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**PURCHASE AND SALE AGREEMENT**

by and between

**TOBACCO SECURITIZATION AUTHORITY,**  
as Purchaser,

and

**THE STATE OF MINNESOTA,**  
as Seller

\_\_\_\_\_  
Dated as of November 1, 2011  
\_\_\_\_\_

This **PURCHASE AND SALE AGREEMENT**, dated as of November 1, 2011, by and between the **TOBACCO SECURITIZATION AUTHORITY**, a body corporate and politic and public instrumentality of the State of Minnesota (the "Authority"), and **THE STATE OF MINNESOTA** (the "State").

WHEREAS, the Authority desires to purchase from the State certain Pledged Settlement Payments (as defined herein);

WHEREAS, the State is willing to sell such Pledged Settlement Payments to the Authority; and

WHEREAS, the Authority is willing to purchase from the State such Pledged Settlement Payments and will finance the purchase by selling the Series 2011 Bonds (as defined herein) pursuant to the Bond Purchase Agreement (as defined herein);

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

ARTICLE I  
Definitions

SECTION 1.01. Definitions. Whenever used in this Sale Agreement, the following words and phrases, unless the context otherwise requires, shall have the following meanings:

"**Act**" means Minnesota Statutes, Section 16A.98, as the same may be amended from time to time.

"**Beneficiaries**" means Bondholders, the owner of the Residual Certificate and to the extent expressly specified in the Indenture, the party or parties to Related Contracts (as that term is defined in the Indenture).

"**Board**" means the members of the Authority pursuant to the Act.

"**Bondholders**" or "**Holder**s" means the registered owners of Outstanding Bonds.

"**Bond Purchase Agreement**" means the Contract of Purchase, by and between the Authority, the State and Barclays Capital Inc., as representative of the Underwriters, in such form as the parties thereto shall agree.

"**Bonds**" means all obligations issued pursuant to Section 3.01 of the Indenture.

"**Closing Date**" means the date of issuance by the Authority of the Series 2011 Bonds.

"**Commissioner**" means the Commissioner of Management and Budget or his designee duly appointed in accordance with the Act.

"**Consent Judgment**" means the Consent Judgment of the Minnesota District Court, Second Judicial District, dated May 8, 1998, as the same has been and may be corrected,

amended or modified, in the action styled The State of Minnesota, By Hubert H. Humphrey, III, Its Attorney General and Blue Cross and Blue Shield of Minnesota v. Philip Morris Incorporated, et al.

**“Costs of Issuance”** means those costs related to the authorization, sale or issuance of Bonds, including but not limited to all fees, costs, expenses and governmental charges for: underwriting and transaction structuring, auditors or accountants, printing, reproducing documents, filing and recording of documents, fiduciaries, legal services, financial advisory and professional consultants’ services, credit ratings, credit and liquidity enhancements, execution, and transportation and safekeeping of Bonds; and also includes costs incurred by the State to the extent the same are to be paid by the Authority in accordance with the Sale Agreement.

**“Federal Bankruptcy Code”** means the Bankruptcy Reform Act of 1978, as amended, codified as Title 11, United States Code, as it has been and will be amended from time to time and any successor federal statute.

**“Financing Costs”** means (i) Costs of Issuance, (ii) the capitalization of initial Operating Expenses of the Authority, (iii) the funding of the Debt Service Reserve Account and any other debt service reserves, (iv) fees and costs for Related Contracts, and (v) any other fees, discounts, expenses and costs of any kind whatsoever related to issuing, securing and marketing the Bonds.

**“Indenture”** means the Indenture, dated as of November 1, 2011, by and between the Authority and the Trustee, as amended, supplemented and in effect from time to time.

**“Independent Auditor”** means PricewaterhouseCoopers LLP or any other firm serving as independent auditor under the Minnesota Agreement.

**“Lien”** means a security interest, lien, charge, pledge, equity or encumbrance of any kind, attaching to the interests of the State in and to the Pledged Settlement Payments.

