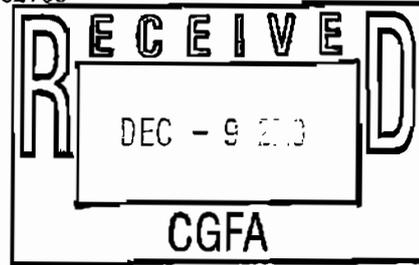




STATE OF ILLINOIS
EXECUTIVE OFFICE OF THE GOVERNOR
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SPRINGFIELD 62706

PAT QUINN
GOVERNOR



December 8, 2010

To Whom It May Concern:

As required by the Emergency Budget Act of Fiscal Year 2011 (Public Act 096-0958, section: 3-3), please find a copy of the Purchase and Sale Agreement evidencing the sale of the Tobacco Master Settlement Agreement cash flows from the State to the Railsplitter Tobacco Settlement Authority.

If you have any questions please contact either me, Kacy Bassett (312-814-0025) or James Prichard (217-782-9643).

Sincerely,

A handwritten signature in black ink, appearing to read "J. Sinsheimer".

John Sinsheimer
Director of Capital Markets
State of Illinois
312-814-7279
John.Sinsheimer@Illinois.gov

I, KACY BASSETT, the SECRETARY of the RAILSPLITTER TOBACCO SETTLEMENT AUTHORITY (the "Authority"), DO HEREBY CERTIFY, that the Purchase and Sale Agreement, dated as of December 1, 2010 (the "Sale Agreement"), by and between Railsplitter Tobacco Settlement Authority and the State of Illinois attached hereto as Exhibit A is a true and correct copy of the Sale Agreement. Said Sale Agreement has not been repealed, revoked, rescinded or amended, and are in full force and effect on the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand this 8th day of December, 2010.

RAILSPLITTER TOBACCO SETTLEMENT
AUTHORITY

By: 
Name: Kacy Bassett
Title: Secretary

PURCHASE AND SALE AGREEMENT

between

RAILSPLITTER TOBACCO SETTLEMENT AUTHORITY,
as Purchaser,

and

THE STATE OF ILLINOIS, as Seller

Dated as of December 1, 2010

This **PURCHASE AND SALE AGREEMENT**, dated as of December 1, 2010, between **RAILSPLITTER TOBACCO SETTLEMENT AUTHORITY**, a special purpose corporation and body corporate and politic of the State of Illinois (the "Authority"), and **THE STATE OF ILLINOIS** (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 2010 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 the State's Railsplitter Tobacco Settlement Authority Act, codified as *30 ILCS §171/3-1 et seq.*, 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 **"Holders"** means the registered owners of Outstanding Bonds.

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

"Bonds" means the Series 2010 Bonds and any refunding bonds issued under the Indenture.

"Closing Date" means the date of issuance by the Authority of the Series 2010 Bonds.

"Complementary Legislation" means *30 ILCS §167/1 et seq.*

“Consent Decree” means the Consent Decree and Final Judgment of the Circuit Court of Cook County, Illinois, dated December 8, 1998, as the same has been and may be corrected, amended or modified, in the action entitled People of the State of Illinois 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 December 1, 2010, 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 MSA.

“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.

“Lump Sum Payment” means a lump sum payment received by the Trustee as a payment from a PM which results in, or is due to, a release of that PM from all of its obligations due on or after the Closing Date under the MSA.

“Master Settlement Agreement” or **“MSA”** means the Master Settlement Agreement identified in the Consent Decree, including the related Escrow Agreement.

“MSA Escrow Agent” means Citibank, N.A. or any other firm serving as escrow agent under the MSA.

“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.

“Partial Lump Sum Payment” means a lump sum payment received by the Trustee as a payment from a PM which results in, or is due to, a release of that PM from a portion of its obligations due on or after the Closing Date under the MSA.

“Pledged Settlement Payments” means the “pledged tobacco revenues,” as defined in the Act, which for purposes of this Sale Agreement and the Indenture consist of the Tobacco Assets less the State’s Unsold Assets.

“PM” means a Participating Manufacturer, as defined in the MSA.

“Qualifying Statute” means *30 ILCS §168/1 et seq.*

“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 to the Indenture.

“Sale Agreement” means this Purchase and Sale Agreement, dated as of December 1, 2010, as the same may be amended or supplemented and in effect from time to time.

“Series 2010 Bonds” means the Authority’s \$1,503,460,000 Tobacco Settlement Revenue Bonds, Series 2010, initially dated their date of delivery, including any Bonds issued in exchange or replacement therefor.

“State” means the State of Illinois. .

“State’s Unsold Assets” means (i) any payments made with respect to liability to make those payments under the MSA for calendar years completed prior to calendar year 2010, and (ii) those amounts otherwise to be received by the State which were deposited by PMs into the Disputed Payments Account (as defined in the MSA) or withheld by PMs in accordance with Section XI(f)(2) of the MSA prior to the Closing Date.

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

“Tobacco Assets” means all tobacco settlement payments paid or payable to the State on and after the Closing Date and required to be made, pursuant to the terms of the MSA, by PMs to the State, and the State’s rights to receive such tobacco settlement payments, consisting of (i) the annual payments and strategic contribution fund payments (as such terms are defined in the MSA) payable to the State under the MSA (and all adjustments thereto) and (ii) any Partial Lump Sum Payments and Lump Sum Payments.

“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 the Bank of New York Mellon Trust Company, N.A., 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 2010 Bonds and the Residual Certificate 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 4.04(a)(1) through (6) of the Indenture have been paid in full.

(d) From and after the Closing Date all Tobacco Assets required by the MSA 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 Tobacco Assets after the Closing Date the State will promptly disburse the same to the Authority or the Trustee, as directed. The State agrees to execute and deliver to the MSA Escrow Agent (and also addressed to the Independent Auditor), irrevocable instructions to make the payments constituting Tobacco Assets directly to the Authority or the Trustee as required by the Transaction Documents. The Trustee shall immediately deposit such Tobacco Assets in the Tobacco Assets Account and, to the extent that a portion of the Tobacco Assets received by the Trustee consist of State's Unsold Assets, the Trustee shall promptly, but not later than five Business Days after receipt, transfer such State's Unsold Assets to, or at the order of, the State. 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 State Treasurer for deposit in the Tobacco Settlement Residual Account.

SECTION 2.02. Benefits Provided. The State shall cooperate with the Authority to the full extent permitted by law, including the Act and the MSA, to assure receipt by the Authority of all of the Tobacco Assets 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 Governor 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 MSA) 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 offering circular for the Series 2010 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 Decree, the MSA, the Qualifying Statute, the Complementary Legislation or the Bonds.

(f) Title to Pledged Settlement Payments. The State is the sole owner of the Tobacco Assets. 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 Tobacco Assets shall be paid directly to the Trustee and the Trustee shall deposit the Tobacco Assets in the Tobacco Assets 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. State's Unsold Assets received by the Authority shall promptly, but not later than five Business Days after receipt, be transferred to, or at the order of, the State.

(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 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, through the Attorney General, the Independent Auditor and the MSA Escrow Agent to transfer all Tobacco Assets directly to the Trustee as the assignee of the Authority, (ii) enforce its right to collect all moneys due from the PMs under the MSA, (iii) diligently enforce the Qualifying Statute as contemplated in section IX(d)(2)(B) of the MSA against all nonparticipating manufacturers selling tobacco products in the State that are not in compliance with the Qualifying Statute, 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 (iii) shall be limited to injunctive relief, and (B) that the State shall be deemed to have diligently enforced the Qualifying Statute so long as there has been no judicial determination by a court of competent jurisdiction in the State, in an action commenced by a PM under the MSA, that the State has failed to diligently enforce the Qualifying Statute for the purposes of section IX(d)(2)(B) of the MSA, (iv) neither amend the MSA nor the Consent Decree or take any other action in any way that would materially adversely (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

(v) not amend, supersede or repeal the MSA or the Qualifying Statute, 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 MSA or to direct, control and settle any litigation or arbitration proceeding arising from or relating to the MSA.

(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. 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. MSA Escrow Agent. Simultaneously with the delivery of the Bonds and the purchase of the Pledged Settlement Payments, the State, acting through the Attorney General, shall notify the MSA Escrow Agent and the Independent Auditor that the Pledged Settlement Payments have been sold to the Authority and shall irrevocably instruct the MSA Escrow Agent that the Tobacco Assets are to be paid directly to the Trustee on behalf of the Authority. Should the State receive any such payments from the MSA Escrow Agent, it will immediately remit such payments to the Trustee. Additionally, the State Attorney General agrees to promptly (but in no event later than five Business Days after receipt of conclusive documentation from the Independent Auditor or the MSA Escrow Agent relating to the payment of Tobacco Assets) provide to the Authority and the Trustee a certificate which establishes what portion, if any, of Tobacco Assets received, or to be received, by the Trustee constitute State's Unsold Assets, Partial Lump Sum Payments or Lump Sum Payments and the related calculation of each such amount.

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 4.04(a)(1)-(6) thereof, the remaining balance of the Pledged Revenues shall be deposited as Residual Revenues in the Residual Account. In accordance with Section 4.04(c) 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. To the extent that the Trustee shall receive State's Unsold Assets, the Trustee shall remit such State's Unsold Assets to or upon the order of the State in accordance with the provisions of Section 4.03 of the Indenture.

SECTION 5.03. Bonds Not Debt of State. (a) PURSUANT TO THE ACT, NEITHER ANY BOND NOR ANY RELATED CONTRACT OF THE AUTHORITY SHALL CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE STATE OR ANY SUBDIVISION THEREOF WITHIN THE PURVIEW 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)(iv)(C) hereof applies to this provision.

ARTICLE VI

Miscellaneous

SECTION 6.01. Amendment. Except as otherwise provided in Section 4.01(b), after issuance of the Series 2010 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 Tobacco Assets or 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 2010 Bonds (net of Financing Costs) shall be deposited, on the Closing Date, into the Tobacco Settlement Bond Proceeds Account of the Tobacco Settlement Recovery 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 Illinois
State Office of Management and Budget
100 West Randolph Street
Chicago, Illinois 60601
Attention: Director

- (b) in the case of the Authority: Railsplitter Tobacco Settlement Authority
c/o State Office of Management and Budget
100 West Randolph Street
Chicago, Illinois 60601
Attention: Chair

(c) in the case of the Trustee: The Bank of New York Mellon Trust
Company, N.A.
Two North LaSalle Street
Chicago, Illinois 60602
Attention: Joan Blume

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 Illinois, 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.

**RAILSPLITTER TOBACCO SETTLEMENT
AUTHORITY, Purchaser**

By: _____
Name: David Vaught
Title: Chairman

STATE OF ILLINOIS, Seller

By: _____
Name: Pat Quinn
Title: Governor

EXHIBIT A

FORM OF RESIDUAL CERTIFICATE

RAILSPLITTER TOBACCO SETTLEMENT AUTHORITY

RESIDUAL CERTIFICATE

REGISTERED OWNER: THE STATE OF ILLINOIS

The RAILSPLITTER TOBACCO SETTLEMENT AUTHORITY (the "Authority"), a special purpose corporation and body corporate and politic of The State of Illinois (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 December 1, 2010 (as it may be amended and supplemented, the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), the Residual Revenues or Bond proceeds 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 4.04(a) (1)-(6) 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 RAILSPLITTER TOBACCO SETTLEMENT AUTHORITY has caused this Residual Certificate to be executed in its name by its Chairman as of the 8th day of December, 2010.

RAILSPLITTER TOBACCO SETTLEMENT
AUTHORITY

By: _____
Name: David Vaught
Title: Chairman

PURCHASE AND SALE AGREEMENT

between

RAILSPLITTER TOBACCO SETTLEMENT AUTHORITY,
as Purchaser,

and

THE STATE OF ILLINOIS, as Seller

Dated as of December 1, 2010

This **PURCHASE AND SALE AGREEMENT**, dated as of December 1, 2010, between **RAILSPLITTER TOBACCO SETTLEMENT AUTHORITY**, a special purpose corporation and body corporate and politic of the State of Illinois (the "Authority"), and **THE STATE OF ILLINOIS** (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 2010 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 the State’s Railsplitter Tobacco Settlement Authority Act, codified as *30 ILCS §171/3-1 et seq.*, 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 Citigroup Global Markets Inc. and Barclays Capital Inc., as representatives of the Underwriters, in such form as the parties thereto shall agree.

“**Bonds**” means the Series 2010 Bonds and any refunding bonds issued under the Indenture.

“**Closing Date**” means the date of issuance by the Authority of the Series 2010 Bonds.

“**Complementary Legislation**” means *30 ILCS §167/1 et seq.*

“Consent Decree” means the Consent Decree and Final Judgment of the Circuit Court of Cook County, Illinois, dated December 8, 1998, as the same has been and may be corrected, amended or modified, in the action entitled People of the State of Illinois 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 December 1, 2010, 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 MSA.

