

TOBACCO SETTLEMENT FINANCING CORPORATION

**FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

TOBACCO SETTLEMENT FINANCING CORPORATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Tobacco Settlement Financing Corporation

We have audited the accompanying basic financial statements of the Tobacco Settlement Financing Corporation (a component unit of the State of Rhode Island) as of and for the year ended June 30, 2008, as listed in the foregoing table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Tobacco Settlement Financing Corporation as of June 30, 2008 and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2008 on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Boston

Newton

The Management's Discussion and Analysis on pages 3 through 15 is not a required part of the financial statements but is supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion thereon.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information presented on pages 26 through 28 is presented for purposes of additional analysis and to provide information for presentation of the Corporation's financial statements in the State of Rhode Island's Comprehensive Annual Financial Report, and is not a required part of the Corporation's basic financial statements. Such information, has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

The supplementary information presented on pages 29 and 30 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on those presentations.

Bianca PC

Providence, Rhode Island
November 18, 2008

Management's Discussion and Analysis

This section of the Tobacco Settlement Financing Corporation's (TSFC) annual financial report represents our narrative overview and financial performance analysis for the fiscal year ended June 30, 2008. Please read it in conjunction with the financial statements that follow this section. It should also be noted that while attempts have been made to disclose all pertinent risk factors, it is difficult to capture all current litigation and other proceedings relating to the Master Settlement Agreement, and the reader should not rely upon management's discussion contained herein when making investment decisions.

The Tobacco Settlement Financing Corporation (TSFC) was created in 2002 as a public corporation, having a distinct legal existence from the State and not constituting a department of state government. The TSFC was created to finance the acquisition from the State of the State's right, title and interest and in the State's right to receive the moneys due under and pursuant to (i) the Master Settlement Agreement, dated November 23, 1998, among the attorneys general of 46 states, the District of Columbia, the Commonwealth of Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa and the Territory of the Northern Marianas and Philip Morris, Incorporated, R.J. Reynolds Tobacco Company, Brown & Williamson Tobacco Corporation and Lorillard Tobacco Company and (ii) the Consent Decree and Final Judgment of the Rhode Island Superior Court for Providence County dated December 17, 1998, as the same has been and may be corrected, amended or modified, in the class action styled State of Rhode Island v. American Tobacco, Inc., et al. (Docket No. 97-3058), including without limitation, the rights of the State to receive the moneys due to it thereunder.

The Corporation issued \$685,390,000 of its Tobacco Settlement Asset-Backed Bonds, Series 2002A (“TSAC Bonds”) in June 2002 to finance the costs of acquisition of the right, title and interest to one hundred percent (100%) of the “state’s tobacco receipts,” as defined in the Act, after December 31, 2003. In June 2007, the Corporation issued \$197,005,742 of its Tobacco Settlement Asset-Backed Bonds, Series 2007 A, B and C which are structurally subordinate to the payment in full of the 2002 Series A Bonds. The Trustee is entitled to receive the “Residual” tobacco settlement revenues pledged to pay the 2007 Series A, B and C Bonds upon full payment of the 2002 Series A Bonds.

In accordance with the Act, the TSAC bonds are payable both as to principal and interest solely out of the assets of the Corporation pledged for such purpose and neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or the interest on the TSAC bonds. The TSAC bonds do not constitute an indebtedness of or a general, legal or “moral” obligation of the State or any political subdivision of the State.

Financial Highlights

Management believes the TSFC financial condition is stable, but future revenues continue to be threatened by factors discussed under “Risk Factors and Next Year’s Revenue”.

The following are the key financial highlights from the financial statements:

- Due to the balance of the bonds outstanding exceeding the assets recognized (no receivables for future revenues were recognized) the liabilities of TSFC exceeded its assets at the close of the 2008 fiscal year by \$ 756,857,693 (net assets).
- Revenues, consisting of Tobacco Settlement Agreement revenue and investment income, amounted to \$57,369,620.

Financial Highlights (continued)

- Expenses, primarily interest expense, amounted to \$53,479,783.
- Net assets of the Corporation increased by \$3,889,837 during the fiscal year.
- The Corporation had \$16,620,000 in Turbo Redemptions during the fiscal year.

Overview of Annual Financial Report

The TSFC's basic financial statements consist of two components: the Financial Statements and the Notes to the Financial Statements. In addition to the basic financial statements, the report contains other supplemental information and Management's Discussion and Analysis (MD&A).

The MD&A serves as an introduction to the basic financial statements and supplementary information. The MD&A represents management's examination and analysis of the TSFC's financial condition and performance.

The basic financial statements report information about the TSFC using the accrual basis of accounting. The basic financial statements include a Statement of Net Assets; Statement of Activities, a Statement of Cash Flows, and Notes to the Financial Statements.

The Statement of Net Assets presents the financial position of the TSFC on the accrual basis of accounting. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the TSFC is improving or deteriorating.

Overview of Annual Financial Report (continued)

All of the current year's revenues and expenses are accounted for in the Statement of Activities. This statement measures the success of the TSFC's financial operations over the past year and can be used to determine whether the TSFC will successfully garner sufficient revenues from the Master Settlement Agreement to pay debt service obligations.