**“Minnesota Agreement”** means the Settlement Agreement identified in the Consent Judgment.

**“Opinion of Counsel”** means one or more written opinions of counsel who may be an employee of or counsel to the State, which counsel shall be acceptable to the Trustee.

**“Outstanding,”** when used with respect to the Bonds, means all such Bonds authenticated and delivered under the Indenture, but shall exclude Bonds that shall have been paid in full at maturity, or shall have otherwise been refunded, redeemed, defeased or discharged, or that may be deemed no longer outstanding pursuant to the Indenture.

**“Pledged Settlement Payments”** means (i) the “pledged tobacco revenues,” as defined in the Act, which for purposes of this Sale Agreement and the Indenture consist of all “tobacco settlement revenues,” as defined in the Act, paid or payable to the State on and after July 1, 2013 and required to be made, pursuant to the terms of the Minnesota Agreement, by Settling Defendants to the State, and the State’s rights to receive such tobacco settlement revenues, consisting of the annual payments payable to the State under the Minnesota Agreement (and all adjustments thereto), and (ii) the Lump Sum Payments and Partial Lump Sum Payments, if any,

whenever received that are allocable to such annual payments that are payable on or after July 1, 2013.

**“Pledged Settlement Revenues”** means Pledged Settlement Payments.

**“Rating Agency”** means each nationally recognized statistical rating organization that has, at the request of the Authority, a rating in effect for any of the Bonds.

**“Residual Account”** means the Account so designated and established pursuant to Section 4.01 of the Indenture.

**“Residual Certificate”** means an instrument which evidences the right of the holder to be paid any Residual Revenues that have been released from the lien of the Indenture, in the form of Exhibit A hereto.

**“Sale Agreement”** means this Purchase and Sale Agreement, dated as of November 1, 2011, as the same may be amended or supplemented and in effect from time to time.

**“Series Supplement”** means a Supplemental Indenture described in Section 3.01(a) of the Indenture, or a supplement thereto.

**“Series 2011 Bonds”** means, collectively, the Authority’s \$74,685,000 aggregate principal amount Minnesota Tobacco Settlement Revenue Bonds, Taxable Series 2011A and \$682,270,000 aggregate principal amount Minnesota Tobacco Settlement Revenue Bonds, Tax-Exempt Series 2011B, initially dated their date of delivery, including any Bonds issued in exchange or replacement therefor.

**“Settling Defendant”** means a Participating Manufacturer, as defined in the Act.

**“State”** means the State of Minnesota.

**“Tax Code”** means the Internal Revenue Code of 1986, as amended.

**“Tax-Exempt Bonds”** means all Bonds so identified in the Series Supplement relating to such Bonds.

**“Transaction Counsel”** means a nationally recognized bond counsel as may be selected by the Authority for a specific purpose hereunder.

**“Transaction Documents”** means this Sale Agreement, the Indenture and the Bond Purchase Agreement.

**“Trustee”** means U.S. Bank National Association, its successors in interest and any successor trustee under the Indenture.

SECTION 1.02. Other Definitional Provisions. (a) Capitalized terms used herein and not otherwise defined herein have the meanings assigned to them in the Indenture.

(b) All terms defined in this Sale Agreement shall have the defined meanings when used in any certificate or other document made or delivered pursuant hereto unless otherwise defined therein.

(c) As used in this Sale Agreement and in any certificate or other document made or delivered pursuant hereto or thereto, accounting terms not defined in this Sale Agreement or in any such certificate or other document, and accounting terms partly defined in this Sale Agreement 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 Sale Agreement 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 Sale Agreement or in any such certificate or other document shall control.

(d) The words "hereof," "herein," "hereunder" and words of similar import when used in this Sale Agreement shall refer to this Sale Agreement as a whole and not to any particular provision of this Sale Agreement; Article and Section references contained in this Sale Agreement are references to Articles and Sections in or to this Sale Agreement unless otherwise specified; and the term "including" shall mean "including without limitation."