“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.

“Lump Sum Payment” means a lump sum payment received by the Trustee as a payment from a PM which results in, or is due to, a release of that PM from all of its obligations due on or after the Closing Date under the MSA.

“Master Settlement Agreement” or **“MSA”** means the Master Settlement Agreement identified in the Consent Decree, including the related Escrow Agreement.

“MSA Escrow Agent” means Citibank, N.A. or any other firm serving as escrow agent under the MSA.

“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.

“Partial Lump Sum Payment” means a lump sum payment received by the Trustee as a payment from a PM which results in, or is due to, a release of that PM from a portion of its obligations due on or after the Closing Date under the MSA.

“Pledged Settlement Payments” means the “pledged tobacco revenues,” as defined in the Act, which for purposes of this Sale Agreement and the Indenture consist of the Tobacco Assets less the State’s Unsold Assets.

“PM” means a Participating Manufacturer, as defined in the MSA.

“Qualifying Statute” means *30 ILCS §168/1 et seq.*

“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 to the Indenture.

“Sale Agreement” means this Purchase and Sale Agreement, dated as of December 1, 2010, as the same may be amended or supplemented and in effect from time to time.

“Series 2010 Bonds” means the Authority’s \$1,503,460,000 Tobacco Settlement Revenue Bonds, Series 2010, initially dated their date of delivery, including any Bonds issued in exchange or replacement therefor.

“State” means the State of Illinois.

“State’s Unsold Assets” means (i) any payments made with respect to liability to make those payments under the MSA for calendar years completed prior to calendar year 2010, and (ii) those amounts otherwise to be received by the State which were deposited by PMs into the Disputed Payments Account (as defined in the MSA) or withheld by PMs in accordance with Section XI(f)(2) of the MSA prior to the Closing Date.

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

“Tobacco Assets” means all tobacco settlement payments paid or payable to the State on and after the Closing Date and required to be made, pursuant to the terms of the MSA, by PMs to the State, and the State’s rights to receive such tobacco settlement payments, consisting of (i) the annual payments and strategic contribution fund payments (as such terms are defined in the MSA) payable to the State under the MSA (and all adjustments thereto) and (ii) any Partial Lump Sum Payments and Lump Sum Payments.

“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 the Bank of New York Mellon Trust Company, N.A., 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 2010 Bonds and the Residual Certificate 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 4.04(a)(1) through (6) of the Indenture have been paid in full.

(d) From and after the Closing Date all Tobacco Assets required by the MSA 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 Tobacco Assets after the Closing Date the State will promptly disburse the same to the Authority or the Trustee, as directed. The State agrees to execute and deliver to the MSA Escrow Agent (and also addressed to the Independent Auditor), irrevocable instructions to make the payments constituting Tobacco Assets directly to the Authority or the Trustee as required by the Transaction Documents. The Trustee shall immediately deposit such Tobacco Assets in the Tobacco Assets Account and, to the extent that a portion of the Tobacco Assets received by the Trustee consist of State's Unsold Assets, the Trustee shall promptly, but not later than five Business Days after receipt, transfer such State's Unsold Assets to, or at the order of, the State. 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 State Treasurer for deposit in the Tobacco Settlement Residual Account.

SECTION 2.02. Benefits Provided. The State shall cooperate with the Authority to the full extent permitted by law, including the Act and the MSA, to assure receipt by the Authority of all of the Tobacco Assets 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 Governor 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 MSA) 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 offering circular for the Series 2010 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 Decree, the MSA, the Qualifying Statute, the Complementary Legislation or the Bonds.

(f) Title to Pledged Settlement Payments. The State is the sole owner of the Tobacco Assets. 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 Tobacco Assets shall be paid directly to the Trustee and the Trustee shall deposit the Tobacco Assets in the Tobacco Assets 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. State's Unsold Assets received by the Authority shall promptly, but not later than five Business Days after receipt, be transferred to, or at the order of, the State.

(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 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, through the Attorney General, the Independent Auditor and the MSA Escrow Agent to transfer all Tobacco Assets directly to the Trustee as the assignee of the Authority, (ii) enforce its right to collect all moneys due from the PMs under the MSA, (iii) diligently enforce the Qualifying Statute as contemplated in section IX(d)(2)(B) of the MSA against all nonparticipating manufacturers selling tobacco products in the State that are not in compliance with the Qualifying Statute, 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 (iii) shall be limited to injunctive relief, and (B) that the State shall be deemed to have diligently enforced the Qualifying Statute so long as there has been no judicial determination by a court of competent jurisdiction in the State, in an action commenced by a PM under the MSA, that the State has failed to diligently enforce the Qualifying Statute for the purposes of section IX(d)(2)(B) of the MSA, (iv) neither amend the MSA nor the Consent Decree or take any other action in any way that would materially adversely (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

(v) not amend, supersede or repeal the MSA or the Qualifying Statute, 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 MSA or to direct, control and settle any litigation or arbitration proceeding arising from or relating to the MSA.

(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. 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. MSA Escrow Agent. Simultaneously with the delivery of the Bonds and the purchase of the Pledged Settlement Payments, the State, acting through the Attorney General, shall notify the MSA Escrow Agent and the Independent Auditor that the Pledged Settlement Payments have been sold to the Authority and shall irrevocably instruct the MSA Escrow Agent that the Tobacco Assets are to be paid directly to the Trustee on behalf of the Authority. Should the State receive any such payments from the MSA Escrow Agent, it will immediately remit such payments to the Trustee. Additionally, the State Attorney General agrees to promptly (but in no event later than five Business Days after receipt of conclusive documentation from the Independent Auditor or the MSA Escrow Agent relating to the payment of Tobacco Assets) provide to the Authority and the Trustee a certificate which establishes what portion, if any, of Tobacco Assets received, or to be received, by the Trustee constitute State's Unsold Assets, Partial Lump Sum Payments or Lump Sum Payments and the related calculation of each such amount.

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 4.04(a)(1)-(6) thereof, the remaining balance of the Pledged Revenues shall be deposited as Residual Revenues in the Residual Account. In accordance with Section 4.04(c) 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. To the extent that the Trustee shall receive State's Unsold Assets, the Trustee shall remit such State's Unsold Assets to or upon the order of the State in accordance with the provisions of Section 4.03 of the Indenture.

SECTION 5.03. Bonds Not Debt of State. (a) PURSUANT TO THE ACT, NEITHER ANY BOND NOR ANY RELATED CONTRACT OF THE AUTHORITY SHALL CONSTITUTE AN INDEBTEDNESS OR AN OBLIGATION OF THE STATE OR ANY SUBDIVISION THEREOF WITHIN THE PURVIEW 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)(iv)(C) hereof applies to this provision.

ARTICLE VI

Miscellaneous

SECTION 6.01. Amendment. Except as otherwise provided in Section 4.01(b), after issuance of the Series 2010 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 Tobacco Assets or 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 2010 Bonds (net of Financing Costs) shall be deposited, on the Closing Date, into the Tobacco Settlement Bond Proceeds Account of the Tobacco Settlement Recovery 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 Illinois
State Office of Management and Budget
100 West Randolph Street
Chicago, Illinois 60601
Attention: Director
- (b) in the case of the Authority: Railsplitter Tobacco Settlement Authority
c/o State Office of Management and Budget
100 West Randolph Street
Chicago, Illinois 60601
Attention: Chair

(c) in the case of the Trustee: The Bank of New York Mellon Trust
Company, N.A.
Two North LaSalle Street
Chicago, Illinois 60602
Attention: Joan Blume

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 Illinois, 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.

RAILSPLITTER TOBACCO SETTLEMENT
AUTHORITY, Purchaser

By: 
Name: David Vaught
Title: Chairman

STATE OF ILLINOIS, Seller

By: 
Name: Pat Quinn
Title: Governor

EXHIBIT A

FORM OF RESIDUAL CERTIFICATE

RAILSPLITTER TOBACCO SETTLEMENT AUTHORITY

RESIDUAL CERTIFICATE

REGISTERED OWNER: THE STATE OF ILLINOIS

The RAILSPLITTER TOBACCO SETTLEMENT AUTHORITY (the "Authority"), a special purpose corporation and body corporate and politic of The State of Illinois (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 December 1, 2010 (as it may be amended and supplemented, the "Indenture"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), the Residual Revenues or Bond proceeds 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 4.04(a) (1)-(6) have been made in full.

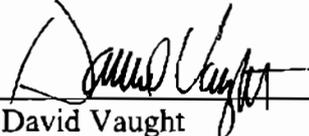
Reference is made to the Indenture for a description of the funds pledged and for the provisions with respect to the incurring of indebtedness and to the rights, limitations of rights, duties, obligations and immunities of the Authority, the Trustee, the Bondholders and the registered owner of this Residual 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 RAILSPLITTER TOBACCO SETTLEMENT AUTHORITY has caused this Residual Certificate to be executed in its name by its Chairman as of the 8th day of December, 2010.

RAILSPLITTER TOBACCO SETTLEMENT
AUTHORITY

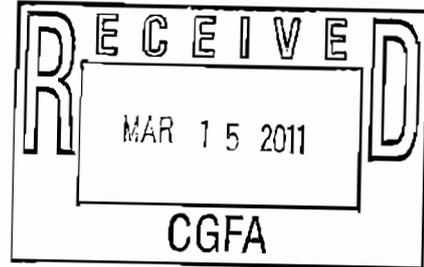
By:  _____
Name: David Vaught
Title: Chairman



STATE OF ILLINOIS
EXECUTIVE OFFICE OF THE GOVERNOR
GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET
SPRINGFIELD 62706

PAT QUINN
Governor

February 7, 2011



Dan R. Long
Executive Director
Commission on Government Forecasting and Accountability
703 Stratton Office Building
Springfield, Illinois 62706

Dear Director Long,

The Railsplitter Tobacco Settlement Authority ("Railsplitter") is Disclosing to you the Cost of Issuance Disclosure and the Debt Service Disclosures for the following transaction:

Tobacco Settlement Revenue Bonds, Series of 2010.

A copy of each disclosure has been posted on the Public Web Site and shall remain for 30 days.

Additionally for your information, the Railsplitter Tobacco Settlement Authority is providing copies of all contractual agreements under which costs of issuance were paid to contractors engaged in the transaction listed above.

Should you have any inquiries into this information, please contact me at (312) 814-7279 or via e-mail at john.sinsheimer@illinois.gov.

Sincerely,

John Sinsheimer
Chief Financial Officer
Railsplitter Tobacco Settlement Authority

Attachment

**Railspitter Tobacco Settlement
Authority
\$1,503,460,000.00 Tobacco Settlement Revenue
Bonds, Series 2010
Statement of Debt Service**

Tobacco Settlement Revenue Bonds, Series 2010

Fiscal Year Ending June 30	Principal	Interest	Total
2010			
2011		38,251,709	38,251,709
2012	59,375,000	79,598,931	138,973,931
2013	63,550,000	77,480,131	141,030,131
2014	70,860,000	74,938,131	145,798,131
2015	76,820,000	71,868,756	148,688,756
2016	80,655,000	68,027,756	148,682,756
2017	84,700,000	64,183,744	148,883,744
2018	89,040,000	59,948,744	148,988,744
2019	93,620,000	55,496,744	149,116,744
2020	98,585,000	50,781,625	149,346,625
2021	103,900,000	45,606,963	149,506,963
2022	109,655,000	40,120,288	149,775,288
2023	107,260,000	34,089,263	141,349,263
2024	104,945,000	28,189,963	133,134,963
2025	103,455,000	21,630,900	125,085,900
2026	102,380,000	15,423,600	117,803,600
2027	101,275,000	9,280,800	110,555,800
2028	53,405,000	3,204,300	56,609,300
Total	1,503,460,000	838,122,346	2,341,582,346

Issue Dated 12/08/10

True Interest Cost (Incl Expenses) 5.59840

RAILSPLITTER TOBACCO SETTLEMENT AUTHORITY

AGREEMENT FOR LEGAL SERVICES

AGREEMENT FOR LEGAL SERVICES (this "Agreement"), dated October 29, 2010, by and between Gonzalez, Saggio and Harlan, LLC., Two Prudential Plaza, 180 N Stetson Avenue, Suite 4525, Chicago, Illinois 60601 (the "Contractor") and the Railsplitter Tobacco Settlement Authority (the "Authority"), a special purpose corporation of the State of Illinois (the "State") having a legal existence independent and separate from the State.