Condensed Statements of Net Assets

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Current assets	\$72,520,653	\$72,872,388
Other assets	<u>2,314,110</u>	<u>\$2,228,100</u>
Total assets	<u>\$74,834,763</u>	<u>\$75,100,488</u>
Current liabilities	3,327,640	3,410,000
Long-term debt	<u>828,364,816</u>	<u>832,438,018</u>
Total liabilities	<u>831,692,456</u>	<u>835,848,018</u>
Net Assets	<u>\$(756,857,693)</u>	<u>\$(760,747,530)</u>
Total liabilities and Net Assets	<u>\$74,834,763</u>	<u>\$75,100,488</u>

Overview of Annual Financial Report (continued)

Condensed Statements of Activities

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Revenues	\$ 57,369,620	\$ 47,590,825
Expenses	<u>53,479,783</u>	<u>237,724,521</u>
Change in Net Assets	<u>\$ (3,889,783)</u>	<u>\$(190,133,696)</u>

The corporation purchased the State's rights to the TSRs beginning with TSRs received after December 31, 2003. Therefore, the corporation issued bonds in an amount sufficient to cover the purchase price, a required debt service reserve and scheduled interest payments until such date as the corporation obtained the rights to the TSRs. During the fiscal year ended June 30, 2003 the corporation utilized \$37,029,425 of designated cash reserves to fund a portion of the \$39,184,181 in aggregate interest payments made on its outstanding bonds.

During fiscal year 2008, the Corporation received \$57.4 million of revenues from TSRs and interest thereon reflecting an increase of \$9.8 million from FY 2007 revenues of \$47.6 million. This reflects an increase of \$9.2 million in TSR's and an increase of \$0.6 million in interest earnings.

The Corporation incurred \$53.4 million in interest on long term bonds and paid \$16.6 million in principal on long term debt pursuant to the turbo redemption provisions of the Trust Indenture relating to the Tobacco Settlement Asset-Backed Bonds, Series 2002A ("TSAC Bonds") issued in June 2002.

Long-Term Debt

During fiscal year 2002, the TSFC issued \$685,390,000 of revenue bonds secured by the pledge of revenues from the Master Settlement Agreement. Starting in late March 2003, the TSFC debt and all other tobacco securitization debts, were placed on rating watch by all three major credit rating agencies. The TSFC 2002 Series A Bonds are rated “Baa3” by Moody’s Investors Service, reflecting a downgrade from “Baa2” announced on April 21, 2004. The 2002 Series A Bonds were previously downgraded by Moody’s from A1 to A3 on March 31, 2003, and from A3 to Baa2 on June 2, 2003. The 2002 Series A Bonds are rated “BBB+” by Fitch Ratings, reflecting an upgrade from “BBB” announced on January 28, 2008. The Series 2002 A Bonds were previously downgraded by Fitch from “A+” to “A-“ on April 3, 2003, and from A- to BBB on May 6, 2003. Standard & Poor’s Rating Services rates the TSFC 2002 Series A debt “BBB,” reflecting a downgrade from “A-” on August 28, 2003. The 2002 Series A Bonds had been downgraded from “A” to “A-“ on April 18, 2003 by Standard & Poor’s. In general, the rating changes reflect the increased vulnerability of tobacco companies to adverse litigation in some jurisdictions, and concerns about litigation relating to the model statutes enacted by the various states. Ratings are subject to change at any time.

In June 2007, the TSFC issued \$197,005,742 bonds, which included \$176,974,412 Series 2007 A Bonds, \$17,336,217 Series 2007 B Bonds and \$2,695,112 Series 2007 C Bonds. The Series A and B Bonds were rated BBB and BBB- respectively by Fitch, and the Series C Bonds were unrated.

During fiscal year 2008, the Corporation paid \$16.62 million in principal on long term debt pursuant to the turbo redemption provisions of the Trust Indenture relating to its outstanding bonds. The amount of principal determined by the Trustee to be subject to the “turbo” redemption was based upon actual cash available in June 2008.

For additional information relating to capital assets or long-term debt, see the notes to the financial statements of this report.

The Composition of the Corporation's Board

During Fiscal Year 2005, TSFC was governed by a five-member Board. The Board was comprised of three members appointed by the Governor, one member appointed by the Speaker of the House and one member appointed by the President of the Senate. In July 2005, the composition was changed to include three public members appointed by the Governor subject to Senate confirmation, two members of the State Investment Commission appointed by the Governor who shall give due consideration to the recommendation of the Chair of the State Investment Commission. In 2007, the Governor made appointments of two members who are members of the State Investment Commission. Two members appointed by the Governor under the previous composition, will continue to serve until such time as they or new members are appointed and/or have received Senate confirmation.

Risk Factors and Next Year's Revenue

The Board has little or no control over the level of revenues that are collected by the Corporation. Risk factors impacting the level of revenues to be received by the TSFC, including but not limited to, cigarette consumption, financial viability of the Participating Manufacturers, and the liability of the tobacco industry, including litigation risk involving the industry. As described above, the risk of default is monitored by the credit rating agencies. In the event of non-payment of the amounts due and payable under the Master Settlement Agreement that have been assigned to the Corporation, the State of Rhode Island has pledged to pursue legal remedies to the extent possible to obtain amounts due pursuant to the Master Settlement Agreement and payable to the Corporation.

States have collected less TSRs than originally expected due to a decline in cigarette volume, due possibly to higher than expected state excise taxes, which have increased significantly in many jurisdictions. The adjustment for inflation has offset the volume adjustment, but it has not outweighed it to date.