(e) The definitions contained in this Sale Agreement are applicable to the singular as well as the plural forms of such terms and to the masculine as well as to the feminine and neuter genders of such terms.

(f) 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 amended, modified or supplemented and includes (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein; references to a person are also to its permitted successors and assigns.

## ARTICLE II

### Conveyance of Pledged Settlement Payments

SECTION 2.01. Conveyance of Pledged Settlement Payments. (a) The State irrevocably does hereby sell and convey to the Authority, as of the Closing Date, without recourse (subject to certain continuing obligations herein) in accordance with and subject to the terms of this Sale Agreement, all right, title and interest of the State on the Closing Date in and to the Pledged Settlement Payments. As consideration for such sale and conveyance of the Pledged Settlement Payments by the State to the Authority, the Authority does hereby promise to pay and otherwise convey to the State, without recourse, on the Closing Date, the proceeds (net of the Financing Costs) of the Series 2011 Bonds and the Residual Certificate in accordance with and subject to the terms of the Indenture and the Act. As additional consideration for such sale and conveyance, the Authority does further promise to pay and otherwise convey to the State, without recourse, on the closing date of any Bonds issued under Section 3.01(a)(2) of the Indenture, the proceeds (net of Financing Costs) of such Bonds in accordance with and subject to the terms of the Indenture and the Act.

(b) In accordance with the Act, upon execution and delivery of this Sale Agreement, the sale and conveyance and other transfer of the right to receive the Pledged Settlement Payments shall for all purposes be a true sale and absolute conveyance of all right, title, and interest therein and not as a pledge or other security interest for any borrowing, valid, binding and enforceable in accordance with the terms of this Sale Agreement and the Indenture shall not be subject to disavowal, disaffirmance, cancellation, or avoidance by reason of insolvency of any party, lack of consideration, or any other fact, occurrence or rule of law.

(c) The right of the Authority to receive the Pledged Settlement Payments, on and after the Closing Date, is valid and enforceable, and during the period that Pledged Settlement Payments are payable to the Authority and pledged under the Indenture, the right of the Authority to receive the Pledged Settlement Payments is superior and prior to, the right and claim of the owner of the Residual Certificate to receive the Residual Revenues. Notwithstanding anything to the contrary in the Indenture or the Residual Certificate, the Trustee shall not make any deposits to the Residual Account unless and until the deposits required to be made by Section 4.03(c)(i) through (vi) of the Indenture have been paid in full.

(d) From and after the Closing Date all Pledged Settlement Payments required by the Minnesota Agreement to be made to the State shall be made to the Trustee in accordance with the provisions of the Indenture. In the event the State shall receive any payments or other funds constituting Pledged Settlement Payments after the Closing Date the State will promptly disburse the same to the Authority or the Trustee, as directed. The State, acting through the Commissioner, agrees to execute and deliver to PricewaterhouseCoopers, irrevocable written instructions designating the Pledged Revenues Account as the account to which Pledged Settlement Payments should be deposited in accordance with paragraph II.E. of the Minnesota Agreement. Nothing herein is intended to limit the rights of the State to enforce the provisions of this Sale Agreement requiring the delivery of the Residual Certificate to the Commissioner for deposit in the General Fund.

SECTION 2.02. Benefits Provided. The State shall cooperate with the Authority to the full extent permitted by law, including the Act and the Minnesota Agreement, to assure receipt by the Authority of all of the Pledged Settlement Payments when and as due in accordance with the true intent and meaning of this Sale Agreement.

SECTION 2.03. Third Party Beneficiaries. The provisions of this Sale Agreement are solely for the benefit of the State, the Authority, the owner of the Residual Certificate and other Beneficiaries and the Indenture is not intended for the benefit of and shall not be construed to create rights in any other parties. Nothing in this Sale Agreement, whether express or implied, shall be construed to give any entity any legal or equitable right, remedy or claim under or in respect of this Sale Agreement or any representations, covenants, conditions or provisions contained herein.