WHEREAS, the State's Governor's Office of Management and Budget, in accordance with the Illinois Procurement Code and pursuant to its authority under Public Act 96-958, conducted a competitive Request for Proposal process in July 2010 related to the proposed securitization of certain recurring tobacco settlement proceeds to be received by the State and sold to the Authority;

WHEREAS, the Contractor was selected from among several firms on the basis of overall ability to perform such legal services and taking into consideration total cost to the Authority;

WHEREAS, the Authority desires to issue bonds with respect to such securitization (the "Bond Offering"), and, in connection therewith, the Authority has a need, as specified in Appendix A of this Agreement, for specialized professional and legal services with regard to the Bond Offering; and

WHEREAS, the Contractor is qualified and has agreed to perform such services.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

The Authority does hereby agree to retain the Contractor, and the Contractor hereby accepts such retention, upon the terms and conditions hereinafter provided.

ARTICLE 1, TERM: Subject to the provisions for termination as hereinafter provided, this Agreement shall become effective on the date hereof and shall terminate on December 31, 2010.

ARTICLE 2, DUTIES: The Contractor shall provide the services specified in Appendix B of this Agreement.

ARTICLE 3, COMPENSATION: The Contractor shall be compensated by the Authority for the services set forth in Appendix B in accordance with the provisions of Appendix C of this Agreement.

ARTICLE 4, TERMINATION/EXTENSION: Either party may terminate this Agreement at any time upon five (5) calendar days' written notice to the other party. Upon termination, the Contractor shall be paid for work satisfactorily completed prior to the date of termination in accordance with Appendix C. The term of this Agreement may be extended as agreed in writing by both parties. Any such extension shall be attached to this Agreement and incorporated into the terms of this Agreement.

ARTICLE 5, BILLING: The Contractor shall submit an invoice at or subsequent to the closing of the Bond Offering to the Authority for services performed.

- a. Each invoice shall be itemized, listing the services performed.
- b. The amount shown on each invoice for labor costs shall be in accordance with and subject to the rates set forth in Appendix B, as provided in Article 3 hereof.

- c. Each invoice shall include the following certification from the Contractor: “The Contractor hereby certifies that the services supplied and expenses incurred set forth in the attached invoice have met all of the requirements set forth in the Agreement for Legal Services, dated [*insert date*], between the Contractor and the Authority.”
- d. Each invoice shall be signed by the Contractor and shall list the Contractor’s tax identification number set forth in Article 20 of this Agreement.
- e. Each invoice for services performed and expenses incurred by the Contractor prior to July 1st of each contract year must be presented to the Authority no later than the following August 1st.
- f. Notwithstanding any other provision of this Agreement to the contrary, the Authority shall not be obligated to make payment to the Contractor on invoices presented after August 1st following the end of a contract year. Failure by the Contractor to present such invoices prior to August 1st may require the Contractor to seek payment of such invoices through the Illinois Court of Claims and the Illinois General Assembly (30 ILCS 105/25).

ARTICLE 6, PAYMENT: The Authority will use its reasonable best efforts to secure payment for the services furnished and expenses incurred under this Agreement within sixty (60) days after the date of closing of the Bond Offering. Payment will be made in the amount earned to date of invoice less previous partial payments.

- a. Final payment will be made upon determination by the Authority that all requirements under this Agreement have been completed, which determination shall not be unreasonably withheld. Such final payment will be made subject to adjustment after completion of an audit of the Contractor’s records as provided for in this Agreement. The Authority may waive audit at its option.
- b. All recordkeeping shall be in accordance with sound accounting standards.

Notwithstanding anything to the contrary contained in this Agreement or the Appendices hereto, the Authority’s obligation to make payment for the services furnished and expenses incurred by the Contractor under this Agreement is expressly contingent upon the occurrence of the closing of the Bond Offering and, absent such closing, the Authority shall have no obligation to make any such payment pursuant to this Agreement or otherwise.

ARTICLE 7, PROGRESS REPORTS: The Contractor shall keep the Authority fully informed as to the progress of all matters covered by this Agreement. The Contractor shall promptly furnish the Authority with copies of all documents prepared in connection with the services rendered under this Agreement.

ARTICLE 8, SUBCONTRACTING: Subcontracting, assignment, or transfer of all or part of the interests of the Contractor in the work covered by this Agreement or the Contractor’s obligations under this Agreement shall be prohibited without the prior written consent of the Authority.

- a. In the event the Authority gives such consent, the terms and conditions of this Agreement shall apply to and bind the party or parties to whom such work is subcontracted, assigned, or transferred as fully and completely as the Contractor is hereby bound and obligated.
- b. Where the Contractor is providing professional and legal services, the names and addresses of all subcontractors utilized by the Contractor with the consent of the Authority shall be listed in an amendment to this Agreement, together with the anticipated payment amount which the subcontractor is expected to receive pursuant to this Agreement (30 ILCS 500/35-40).
- c. The Contractor shall not employ any person or persons employed by the Authority at any time during the term of this Agreement for any work required by the terms of this Agreement.

ARTICLE 9, WORK PRODUCT: All documents, data and records produced by the Contractor in carrying out the Contractor's obligations and services hereunder, without limitation and whether preliminary or final, are and shall remain the property of the Authority.

- a. the Authority shall have the right to use all such documents, data and records without restriction or limitation and without compensation to the Contractor, and the Contractor shall have no right or interest therein.
- b. Upon completion of the services hereunder or upon termination of this Agreement, all such documents, data and records shall, at the option of the Authority, be appropriately arranged, indexed and delivered to the Authority by the Contractor.
- c. Any documents, data and records given to or prepared by the Contractor under this Agreement shall not be made available to any outside individual or organization by the Contractor without the prior written approval of the Authority. Any confidential and proprietary, non-public information secured by the Contractor from the Authority in connection with carrying out the services under this Agreement shall be kept confidential unless disclosure of such information is approved in writing by the Authority or unless disclosure otherwise is required by law.

ARTICLE 10, INABILITY TO PERFORM: The Contractor agrees that if, because of death or any other occurrence beyond the control of the Contractor, it becomes impossible for any principal or principals of the Contractor to render the services set forth in this Agreement, neither the Contractor nor the surviving principals shall be relieved of their obligations to complete performance hereunder. However, in such an occurrence, the Authority, at its own option, may immediately terminate the Agreement upon written notice to the Contractor.

ARTICLE 11, EMPLOYMENT STATUS:

- a. Services rendered pursuant to this Agreement are not rendered as an employee of the State of Illinois and amounts paid pursuant to this Agreement do not constitute compensation paid to an employee.
- b. The Authority does not assume any liability for actions of the Contractor under this Agreement and this Agreement is not subject to the State Indemnification Act (5 ILCS 350/1, et seq.).

ARTICLE 12, AVAILABILITY OF APPROPRIATIONS (30 ILCS 500/20-60): The Authority's obligations hereunder shall cease immediately, without further payment being required, in any year for which the General Assembly of the State of Illinois or other legally applicable funding source fails to make an appropriation sufficient to pay such obligation. The Authority shall give the Contractor notice of such termination of funding as soon as practicable after the Authority becomes aware of the failure of funding.

ARTICLE 13, LIABILITY: The Authority does not assume any liability for acts or omissions of the Contractor and such liability rests solely with the Contractor in accordance with applicable law.

ARTICLE 14, BREACH: Upon any material breach of this Agreement by the Contractor, the Authority may terminate this Agreement without penalty and shall have be entitled to such other relief as may be available in accordance with applicable law. The Authority's failure to declare a breach by the Contractor of this Agreement on one occasion shall not constitute a waiver of such breach or with respect to a breach on another occasion.

ARTICLE 15, RIGHT TO AUDIT: The Contractor agrees that the Authority or its representative(s) shall have the right to examine any of the Contractor's records which directly relate to this Agreement (30 ILCS 500/20-65).

ARTICLE 16, CONFLICT OF INTEREST: The Contractor agrees to comply with the provisions of the Illinois Procurement Code prohibiting conflicts of interest (**30 ILCS 500/50-13 and 50-35**) and the terms, conditions and provisions of those provisions apply to this Agreement and are hereby incorporated by reference into and made a part of this Agreement as though they were included herein. If any officer or employee of the State of Illinois has a prohibited interest, this Agreement may be terminated without charge or penalty to the Authority.

ARTICLE 17, LEGAL ABILITY TO CONTRACT: The Contractor certifies it is under no legal prohibition on contracting with the Authority or the State of Illinois, has no known conflicts of interest, and further specifically certifies that:

- a. The Contractor will comply with the applicable provisions of the U.S. Civil Rights Act, Section 504 of the Federal Rehabilitation Act, the Americans with Disabilities Act (42 U.S.C. 12101 et seq.) and applicable rules in performance under this Agreement.
- b. Neither the Contractor nor any person associated with the Contractor is in default on an educational loan (**5 ILCS 385/3**).
- c. The Contractor has informed the Authority in writing if any person associated with the Contractor was formerly employed by that agency and has received an early retirement incentive prior to 1993 under Section 14-108.3 or 16-133.3 of the Illinois Pension Code, and acknowledges that contracts made without the appropriate filing with the Auditor General are not payable from the “contractual services” or other appropriation line items. The Contractor or any person associated with the Contractor have not received an early retirement incentive in or after 2002 under Section 14-108.3 or 16-133.3 of the Illinois Pension Code, and acknowledges that contracts in violation of Section 15a of the State Finance Act are not payable from the “contractual services” or other appropriation line items. (**30 ILCS 105/15a**).
- d. Neither the Contractor nor any person associated with the Contractor has been convicted of bribing or attempting to bribe an officer or employee of the State or any other state, nor has made an admission on the record of having so bribed or attempted to bribe (**30 ILCS 500/50-5**).
- e. If the Contractor or any person associated with the Contractor has been convicted of a felony, at least five years have passed after the date of completion of the sentence for such felony, unless no person held responsible by a prosecutor’s office for the facts upon which the conviction was based continues to have any involvement with the business (**30 ILCS 500/50-10**).
- f. Neither the Contractor nor any person associated with it is barred from being awarded a contract because the Contractor or any person associated with it is delinquent in the payment of any debt to the State (or if delinquent has entered into a deferred payment plan to pay the debt), and the Contractor acknowledges that the Authority may declare this Agreement void if this certification is false (**30 ILCS 500/50-11**) or if the Contractor or any person associated with it later becomes delinquent and has not entered into a deferred payment plan to pay off the debt. (**30 ILCS 500/50-60**).
- g. The Contractor shall collect and remit Illinois Use Tax on all sales of tangible personal property into the State in accordance with provisions of the Illinois Use Tax Act (**30 ILCS 500/50-12**) and acknowledges that failure to comply can result in the contract being declared void.
- h. Neither the Contractor nor any person associated with it has paid any money or valuable thing to induce any person to refrain from bidding on a State contract, nor has the Contractor or any person associated with it accepted any money or other valuable thing, or acted upon the promise of same, for not bidding on a State contract (**30 ILCS 500/50-25**).

- i. Neither the Contractor nor any person associated with it is in violation of the “Revolving Door” Section of the Illinois Procurement Code **(30 ILCS 500/50-30)**.
- j. The Contractor will report to the Illinois Attorney General and the Chief Procurement Officer any suspected collusion or other anticompetitive practice among any bidders, offerors, contractors, proposers or employees of the State **(30 ILCS 500/50-40; 50-45; 50-50)**.
- k. The Contractor will, pursuant to the Drug Free Workplace Act, provide a drug free workplace, and shall not permit any person associated with the Contractor to engage in the unlawful manufacture, distribution, dispensation, possession or use of a controlled substance in the performance of the Agreement. This certification applies to contracts of \$5,000 or more with individuals and to contracts with entities with twenty-five (25) or more employees **(30 ILCS 580)**.
- l. The Contractor does not and shall not participate in an international boycott in violation of the U.S. Export Administration Act of 1979 or the applicable regulations of the U.S. Department of Commerce. This certification applies to contracts that exceed \$10,000 **(30 ILCS 582)**.
- m. Neither the Contractor nor any person associated with it has been convicted of the offense of bid rigging or bid rotating or any similar offense of any state or of the United States **(720 ILCS 5/33E-3; E-4)**.
- n. The Contractor complies with the Illinois Department of Human Rights Act and rules applicable to public contracts, including equal employment opportunity, refraining from unlawful discrimination, and having written sexual harassment policies **(775 ILCS 5/2-105)**.
- o. The Contractor does not pay dues to, or reimburse or subsidize payments by its employees for, any dues or fees to any “discriminatory club” **(775 ILCS 25/2)**.
- p. The Contractor complies with the State Prohibition of Goods from Forced Labor Act that in relation to a public works projects, no foreign-made equipment, materials, or supplies furnished to the Authority or the State of Illinois under the Agreement may be produced in whole or in part by forced labor, convict labor, or indentured labor under penal sanction **(PA 93-0307)**.
- q. The Contractor certifies that no officer, director, partner or other managerial agent of the contracting business has been convicted of a felony under the Sarbanes-Oxley Act of 2003 or a Class 3 or Class 2 felony under the Illinois Securities Law of 1953 for a period of five years prior to the date of the bid or Agreement. The Contractor acknowledges that the Authority shall declare the Agreement void if this certification is false **(30 ILCS 500/50-10.5)**.
- r. The Contractor certifies that it has not committed a willful or knowing violation of the Environmental Protection Act (relating to Civil Penalties under the Environmental Protection Act) within the last five (5) years, and is therefore not barred from being awarded a contract. The Contractor acknowledges that if the Authority later determines that this certification was falsely made, the Authority may declare the Agreement void. **(30 ILCS 500/50-14)**.
- s. The Contractor certifies in accordance with **Public Act 94-0264** that no foreign-made equipment, materials, or supplies furnished to the Authority under the contract have been produced in whole or in part by the labor of any child under the age of 12.
- t. The Contractor certifies that it is not in violation of Section 50-14.5 of the Illinois Procurement Code, which states: “Owners of residential buildings who have committed a willful or knowing violation of the Lead Poisoning Prevention Act **(410 ILCS 45)** are prohibited from doing business with the State of Illinois or any State agency until the violation is mitigated.”