Risk Factors and Next Year's Revenue (continued)

In April 2005, the total revenues received by the Corporation as a result of the Tobacco Master Settlement Agreement (MSA) were \$45,315,618. Eleven of the forty-three Subsequent participating Manufacturers (SPMs) to the MSA paid their MSA payment due April 15, 2005 into an escrow disputed account and nine SPM withheld all or part of their MSA payment due April 1, 2005. On or about October 4, 2005, Rhode Island received a distribution in the amount of approximately \$514,707.25 as a result of some SPMs releasing funds deposited in the escrow dispute account and the first payment in the General Tobacco settlement.

The SPMs asserted that the Independent Auditor's calculation for the MSA payment due April 15, 2005 was incorrect, primarily because it did not contain a Non-Participating Manufacturers (NPM) adjustment. The value of the April 15, 2005 MSA payment in dispute for the Tobacco Settlement Financing Corporation is approximately \$1,366,519. The NPM adjustment would permit the Participating Manufacturers (PM) to reduce their MSA payments provided that the PMs market share loss exceeds 2% of the original participating manufacturers' 1997 market share, that the MSA was a significant factor for the PMs' market share loss, and that the states did not diligently enforce the MSA and the escrow statutes. If the NPM adjustment is applied, the payment reduction is based on the percentage of market share lost to NPMs multiplied by three and allocated to states that did not diligently enforce the MSA and the escrow statute, up to the amount of the allocable share. The offset is not carried forward to other MSA payments. To maintain their disputed payments, the PMs must prove first that the MSA was a significant factor in their market share loss. In April 2005, the Independent Auditor determined that the PMs' market share loss exceeded 2% of the of the Original Participating Manufacturers' 1997 market share. Rhode Island along with the other Settling States and the PMs initiated a Significant Factors Determination (SFD) proceeding to determine whether or not the MSA was a significant fact in the PM's market share loss greater than 2%.

Risk Factors and Next Year's Revenue (continued)

On March 27, 2006, The Brattle Group made its final determination that the MSA was a significant factor contributing to the market share loss for calendar year 2003. In a statement dated March 28, 2006, the co-chairs of the National Association of Attorney General's Tobacco Committee, stated, among other things, that the Settling States believe it would not be appropriate for a PM to withhold any portion of the April 2006 Annual Payment. It has been reported, however, that the general counsel of Reynolds Tobacco has stated that he believes that not all states were diligently enforcing their Model Statutes.

It has been reported that on March 31, 2006, Philip Morris made its full \$3.4 billion payment, even though it believes that sum should eventually be reduced to reflect its market share loss due in the MSA, and it intends to continue to negotiate with the Settling States' Attorneys General for a reduction of its payment. It has been further reported that Lorillard paid approximately \$558 million of its 2006 Annual MSA Payment on March 31, 2006 to the Settling States and deposited the balance of its 2006 MSA Annual Payment, \$108 million, into the Disputed Payments Account pending final non-appealable resolution of the 2003 NPM Adjustment. Additionally, it has been reported that Reynolds American paid approximately \$ 1.3 billion of its Annual MSA Payment for 2006 to Settling States and deposited \$647 million in the Disputed Payment Account pending resolution of the 2003 NPM Adjustment. According to the co-chairs of the NAAG Tobacco Committee, in a statement released on April 18, 2006, the Annual Payments paid by Lorillard and Reynolds American to the Settling States constitute about 82% of the amount that was due. The three SPMs from whom the largest payments were due made substantial payments. However, one of the three SPMs paid a portion of its payment to the Disputed Payments Account, and the other two SPMs each withheld a portion of the payment due from them. It has been reported in the press that a majority of the Settling States gave notice to the PMs of each such Settling State's intent to initiate proceedings pursuant to the MSA to compel the PMs to make the 2006 Annual Payment without diminution for any NPM Adjustment.

Risk Factors and Next Year's Revenue (continued)

To obtain the full MSA payment due April 15, 2006, Rhode Island issued a 30 day notice of intent to initiate proceedings to the PMs, pursuant to the MSA. There is lack of continuity in the court decisions whether or not the NPM adjustment issues are the jurisdiction of state courts or arbitration. Moreover, the courts that have held that the NPM adjustment dispute is subject to arbitration are inconsistent concerning the arbitration forum, some requiring nationwide arbitration and some state arbitration. Forty (40) states have final orders to compel arbitration. One state has not sought judicial review. Nine (9) states have appeals pending or applications for writ to review the lower court decisions. In Rhode Island, the Superior Court granted the PMs' motion to compel arbitration. The Attorney General has appealed that ruling to the RI Supreme Court.

In April 2006, the Independent Auditor calculated that the PMs' payment for the MSA payment due April 15, 2006 should be \$6,568,524,930.77. The PMs paid the Settling States \$5,754,873,468.91 for the Annual MSA payment due April 15, 2006. The total revenues received by the Corporation as a result of the MSA were \$41,545,702. The value of the April 15, 2006 MSA payment in dispute to Rhode Island is approximately \$5,858,290.52, which includes PMs that either withheld or deposited into Disputed Escrow Accounts \$39,579,991.41 related to the 2003 NPM Adjustment. In their April 18, 2006 statement, the co-chairs of the NAAG Tobacco Committee restated that the Settling States believe that no NPM Adjustment would be found to apply and, thus, the Settling States are entitled to receive the full payment due under the MSA. They stated that each Settling State has enacted a Model Statute, that all states believe they have diligently enforced their Model Statute, and that they will ultimately receive the money in dispute. Since that date, more than 30 Settling States have filed suit in their respective state courts against one or more of the PMs to obtain the entire 2006 MSA Payment. The Settling States also assert that in June 2003 the OPMs unconditionally released the Settling States from all claims that they may have with respect to cigarettes sold or shipped from 1999 through 2002.

