should be managed as a whole as well as individually in such a fashion as to minimize the cost of capital, to maintain a high level of credit worthiness, to minimize demands on the General Fund, and to preserve flexibility with regard to future debt and revenues. As the municipal debt market changes, all outstanding debt should be monitored to take advantage of changing opportunities.

A. **BOND PROCEEDS**. The use of proceeds from long-term financings will be limited to the uses authorized by law and allowed by the provisions of the particular debt issue. Generally, these limitations will allow for paying the costs of planning, design, land, construction or acquisition of buildings, permanent structures, attached fixtures and/or equipment, movable furniture and equipment, and also the costs of planning and

issuing the debt. Bond proceeds will only be expended on costs directly related to the project, or long-term liability, unless otherwise provided for in the particular debt issue, and when it is in the best interest of the County to use such funds for other allowed spending.

Investment of proceeds of bonds or other forms of debt shall be consistent with Federal tax requirements and any applicable State law requirements, the County's Investment Policy, and requirements contained in the governing documents. Below is a link to the County's Investment Policy:

http://www.finance.saccounty.net/Investments/Documents/InvestmentPolicy.pdf

The County will comply with applicable IRS regulations and provisions including arbitrage rebate calculations, rebate of arbitrage profits, and any necessary tax filing.

B. **DISCLOSURE/COMPLIANCE MONITORING**. After completion of a financing, the proposing department, agency or any other issuer or obligor) shall provide the CDUC with the following:

a. A statement summarizing the covenants and restrictions contained in the debt agreement(s) which require periodic monitoring for compliance;

b. An appropriate schedule for periodic review and reporting on compliance with such covenants and restrictions.

It is the responsibility of the proposing department (or fund) to monitor the necessary compliance with the covenants and restrictions and to document and report such compliance to the CDUC and to others according to the reporting schedule and as otherwise required in the debt agreement(s).

County staff, and more specifically the County Debt Officer and/or Chief Fiscal Officer, will ensure that the County is compliant with initial and continuing disclosure requirements, including SEC Rule 15c2-12, and will adhere to any new, associated legal requirements the SEC implements as it pertains to any specific debt issuance.

11. **REVIEW.** Review as needed and revise to comply with any changes in guidance and regulations.

SACRAMENTO COUNTY

Tobacco Securitization Authority of Northern California (Sacramento County Tobacco Securitization Corporation) Tobacco Settlement Asset-Backed Bonds, Series 2021

Office of Budget and Debt Management
January 12, 2021

Colin Bettis, County Debt Officer

Expected Repayment of the 2005 Bonds

- **Additional key assumptions** used to project the expected repayment of the bonds include: (i) 0.25% earnings rate on the Senior Liquidity Reserve Account; and (ii) $200k of operating expenses in 2021 (inflated at 3%)