### ARTICLE III The State

SECTION 3.01. Representations of the State. The State, as seller, makes the following representations on which the Authority is deemed to have relied in acquiring the

Pledged Settlement Payments. The representations speak as of the Closing Date, and shall survive the sale of the Pledged Settlement Payments to the Authority and the pledge thereof to the Trustee pursuant to the Indenture.

(a) Power and Authority. The Commissioner is duly authorized by the Act to assign and sell, the Pledged Settlement Payments on behalf of the State to the Authority. The State has full power and authority to execute and deliver this Sale Agreement and to carry out its terms; and the State has duly authorized such sale and assignment to the Authority by all necessary action; and the execution, delivery and performance of this Sale Agreement has been duly authorized by the State by all necessary action.

(b) Binding Obligation. This Sale Agreement has been duly executed and delivered by the State and, assuming the due authorization, execution and delivery of this Sale Agreement by the Authority, constitutes a legal, valid and binding obligation of the State enforceable in accordance with its terms.

(c) No Consents. No consent, approval, authorization, order, registration or qualification of or with any court or governmental agency or body is required for the consummation of the transactions contemplated by this Sale Agreement, except for those which have been obtained and are in full force and effect.

(d) No Violation. The sale of the Pledged Settlement Payments and the consummation of the transactions contemplated by the Act and the Transaction Documents and the fulfillment of the terms hereof and thereof do not, to the State's knowledge, in any material way conflict with, result in any material breach by the State of any of the material terms and provisions of, nor constitute (with or without notice or lapse of time) a material default by the State under any indenture, agreement or other instrument to which the State is a party (including the Minnesota Agreement) or by which it shall be bound; nor violate any law or, to the State's knowledge, any order, rule or regulation applicable to the State of any court or of any federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the State.

(e) No Proceedings. To the State's knowledge, except as disclosed in the official statement for the Series 2011 Bonds or in a schedule delivered to the Authority, there are no proceedings or investigations pending against the State, before any court, regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the State: (i) asserting the invalidity of any of the Transaction Documents or the Bonds, (ii) seeking to prevent the issuance of the Bonds or the consummation of any of the transactions contemplated by any of the Transaction Documents, or (iii) seeking any determination or ruling that would affect the validity or enforceability of any of the Transaction Documents, the Act, the Consent Judgment, the Minnesota Agreement or the Bonds.

(f) Title to Pledged Settlement Payments. The State is the sole owner of the Pledged Settlement Payments. On and after the Closing Date (i) the State shall have no right, title or interest in or to the Pledged Settlement Payments and (ii) the Pledged Settlement Payments shall be the property of the Authority, and not of the State, and shall be owned, received, held and disbursed by the Authority, without appropriation, and not the State. Pursuant to this Sale

Agreement, the Pledged Settlement Payments shall be paid directly to the Trustee and the Trustee shall deposit the Pledged Settlement Payments in the Pledged Revenues Account and shall promptly, and in no event later than five Business Days after receipt thereof, the Trustee shall transfer the Pledged Settlement Payments in accordance with an Officer's Certificate delivered pursuant to the Indenture.

(g) Absence of Liens on Pledged Settlement Payments. The State has not sold, transferred, assigned, set over or otherwise conveyed any right, title or interest of any kind whatsoever in all or any portion of the Pledged Settlement Payments, nor has the State created, or to its knowledge permitted the creation of, any Lien thereon. The State warrants that the Pledged Settlement Payments are free and clear of Liens.

(h) Assignment to Trustee. The State acknowledges that the Authority will assign to the Trustee for the benefit of the Bondholders all of its rights and remedies with respect to the breach of any representations and warranties of the State under this Sale Agreement. Upon discovery by the State, or the Authority of a breach of any of the foregoing representations, warranties or covenants that materially and adversely affects the value of the Pledged Settlement Payments or the sale thereof to the Authority under this Sale Agreement, the party discovering such breach shall give prompt written notice to the other party and to the Trustee.

The State shall not be liable to the Trustee or the Bondholders for any loss, cost or expense resulting solely from the failure of the Trustee to promptly notify the State upon the discovery by a Responsible Officer of the Trustee of a breach of any representation, warranty or covenant contained herein.