Risk Factors and Next Year's Revenue (continued)

The OPMs and the Settling States had entered into agreements that resolved a variety of disputes relating to cigarette sales and MSA payments from 1999 through 2002. The Settling States maintain that since an NPM Adjustment for 2003 would be based upon cigarettes sold or shipped in 2002, the release in June 2003 agreements bars the OPMs from claiming an NPM Adjustment for 2003. The PMs have filed counter actions claiming that they are entitled to a 2003 NPM Adjustment. At this time, litigation is focused upon the appropriate forum to determine whether a 2003 NPM adjustment should be applied to the MSA payment. As previously noted, any Settling State that adopts, maintains and diligently enforces its Qualifying Statute is exempt from the NPM Adjustment. The State of Rhode Island has adopted the Model Statute (which is a Qualifying Statute under the MSA). "Diligent Enforcement" is not defined in the MSA. Furthermore, no provision of the MSA attempts to define what activities, if undertaken by a Settling State, would constitute diligent enforcement. As noted above, the Rhode Island Attorney General's office has stated that the State has been and is diligently enforcing its Model Statute. Furthermore, the MSA does not explicitly state which party bears the burden of proving or disproving whether a Settling State has diligently enforced its Qualifying Statute or whether any diligent enforcement dispute would be resolved in state courts or through arbitration.

Future NPM Adjustment claims against Settling States remain possible for calendar years 2004, 2005 and all future years. The Brattle Group has been engaged, as the Firm, to determine whether or not the MSA was a significant factor for the PMs loss of market share in 2004. Rhode Island prepared for a Significant Factors Determination Proceeding concerning market share loss. No preliminary or final "significant factor" determinations for any year other than 2003 and 2004 have been made. In 2007, participating manufacturers withheld or deposited in a disputed payments account \$759,901,725 of which approximately \$5.4 million would be allocated to Rhode Island. In April 2008, participating manufacturers withheld or deposited in a disputed payments account \$526,362,768.93 of which approximately \$3.7 million would be allocated to Rhode Island.

Risk Factors and Next Year's Revenue (continued)

Although a Settling State that diligently enforces its Qualifying statute is not subject to the NPM Adjustment, many procedural uncertainties, as described above, still remain regarding the resolution of a dispute regarding NPM Adjustment. In addition, the resolution of the substance of such disputes could take years.

A decision by the PMs not to pay the amount of a claimed NPM Adjustment into the Disputed Payments Account or to withhold payment of such an amount pending the resolution of the dispute would have a material adverse effect on the amounts of TSRs available to the Corporation to make Turbo Redemptions and other payments on the bonds during such period. Should a PM be determined with finality to be entitled to an NPM Adjustment in a future year, the operation of the NPM Adjustment would also have a material adverse effect on the amounts of TSRs available to the Corporation to make Turbo Redemptions and other payments on the bonds.

Rhode Island is working, independently and with other Settling States, to increase the number of tobacco companies that join the MSA and make MSA payments to Rhode Island and the other Settling States. Rhode Island will continue to vigorously enforce the MSA and related statute.

There continue to be concerns that litigation could threaten the ability of the tobacco companies to pay the amounts owed under the MSA including but not limited to, bankruptcy. Antitrust and constitutional challenges to the MSA are pending in several Settling States, which potentially could affect the legality of the MSA and the MSA payments for Rhode Island. Rhode Island continues to work with the other Settling States to defend these challenges. In addition, the issue whether or not the PMs would seek bankruptcy protection continues to be a concern. A number of PMs have filed for bankruptcy.

Requests for Information

This financial report is designed to provide a general overview of the TSFC finances for all those with an interest in this organization. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chairperson, Tobacco Settlement Financing Corporation, c/o State Budget Office, One Capitol Hill, Providence, Rhode Island 02908.

Tobacco Settlement Financing Corporation

Statement of Net Assets
as of June 30, 2008

Assets:

Investments - unrestricted...	\$	240,690
Investments - restricted...		72,279,963

Bond issue costs, net...		2,314,110
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Total Assets		<u>74,834,763</u>
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Liabilities:

Accrued interest...		3,327,640
Bonds payable, net of unamortized discount...		828,364,816

Total Liabilities...		<u>831,692,456</u>
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Net Assets:

Restricted for debt service		52,020,084
Unrestricted/(deficiency)...		(808,877,777)

Total Net Assets...	\$	<u>(756,857,693)</u>
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See Notes to Financial Statements.

Tobacco Settlement Financing Corporation

Statement of Activities
for the year ended June 30, 2008

Revenues:

Tobacco Settlement Agreement revenue...	\$ 53,246,221
Investment income...	4,123,399
Total revenues...	<u>57,369,620</u>

Expenses:

General and administrative...	33,220
Amortization of bond issue costs...	63,989
Interest expense...	53,382,574
Total expenses...	<u>53,479,783</u>

Net increase in Net Assets 3,889,837

Net Assets/(Deficiency):

Beginning of the year...	(760,747,530)
End of the year...	<u>\$ (756,857,693)</u>

See Notes to Financial Statements.