- u. The Contractor warrants and certifies that it and, to the best of its knowledge, its subcontractors have and will comply with **Executive Order No. 1 (2007)**. The Order generally prohibits contractors and subcontractors from hiring the then-serving Governor's family members to lobby procurement activities of the State, or any other unit of government in Illinois including local governments if that procurement may result in a contract valued at over \$25,000. This prohibition also applies to hiring for that same purpose any former State employee who had procurement authority at any time during the one-year period preceding the procurement lobbying activity.
- v. The Contractor certifies that it has read, understands, and is in compliance with **Public Act 95-971** and will not make or solicit a contribution that will violate the Act. In general, **Public Act 95-971** contains new registration and reporting requirements for certain vendors, as well as limitations on political contributions by certain vendors and their affiliates. These requirements shall be effective for the duration of the term of office of the incumbent Governor or for a period of 2 years after the end of the contract term, whichever is longer.

The Contractor further certifies, in accordance with **Public Act 95-971**, as applicable:

- The Contractor is not required to register as a business entity with the State Board of Elections.

or

- The Contractor has registered as a business entity with the State Board of Elections and acknowledges a continuing duty to update the registration as required by the Act. A copy of the official certificate of registration as issued by the State Board of Elections is attached.

The Contractor acknowledges that the State may declare this Contract void without any additional compensation due to the Contractor if this certification is false or if the Contractor (or any of its affiliated persons or entities) engages in conduct that violates **Public Act 95-971**.

ARTICLE 18, RECORDS AND DOCUMENTATION: The Contractor shall maintain, for a minimum of three (3) years after the completion of the contract, adequate books, records, and supporting documents to verify the amounts, recipients, and uses of all disbursements of funds passing in conjunction with the contract; the contract and all books, records, and supporting documents related to the contract shall be available for review and audit by the Auditor General; and the Contractor agrees to cooperate fully with any audit conducted by the Auditor General and to provide full access to all relevant materials. Failure to maintain the books, records, and supporting documents required by this Section shall establish a presumption in favor of the State of Illinois for the recovery of any funds paid by the State of Illinois under the contract for which adequate books, records, and supporting documentation are not available to support their purported disbursement (**30 ILCS 500/20-65**).

ARTICLE 19, SOLICITATION FOR EMPLOYMENT: The Contractor agrees to give notice to the Authority's Chairman if the Contractor or any person associated with the Contractor solicits or intends to solicit for employment any of the Authority's employees during any part of the procurement process or during the term of the Agreement.

Certificate of Registration



Registration No. 16011

Gonzalez, Saggio and Harlan, L.L.C.

180 N. Stetson Ave.

Suite 4525

Chicago IL 60601

Information for this business last updated on:

Friday, October 15, 2010

Certificate produced on Friday, October 15, 2010 at 3:48 PM



ARTICLE 20, FEDERAL TAXPAYER IDENTIFICATION NUMBER AND LEGAL STATUS DISCLOSURE: Under penalties of perjury, the Contractor certifies that the name, taxpayer identification number, and legal status of the Contractor listed below are correct.

Name: **Gonzalez, Saggio and Harlan, LLC**

EIN: **14-1848163**

Legal Status:

- | | |
|---|--|
| <input type="checkbox"/> Individual | <input type="checkbox"/> Governmental entity |
| <input type="checkbox"/> Owner of sole proprietorship | <input type="checkbox"/> Nonresident alien individual |
| <input type="checkbox"/> Partnership | <input type="checkbox"/> Estate or legal trust |
| <input type="checkbox"/> Legal Services Corporation | <input type="checkbox"/> Pharmacy (Non-Corp.) |
| <input type="checkbox"/> Tax-exempt | <input type="checkbox"/> Pharmacy/ Funeral Home/ Cemetery (Corp.) |
| <input type="checkbox"/> Corporation providing or billing medical and/or health care services | <input checked="" type="checkbox"/> Limited Liability Company
(select applicable tax classification:) |
| <input type="checkbox"/> Corporation NOT providing or billing medical and/or health care services | <input type="checkbox"/> D = disregarded entity |
| | <input checked="" type="checkbox"/> C = corporation |
| | <input type="checkbox"/> P = partnership |

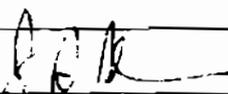
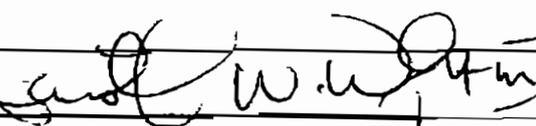
ARTICLE 21, NOTICES: All notices required under the terms of this agreement shall be delivered in person or by certified or registered mail with return receipt to the last known address of the parties hereto.

ARTICLE 22, LAWS OF ILLINOIS: This Agreement shall be governed in all respects by the internal laws of the State of Illinois, without regard to any conflicts of law rules thereof. Any claim against the Authority or the State of Illinois arising out of this Agreement must be filed exclusively with the Illinois Court of Claims.

ARTICLE 23, ENTIRE AGREEMENT: This Agreement contains the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior commitments, agreements, understandings or representations, whether written or oral, relating to the subject matter hereof. This Agreement may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, modification, extension, or discharge is sought.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto, by their duly authorized representatives, have executed this Agreement as of the date first written above.

AUTHORITY: Railsplitter Tobacco Settlement Authority	CONTRACTOR: GONZALEZ, SAGGIO AND HARLAN, LLC
By: 	By: 
John Sinsheimer Chief Financial Officer	Name: Title: Co managing Partner

APPENDIX A

NEED FOR SERVICE:

The Authority is responsible for overseeing the issuance of the bonds to be issued in the Bond Offering, including without limitation the preparation of the legal documentation required in connection therewith.

The financial community requires an approving opinion by a qualified underwriter's counsel as to the legality of the Bonds.

Therefore, it is necessary for the Authority to obtain these specialized legal services and opinions from a qualified underwriter's counsel.

APPENDIX B

DESCRIPTION OF SERVICES:

The role of the Contractor is that of Underwriter's counsel. As such, the Contractor shall assist and advise the Authority, the underwriter(s) and underwriter's counsel as necessary or appropriate, and at the direction of all or any of them, throughout the course of the Bond Offering transaction. Such services may include, without limitation, the following:

1. Providing legal counsel to the Authority with respect to the planning, drafting, format and content of the Official Statement and Official Notice of Bond Sale, if applicable, for the Bond Offering.
2. Consulting with other attorneys at the request of the Authority regarding preparation of Continuing Disclosure Undertakings to ensure consistency.
3. Drafting and preparing supporting documents included in the transcript with respect to the Bond Offering, including without limitation a Bond Order authorizing the issuance of Bonds, proceedings of the Authority confirming the sale of the Bonds, and other miscellaneous and closing documents.
4. Furnishing the printer with Bond forms and text of approving opinions, examining the printer's proofs, approving the final printer's proof, and authorizing the printer to proceed with printing Bonds, if applicable.
5. Examining all executed documents evidencing the proceedings authorizing the issuance and sale of the Bonds.
6. Attending the sale and delivery of the Bonds.
7. Providing final approving legal opinions to the Authority and the purchasers of the Bonds.
8. Providing such other legal counsel and review as may be requested by the Authority with respect to the Bond Offering.

APPENDIX C

COMPENSATION FOR SERVICES:

The Contractor shall receive, as full payment for services under this Agreement in accordance with the provisions established below, an amount not to exceed \$135,000.

BILLING RATE FOR LABOR:

The Contractor shall be paid at a rate equal to the following schedule:

The Contractor shall be paid fees at its standard hourly billable rates up to an amount not to exceed \$125,000.

In addition, the Contractor shall be paid an amount not to exceed \$10,000 for reimbursement of reasonable, out-of-pocket expenses paid by the Contractor, including reimbursement of transcript costs as well as costs related to the publishing of notices, as approved in advance by the Authority.

Payment for legal fees and related expenses associated with the sale of the Bonds shall be made solely from the proceeds of the Bond Offering and is expressly contingent on the closing of the Bond Offering.

RAILSPLITTER TOBACCO SETTLEMENT AUTHORITY

AGREEMENT FOR FINANCIAL ADVISORY SERVICES

AGREEMENT FOR FINANCIAL ADVISORY SERVICES (this "Agreement"), dated October 29th, 2010, by and between Public Financial Management, Inc, 60 Broad Street Suite 3602 New York, NY 10004 (the "Contractor") and the Railsplitter Tobacco Settlement Authority (the "Authority"), a special purpose corporation of the State of Illinois (the "State") having a legal existence independent and separate from the State.

WHEREAS, the State's Governor's Office of Management and Budget, in accordance with the Illinois Procurement Code and pursuant to its authority under Public Act 96-958, conducted a competitive Request for Proposal process in July 2010 related to the proposed securitization of certain recurring tobacco settlement proceeds to be received by the State and sold to the Authority;

WHEREAS, the Contractor was selected from among several firms on the basis of overall ability to perform such financial advisory services and taking into consideration total cost to the Authority;

WHEREAS, the Authority desires to issue bonds with respect to such securitization (the "Bond Offering"), and, in connection therewith, the Authority has a need, as specified in Appendix A of this Agreement, for specialized professional and financial advisory services with regard to the Bond Offering; and

WHEREAS, the Contractor is qualified and has agreed to perform such services.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

The Authority does hereby agree to retain the Contractor, and the Contractor hereby accepts such retention, upon the terms and conditions hereinafter provided.

ARTICLE 1, TERM: Subject to the provisions for termination as hereinafter provided, this Agreement shall become effective on the date hereof and shall terminate on [December 31, 2010].

ARTICLE 2, DUTIES: The Contractor shall provide the services specified in Appendix B of this Agreement.

ARTICLE 3, COMPENSATION: The Contractor shall be compensated by the Authority for the services set forth in Appendix B in accordance with the provisions of Appendix C of this Agreement.

ARTICLE 4, TERMINATION/EXTENSION: Either party may terminate this Agreement at any time upon five (5) calendar days' written notice to the other party. Upon termination, the Contractor shall be paid for work satisfactorily completed prior to the date of termination in accordance with Appendix C. The term of this Agreement may be extended as agreed in writing by both parties. Any such extension shall be attached to this Agreement and incorporated into the terms of this Agreement.

ARTICLE 5, BILLING: The Contractor shall submit an invoice at or subsequent to the closing of the Bond Offering to the Authority for services performed.

- a. Each invoice shall be itemized, listing the services performed.
- b. The amount shown on each invoice for labor costs shall be in accordance with and subject to the rates set forth in Appendix B, as provided in Article 3 hereof.
- c. Each invoice shall include the following certification from the Contractor: "The Contractor hereby certifies that the services supplied and expenses incurred set forth in the attached invoice have met all of the requirements set forth in the Agreement for Financial advisory services, dated [*insert date*], between the Contractor and the Authority."
- d. Each invoice shall be signed by the Contractor and shall list the Contractor's tax identification number set forth in Article 20 of this Agreement.
- e. Each invoice for services performed and expenses incurred by the Contractor prior to July 1st of each contract year must be presented to the Authority no later than the following August 1st.
- f. Notwithstanding any other provision of this Agreement to the contrary, the Authority shall not be obligated to make payment to the Contractor on invoices presented after August 1st following the end of a contract year. Failure by the Contractor to present such invoices prior to August 1st may require the Contractor to seek payment of such invoices through the Illinois Court of Claims and the Illinois General Assembly (30 ILCS 105/25).

ARTICLE 6, PAYMENT: The Authority will use its reasonable best efforts to secure payment for the services furnished and expenses incurred under this Agreement within sixty (60) days after the date of closing of the Bond Offering. Payment will be made in the amount earned to date of invoice less previous partial payments.