Pledged Revenue					Existing Bonds										
Consumption:	IHS		0.25%		Series 2005 Principal				2005 B & C Principal						
Payment Year	Pledged TSRs	Operating Expense	SLRA Earnings	Net Revenue Available for Debt Service	2005A-1 2023 Term	2005A-2 2027 Term	2005A-1 2038 Term	2005A-1 2045 Term	2005B	2005C	Interest	Reserve Release (Deposit)	Net P&I	Total Due	Balance/ Residual
2021	15,040	($200)	$39	$14,880	$3,980	–	--	--	--	--	$10,898	--	$14,878	$14,878	--
2022	14,778	(206)	39	14,611	3,900	–	--	--	--	--	10,710	--	14,610	14,610	--
2023	14,001	(212)	39	13,829	8,335	–	--	--	--	--	10,420	4,924	13,831	13,831	--
2024	13,115	(219)	27	12,923	--	2,775	--	--	--	--	10,147	--	12,922	12,922	--
2025	13,042	(225)	27	12,844	--	2,850	--	--	--	--	9,995	--	12,845	12,845	--
2026	13,668	(232)	27	13,464	--	3,640	--	--	--	--	9,820	--	13,460	13,460	--
2027	13,653	(239)	27	13,441	--	4,970	--	--	--	--	9,587	1,112	13,445	13,445	--
2028	13,661	(246)	24	13,439	--	–	4,095	--	--	--	9,343	--	13,438	13,438	--
2029	13,688	(253)	24	13,459	--	–	4,340	--	--	--	9,116	--	13,456	13,456	--
2030	13,716	(261)	24	13,479	--	–	4,605	--	--	--	8,876	--	13,481	13,481	--
2031	14,127	(269)	24	13,883	--	–	5,270	--	--	--	8,611	--	13,881	13,881	--
2032	14,155	(277)	24	13,903	--	–	5,585	--	--	--	8,319	--	13,904	13,904	--
2033	14,184	(285)	24	13,923	--	–	5,915	--	--	--	8,010	--	13,925	13,925	--
2034	14,214	(294)	24	13,945	--	–	6,260	--	--	--	7,683	--	13,943	13,943	--
2035	14,236	(303)	24	13,958	--	–	6,620	--	--	--	7,337	--	13,957	13,957	--
2036	14,256	(312)	24	13,969	--	–	7,000	--	--	--	6,970	--	13,970	13,970	--
2037	14,277	(321)	24	13,980	--	–	7,395	--	--	--	6,584	--	13,979	13,979	--
2038	14,294	(331)	12	13,976	--	–	20,500	--	--	--	3,194	9,715	13,980	13,980	--
2039	14,311	(340)	–	13,970	--	–	865	7,745	--	--	5,360	--	13,970	13,970	--
2040	15,125	(351)	–	14,774	--	–	995	8,905	--	--	4,874	--	14,774	14,774	--
2041	15,406	(361)	–	15,045	--	–	1,080	9,640	--	--	4,325	--	15,045	15,045	--
2042	15,411	(372)	–	15,039	--	–	1,140	10,170	--	--	3,729	--	15,039	15,039	--
2043	15,429	(383)	–	15,045	--	–	1,205	10,740	--	--	3,100	--	15,045	15,045	--
2044	15,443	(395)	–	15,049	--	–	1,270	11,340	--	--	2,439	--	15,049	15,049	--
2045	15,457	(407)	–	15,050	--	–	1,345	11,975	--	--	1,730	--	15,050	15,050	--
2046	15,469	(419)	–	15,050	--	–	1,420	12,635	--	--	995	--	15,050	15,050	--
2047	15,502	(431)	–	15,070	--	–	385	3,420	--	--	11,265	--	15,070	15,070	--
2048	15,513	(444)	–	15,069	--	–	--	--	4,685	--	10,384	--	15,069	15,069	--