Tobacco Settlement Financing Corporation

Statement of Cash Flows
for the year ended June 30, 2008

Cash flows from operating activities:	
Cash received from Tobacco Settlement Agreement...	\$ 53,246,221
Payments to vendors...	(33,220)
Net cash provided by operating activities...	<u>53,213,001</u>

Cash flows from non-capital financing activities:	
Principal paid on long-term debt...	(16,620,000)
Interest paid on long-term debt...	(40,918,135)
Payment of debt issuance costs...	(150,000)
Net cash used for non-capital financing activities...	<u>(57,688,135)</u>

Cash flows from investing activities:	
Change in investments - unrestricted...	86,350
Change in investments - restricted...	265,385
Investment earnings...	4,123,399
Net cash provided by investing activities...	<u>4,475,134</u>

Net increase/(decrease) in cash...	-
Cash, beginning of year...	<u>-</u>
Cash, end of year...	<u>\$ -</u>

Reconciliation of increase in net assets to net cash provided by/

Increase in net assets...	\$ 3,889,837
Amortization of bond issue costs...	63,989
Amortization of bond discount...	1,393,704
Change in Accrued interest...	(82,360)
Interest expense...	40,918,135
Accretion of interest on capital appreciation bonds	11,153,095
Investment earnings...	<u>(4,123,399)</u>
Net cash provided by/(used for) operating activities...	<u>\$ 53,213,001</u>

See Notes to Financial Statements.

TOBACCO SETTLEMENT FINANCING CORPORATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Tobacco Settlement Financing Corporation (the Corporation) was organized on June 13, 2002 as a public corporation by the State of Rhode Island, pursuant to Title 42 of the General Laws, Chapter 133. The purpose of the Corporation is to purchase Tobacco Settlement Revenues from the State. The Corporation is authorized to issue bonds necessary to provide sufficient funds for carrying out its purpose.

In June 2002, and again in June 2007, the Corporation issued revenue bonds that are the sole obligation of the Corporation. Accordingly, the State is not liable for any debts issued by the Corporation. Also in June 2002 and 2007, pursuant to Purchase and Sale Agreements with the State, the State sold to the Corporation its future rights in the Tobacco Settlement Revenues (TSR's) under the Master Settlement Agreement and the Consent Decree and Final Judgment (the "MSA"). When the Corporation's obligations with the bonds have been fulfilled, the TSR's will revert back to the state.

The Corporation's rights to receive TSR's are expected to produce funding for its obligations.

The TSR payments are dependent on a variety of factors, which include:

- the financial capability of the participating cigarette manufacturers to pay TSR's;
- future cigarette consumption which impacts the TSR payment; and
- future legal and legislative challenges against the tobacco manufacturers and the master settlement agreement that provides for the TSR payments.

The bonds of the Corporation are asset-backed instruments that are secured solely by the tobacco settlement revenues.

The Corporation is a component unit of the State of Rhode Island for financial reporting purposes. Accordingly, the Corporation's financial statements are included in the State of Rhode Island's Annual Financial Report.

These financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board. In accordance with State reporting requirements, the Corporation has elected not to apply Financial Accounting Standards Board statements and interpretations, Accounting Principles Board opinions, and accounting research bulletins of the Committee on Accounting Procedures issued after November 30, 1989.

Recently Issued Accounting Standards

In 2004 the Governmental Accounting Standards Board issued a Technical Bulletin titled: *Tobacco Settlement Recognition and Financial Reporting Entity Issues*. This Technical Bulletin was issued to provide guidance on recording and presenting Tobacco Settlement transactions and determining if separate entities created to purchase a settling government's interest in future settlement revenues should be considered component units of that government. The Corporation elected to adopt the applicable provisions of this Technical Bulletin in its 2003 financial statements. This guidance concluded that neither an asset nor revenue from the Settlement Agreement should be recorded until the domestic sale of cigarettes occurs. Under this current guidance, transactions related to the Settlement Agreement will be recognized on the accrual basis, consistent with the timing of the domestic sale of cigarettes and the resulting Settlement Agreement payments required to be made by the participating cigarette manufacturers.

(CONTINUED)

TOBACCO SETTLEMENT FINANCING CORPORATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Standards (Continued)

During the 2008 fiscal year the Corporation adopted the Governmental Accounting Standards Board Statement 48: *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. There were no effects from the implementation of this Standard on the Corporation's financial statements; however, this Standard will be utilized for any future Tobacco Settlement Purchases.

Basis of Presentation – Entity-wide Financial Statements

The Statement of Net Assets displays information on the financial position of the Corporation. The Statement of Activities presents the revenues and expenses of the Corporation for the fiscal period.

The Corporation is treated as a special-purpose government. The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred, regardless of the related cash flows.

Net assets comprise the various net earnings from operating and non-operating revenues, and expenses. Net assets are classified in the following two components: restricted for debt service and unrestricted net assets. Restricted for debt service consists of all net assets subject to external restrictions which limit their use to the payment of debt service. Unrestricted consists of all other net assets not included in the above categories.

Basis of Presentation – Supplemental Information (Fund Financial Statements)

The fund financial statements provide detailed information for the Corporation's individual funds.

In order to ensure observances of limitations and restrictions placed on the use of resources available to the Corporation, the accounts of the Corporation are maintained in accordance with the principles of "Fund Accounting". This is a procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund. Account groups are reporting devices used to account for certain assets and liabilities not recorded directly in the funds.

The Corporation uses the following fund types:

Governmental funds are used to account for the Corporation's general activities, and utilize the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when "measurable and available"). "Measurable" means that the amount of the transaction can be determined and "available" means collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt which is recognized when due.