SECTION 3.02. Limitation on Liability. (a) The State and any officer or employee or agent of the State may rely in good faith on the advice of counsel or on any document of any kind, prima facie properly executed and submitted by any person respecting any matters arising hereunder. The State shall not be under any obligation to appear in, prosecute or defend any legal action that shall not be related to its obligations under this Sale Agreement, and that in its opinion may involve it in any expense or liability.

(b) None of the State, the Authority, or any officer, member, employee, or agent of the Authority, while acting within the scope of their authority, shall be subject to any personal liability resulting from exercising or carrying out of any of the Authority's purposes or powers or any of their respective rights or obligations under the Transaction Documents.

#### ARTICLE IV Covenants of the State

SECTION 4.01. Protection of Title; Non-Impairment Covenant. (a) Pursuant to Subdivision 7 of the Act, the State pledges and agrees with the Authority, and the Authority is authorized to include such pledge and agreement in the Indenture for the benefit of the owners of the Bonds, that the State shall (i) irrevocably direct the Commissioner to transfer all Pledged Settlement Payments directly to the Trustee as the assignee of the Authority, (ii) diligently enforce its right to collect all moneys due from the Settling Defendants under the Minnesota Agreement, in each case in the manner and to the extent deemed necessary in the judgment of,

and consistent with the discretion of, the Attorney General, provided, however, (A) that the remedies available to the Authority and the Bondholders for any breach of the pledges and agreements of the State set forth in this clause (ii) shall be limited to injunctive relief, and (B) that the State shall be deemed to have diligently enforced this covenant so long as there has been no judicial determination by a court of competent jurisdiction in the State, that the State has failed to diligently enforce this covenant; (iii) in any materially adverse way, neither amend the Minnesota Agreement or take any other action that would (A) impair the Authority's right to receive Pledged Settlement Payments, or (B) limit or alter the rights vested in the Authority to fulfill the terms of its agreements with the Bondholders, or (C) impair the rights and remedies of the Bondholders or the security for the Bonds until the Bonds, together with the interest thereon and all costs and expenses in connection with any action or proceedings by or on behalf of the Bondholders, are fully paid and discharged (provided, that nothing in the Act, the Sale Agreement or the Indenture shall be construed to preclude the State's regulation of smoking, smoking cessation activities and laws, and taxation and regulation of the sale of cigarettes or the like or to restrict the right of the State to amend, modify, repeal or otherwise alter statutes imposing or relating to the taxes), and (iv) not amend, supersede or repeal the Minnesota Agreement or the Act, in any way that would materially adversely affect the amount of any payment to, or the rights to such payments of, the Authority or the Bondholders. Notwithstanding these pledges and agreements by the State, nothing in the Sale Agreement, in the Indenture, in the Bonds or in the Act shall be construed or interpreted to limit or impair the authority or discretion of the Attorney General to administer and enforce provisions of the Minnesota Agreement or to direct, control and settle any litigation or arbitration proceeding arising from or relating to the Minnesota Agreement.

(b) Upon request of the Authority or the Trustee, the State will execute and deliver such further instruments and do such further acts as the parties reasonably agree are reasonably necessary or proper to carry out more effectively the purposes of this Sale Agreement.

SECTION 4.02. State Tax Covenant. The State shall at all times do and perform all acts and things permitted by law and necessary or desirable to assure that interest paid by the Authority on Tax-Exempt Bonds shall be excludable from gross income for federal income tax purposes pursuant to Section 103(a) of the Code; and no funds of the State shall at any time be used directly or indirectly to acquire securities, obligations or investment property the acquisition or holding of which would cause any Tax-Exempt Bond to be an arbitrage bond as defined in the Code and any applicable regulations issued thereunder and in furtherance of such covenant shall execute and comply with the tax certificate provided by Transaction Counsel.