2049	15,526	(458)	–	15,068	--	–	--	--	8,405	--	6,663	--	15,068	15,068	--
2050	15,540	(471)	–	15,068	--	–	--	--	8,910	--	6,158	--	15,068	15,068	--
2051	15,874	(485)	–	15,388	--	–	--	--	9,760	--	5,628	--	15,388	15,388	--
2052	15,889	(500)	–	15,389	--	–	--	--	10,350	--	5,039	--	15,389	15,389	--
2053	15,905	(515)	–	15,390	--	–	--	--	10,965	--	4,425	--	15,390	15,390	--
2054	15,923	(530)	–	15,392	--	–	--	--	11,630	--	3,762	--	15,392	15,392	--
2055	15,941	(546)	–	15,395	--	–	--	--	12,325	--	3,070	--	15,395	15,395	--
2056	15,961	(563)	–	15,398	--	–	--	--	13,065	--	2,333	--	15,398	15,398	--
2057	15,999	(580)	–	15,419	--	–	--	--	13,870	--	1,549	--	15,419	15,419	--
2058	16,022	(597)	–	15,425	--	–	--	--	12,010	--	3,415	--	15,425	15,425	--
2059	16,046	(615)	–	15,431	--	–	--	--	--	--	15,431	--	15,431	15,431	--
2060	16,071	(633)	–	15,438	--	–	--	--	--	--	15,438	--	15,438	15,438	--
2061	16,458	(652)	–	15,805	--	–	--	--	--	--	15,805	--	15,805	15,805	--
2062	16,487	(672)	–	15,815	--	–	--	--	--	--	15,815	--	15,815	15,815	--
2063	16,519	(692)	–	15,827	--	–	--	--	--	--	15,827	--	15,827	15,827	--
2064	16,553	(713)	–	15,840	--	–	--	--	--	--	15,840	--	15,840	15,840	--
2065	16,589	(734)	–	15,855	--	–	--	--	--	--	15,855	--	15,855	15,855	--
2066	16,628	(756)	–	15,872	--	–	--	--	--	--	15,872	--	15,872	15,872	--
2067	16,474	(779)	–	15,695	--	–	--	--	--	--	15,695	--	15,695	15,695	--
2068	16,519	(802)	–	15,717	--	–	--	--	--	--	15,717	--	15,717	15,717	--
2069	16,566	(826)	–	15,740	--	–	--	--	--	--	15,740	--	15,740	15,740	--
2070	16,616	(851)	–	15,765	--	–	--	--	--	--	15,765	--	15,765	15,765	--
2071	16,669	(877)	–	15,793	--	–	--	--	--	--	15,793	--	15,793	15,793	--
2072	16,725	(903)	–	15,822	--	–	--	--	--	--	15,822	--	15,822	15,822	--
2073	16,784	(930)	–	15,854	--	–	--	--	--	--	15,854	--	15,854	15,854	--
2074	16,846	(958)	–	15,888	--	–	--	--	--	--	15,888	--	15,888	15,888	--
2075	16,912	(987)	–	15,925	--	–	--	--	--	--	15,925	--	15,925	15,925	--
2076	16,980	(1,016)	–	15,964	--	–	--	--	--	--	15,964	--	15,964	15,964	--
2077	17,073	(1,047)	–	16,027	--	–	--	--	--	--	16,027	--	16,027	16,027	--
2078	17,149	(1,078)	–	16,071	--	–	--	--	--	--	16,071	--	16,071	16,071	--
2079	17,229	(1,111)	–	16,118	--	–	--	--	--	--	16,118	--	16,118	16,118	--
2080	17,312	(1,144)	–	16,168	--	–	--	--	--	--	16,168	--	16,168	16,168	--
Totals	$930,961	($32,611)	$481	$898,832	$16,215	$14,235	$87,290	$86,570	$115,975	--	$594,297	$15,750	$898,832	$898,832	--
				Turbo Average Life:	1.769	5.259	14.813	22.497	33.167	The 2005C CABs never repay.					