- a. Final payment will be made upon determination by the Authority that all requirements under this Agreement have been completed, which determination shall not be unreasonably withheld. Such final payment will be made subject to adjustment after completion of an audit of the Contractor's records as provided for in this Agreement. The Authority may waive audit at its option.
- b. All recordkeeping shall be in accordance with sound accounting standards.

Notwithstanding anything to the contrary contained in this Agreement or the Appendices hereto, the Authority's obligation to make payment for the services furnished and expenses incurred by the Contractor under this Agreement is expressly contingent upon the occurrence of the closing of the Bond Offering and, absent such closing, the Authority shall have no obligation to make any such payment pursuant to this Agreement or otherwise.

ARTICLE 7, PROGRESS REPORTS: The Contractor shall keep the Authority fully informed as to the progress of all matters covered by this Agreement. The Contractor shall promptly furnish the Authority with copies of all documents prepared in connection with the services rendered under this Agreement.

ARTICLE 8, SUBCONTRACTING: Subcontracting, assignment, or transfer of all or part of the interests of the Contractor in the work covered by this Agreement or the Contractor's obligations under this Agreement shall be prohibited without the prior written consent of the Authority.

- a. In the event the Authority gives such consent, the terms and conditions of this Agreement shall apply to and bind the party or parties to whom such work is subcontracted, assigned, or transferred as fully and completely as the Contractor is hereby bound and obligated.
- b. Where the Contractor is providing professional and financial advisory services, the names and addresses of all subcontractors utilized by the Contractor with the consent of the Authority shall

be listed in an amendment to this Agreement, together with the anticipated payment amount which the subcontractor is expected to receive pursuant to this Agreement (30 ILCS 500/35-40).

- c. The Contractor shall not employ any person or persons employed by the Authority at any time during the term of this Agreement for any work required by the terms of this Agreement.

ARTICLE 9, WORK PRODUCT: All documents, data and records produced by the Contractor in carrying out the Contractor's obligations and services hereunder, without limitation and whether preliminary or final, are and shall remain the property of the Authority.

- a. the Authority shall have the right to use all such documents, data and records without restriction or limitation and without compensation to the Contractor, and the Contractor shall have no right or interest therein.
- b. Upon completion of the services hereunder or upon termination of this Agreement, all such documents, data and records shall, at the option of the Authority, be appropriately arranged, indexed and delivered to the Authority by the Contractor.
- c. Any documents, data and records given to or prepared by the Contractor under this Agreement shall not be made available to any outside individual or organization by the Contractor without the prior written approval of the Authority. Any confidential and proprietary, non-public information secured by the Contractor from the Authority in connection with carrying out the services under this Agreement shall be kept confidential unless disclosure of such information is approved in writing by the Authority or unless disclosure otherwise is required by law.

ARTICLE 10, INABILITY TO PERFORM: The Contractor agrees that if, because of death or any other occurrence beyond the control of the Contractor, it becomes impossible for any principal or principals of the Contractor to render the services set forth in this Agreement, neither the Contractor nor the surviving principals shall be relieved of their obligations to complete performance hereunder. However, in such an occurrence, the Authority, at its own option, may immediately terminate the Agreement upon written notice to the Contractor.

ARTICLE 11, EMPLOYMENT STATUS:

- a. Services rendered pursuant to this Agreement are not rendered as an employee of the State of Illinois and amounts paid pursuant to this Agreement do not constitute compensation paid to an employee.
- b. The Authority does not assume any liability for actions of the Contractor under this Agreement and this Agreement is not subject to the State Indemnification Act (5 ILCS 350/1, et seq.).

ARTICLE 12, AVAILABILITY OF APPROPRIATIONS (30 ILCS 500/20-60): The Authority's obligations hereunder shall cease immediately, without further payment being required, in any year for which the General Assembly of the State of Illinois or other legally applicable funding source fails to make an appropriation sufficient to pay such obligation. The Authority shall give the Contractor notice of such termination of funding as soon as practicable after the Authority becomes aware of the failure of funding.

ARTICLE 13, LIABILITY: The Authority does not assume any liability for acts or omissions of the Contractor and such liability rests solely with the Contractor in accordance with applicable law.

ARTICLE 14, BREACH: Upon any material breach of this Agreement by the Contractor, the Authority may terminate this Agreement without penalty and shall have be entitled to such other relief as may be available in accordance with applicable law. The Authority's failure to declare a breach by the Contractor of this Agreement on one occasion shall not constitute a waiver of such breach or with respect to a breach on another occasion.

ARTICLE 15, RIGHT TO AUDIT: The Contractor agrees that the Authority or its representative(s) shall have the right to examine any of the Contractor's records which directly relate to this Agreement (30 ILCS 500/20-65).

ARTICLE 16, CONFLICT OF INTEREST: The Contractor agrees to comply with the provisions of the Illinois Procurement Code prohibiting conflicts of interest (30 ILCS 500/50-13 and 50-35) and the terms, conditions and provisions of those provisions apply to this Agreement and are hereby incorporated by reference into and made a part of this Agreement as though they were included herein. If any officer or employee of the State of Illinois has a prohibited interest, this Agreement may be terminated without charge or penalty to the Authority.

ARTICLE 17, LEGAL ABILITY TO CONTRACT: The Contractor certifies it is under no legal prohibition on contracting with the Authority or the State of Illinois, has no known conflicts of interest, and further specifically certifies that:

- a. The Contractor will comply with the applicable provisions of the U.S. Civil Rights Act, Section 504 of the Federal Rehabilitation Act, the Americans with Disabilities Act (42 U.S.C. 12101 et seq.) and applicable rules in performance under this Agreement.
- b. Neither the Contractor nor any person associated with the Contractor is in default on an educational loan (5 ILCS 385/3).
- c. The Contractor has informed the Authority in writing if any person associated with the Contractor was formerly employed by that agency and has received an early retirement incentive prior to 1993 under Section 14-108.3 or 16-133.3 of the Illinois Pension Code, and acknowledges that contracts made without the appropriate filing with the Auditor General are not payable from the "contractual services" or other appropriation line items. The Contractor or any person associated with the Contractor have not received an early retirement incentive in or after 2002 under Section 14-108.3 or 16-133.3 of the Illinois Pension Code, and acknowledges that contracts in violation of Section 15a of the State Finance Act are not payable from the "contractual services" or other appropriation line items. (30 ILCS 105/15a).
- d. Neither the Contractor nor any person associated with the Contractor has been convicted of bribing or attempting to bribe an officer or employee of the State or any other state, nor has made an admission on the record of having so bribed or attempted to bribe (30 ILCS 500/50-5).
- e. If the Contractor or any person associated with the Contractor has been convicted of a felony, at least five years have passed after the date of completion of the sentence for such felony, unless no person held responsible by a prosecutor's office for the facts upon which the conviction was based continues to have any involvement with the business (30 ILCS 500/50-10).
- f. Neither the Contractor nor any person associated with it is barred from being awarded a contract because the Contractor or any person associated with it is delinquent in the payment of any debt to the State (or if delinquent has entered into a deferred payment plan to pay the debt), and the Contractor acknowledges that the Authority may declare this Agreement void if this certification is false (30 ILCS 500/50-11) or if the Contractor or any person associated with it later becomes delinquent and has not entered into a deferred payment plan to pay off the debt. (30 ILCS 500/50-60).
- g. The Contractor shall collect and remit Illinois Use Tax on all sales of tangible personal property into the State in accordance with provisions of the Illinois Use Tax Act (30 ILCS 500/50-12) and acknowledges that failure to comply can result in the contract being declared void.

- h. Neither the Contractor nor any person associated with it has paid any money or valuable thing to induce any person to refrain from bidding on a State contract, nor has the Contractor or any person associated with it accepted any money or other valuable thing, or acted upon the promise of same, for not bidding on a State contract (**30 ILCS 500/50-25**).
- i. Neither the Contractor nor any person associated with it is in violation of the "Revolving Door" Section of the Illinois Procurement Code (**30 ILCS 500/50-30**).
- j. The Contractor will report to the Illinois Attorney General and the Chief Procurement Officer any suspected collusion or other anticompetitive practice among any bidders, offerors, contractors, proposers or employees of the State (**30 ILCS 500/50-40; 50-45; 50-50**).
- k. The Contractor will, pursuant to the Drug Free Workplace Act, provide a drug free workplace, and shall not permit any person associated with the Contractor to engage in the unlawful manufacture, distribution, dispensation, possession or use of a controlled substance in the performance of the Agreement. This certification applies to contracts of \$5,000 or more with individuals and to contracts with entities with twenty-five (25) or more employees (**30 ILCS 580**).
- l. The Contractor does not and shall not participate in an international boycott in violation of the U.S. Export Administration Act of 1979 or the applicable regulations of the U.S. Department of Commerce. This certification applies to contracts that exceed \$10,000 (**30 ILCS 582**).
- m. Neither the Contractor nor any person associated with it has been convicted of the offense of bid rigging or bid rotating or any similar offense of any state or of the United States (**720 ILCS 5/33E-3; E-4**).
- n. The Contractor complies with the Illinois Department of Human Rights Act and rules applicable to public contracts, including equal employment opportunity, refraining from unlawful discrimination, and having written sexual harassment policies (**775 ILCS 5/2-105**).
- o. The Contractor does not pay dues to, or reimburse or subsidize payments by its employees for, any dues or fees to any "discriminatory club" (**775 ILCS 25/2**).
- p. The Contractor complies with the State Prohibition of Goods from Forced Labor Act that in relation to a public works projects, no foreign-made equipment, materials, or supplies furnished to the Authority or the State of Illinois under the Agreement may be produced in whole or in part by forced labor, convict labor, or indentured labor under penal sanction (**PA 93-0307**).
- q. The Contractor certifies that no officer, director, partner or other managerial agent of the contracting business has been convicted of a felony under the Sarbanes-Oxley Act of 2003 or a Class 3 or Class 2 felony under the Illinois Securities Law of 1953 for a period of five years prior to the date of the bid or Agreement. The Contractor acknowledges that the Authority shall declare the Agreement void if this certification is false (**30 ILCS 500/50-10.5**).
- r. The Contractor certifies that it has not committed a willful or knowing violation of the Environmental Protection Act (relating to Civil Penalties under the Environmental Protection Act) within the last five (5) years, and is therefore not barred from being awarded a contract. The Contractor acknowledges that if the Authority later determines that this certification was falsely made, the Authority may declare the Agreement void. (**30 ILCS 500/50-14**).
- s. The Contractor certifies in accordance with **Public Act 94-0264** that no foreign-made equipment, materials, or supplies furnished to the Authority under the contract have been produced in whole or in part by the labor of any child under the age of 12.

- i. The Contractor certifies that it is not in violation of Section 50-14.5 of the Illinois Procurement Code, which states: "Owners of residential buildings who have committed a willful or knowing violation of the Lead Poisoning Prevention Act (410 ILCS 45) are prohibited from doing business with the State of Illinois or any State agency until the violation is mitigated."
- ii. The Contractor warrants and certifies that it and, to the best of its knowledge, its subcontractors have and will comply with **Executive Order No. 1 (2007)**. The Order generally prohibits contractors and subcontractors from hiring the then-serving Governor's family members to lobby procurement activities of the State, or any other unit of government in Illinois including local governments if that procurement may result in a contract valued at over \$25,000. This prohibition also applies to hiring for that same purpose any former State employee who had procurement authority at any time during the one-year period preceding the procurement lobbying activity.
- v. The Contractor certifies that it has read, understands, and is in compliance with **Public Act 95-971** and will not make or solicit a contribution that will violate the Act. In general, **Public Act 95-971** contains new registration and reporting requirements for certain vendors, as well as limitations on political contributions by certain vendors and their affiliates. These requirements shall be effective for the duration of the term of office of the incumbent Governor or for a period of 2 years after the end of the contract term, whichever is longer.

The Contractor further certifies, in accordance with **Public Act 95-971**, as applicable:

- The Contractor is not required to register as a business entity with the State Board of Elections.

or

- The Contractor has registered as a business entity with the State Board of Elections and acknowledges a continuing duty to update the registration as required by the Act. A copy of the official certificate of registration as issued by the State Board of Elections is attached.

The Contractor acknowledges that the State may declare this Contract void without any additional compensation due to the Contractor if this certification is false or if the Contractor (or any of its affiliated persons or entities) engages in conduct that violates **Public Act 95-971**.

ARTICLE 18, RECORDS AND DOCUMENTATION: The Contractor shall maintain, for a minimum of three (3) years after the completion of the contract, adequate books, records, and supporting documents to verify the amounts, recipients, and uses of all disbursements of funds passing in conjunction with the contract; the contract and all books, records, and supporting documents related to the contract shall be available for review and audit by the Auditor General; and the Contractor agrees to cooperate fully with any audit conducted by the Auditor General and to provide full access to all relevant materials. Failure to maintain the books, records, and supporting documents required by this Section shall establish a presumption in favor of the State of Illinois for the recovery of any funds paid by the State of Illinois under the contract for which adequate books, records, and supporting documentation are not available to support their purported disbursement (30 ILCS 500/20-65).