SECTION 4.03. Covenant to Pay Pledged Settlement Payments. Simultaneously with the delivery of the Bonds and the purchase of the Pledged Settlement Payments, the State, acting through the Commissioner, shall irrevocably cause the Pledged Settlement Payments to be paid directly to the Trustee on behalf of the Authority. The State, acting through the Commissioner, agrees to execute and deliver to PricewaterhouseCoopers, irrevocable written instructions designating the Pledged Revenues Account as the account to which Pledged Settlement Payments should be deposited in accordance with paragraph II.E. of the Minnesota Agreement.

ARTICLE V  
Covenants of the Authority

SECTION 5.01. Further Actions. Upon request of the State or the Trustee, the Authority will execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purposes of this Sale Agreement. The Authority shall, as soon as practicable, pay to the State any amounts due to the State that are received by the Authority in error.

SECTION 5.02. Residual Revenues. As part of the consideration for the sale to the Authority by the State of the Pledged Settlement Payments, the Authority agrees to issue the Residual Certificate in the form annexed hereto. In accordance with the provisions of the Indenture, upon payment in full of the deposits required by Section 4.03(c)(i)-(vi) thereof, the remaining balance of the Pledged Revenues shall be deposited as Residual Revenues in the Residual Account. In accordance with Section 4.03(f) of the Indenture, Residual Revenues on deposit in the Residual Account will be transferred promptly (but in no event later than five Business Days after such deposit to the Residual Account) to the owner of the Residual Certificate.

SECTION 5.03. Bonds Not Debt of State. PURSUANT TO THE ACT, THE STATE IS NOT LIABLE ON BONDS OF THE AUTHORITY AND NO BOND OR ANY RELATED CONTRACT OF THE AUTHORITY SHALL CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE STATE OR ANY SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY LIMITATION OR PROVISION OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS, IF ANY, OF ANY OF THEM BUT SHALL BE PAYABLE SOLELY FROM THE COLLATERAL. NO OWNER OF ANY BOND OR PROVIDER OF ANY RELATED CONTRACT SHALL HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE STATE TO PAY ANY PRINCIPAL INSTALLMENT OF, REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE BONDS OR TO MAKE ANY PAYMENT DUE UNDER ANY RELATED CONTRACT.

SECTION 5.04. Restriction on Bankruptcy. In accordance with the Act, the Authority shall have no authority to file a voluntary petition, under or become a debtor or bankrupt under, the Federal Bankruptcy Code or any other federal or State bankruptcy, insolvency, or moratorium law or statute as may, from time to time be in effect and neither any public officer nor any organization, entity, or other person shall authorize the Authority to become a debtor or bankrupt under the Federal Bankruptcy Code or any other federal or State bankruptcy, insolvency or moratorium law or statute, as may, from time to time be in effect. The State acknowledges that Section 4.01(a)(iii)(C) hereof applies to this provision.

SECTION 5.05. Notice of Bond Issuances. In accordance with the Act, the Authority shall notify the Commissioner promptly upon the issuance, sale and delivery of Bonds, including the Series 2011 Bonds, that are secured by any of the tobacco settlement revenues, as such term is defined by the Act, and shall provide the Commissioner with all information on the distribution of the proceeds of such Bonds.

ARTICLE VI  
Miscellaneous

SECTION 6.01. Amendment. Except as otherwise provided in Section 4.01(b), after issuance of the Series 2011 Bonds, this Sale Agreement may be amended by the State and the Authority with the consent of the Trustee, but without the consent of any of the Bondholders: (a) to cure any ambiguity; (b) to correct or supplement any provisions in this Sale Agreement; (c) to correct or amplify the description of the Pledged Settlement Payments; (d) to add additional covenants for the benefit of the Authority; or (e) for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions in this Sale Agreement that shall not adversely affect in any material respect the Bonds.

Except as otherwise provided in the preceding paragraph, this Sale Agreement may also be amended from time to time by the State and the Authority with the consent of a Majority in Interest of the Bonds for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this Sale Agreement or of modifying in any manner the rights of the Bondholders; but no such amendment shall reduce the aforesaid portion of the outstanding amount of the Bonds, the Holders of which are required to consent to any such amendment, without the consent of the Holders of all the Outstanding Bonds.