(CONTINUED)

TOBACCO SETTLEMENT FINANCING CORPORATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – Supplemental Information (Fund Financial Statements) (Continued)

Governmental funds include the following fund types:

- General Fund. The Corporation's primary operating fund is the General Fund. It accounts for all financial resources of the Corporation, except those required to be accounted for in another fund.
- Debt Service Fund. The Corporation's accumulation of resources for, and payment of, principal and interest on long-term debt is accounted for in the Debt Service Fund.

Reservations of fund balances represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent management plans that are subject to change. The financial activities of the Corporation are limited by its enabling legislation and by its revenue bond resolution.

Investments

Investments are stated at fair value.

The Corporation's bond indenture and related agreements require that cash and investments be held by the trustee for the benefit of the bond holders. According to the agreements, investments to be held by the trustee are limited to the following:

- United States Treasury Securities
- Demand deposits with banks which are members of the Federal Deposit Insurance Corporation
- Federal Agency or instrumentality bonds
- Certain repurchase agreements
- Certain bankers acceptances
- Shares in certain Investment Companies
- Certain Obligations of any state, or political subdivision, or municipal corporation
- Certain eligible loans
- Investment Agreements approved by the rating agencies
- Commercial paper

(CONTINUED)

TOBACCO SETTLEMENT FINANCING CORPORATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation – Supplemental Information (Fund Financial Statements) (Continued)

Income Taxes

The Corporation is exempt from federal and state income taxes.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

Amortization of Bond Discount and Issuance Costs

Bond discounts and issue costs are deferred and amortized over the term of the bonds, using the interest method for discounts and the straight-line method for issue costs. Bond discounts are presented as an adjustment to the face amount of the bonds payable.

Cash and Cash Equivalents

Cash represents amounts in demand deposit accounts with financial institutions. Cash equivalents are defined as highly liquid investments with a maturity of three months or less at the time of purchase.

2. INVESTMENTS

At June 30, 2008, the corporation had the following investments:

<u>Description</u>	<u>Maturity</u>	<u>Fair Value</u>
Hannover commercial paper	December 1, 2008	\$52,019,174
Morgan Stanley commercial paper	December 1, 2008	19,531,741
Wells Fargo Advantage Treasury Plus Funds	n/a	969,738
		\$72,520,653

Concentration of Credit Risk. The corporation does not have a formal policy that limits the amount that may be invested in any one issuer. The investments listed above represent 71.7%, 26.9% and 1.4%, respectively, of the corporation's total investments.

Interest Rate Risk. It is the policy of the corporation to limit the length of its investment maturities in order to manage the exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the corporation will not be able to recover the value of its investments that are in the possession of the counterparty. The corporation does not have a formal investment policy for custodial credit risk.

(CONTINUED)

TOBACCO SETTLEMENT FINANCING CORPORATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

2. INVESTMENTS (Continued)

Credit Risk. As of June 30, 2008, the corporation's investment in Hannover commercial paper, issued by Hannover FDG Co., LLC, was rated A-1 by Standard and Poors and P-1 by Moody's. The corporation's investment in Morgan Stanley commercial paper was rated A-1+ by Standard and Poors and P-1 by Moody's. The Wells Fargo Advantage Treasury Plus Funds was rated AAAm by Standard and Poors and Aaa by Moody's, as the fund invests in short-term obligations issued by the U.S. Treasury and also invests in repurchase agreements and other instruments collateralized or secured by U.S. Treasury obligations. The weighted average maturity of the underlying investments in the Wells Fargo Advantage Treasury Plus Money Market is six days. The U.S. Treasury does not directly or indirectly insure or guarantee the performance of the fund. Treasury obligations have historically involved minimal risk of loss if held to maturity. However, fluctuations in market interest rates may cause the value of Treasury obligations in the Fund's portfolio to fluctuate.

3. LONG-TERM DEBT

On June 27, 2002 the Corporation issued \$685,390,000 of Tobacco Settlement Asset-Backed Bonds (2002 Series). The bond proceeds were used to purchase the State's future rights in the Tobacco Settlement Revenues (TSR's) under the Master Settlement Agreement and the Consent Decree and Final Judgment (the "MSA"). The bonds bear interest ranging from 5.920% to 6.250% and mature in varying amounts through June 1, 2042. The bonds are subject to early redemption provisions, in whole or in part, at the redemption price of 100% of the principal amount plus accrued interest, without premium. Term Maturities represent the minimum amount of principal that the Corporation must pay as of specific dates. The bond indenture contains "Turbo Maturity" provisions, whereby the Corporation is required to apply 100% of all collections that are in excess of the then current funding requirements of the indenture to the early redemption of the bonds. The amount of any turbo redemptions made will be credited against the term maturities in ascending chronological order. During the year ended June 30, 2008, 2007 and 2006 the Corporation utilized \$16,620,000, \$6,220,000, and \$5,455,000 of excess collections to early redeem an equal amount of outstanding bonds.