ARTICLE 19, SOLICITATION FOR EMPLOYMENT: The Contractor agrees to give notice to the Authority's Chairman if the Contractor or any person associated with the Contractor solicits or intends to solicit for employment any of the Authority's employees during any part of the procurement process or during the term of the Agreement.

ARTICLE 20, FEDERAL TAXPAYER IDENTIFICATION NUMBER AND LEGAL STATUS

DISCLOSURE: Under penalties of perjury, the Contractor certifies that the name, taxpayer identification number, and legal status of the Contractor listed below are correct.

Name: **Public Financial Management, Inc**

EIN: **23-1992164**

Legal Status:

- | | |
|--|---|
| <input type="checkbox"/> Individual | <input type="checkbox"/> Governmental entity |
| <input type="checkbox"/> Owner of sole proprietorship | <input type="checkbox"/> Nonresident alien individual |
| <input type="checkbox"/> Partnership | <input type="checkbox"/> Estate or legal trust |
| <input type="checkbox"/> Financial advisory services Corporation | <input type="checkbox"/> Pharmacy (Non-Corp.) |
| <input type="checkbox"/> Tax-exempt | <input type="checkbox"/> Pharmacy/ Funeral Home/ Cemetery (Corp.) |
| <input checked="" type="checkbox"/> Corporation providing or billing medical and/or health care services | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Corporation NOT providing or billing medical and/or health care services | <i>(select applicable tax classification:)</i> |
| | <input type="checkbox"/> D = disregarded entity |
| | <input type="checkbox"/> C = corporation |
| | <input type="checkbox"/> P = partnership |

ARTICLE 21, NOTICES: All notices required under the terms of this agreement shall be delivered in person or by certified or registered mail with return receipt to the last known address of the parties hereto.

ARTICLE 22, LAWS OF ILLINOIS: This Agreement shall be governed in all respects by the internal laws of the State of Illinois, without regard to any conflicts of law rules thereof. Any claim against the Authority or the State of Illinois arising out of this Agreement must be filed exclusively with the Illinois Court of Claims.

ARTICLE 23, ENTIRE AGREEMENT: This Agreement contains the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior commitments, agreements, understandings or representations, whether written or oral, relating to the subject matter hereof. This Agreement may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, modification, extension, or discharge is sought.

[Remainder of page intentionally left blank.]

APPENDIX A

NEED FOR SERVICE:

The Authority is responsible for overseeing the issuance of the bonds to be issued in the Bond Offering, including without limitation financial advisory services required in connection therewith.

Therefore, it is necessary for the Authority to obtain these specialized financial advisory services and opinions from a qualified financial advisory firm.

APPENDIX B

DESCRIPTION OF SERVICES:

The role of the Contractor is that of Financial Advisor. As such, the Contractor shall assist and advise the Authority, as necessary or appropriate, throughout the course of the Bond Offering transaction. Such services may include, without limitation, the following:

1. Provide a third party verification of the bids submitted for the Certificates.
2. Provide other advisory services related to the offering as requested by the Authority.
3. Advise the Authority concerning the security, structure, terms and conditions of the financing related to the issuance of the Bonds.
4. Facilitate communication as requested between the Authority and the investment community, including rating agencies, underwriters and prospective purchasers.
5. Advise the Authority in connection with any negotiations relating to the bond Offering.
6. Communicate with appropriate counsel, including bond counsel, on behalf of the Authority.
7. Facilitate the preparation of all necessary documentation related to the issuance of the Bonds.
8. Take such incidental or related actions on behalf of the Authority as may be appropriate.
9. The Contractor shall perform the Services in full compliance with all applicable federal and State law, regulation, tax rulings, judicial and administrative orders and decrees, and also subject to and in compliance with MSRB Rule G-38 or 37.

APPENDIX C

COMPENSATION FOR SERVICES:

The Contractor shall receive, as full payment for services under this Agreement in accordance with the provisions established below, an amount not to exceed \$260,000.

BILLING RATE FOR LABOR:

The Contractor shall be paid at a rate equal to the following schedule:

The Contractor shall be paid fees at its standard hourly billable rates up to an amount not to exceed \$250,000.

In addition, the Contractor shall be paid an amount not to exceed \$10,000 for reimbursement of reasonable, out-of-pocket expenses paid by the Contractor, including reimbursement of transcript costs as well as costs related to the publishing of notices, as approved in advance by the Authority.

Payment for legal fees and related expenses associated with the sale of the Bonds shall be made solely from the proceeds of the Bond Offering and is expressly contingent on the closing of the Bond Offering.

RAILSPLITTER TOBACCO SETTLEMENT AUTHORITY

AGREEMENT FOR LEGAL SERVICES

AGREEMENT FOR LEGAL SERVICES (this "Agreement"), dated October 29, 2010, by and between Golden & Associates, PC., One South Dearborn Street, Suite 2100, Chicago, Illinois 60603 (the "Contractor") and the Railsplitter Tobacco Settlement Authority (the "Authority"), a special purpose corporation of the State of Illinois (the "State") having a legal existence independent and separate from the State.

WHEREAS, the State's Governor's Office of Management and Budget, in accordance with the Illinois Procurement Code and pursuant to its authority under Public Act 96-958, conducted a competitive Request for Proposal process in July 2010 related to the proposed securitization of certain recurring tobacco settlement proceeds to be received by the State and sold to the Authority;

WHEREAS, the Contractor was selected from among several firms on the basis of overall ability to perform such legal services and taking into consideration total cost to the Authority;

WHEREAS, the Authority desires to issue bonds with respect to such securitization (the "Bond Offering"), and, in connection therewith, the Authority has a need, as specified in Appendix A of this Agreement, for specialized professional and legal services with regard to the Bond Offering; and

WHEREAS, the Contractor is qualified and has agreed to perform such services.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

The Authority does hereby agree to retain the Contractor, and the Contractor hereby accepts such retention, upon the terms and conditions hereinafter provided.

ARTICLE 1, TERM: Subject to the provisions for termination as hereinafter provided, this Agreement shall become effective on the date hereof and shall terminate on December 31, 2010.

ARTICLE 2, DUTIES: The Contractor shall provide the services specified in Appendix B of this Agreement.

ARTICLE 3, COMPENSATION: The Contractor shall be compensated by the Authority for the services set forth in Appendix B in accordance with the provisions of Appendix C of this Agreement.

ARTICLE 4, TERMINATION/EXTENSION: Either party may terminate this Agreement at any time upon five (5) calendar days' written notice to the other party. Upon termination, the Contractor shall be paid for work satisfactorily completed prior to the date of termination in accordance with Appendix C. The term of this Agreement may be extended as agreed in writing by both parties. Any such extension shall be attached to this Agreement and incorporated into the terms of this Agreement.

ARTICLE 5, BILLING: The Contractor shall submit an invoice at or subsequent to the closing of the Bond Offering to the Authority for services performed.

- a. Each invoice shall be itemized, listing the services performed.
- b. The amount shown on each invoice for labor costs shall be in accordance with and subject to the rates set forth in Appendix B, as provided in Article 3 hereof.

- c. Each invoice shall include the following certification from the Contractor: "The Contractor hereby certifies that the services supplied and expenses incurred set forth in the attached invoice have met all of the requirements set forth in the Agreement for Legal Services, dated [*insert date*], between the Contractor and the Authority."
- d. Each invoice shall be signed by the Contractor and shall list the Contractor's tax identification number set forth in Article 20 of this Agreement.
- e. Each invoice for services performed and expenses incurred by the Contractor prior to July 1st of each contract year must be presented to the Authority no later than the following August 1st.
- f. Notwithstanding any other provision of this Agreement to the contrary, the Authority shall not be obligated to make payment to the Contractor on invoices presented after August 1st following the end of a contract year. Failure by the Contractor to present such invoices prior to August 1st may require the Contractor to seek payment of such invoices through the Illinois Court of Claims and the Illinois General Assembly (30 ILCS 105/25).

ARTICLE 6, PAYMENT: The Authority will use its reasonable best efforts to secure payment for the services furnished and expenses incurred under this Agreement within sixty (60) days after the date of closing of the Bond Offering. Payment will be made in the amount earned to date of invoice less previous partial payments.

- a. Final payment will be made upon determination by the Authority that all requirements under this Agreement have been completed, which determination shall not be unreasonably withheld. Such final payment will be made subject to adjustment after completion of an audit of the Contractor's records as provided for in this Agreement. The Authority may waive audit at its option.
- b. All recordkeeping shall be in accordance with sound accounting standards.

Notwithstanding anything to the contrary contained in this Agreement or the Appendices hereto, the Authority's obligation to make payment for the services furnished and expenses incurred by the Contractor under this Agreement is expressly contingent upon the occurrence of the closing of the Bond Offering and, absent such closing, the Authority shall have no obligation to make any such payment pursuant to this Agreement or otherwise.

ARTICLE 7, PROGRESS REPORTS: The Contractor shall keep the Authority fully informed as to the progress of all matters covered by this Agreement. The Contractor shall promptly furnish the Authority with copies of all documents prepared in connection with the services rendered under this Agreement.

ARTICLE 8, SUBCONTRACTING: Subcontracting, assignment, or transfer of all or part of the interests of the Contractor in the work covered by this Agreement or the Contractor's obligations under this Agreement shall be prohibited without the prior written consent of the Authority.

- a. In the event the Authority gives such consent, the terms and conditions of this Agreement shall apply to and bind the party or parties to whom such work is subcontracted, assigned, or transferred as fully and completely as the Contractor is hereby bound and obligated.
- b. Where the Contractor is providing professional and legal services, the names and addresses of all subcontractors utilized by the Contractor with the consent of the Authority shall be listed in an amendment to this Agreement, together with the anticipated payment amount which the subcontractor is expected to receive pursuant to this Agreement (30 ILCS 500/35-40).
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ARTICLE 9, WORK PRODUCT: All documents, data and records produced by the Contractor in carrying out the Contractor's obligations and services hereunder, without limitation and whether preliminary or final, are and shall remain the property of the Authority.

- a. the Authority shall have the right to use all such documents, data and records without restriction or limitation and without compensation to the Contractor, and the Contractor shall have no right or interest therein.
- b. Upon completion of the services hereunder or upon termination of this Agreement, all such documents, data and records shall, at the option of the Authority, be appropriately arranged, indexed and delivered to the Authority by the Contractor.
- c. Any documents, data and records given to or prepared by the Contractor under this Agreement shall not be made available to any outside individual or organization by the Contractor without the prior written approval of the Authority. Any confidential and proprietary, non-public information secured by the Contractor from the Authority in connection with carrying out the services under this Agreement shall be kept confidential unless disclosure of such information is approved in writing by the Authority or unless disclosure otherwise is required by law.

ARTICLE 10, INABILITY TO PERFORM: The Contractor agrees that if, because of death or any other occurrence beyond the control of the Contractor, it becomes impossible for any principal or principals of the Contractor to render the services set forth in this Agreement, neither the Contractor nor the surviving principals shall be relieved of their obligations to complete performance hereunder. However, in such an occurrence, the Authority, at its own option, may immediately terminate the Agreement upon written notice to the Contractor.

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- a. Services rendered pursuant to this Agreement are not rendered as an employee of the State of Illinois and amounts paid pursuant to this Agreement do not constitute compensation paid to an employee.
- b. The Authority does not assume any liability for actions of the Contractor under this Agreement and this Agreement is not subject to the State Indemnification Act (5 ILCS 350/1, et seq.).

ARTICLE 12, AVAILABILITY OF APPROPRIATIONS (30 ILCS 500/20-60): The Authority's obligations hereunder shall cease immediately, without further payment being required, in any year for which the General Assembly of the State of Illinois or other legally applicable funding source fails to make an appropriation sufficient to pay such obligation. The Authority shall give the Contractor notice of such termination of funding as soon as practicable after the Authority becomes aware of the failure of funding.

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ARTICLE 14, BREACH: Upon any material breach of this Agreement by the Contractor, the Authority may terminate this Agreement without penalty and shall have be entitled to such other relief as may be available in accordance with applicable law. The Authority's failure to declare a breach by the Contractor of this Agreement on one occasion shall not constitute a waiver of such breach or with respect to a breach on another occasion.