It shall not be necessary for the consent of Bondholders pursuant to this Section to approve the particular form of any proposed amendment or consent, but it shall be sufficient if such consent shall approve the substance thereof.

Prior to the execution of any amendment to this Sale Agreement, the holder of the Residual Certificate and the Trustee shall be entitled to receive and conclusively rely upon an Opinion of Counsel stating that the execution of such amendment is authorized or permitted by this Sale Agreement. Without the prior written consent of the holder of the Residual Certificate and the Trustee, which consent may be granted or withheld in such Person's sole discretion, no amendment, supplement or other modification of this Sale Agreement shall be entered into or be effective if such amendment, supplement or modification affects the holder of the Residual Certificate or the Trustee's, as applicable, own rights, duties or immunities under this Sale Agreement or otherwise.

SECTION 6.02. Use of the Purchase Price. In accordance with the Act, the purchase price of the Pledged Settlement Payments payable to the State pursuant to this Sale Agreement corresponding directly or indirectly to the proceeds of the Series 2011 Bonds (net of Financing Costs) shall be deposited, on the Closing Date, into the Tobacco Settlement Recovery Account and shall be transferred by the Authority to the Commissioner for deposit in the Tobacco Settlement Bond Proceeds Fund.

SECTION 6.03. Notices. All demands, notices and communications upon or to the State, the Authority, or the Trustee under this Sale Agreement shall be in writing, personally delivered or mailed by certified mail, return receipt requested, and shall be deemed to have been duly given upon receipt:

- (a) in the case of the State: State of Minnesota  
Department of Management and Budget  
400 Centennial Office Building  
658 Cedar Street  
St. Paul, Minnesota 55155  
Attention: Commissioner
- (b) in the case of the Authority: Tobacco Securitization Authority  
c/o Department of Management and Budget  
400 Centennial Office Building  
658 Cedar Street  
St. Paul, Minnesota 55155  
Attention: Chair
- (c) in the case of the Trustee: U.S. Bank National Association  
Mailstation: EP-MN-WS3C  
60 Livingston Avenue  
St. Paul, Minnesota 55107  
Attention: Corporate Trust Services

As to each of the foregoing, at such other address as shall be designated by written notice to the other parties.

SECTION 6.04. Limitations on Rights of Others. The provisions of this Sale Agreement are solely for the benefit of the State, the Authority, the owner of the Residual Certificate, the Trustee, the Bondholders and all other Beneficiaries, and nothing in this Sale Agreement, whether express or implied, shall be construed to give to any other person any legal or equitable right, remedy or claim under or in respect of this Sale Agreement or any covenants, conditions or provisions contained herein.

SECTION 6.05. Severability. Any provision of this Sale Agreement that is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof.

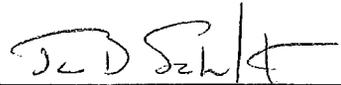
SECTION 6.06. Separate Counterparts. This Sale Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

SECTION 6.07. Headings. The headings of the various Articles and Sections herein are for convenience of reference only and shall not define or limit any of the terms or provisions hereof.

SECTION 6.08. Governing Law. This Sale Agreement shall be construed in accordance with the laws of the State of Minnesota, 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.

IN WITNESS WHEREOF, the parties hereto have caused this Sale Agreement to be duly executed by their respective officers as of the day and year first above written.

