



**Rating Action: MOODY'S RATES CITY OF SAN DIEGO'S TOBACCO SETTLEMENT TRANSACTION  
Baa3 UNDER REVIEW WITH DIRECTION UNCERTAIN**

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Global Credit Research - 22 Jun 2006

**\$105,400,000 of Tobacco Settlement Asset-Backed Securities Rated.**

New York, June 22, 2006 -- Moody's Investors Service assigned ratings of Baa3 under review with direction uncertain to \$105,400,000 in Series 2006 turbo term bonds issued by City of San Diego Tobacco Settlement Revenue Funding Corporation. Proceeds from this issuance will be used to purchase the tobacco assets from the City of San Diego, fund the debt service reserve account, fund the capitalized interest account, fund the operating account for the bonds, and pay costs associated with the issuance of the bonds. Unlike most tobacco revenue-backed bonds, San Diego is pledging a fixed amount, the first \$10.1 million of its tobacco settlement receipts, rather than a percentage of such revenue.

**COMPLETE RATING ACTION**

Issuer: City of San Diego Tobacco Settlement Revenue Funding Corporation

\$105,400,000 7.125% Series 2006 Turbo Term Bond Bonds, due June 1, 2032; Baa3 under review with direction uncertain.

The ratings are based on projections of domestic tobacco consumption over the life of the transaction, risks associated with certain downward adjustments to payments under the MSA, and the structural and legal protections. The bonds are under review with direction uncertain because of the risks associated with legal challenges to enforceability of the MSA.

The ratings address payment of timely interest and payment of principal by the final maturity date. The ratings do not address the payments of principal before the final maturity. However Moody's assesses the amount of tobacco revenues that will be paid over the course of the years and that will be used to retire principal up to the final legal maturity.

A pre-sale report for this transaction was published on June 14, 2006. For a complete analysis of this transaction please visit [www.moody's.com](http://www.moody's.com).

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