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ARTICLE 17, LEGAL ABILITY TO CONTRACT: The Contractor certifies it is under no legal prohibition on contracting with the Authority or the State of Illinois, has no known conflicts of interest, and further specifically certifies that:

- a. The Contractor will comply with the applicable provisions of the U.S. Civil Rights Act, Section 504 of the Federal Rehabilitation Act, the Americans with Disabilities Act (42 U.S.C. 12101 et seq.) and applicable rules in performance under this Agreement.
- b. Neither the Contractor nor any person associated with the Contractor is in default on an educational loan (5 ILCS 385/3).
- c. The Contractor has informed the Authority in writing if any person associated with the Contractor was formerly employed by that agency and has received an early retirement incentive prior to 1993 under Section 14-108.3 or 16-133.3 of the Illinois Pension Code, and acknowledges that contracts made without the appropriate filing with the Auditor General are not payable from the "contractual services" or other appropriation line items. The Contractor or any person associated with the Contractor have not received an early retirement incentive in or after 2002 under Section 14-108.3 or 16-133.3 of the Illinois Pension Code, and acknowledges that contracts in violation of Section 15a of the State Finance Act are not payable from the "contractual services" or other appropriation line items. (30 ILCS 105/15a).
- d. Neither the Contractor nor any person associated with the Contractor has been convicted of bribing or attempting to bribe an officer or employee of the State or any other state, nor has made an admission on the record of having so bribed or attempted to bribe (30 ILCS 500/50-5).
- e. If the Contractor or any person associated with the Contractor has been convicted of a felony, at least five years have passed after the date of completion of the sentence for such felony, unless no person held responsible by a prosecutor's office for the facts upon which the conviction was based continues to have any involvement with the business (30 ILCS 500/50-10).
- f. Neither the Contractor nor any person associated with it is barred from being awarded a contract because the Contractor or any person associated with it is delinquent in the payment of any debt to the State (or if delinquent has entered into a deferred payment plan to pay the debt), and the Contractor acknowledges that the Authority may declare this Agreement void if this certification is false (30 ILCS 500/50-11) or if the Contractor or any person associated with it later becomes delinquent and has not entered into a deferred payment plan to pay off the debt. (30 ILCS 500/50-60).
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- i. Neither the Contractor nor any person associated with it is in violation of the “Revolving Door” Section of the Illinois Procurement Code (**30 ILCS 500/50-30**).
- j. The Contractor will report to the Illinois Attorney General and the Chief Procurement Officer any suspected collusion or other anticompetitive practice among any bidders, offerors, contractors, proposers or employees of the State (**30 ILCS 500/50-40; 50-45; 50-50**).
- k. The Contractor will, pursuant to the Drug Free Workplace Act, provide a drug free workplace, and shall not permit any person associated with the Contractor to engage in the unlawful manufacture, distribution, dispensation, possession or use of a controlled substance in the performance of the Agreement. This certification applies to contracts of \$5,000 or more with individuals and to contracts with entities with twenty-five (25) or more employees (**30 ILCS 580**).
- l. The Contractor does not and shall not participate in an international boycott in violation of the U.S. Export Administration Act of 1979 or the applicable regulations of the U.S. Department of Commerce. This certification applies to contracts that exceed \$10,000 (**30 ILCS 582**).
- m. Neither the Contractor nor any person associated with it has been convicted of the offense of bid rigging or bid rotating or any similar offense of any state or of the United States (**720 ILCS 5/33E-3; E-4**).
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- o. The Contractor does not pay dues to, or reimburse or subsidize payments by its employees for, any dues or fees to any “discriminatory club” (**775 ILCS 25/2**).
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- q. The Contractor certifies that no officer, director, partner or other managerial agent of the contracting business has been convicted of a felony under the Sarbanes-Oxley Act of 2003 or a Class 3 or Class 2 felony under the Illinois Securities Law of 1953 for a period of five years prior to the date of the bid or Agreement. The Contractor acknowledges that the Authority shall declare the Agreement void if this certification is false (**30 ILCS 500/50-10.5**).
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- t. The Contractor certifies that it is not in violation of Section 50-14.5 of the Illinois Procurement Code, which states: “Owners of residential buildings who have committed a willful or knowing violation of the Lead Poisoning Prevention Act (**410 ILCS 45**) are prohibited from doing business with the State of Illinois or any State agency until the violation is mitigated.”

- u. The Contractor warrants and certifies that it and, to the best of its knowledge, its subcontractors have and will comply with **Executive Order No. 1 (2007)**. The Order generally prohibits contractors and subcontractors from hiring the then-serving Governor's family members to lobby procurement activities of the State, or any other unit of government in Illinois including local governments if that procurement may result in a contract valued at over \$25,000. This prohibition also applies to hiring for that same purpose any former State employee who had procurement authority at any time during the one-year period preceding the procurement lobbying activity.
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or

The Contractor has registered as a business entity with the State Board of Elections and acknowledges a continuing duty to update the registration as required by the Act. A copy of the official certificate of registration as issued by the State Board of Elections is attached.

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ARTICLE 19, SOLICITATION FOR EMPLOYMENT: The Contractor agrees to give notice to the Authority's Chairman if the Contractor or any person associated with the Contractor solicits or intends to solicit for employment any of the Authority's employees during any part of the procurement process or during the term of the Agreement.

ARTICLE 20, FEDERAL TAXPAYER IDENTIFICATION NUMBER AND LEGAL STATUS DISCLOSURE: Under penalties of perjury, the Contractor certifies that the name, taxpayer identification number, and legal status of the Contractor listed below are correct.

Name: Golden & Associates, PC.
EIN: 04-3590096

Legal Status:

- | | |
|---|---|
| <input type="checkbox"/> Individual | <input type="checkbox"/> Governmental entity |
| <input type="checkbox"/> Owner of sole proprietorship | <input type="checkbox"/> Nonresident alien individual |
| <input type="checkbox"/> Partnership | <input type="checkbox"/> Estate or legal trust |
| <input checked="" type="checkbox"/> Legal Services Corporation | <input type="checkbox"/> Pharmacy (Non-Corp.) |
| <input type="checkbox"/> Tax-exempt | <input type="checkbox"/> Pharmacy/ Funeral Home/ Cemetery (Corp.) |
| <input type="checkbox"/> Corporation providing or billing medical and/or health care services | <input type="checkbox"/> Limited Liability Company |
| <input type="checkbox"/> Corporation NOT providing or billing medical and/or health care services | (select applicable tax classification:) |
| | <input type="checkbox"/> D = disregarded entity |
| | <input type="checkbox"/> C = corporation |
| | <input type="checkbox"/> P = partnership |

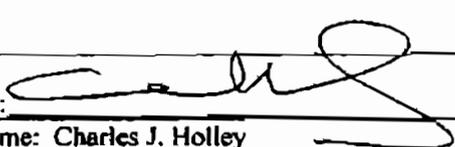
ARTICLE 21, NOTICES: All notices required under the terms of this agreement shall be delivered in person or by certified or registered mail with return receipt to the last known address of the parties hereto.

ARTICLE 22, LAWS OF ILLINOIS: This Agreement shall be governed in all respects by the internal laws of the State of Illinois, without regard to any conflicts of law rules thereof. Any claim against the Authority or the State of Illinois arising out of this Agreement must be filed exclusively with the Illinois Court of Claims.

ARTICLE 23, ENTIRE AGREEMENT: This Agreement contains the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior commitments, agreements, understandings or representations, whether written or oral, relating to the subject matter hereof. This Agreement may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, modification, extension, or discharge is sought.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto, by their duly authorized representatives, have executed this Agreement as of the date first written above.

<u>AUTHORITY:</u> Railsplitter Tobacco Settlement Authority	<u>CONTRACTOR:</u> Golden & Associates, PC.
By: 	By: 
John Sinsheimer Chief Financial Officer	Name: Charles J. Holley Title: Partner

APPENDIX A

NEED FOR SERVICE:

The Authority is responsible for overseeing the issuance of the bonds to be issued in the Bond Offering, including without limitation the preparation of the legal documentation required in connection therewith.

The financial community requires an approving opinion by a qualified bond counsel as to the legality of the Bonds.

Therefore, it is necessary for the Authority to obtain these specialized legal services and opinions from a qualified bond counsel.

APPENDIX B

DESCRIPTION OF SERVICES:

The role of the Contractor is that of Bond Counsel. As such, the Contractor shall assist and advise the Authority, the underwriter(s) and underwriter's counsel as necessary or appropriate, and at the direction of all or any of them, throughout the course of the Bond Offering transaction. Such services may include, without limitation, the following:

1. Providing legal counsel to the Authority with respect to the planning, drafting, format and content of the Official Statement and Official Notice of Bond Sale, if applicable, for the Bond Offering.
2. Consulting with other attorneys at the request of the Authority regarding preparation of Continuing Disclosure Undertakings to ensure consistency.
3. Drafting and preparing supporting documents included in the transcript with respect to the Bond Offering, including without limitation a Bond Order authorizing the issuance of Bonds, proceedings of the Authority confirming the sale of the Bonds, and other miscellaneous and closing documents.
4. Furnishing the printer with Bond forms and text of approving opinions, examining the printer's proofs, approving the final printer's proof, and authorizing the printer to proceed with printing Bonds, if applicable.
5. Examining all executed documents evidencing the proceedings authorizing the issuance and sale of the Bonds.
6. Attending the sale and delivery of the Bonds.
7. Providing final approving legal opinions to the Authority and the purchasers of the Bonds.
8. Providing such other legal counsel and review as may be requested by the Authority with respect to the Bond Offering.

APPENDIX C

COMPENSATION FOR SERVICES:

The Contractor shall receive, as full payment for services under this Agreement in accordance with the provisions established below, an amount not to exceed \$135,000.

BILLING RATE FOR LABOR:

The Contractor shall be paid at a rate equal to the following schedule:

The Contractor shall be paid fees at its standard hourly billable rates up to an amount not to exceed \$125,000

In addition, the Contractor shall be paid an amount not to exceed \$10,000 for reimbursement of reasonable, out-of-pocket expenses paid by the Contractor, including reimbursement of transcript costs as well as costs related to the publishing of notices, as approved in advance by the Authority.

Payment for legal fees and related expenses associated with the sale of the Bonds shall be made solely from the proceeds of the Bond Offering and is expressly contingent on the closing of the Bond Offering.

Certificate of Registration



Registration No. 19516

Golden & Associates PC

One South Dearborn Street
Suite 2100
Chicago IL 60603

Information for this business last updated on:

Friday, April 30, 2010

Certificate produced on Friday, April 30, 2010 at 8:24 AM



RAILSPLITTER TOBACCO SETTLEMENT AUTHORITY

AGREEMENT FOR LEGAL SERVICES

AGREEMENT FOR LEGAL SERVICES (this "Agreement"), dated October 29, 2010, by and between Nixon Peabody LLP, 437 Madison Avenue, New York, New York, 10022 (the "Contractor") and the Railsplitter Tobacco Settlement Authority (the "Authority"), a special purpose corporation of the State of Illinois (the "State") having a legal existence independent and separate from the State.

WHEREAS, the State's Governor's Office of Management and Budget, in accordance with the Illinois Procurement Code and pursuant to its authority under Public Act 96-958, conducted a competitive Request for Proposal process in July 2010 related to the proposed securitization of certain recurring tobacco settlement proceeds to be received by the State and sold to The Authority;

WHEREAS, the Contractor was selected from among several firms on the basis of overall ability to perform such legal services and taking into consideration total cost to The Authority;

WHEREAS, the Authority desires to issue bonds with respect to such securitization (the "Bond Offering"), and, in connection therewith, the Authority has a need, as specified in Appendix A of this Agreement, for specialized professional and legal services with regard to the Bond Offering; and

WHEREAS, the Contractor is qualified and has agreed to perform such services.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

The Authority does hereby agree to retain the Contractor, and the Contractor hereby accepts such retention, upon the terms and conditions hereinafter provided.

ARTICLE 1, TERM: Subject to the provisions for termination as hereinafter provided, this Agreement shall become effective on the date hereof and shall terminate on December 31, 2010.

ARTICLE 2, DUTIES: The Contractor shall provide the services specified in Appendix B of this Agreement.

ARTICLE 3, COMPENSATION: The Contractor shall be compensated by the Authority for the services set forth in Appendix B in accordance with the provisions of Appendix C of this Agreement.

ARTICLE 4, TERMINATION/EXTENSION: Either party may terminate this Agreement at any time upon five (5) calendar days' written notice to the other party. Upon termination, the Contractor shall be paid for work satisfactorily completed prior to the date of termination in accordance with Appendix C. The term of this Agreement may be extended as agreed in writing by both parties. Any such extension shall be attached to this Agreement and incorporated into the terms of this Agreement.

ARTICLE 5, BILLING: The Contractor shall submit an invoice at or subsequent to the closing of the Bond Offering to the Authority for services performed.

- a. Each invoice shall be itemized, listing the services performed.
- b. The amount shown on each invoice for labor costs shall be in accordance with and subject to the rates set forth in Appendix B, as provided in Article 3 hereof.

