



State of New Jersey

Department of the Treasury

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Tobacco Settlement Financing Corporation Advisory

TRENTON -- The New Jersey Tobacco Settlement Financing Corporation is releasing the following statement, as a supplement to the Preliminary Offering Circular, originally issued January 12, 2007 for the advance refunding of the Corporation's outstanding Series 2002 Bonds and Series 2003 Bonds:

On January 18, 2007, three New Jersey legislators (collectively, the "Correspondents"), sent a letter (the "January 18 Letter") addressed to The Honorable Bradley Abelow, Treasurer of the State and Chairman of the Corporation. In the January 18 Letter, the Correspondents stated their intention to bring legal action claiming that Corporation's issuance of Series 2007-1 Bonds having maturities longer than 35 years from their date of issuance would be in violation of a provision of the New Jersey Constitution that prohibits the State from contracting debt having a term longer than 35 years.

The Attorney General of the State and Bond Counsel have advised the Corporation and the Underwriters that the 35-year maturity limitation referred to above is inapplicable to the Corporation's Series 2007-1 Bonds and that, under existing law (including the New Jersey Constitution) and existing New Jersey Supreme Court holdings, the assertion expressed in the January 18 Letter by the Correspondents to the contrary is without merit. Nevertheless, in order to facilitate the refunding of the Corporation's outstanding Series 2002 Bonds and Series 2003 Bonds in a timely manner, and to alleviate any investor concern that the Correspondents' threat of litigation may cause, the Corporation has determined to issue only Series 2007-1 Bonds that mature within 35 years.

On the date that the Corporation issues the Series 2007-1 Bonds, the approving opinion of Bond Counsel in customary form will state, among other things, that (i) under existing law (including the New Jersey Constitution), the Series 2007-1 Bonds have been duly and validly authorized and issued by the Corporation; (ii) the Series 2007-1 Bonds are not a debt or liability of the State, either legal, moral or otherwise; and (iii) the Indenture creates the valid pledge of, and first-priority lien on, the collateral pledged thereunder (including, without limitation, the pledged tobacco settlement receipts).

On the date that the Corporation issues the Series 2007-1 Bonds, the Attorney General of the State will render his legal opinion in customary form stating, among other things, that (i) the Act has been duly enacted by the State, is in full force and effect and is constitutional in all respects under the New Jersey Constitution; (ii) the State has the right, lawful authority and power to sell the tobacco settlement receipts to the Corporation; and (iii) the State has duly and lawfully sold the tobacco settlement receipts to the Corporation.

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