



NEW JERSEY SENATE

SENATE MINORITY LEADER
THOMAS H. KEAN, JR.
SENATOR - DISTRICT 21
MORRIS - SOMERSET - UNION COUNTIES
HIGHER EDUCATION COMMITTEE
COMMERCE COMMITTEE

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April 9, 2018

Elizabeth Maher Muoio
Acting Treasurer
P.O. Box 2
Trenton, NJ 08625

Dear Treasurer Muoio;

I am writing to notify you that I am actively exploring litigation to prevent the April 11, 2018 pending closing with respect to a \$3.146 billion sale of the Tobacco Settlement Financing Corporation's Tobacco Settlement Bonds, Series 2018A and Series 2018B. I am requesting that you notify the underwriters and other transaction participants of this potential action.

The transaction effectively restructures Tobacco Settlement Bonds initially issued in 2003 and 2004 and establishes bonds with maturities as late as a permissible final payment date (2046) 43 years beyond the date of the initial issuance. The final permissible payment date is well beyond what is permitted under the New Jersey Constitution.

Article 8, Section 2, Paragraph 3 of the New Jersey Constitution provides that all debt must be discharged within thirty-five years from the time it is contracted. The debt effectively being refunded by the Tobacco Settlement Financing Corporation was first issued in 2003 and the latest discharge date under the New Jersey Constitution would be 2038. However, under the pending restructuring, the final maturity (2046) is 8 years beyond this deadline.

This transaction is not only unconstitutional, it is horrible public policy. It wastes limited resources of the State for the sole purpose of effectuating a \$250 million one-shot budget gimmick. It will incur hundreds of millions of dollars in new professional fees and interest costs. According to a recent article published by Bloomberg, investors in the pending bonds are already selling them at 4 percent mark-up only days after the pricing, causing one Bloomberg Intelligence analyst to note: **"It would suggest the State left some money on the table as they continue to struggle financially."**

The blatantly unconstitutional issuance of these bonds calls out for an immediate cancelation of the closing, scheduled for April 11, 2018. If the transaction is to be advanced at all, the issuance should be restructured such that bonds are fully discharged, as the New Jersey Constitution requires, within 35 years of 2003, when Tobacco Settlement Bonds were first issued.

Sincerely,

Thomas Kean

c: New Jersey Attorney General