On June 27, 2007 the Corporation issued \$197,005,742 of additional Tobacco Settlement Asset-Backed Bonds (2007 Series). The bond proceeds were used to purchase the State's future rights to residual Tobacco Settlement Revenues which were not purchased under the 2002 purchase agreement. The bonds are Capital Appreciation Bonds, on which no periodic interest payments are made, but which are issued at a deep discount from par and accreting to full value at maturity in the year 2052. At maturity, the bond redemption values represent accreted yields ranging from 6.000% to 6.750%. The bonds are subject to early redemption provisions, in whole or in part, at the redemption price of 100% of the issue amount plus accreted interest, without premium. The bond indenture contains "Turbo Maturity" provisions, whereby the Corporation is required to apply 100% of all collections that are in excess of the then current funding requirements of the indenture to the early redemption of the bonds.

(CONTINUED)

TOBACCO SETTLEMENT FINANCING CORPORATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

3. LONG-TERM DEBT (Continued)

Principal and interest payments assuming the Term Maturities schedule are as follows:

<i>Year ending June 30</i>	<i>Principal</i>	<i>Accreted Interest</i>	<i>Interest</i>	<i>Total</i>
2009			\$ 39,931,675	\$ 39,931,675
2010			39,931,675	39,931,675
2011			39,931,675	39,931,675
2012			39,931,675	39,931,675
2013			39,931,675	39,931,675
2014 – 2018			199,658,375	199,658,375
2019 – 2023	\$ 106,575,000		196,461,125	303,036,125
2024 – 2028			167,685,875	167,685,875
2029 – 2033	168,260,000		152,226,988	320,486,988
2034 – 2038			116,156,250	116,156,250
2039 – 2043	371,700,000		92,925,000	464,625,000
2044 – 2048		-	-	-
2049 – 2052	197,005,742	\$ 2,637,174,258	-	2,834,180,000
Subtotal	843,540,742	\$ 2,637,174,258	\$ 1,124,771,988	\$ 4,605,486,988
Plus: accreted interest on capital appreciation bonds	11,153,095			
Total	\$ 854,693,837			

The changes in bonds payable for the year ended June 30, 2008 are as follows:

Beginning balance...	\$832,438,017
Amortization of bond discount...	1,393,704
Accretion of interest on capital appreciation bonds	11,153,095
Bond principal retired...	<u>(16,620,000)</u>
Ending balance...	<u>\$828,364,816</u>

The balance due on the Corporation's bonds payable reconciles to the reported amount included in the statement of net assets as follows:

Original Bond principal...	\$882,395,742
Less: "Turbo Redemptions" through June 30, 2008...	(38,855,000)
Plus: Accretion of interest on capital appreciation bonds	<u>11,153,095</u>
Outstanding balance of bonds payable...	854,693,837
Less: unamortized bond discount...	<u>(26,329,021)</u>
Bonds payable, per statement of net assets...	<u>\$828,364,816</u>

4. COMMITMENTS AND CONTINGENCIES

Litigation has been filed alleging, among other claims, that the Master Settlement Agreement (MSA) violates provisions of the U.S. Constitution, state constitutions, federal antitrust and civil rights laws, state consumer protection laws; these actions, if ultimately successful, could result in a determination that the MSA is void or unenforceable. The lawsuits seek to prevent the states from collecting any monies under the MSA, and/or a determination that prevents the tobacco manufacturers from collecting MSA payments through price increases to cigarette consumers. In addition, class action lawsuits have been filed in jurisdictions alleging violations of state Medicaid agreements. To date, no such lawsuits have been successful. The enforcement of the terms of the MSA may continue to be challenged in the future. In the event of an adverse court ruling, the corporation may not have adequate financial resources to service its debt obligations.

(CONTINUED)

TOBACCO SETTLEMENT FINANCING CORPORATION

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

4. COMMITMENTS AND CONTINGENCIES (Continued)

In April 2005, 2006, 2007 and 2008 many of the tobacco manufacturers participating in the MSA either withheld all or portions of their payments due, or remitted their payments to an escrow account, disputing the calculations of amounts due under the agreement. These manufacturers assert that the calculations of the amounts due failed to recognize a prescribed adjustment for non-participating manufacturers. The corporation's share of these disputed payments is approximately \$15,800,000. Due to uncertainties regarding the ultimate realization of the remaining amount of these disputed payments, they have not been recognized as revenue in the accompanying financial statements. The Corporation and the other affected parties are taking actions prescribed in the MSA to arrive at a resolution of these matters.

On January 31, 2006 the Corporation received a subpoena requesting the production of documents and information relative to the SEC's investigation of "Certain GIC Brokers." The Corporation responded to this request on a timely basis. On April 17, 2008, the Corporation received a subpoena from the US Department of Justice for the production of documents. The Corporation responded to this request on a timely basis and has not received any further notices or communications from the Department of Justice regarding this matter.

Investment income earned by the Corporation is limited by U.S. Treasury regulations. Income earned in excess of allowable amounts will be remitted to the federal government as required by the applicable laws and regulations. The Corporation is required to submit payment of its rebateable arbitrage earnings on the five-year anniversary of the bond issue, and on each succeeding five-year anniversary.

5. ADMINISTRATIVE EXPENSES

The State of Rhode Island performs certain accounting, legal, and administrative services on behalf of the Corporation for which it receives no compensation. The values of such services are not material to the Corporation's financial statements, and have not been reflected herein.

6. RISK MANAGEMENT

The Corporation is exposed to various risks of loss related to torts, asset misappropriation, and errors and omissions that could occur in the normal course of operations. The Corporation retains the risk of loss in the event of any judgments against it. As of June 30, 2008, there are no known asserted or unasserted claims or judgments pending against the Corporation.

Members of the Board and persons acting on the Corporation's behalf, while acting within the scope of their duties or employment, are indemnified against damages pursuant to the Corporation's enabling legislation and state law.