- c. Each invoice shall include the following certification from the Contractor: "The Contractor hereby certifies that the services supplied and expenses incurred set forth in the attached invoice have met all of the requirements set forth in the Agreement for Legal Services, dated October 29, 2010, between the Contractor and The Authority."
- d. Each invoice shall be signed by the Contractor and shall list the Contractor's tax identification number set forth in Article 20 of this Agreement.
- e. Each invoice for services performed and expenses incurred by the Contractor prior to July 1st of each contract year must be presented to the Authority no later than the following August 1st.
- f. Notwithstanding any other provision of this Agreement to the contrary, the Authority shall not be obligated to make payment to the Contractor on invoices presented after August 1st following the end of a contract year. Failure by the Contractor to present such invoices prior to August 1st may require the Contractor to seek payment of such invoices through the Illinois Court of Claims and the Illinois General Assembly (30 ILCS 105/25).

ARTICLE 6, PAYMENT: the Authority will use its reasonable best efforts to secure payment for the services furnished and expenses incurred under this Agreement within sixty (60) days after the date of closing of the Bond Offering. Payment will be made in the amount earned to date of invoice less previous partial payments.

- a. Final payment will be made upon determination by the Authority that all requirements under this Agreement have been completed, which determination shall not be unreasonably withheld. Such final payment will be made subject to adjustment after completion of an audit of the Contractor's records as provided for in this Agreement. the Authority may waive audit at its option.
- b. All recordkeeping shall be in accordance with sound accounting standards.

Notwithstanding anything to the contrary contained in this Agreement or the Appendices hereto, The Authority's obligation to make payment for the services furnished and expenses incurred by the Contractor under this Agreement is expressly contingent upon the occurrence of the closing of the Bond Offering and, absent such closing, the Authority shall have no obligation to make any such payment pursuant to this Agreement or otherwise.

ARTICLE 7, PROGRESS REPORTS: The Contractor shall keep the Authority fully informed as to the progress of all matters covered by this Agreement. The Contractor shall promptly furnish the Authority with copies of all documents prepared in connection with the services rendered under this Agreement.

ARTICLE 8, SUBCONTRACTING: Subcontracting, assignment, or transfer of all or part of the interests of the Contractor in the work covered by this Agreement or the Contractor's obligations under this Agreement shall be prohibited without the prior written consent of The Authority.

- a. In the event the Authority gives such consent, the terms and conditions of this Agreement shall apply to and bind the party or parties to whom such work is subcontracted, assigned, or transferred as fully and completely as the Contractor is hereby bound and obligated.
- b. Where the Contractor is providing professional and legal services, the names and addresses of all subcontractors utilized by the Contractor with the consent of the Authority shall be listed in an amendment to this Agreement, together with the anticipated payment amount which the subcontractor is expected to receive pursuant to this Agreement (30 ILCS 500/35-40).
- c. The Contractor shall not employ any person or persons employed by the Authority at any time during the term of this Agreement for any work required by the terms of this Agreement.

ARTICLE 9, WORK PRODUCT: All documents, data and records produced by the Contractor in carrying out the Contractor's obligations and services hereunder, without limitation and whether preliminary or final, are and shall remain the property of The Authority.

- a. The Authority shall have the right to use all such documents, data and records without restriction or limitation and without compensation to the Contractor, and the Contractor shall have no right or interest therein.
- b. Upon completion of the services hereunder or upon termination of this Agreement, all such documents, data and records shall, at the option of The Authority, be appropriately arranged, indexed and delivered to the Authority by the Contractor.
- c. Any documents, data and records given to or prepared by the Contractor under this Agreement shall not be made available to any outside individual or organization by the Contractor without the prior written approval of The Authority. Any confidential and proprietary, non-public information secured by the Contractor from the Authority in connection with carrying out the services under this Agreement shall be kept confidential unless disclosure of such information is approved in writing by the Authority or unless disclosure otherwise is required by law.

ARTICLE 10, INABILITY TO PERFORM: The Contractor agrees that if, because of death or any other occurrence beyond the control of the Contractor, it becomes impossible for any principal or principals of the Contractor to render the services set forth in this Agreement, neither the Contractor nor the surviving principals shall be relieved of their obligations to complete performance hereunder. However, in such an occurrence, The Authority, at its own option, may immediately terminate the Agreement upon written notice to the Contractor.

ARTICLE 11, EMPLOYMENT STATUS:

- a. Services rendered pursuant to this Agreement are not rendered as an employee of the State of Illinois and amounts paid pursuant to this Agreement do not constitute compensation paid to an employee.
- b. The Authority does not assume any liability for actions of the Contractor under this Agreement and this Agreement is not subject to the State Indemnification Act (5 ILCS 350/1, et seq.).

ARTICLE 12, AVAILABILITY OF APPROPRIATIONS (30 ILCS 500/20-60): The Authority's obligations hereunder shall cease immediately, without further payment being required, in any year for which the General Assembly of the State of Illinois or other legally applicable funding source fails to make an appropriation sufficient to pay such obligation. The Authority shall give the Contractor notice of such termination of funding as soon as practicable after the Authority becomes aware of the failure of funding.

ARTICLE 13, LIABILITY: The Authority does not assume any liability for acts or omissions of the Contractor and such liability rests solely with the Contractor in accordance with applicable law.

ARTICLE 14, BREACH: Upon any material breach of this Agreement by the Contractor, the Authority may terminate this Agreement without penalty and shall have be entitled to such other relief as may be available in accordance with applicable law. The Authority's failure to declare a breach by the Contractor of this Agreement on one occasion shall not constitute a waiver of such breach or with respect to a breach on another occasion.

ARTICLE 15, RIGHT TO AUDIT: The Contractor agrees that the Authority or its representative(s) shall have the right to examine any of the Contractor's records which directly relate to this Agreement (30 ILCS 500/20-65).

ARTICLE 16, CONFLICT OF INTEREST: The Contractor agrees to comply with the provisions of the Illinois Procurement Code prohibiting conflicts of interest (**30 ILCS 500/50-13 and 50-35**) and the terms, conditions and provisions of those provisions apply to this Agreement and are hereby incorporated by reference into and made a part of this Agreement as though they were included herein. If any officer or employee of the State of Illinois has a prohibited interest, this Agreement may be terminated without charge or penalty to The Authority.

ARTICLE 17, LEGAL ABILITY TO CONTRACT: The Contractor certifies it is under no legal prohibition on contracting with the Authority or the State of Illinois, has no known conflicts of interest, and further specifically certifies that:

- a. The Contractor will comply with the applicable provisions of the U.S. Civil Rights Act, Section 504 of the Federal Rehabilitation Act, the Americans with Disabilities Act (42 U.S.C. 12101 et seq.) and applicable rules in performance under this Agreement.
- b. Neither the Contractor nor any person associated with the Contractor is in default on an educational loan (**5 ILCS 385/3**).
- c. The Contractor has informed the Authority in writing if any person associated with the Contractor was formerly employed by that agency and has received an early retirement incentive prior to 1993 under Section 14-108.3 or 16-133.3 of the Illinois Pension Code, and acknowledges that contracts made without the appropriate filing with the Auditor General are not payable from the "contractual services" or other appropriation line items. The Contractor or any person associated with the Contractor have not received an early retirement incentive in or after 2002 under Section 14-108.3 or 16-133.3 of the Illinois Pension Code, and acknowledges that contracts in violation of Section 15a of the State Finance Act are not payable from the "contractual services" or other appropriation line items. (**30 ILCS 105/15a**).
- d. Neither the Contractor nor any person associated with the Contractor has been convicted of bribing or attempting to bribe an officer or employee of the State or any other state, nor has made an admission on the record of having so bribed or attempted to bribe (**30 ILCS 500/50-5**).
- e. If the Contractor or any person associated with the Contractor has been convicted of a felony, at least five years have passed after the date of completion of the sentence for such felony, unless no person held responsible by a prosecutor's office for the facts upon which the conviction was based continues to have any involvement with the business (**30 ILCS 500/50-10**).
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or

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Name: Nixon Peabody LLP

EIN: 16-0764720

Legal Status:

- | | |
|---|--|
| <input type="checkbox"/> Individual | <input type="checkbox"/> Governmental entity |
| <input type="checkbox"/> Owner of sole proprietorship | <input type="checkbox"/> Nonresident alien individual |
| <input type="checkbox"/> Partnership | <input type="checkbox"/> Estate or legal trust |
| <input type="checkbox"/> + Legal Services Corporation | <input type="checkbox"/> Pharmacy (Non-Corp.) |
| <input type="checkbox"/> Tax-exempt | <input type="checkbox"/> Pharmacy/ Funeral Home/ Cemetery (Corp.) |
| <input type="checkbox"/> Corporation providing or billing medical and/or health care services | <input checked="" type="checkbox"/> Limited Liability Company
(select applicable tax classification:) |
| <input type="checkbox"/> Corporation NOT providing or billing medical and/or health care services | <input type="checkbox"/> D = disregarded entity |
| | <input type="checkbox"/> C = corporation |
| | <input checked="" type="checkbox"/> P = partnership |

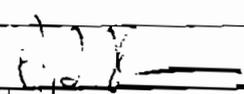
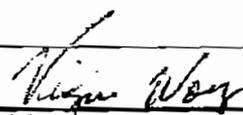
ARTICLE 21, NOTICES: All notices required under the terms of this agreement shall be delivered in person or by certified or registered mail with return receipt to the last known address of the parties hereto.

ARTICLE 22, LAWS OF ILLINOIS: This Agreement shall be governed in all respects by the internal laws of the State of Illinois, without regard to any conflicts of law rules thereof. Any claim against the Authority or the State of Illinois arising out of this Agreement must be filed exclusively with the Illinois Court of Claims.

ARTICLE 23, ENTIRE AGREEMENT: This Agreement contains the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior commitments, agreements, understandings or representations, whether written or oral, relating to the subject matter hereof. This Agreement may not be changed orally, but only by an agreement in writing signed by the party against whom enforcement of any waiver, modification, extension, or discharge is sought.

{Remainder of page intentionally left blank.}

IN WITNESS WHEREOF, the parties hereto, by their duly authorized representatives, have executed this Agreement as of the date first written above.

<u>AUTHORITY:</u> Railsplitter Tobacco Settlement Authority	<u>CONTRACTOR:</u> Nixon Peabody LLP
By: 	By: 
John Sinsheimer Chief Financial Officer	Name: Virginia Wong Title: Partner

NEED FOR SERVICE:

The Authority is responsible for overseeing the issuance of the bonds to be issued in the Bond Offering, including without limitation the preparation of the legal documentation required in connection therewith.

The financial community requires an approving opinion by a qualified bond counsel as to the legality of the Bonds.

Therefore, it is necessary for the Authority to obtain these specialized legal services and opinions from a qualified bond counsel.

APPENDIX B

DESCRIPTION OF SERVICES:

The role of the Contractor is that of Bond Counsel and, as such, the Contractor shall assist and advise The Authority, the underwriter(s) and underwriter's counsel as necessary or appropriate, and at the direction of all or any of them, throughout the course of the transaction. Such services may include the following:

- a. Providing such legal counsel to the Authority with respect to the planning, drafting, format and content of the Official Statement and Official Notice of Bond Sale, if applicable, for the Bond sale undertaken by the Authority.
- b. Drafting and preparation of supporting documents included in the transcript with respect to Bond issue, including Bond Order authorizing the issuance of Bonds, proceedings of the Director Officer/ of the Authority confirming sale of the Bonds, and other miscellaneous and closing documents.
- c. Furnishing Bond printer with Bond forms and text of approving opinions, examining printer's proof, approving final printer's proof, authorizing printer to proceed with printing Bonds, if applicable.
- d. Examination of all executed documents evidencing the proceedings authorizing the issuance and sale of the Bonds.
- e. Attendance at the sale and delivery of the Bonds.
- f. Providing final approving legal opinions to the Authority and the purchaser of the Bonds. final approving legal opinions to and the purchaser of the Bonds.
- g. Providing such other legal counsel and review as may be requested by the Authority with respect to the Bond Offering.
- h. Advise the Authority with respect to the disclosure rules of the SEC.
- i. Consult with other attorneys at the request of the Authority regarding preparation of Continuing Disclosure Undertakings to ensure consistency.

APPENDIX C

COMPENSATION FOR SERVICES:

The Contractor shall receive, as full payment for services under this Agreement in accordance with the provisions established below, an amount not to exceed \$460,000.

BILLING RATE FOR LABOR:

The Contractor shall be paid a fee of \$450,000.

In addition, the Contractor shall be paid an amount not to exceed \$10,000 for reimbursement of reasonable, out-of-pocket expenses paid by the Contractor, including reimbursement of transcript costs as well as costs related to the publishing of notices, as approved in advance by the Authority.

Payment for legal fees related expenses associated with the sale of the Bonds shall be made solely from the proceeds of the Bond Offering and is expressly contingent on the closing of the Bond Offering.