SACRAMENTO COUNTY

Expected Repayment of the 2021 Bonds

Pledged Revenue						Post Refunding Structure								
Consumption:	IHS		*0.25%*	*0.00%*		Series 2021 Principal								
Payment Year	Pledged TSRs	Operating Expense	LRA Earnings	DSA Earnings	Net Revenue Available for Debt Service	2021A	2021B-1 (2030, BBB+)	2021B-1 (2049, BBB-)	2021B-2 CAB Turbo (2060, NR)	Interest	Reserve Release (Deposit)	Net P&I	Total Due	Balance/ Residual
2021	$15,040	($200)	$22	$0	$14,862	$4,525	$4,675	--	--	$5,658	--	$14,858	$14,858	--
2022	14,778	(206)	26	--	14,598	3,825	1,525	2,790	--	6,462	--	14,602	14,602	--
2023	14,001	(212)	26	--	13,815	3,660	--	4,040	--	6,113	--	13,813	13,813	--
2024	13,115	(219)	26	--	12,922	3,760	--	3,425	--	5,740	--	12,925	12,925	--
2025	13,042	(225)	26	--	12,843	3,735	--	3,730	--	5,374	--	12,839	12,839	--
2026	13,668	(232)	26	--	13,463	3,855	--	4,635	--	4,975	--	13,465	13,465	--
2027	13,653	(239)	26	--	13,440	4,050	--	4,850	--	4,541	--	13,441	13,441	--
2028	13,661	(246)	24	--	13,439	4,220	--	3,330	3,186	4,129	1,425	13,440	13,440	--
2029	13,688	(253)	23	--	13,457	4,310	--	--	5,314	3,833	--	13,457	13,457	--
2030	13,716	(261)	23	--	13,477	4,370	--	--	5,490	3,616	--	13,476	13,476	--
2031	14,127	(269)	23	--	13,881	4,440	--	--	6,046	3,396	--	13,881	13,881	--
2032	14,155	(277)	23	--	13,901	4,430	--	--	6,298	3,174	--	13,902	13,902	--
2033	14,184	(285)	23	--	13,922	4,520	--	--	6,451	2,950	--	13,921	13,921	--
2034	14,214	(294)	23	--	13,943	4,235	--	--	6,956	2,752	--	13,944	13,944	--
2035	14,236	(303)	23	--	13,956	4,420	--	--	6,957	2,579	--	13,957	13,957	--
2036	14,256	(312)	23	--	13,967	4,615	--	--	6,953	2,399	--	13,966	13,966	--
2037	14,277	(321)	23	--	13,978	4,820	--	--	6,949	2,210	--	13,979	13,979	--
2038	14,294	(331)	23	--	13,986	5,010	--	--	6,963	2,013	--	13,986	13,986	--
2039	14,311	(340)	23	--	13,993	5,105	--	--	7,078	1,811	--	13,994	13,994	--
2040	15,125	(351)	23	--	14,796	5,215	--	--	7,977	1,605	--	14,796	14,796	--
2041	15,406	(361)	23	--	15,068	4,345	--	--	9,308	1,413	--	15,066	15,066	--
2042	15,411	(372)	23	--	15,062	4,305	--	--	9,516	1,240	--	15,061	15,061	--
2043	15,429	(383)	23	--	15,068	4,265	--	--	9,735	1,069	--	15,069	15,069	--
2044	15,443	(395)	23	--	15,071	4,220	--	--	9,950	899	--	15,070	15,070	--
2045	15,457	(407)	23	--	15,073	4,175	--	--	10,167	731	--	15,074	15,074	--
2046	15,469	(419)	23	--	15,073	4,125	--	--	10,383	565	--	15,073	15,073	--
2047	15,502	(431)	11	--	15,082	12,070	--	--	11,781	241	9,011	15,081	15,081	--
2048	15,513	(444)	--	--	15,069	--	--	--	15,069	--	--	15,069	15,069	--
2049	15,526	(458)	--	--	15,068	--	--	--	15,069	--	--	15,069	15,069	--
2050	15,540	(471)	--	--	15,068	--	--	--	3,377	--	--	3,377	3,377	11,691
2051	15,874	--	--	--	15,874	--	--	--	--	--	--	--	--	15,874
2052	15,889	--	--	--	15,889	--	--	--	--	--	--	--	--	15,889
2053	15,905	--	--	--	15,905	--	--	--	--	--	--	--	--	15,905
2054	15,923	--	--	--	15,923	--	--	--	--	--	--	--	--	15,923
2055	15,941	--	--	--	15,941	--	--	--	--	--	--	--	--	15,941
2056	15,961	--	--	--	15,961	--	--	--	--	--	--	--	--	15,961
2057	15,999	--	--	--	15,999	--	--	--	--	--	--	--	--	15,999
2058	16,022	--	--	--	16,022	--	--	--	--	--	--	--	--	16,022
2059	16,046	--	--	--	16,046	--	--	--	--	--	--	--	--	16,046
2060	16,071	--	--	--	16,071	--	--	--	--	--	--	--	--	16,071
2061	16,458	--	--	--	16,458	--	--	--	--	--	--	--	--	16,458
2062	16,487	--	--	--	16,487	--	--	--	--	--	--	--	--	16,487
2063	16,519	--	--	--	16,519	--	--	--	--	--	--	--	--	16,519
2064	16,553	--	--	--	16,553	--	--	--	--	--	--	--	--	16,553
2065	16,589	--	--	--	16,589	--	--	--	--	--	--	--	--	16,589
2066	16,628	--	--	--	16,628	--	--	--	--	--	--	--	--	16,628
2067	16,474	--	--	--	16,474	--	--	--	--	--	--	--	--	16,474
2068	16,519	--	--	--	16,519	--	--	--	--	--	--	--	--	16,519
2069	16,566	--	--	--	16,566	--	--	--	--	--	--	--	--	16,566
2070	16,616	--	--	--	16,616	--	--	--	--	--	--	--	--	16,616
2071	16,669	--	--	--	16,669	--	--	--	--	--	--	--	--	16,669
2072	16,725	--	--	--	16,725	--	--	--	--	--	--	--	--	16,725
2073	16,784	--	--	--	16,784	--	--	--	--	--	--	--	--	16,784
2074	16,846	--	--	--	16,846	--	--	--	--	--	--	--	--	16,846
2075	16,912	--	--	--	16,912	--	--	--	--	--	--	--	--	16,912
2076	16,980	--	--	--	16,980	--	--	--	--	--	--	--	--	16,980
2077	17,073	--	--	--	17,073	--	--	--	--	--	--	--	--	17,073
2078	17,149	--	--	--	17,149	--	--	--	--	--	--	--	--	17,149
2079	17,229	--	--	--	17,229	--	--	--	--	--	--	--	--	17,229
2080	17,312	--	--	--	17,312	--	--	--	--	--	--	--	--	17,312
Totals	**$930,961**	**($9,515)**	**$620**	**--**	**$922,065**	**$124,625**	**$6,200**	**$26,800**	**$186,974**	**$81,487**	**$10,437**	**$415,650**	**$415,650**	**$506,414**
					Turbo Average Life:		0.590	4.510	18.242					

SACRAMENTO COUNTY