7. RESTRICTED ASSETS

In accordance with the Corporation's revenue bond indenture, investments have been designated as restricted for the following purposes:

Debt Service Reserve Fund	\$52,020,084
Designated for future Debt Service expenditures	20,500,569

The Corporation was in compliance with its Debt Service Reserve requirements as of June 30, 2008.

(CONCLUDED)

SUPPLEMENTARY INFORMATION

Tobacco Settlement Financing Corporation

Balance Sheet, Governmental Funds
as of June 30, 2008

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets:			
Investments...	\$ 240,690	\$ 72,279,963	\$ 72,520,653
Total Assets	<u>\$ 240,690</u>	<u>\$ 72,279,963</u>	<u>\$ 72,520,653</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable...	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Reserved for debt service...	-	52,020,084	52,020,084
Designated for future expenditure...	240,690	20,259,879	20,500,569
Total Fund Balances	<u>240,690</u>	<u>72,279,963</u>	<u>72,520,653</u>
Total Liabilities and Fund Balances	<u>\$ 240,690</u>	<u>\$ 72,279,963</u>	<u>\$ 72,520,653</u>

Tobacco Settlement Financing Corporation

Statement of Revenues, Expenditures, Other Financing Sources and Uses and Changes in Fund Balances,
Governmental Funds
For the year ended June 30, 2008

	General Fund	Debt Service Fund	Total Governmental Funds
Revenues:			
Investment income...	\$ 25,657	\$ 4,097,742	\$ 4,123,399
Tobacco Settlement Agreement revenue...	53,246,221	-	53,246,221
Total Revenues	<u>53,271,878</u>	<u>4,097,742</u>	<u>57,369,620</u>
Expenditures:			
Current:			
General and administrative...	33,220	-	33,220
Cost of issuance...	150,000	-	150,000
Debt Service: Principal...	-	16,620,000	16,620,000
Debt Service: Interest...	-	40,918,135	40,918,135
Total Expenditures	<u>183,220</u>	<u>57,538,135</u>	<u>57,721,355</u>
Excess of Revenues over/(under) Expenditures	<u>53,088,658</u>	<u>(53,440,393)</u>	<u>(351,735)</u>
Other Financing Sources/(Uses):			
Operating transfers in...	25,063	53,200,071	53,225,134
Operating transfers out...	<u>(53,200,071)</u>	<u>(25,063)</u>	<u>(53,225,134)</u>
Net Other Financing Sources/(Uses)	<u>(53,175,008)</u>	<u>53,175,008</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	(86,350)	(265,385)	(351,735)
Fund Balances:			
Beginning of the year...	327,040	72,545,348	72,872,388
End of the year...	<u>\$ 240,690</u>	<u>\$ 72,279,963</u>	<u>72,520,653</u>

Amount reported in the Statement of Net Assets differs because:

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds... (831,692,456)

Long-term assets do not represent currently expendable resources and therefore are not reported in the funds... 2,314,110

Net Assets in Statement of Net Assets... \$ (756,857,693)

Tobacco Settlement Financing Corporation

Supplemental Calculation of Debt Service Coverage Ratios
for the years ended June 30, 2008 and 2007

	<u>2008</u>		<u>2007</u>
Beginning balances...	\$	-	\$ -
Revenues:			
Tobacco revenue received...	53,246,221		44,024,516
Investment income...	4,123,399		3,566,309
Total sources...	<u>57,369,620</u>		<u>47,590,825</u>
Expense reserve...		<u>33,220</u>	<u>53,500</u>
Net Revenue Available for Debt Service...	<u>\$ 57,336,400</u>		<u>\$ 47,537,325</u>
Annual Debt Service:			
Required Interest Payments	\$ 40,918,135		\$ 41,286,359
Turbo Principal Payments	16,620,000		6,220,000
Total Annual Debt Service...	<u>\$ 57,538,135</u>		<u>\$ 47,506,359</u>
Coverage Ratio...		<u>1.00</u>	<u>1.00</u>

Tobacco Settlement Financing Corporation

Supplemental Schedule of Actual MSA Receipts Compared to
Base Case Projections at Time of Sale

<u>Fiscal Year Ended June 30</u>	<u>2002 Series A & B DRI-WEFA Base Case Expected MSA Revenue</u>	<u>2007 Series A, B & C Global Insight Base Case Expected MSA Revenue</u>	<u>Actual MSA Revenue Received</u>	<u>Variance</u>
2004	\$ 47,047,106		\$ 45,190,449	\$ (1,856,657)
2005	\$ 47,570,858		\$ 45,315,617	\$ (2,255,241)
2006	\$ 48,196,297		\$ 42,060,409	\$ (6,135,888)
2007	\$ 48,825,273		\$ 44,024,516	\$ (4,800,757)
2008	\$ 50,476,947	\$ 57,443,691	\$ 53,246,221	\$ 2,769,274
2009	\$ 51,191,991	\$ 58,186,214		

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Tobacco Settlement Financing Corporation

We have audited the financial statements of the Tobacco Settlement Financing Corporation, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 18, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of the governmental activities information of Tobacco Settlement Financing Corporation as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Tobacco Settlement Financing Corporation's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Boston

Newton

Providence

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Tobacco Settlement Financing Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, Management, the Rhode Island Department of Administration, Rhode Island Auditor General and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Providence, Rhode Island
November 18, 2008