**TOBACCO SECURITIZATION  
AUTHORITY, Purchaser**

By:   
Name: James D. Schowalter  
Title: Chair

**STATE OF MINNESOTA, Seller**

By:   
Name: James D. Schowalter  
Title: Commissioner of Management and Budget

**EXHIBIT A**

**FORM OF RESIDUAL CERTIFICATE**

**TOBACCO SECURITIZATION AUTHORITY**

**RESIDUAL CERTIFICATE**

REGISTERED OWNER: THE STATE OF MINNESOTA

The TOBACCO SECURITIZATION AUTHORITY (the "Authority"), a body corporate and politic and a public instrumentality of the State of Minnesota (the "State"), for value received, promises to pay to the registered owner of this Residual Certificate, on each payment date determined pursuant to the Indenture, dated as of November 1, 2011 (as it may be amended and supplemented, the "Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), the Residual Revenues then payable to the owner of the Residual Certificate pursuant to the Indenture and the Act, by wire transfer, at the discretion of the Authority, or by check mailed to the address of the registered owner hereof as shown on the registration books of the Authority as maintained by the Trustee, as of close of business on the Business Day immediately preceding the applicable payment date. Capitalized terms used but not defined in this Residual Certificate shall have the meanings given to them in the Indenture.

Notwithstanding anything to the contrary in the Indenture or this Residual Certificate, the Trustee shall not make any transfers to the Residual Account unless and until the deposits required by Section 4.03(c)(i)-(vi) have been made in full.

Reference is made to the Indenture for a description of the funds pledged and for the provisions with respect to the incurring of indebtedness and to the rights, limitations of rights, duties, obligations and immunities of the Authority, the Trustee, the Bondholders and the registered owner of this Residual Certificate.

This Residual Certificate is issuable only in fully registered form and may not be converted into bearer form. The Authority and the Trustee may treat the registered owner hereof as the absolute owner of this Residual Certificate for all purposes, notwithstanding any notice to the contrary.

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

IN WITNESS WHEREOF, the TOBACCO SECURITIZATION AUTHORITY has caused this Residual Certificate to be executed in its name by its Chair as of the \_\_\_ day of November, 2011.

TOBACCO SECURITIZATION AUTHORITY

By: \_\_\_\_\_  
Name: James D. Schowalter  
Title: Chair

**CERTIFICATE OF AUTHENTICATION**

This Residual Certificate is the Residual Certificate described in and issued in accordance with the within mentioned Indenture.

U.S. BANK NATIONAL ASSOCIATION, as  
Trustee

By: \_\_\_\_\_  
Authorized Officer

Date of Authentication: November \_\_, 2011

**\$756,955,000 Tobacco Securitization Authority  
Minnesota Tobacco Settlement Revenue Bonds, Series 2011 A and B Bonds  
Closing Statement  
November 28, 2011**

At approximately 9:00 AM (ET) on Tuesday, November 29<sup>th</sup>, the Underwriter will deliver funds to the Tobacco Securitization Authority ("TSA") Paying Agent by two federal funds wire transfer, which, in aggregate, will total the purchase price of \$780,212,370.27, as detailed below:

	<u>Series 2011A</u>	<u>Series 2011B</u>	<u>Total</u>
Par Amount of Bonds	\$74,685,000.00	\$682,270,000.00	\$756,955,000.00
Plus: Net Original Issue Premium	-	27,199,677.55	27,199,677.55
Less: Underwriters' Discount	<u>332,087.56</u>	<u>3,610,219.72</u>	<u>3,942,307.28</u>
<b>Purchase Price</b>	<b>\$74,352,912.44</b>	<b>\$705,859,457.83</b>	<b>\$780,212,370.27</b>

According to the Indenture of the Series 2011 A and B, the TSA Paying Agent will apply \$140,212,370.27 of the proceeds for the Debt Service Reserve Account; the Capitalized Interest Account; the Capitalized Operating Expenses and the Cost of Issuance.

Upon receipt of the wire from the Underwriter, the TSA Paying Agent will transfer \$640,000,000 of the net proceeds to the State of Minnesota.

- The State will transfer \$632,359,697.85 along with other funds on hand to the State's General Obligation Bond Paying Agent to prepay certain debt obligations of the State of Minnesota.
- The State will transfer \$7,637,665.11 to the Certificates of Participation (COPs) Paying Agent to prepay a portion of the June 1, 2012 maturity of the State of Minnesota's 2009 COPs.
- An amount in the sum of \$2,637.04 will be retained in the State's General Account.