

DUTCHESS TOBACCO ASSET SECURITIZATION CORPORATION

Minutes To The Audit Committee Meeting

Held On March 29, 2016

A meeting of the Audit Committee of the Board of Directors of Dutchess Tobacco Asset Securitization Corporation (the “Corporation”), a local development corporation organized pursuant to Section 1411 of the Not-For-Profit Corporation Law of the State of New York, was duly called to order at 10am at 22 Market Street, Poughkeepsie, New York.

Committee Chair Michael Betros and Committee Members Jerome A. Simonetty and Ronald L. Wozniak were present.

Mr. Betros opened the meeting. Mr. Wozniak agreed to serve as secretary of the meeting.

Also attending: James M. Fedorchak, President of the Corporation  
Ronald Wozniak, Director  
Michael Betros, Director  
Heidi Seelbach, Treasurer of the Corporation  
Beth Ferguson, Financial Advisor  
Tom Myers, Legal Counsel,  
Orrick, Herington & Sutcliff, LLP, via telephone

Mr. Betros asked Mr. Myers to lead a brief review of the committee charter. There were no questions with respect to the charter at the conclusion of the review.

Mr. Fedorchak and Ms. Seelbach stated that they were not aware of any issues to bring before the committee.

The meeting was called to order and the auditor, Mr. Malecki, from Drescher & Malecki, was called to join the meeting. Mr. Malecki started the meeting by going over the document entitled “Dutchess Tobacco Asset Securitization Corporation December 31, 2015 Audit”.

Mr. Malecki asked the members to go to page 2 of the Report, these are the necessary communications. Accounting estimates were communicated to the TASC committee, there are two estimates: (1) revenue estimated, and (2) the valuing of the Turbo case. Revenue estimates, for 2015 note that they have government wide statement receivables are prepared with long term in view. This shows current liability and revenue. Receivables in the government wide – this is two times what was normally received as we should be receiving in April or bringing in approximately \$3,000,000. This is not in the general fund or the system fund as these are recorded as current and the definition of current is 60 days after year end.

The other item is financial statements and subordinate Turbo – as shown on page 22 of the Independent Auditors' Reports. These are valued by a third party. We look at the credibility and assumption, no items that would make us or impair us at the TASC. No other matters that we need to communicate.

Mr. Malecki mentioned that the Auditors' opinions are on the next page of the Audit and their responsibility is to compile the information on behalf of the TASC. TASC takes full responsibility of the numbers that have been audited and relied on. On page 4 there is a statement of their opinion.

The first bar chart shows trends for the fund and statement of revenues which have been pretty level except for 2014. In 2014 received a special payment that dated back to 2003. There was a drop in tobacco in 2014 to \$34 million. Please note that there may be a double in the revenue. This will be used to pay down the principle.

The second chart we will expect to see downward trend in use, this deals with a long term responsibility. There is a liability that occurs, that does not get paid out until long term. The deficient improved a little because of the special

payment that would be received in April. There is no cash problem with the corporation now but the significant trends are decreasing. The TSR will be reducing each year in the future.

Mr. Malecki asked if there were any questions? There were none. A motion was made to accept the report which was accepted unanimously. After the motion was made and approved, Mr. Malecki left the conference call.

There being no further business, upon motion duly made, seconded and unanimously adopted, the meeting was adjourned at 10:09am.

Dated: March 29, 2016

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Secretary

DUTCHESS TOBACCO ASSET SECURITIZATION CORPORATION

Minutes To The Governance Committee Meeting

Held On March 29, 2016

A meeting of the Audit Committee of the Board of Directors of Dutchess Tobacco Asset Securitization Corporation (the “Corporation”), a local development corporation organized pursuant to Section 1411 of the Not-For-Profit Corporation law of the State of New York, was duly called to order at 10:10am at 22 Market Street, Poughkeepsie, New York.

Committee Chair Michael Betros and Committee Members Jerome A. Simonetty and Ronald L. Wozniak were present.

Mr. Betros opened the meeting. Mr. Wozniak agreed to serve as secretary of the meeting.

Also attending: James M. Fedorchak, President of the Corporation  
Ronald Wozniak, Director  
Michael Betros, Director  
Heidi Seelbach, Treasurer of the Corporation  
Beth Ferguson, Financial Advisor  
Tom Myers, Legal Counsel,  
Orrick, Herington & Sutcliff LLP, via telephone

Mr. Betros asked Mr. Myers to lead a brief review of the committee charter. There were no questions with respect to the charter at the conclusion of the review.

Mr. Myers was asked if there was an agenda for this annual meeting. He indicated there are mandatory committees, and it was said that everyone in the room are on one the committees. This will be discussed further later in the meeting.

It asked how long had Drescher & Malecki been the auditors. Drescher & Malecki represented TASC for three years, having been appointed per our procurement policy. They are on board for 2016. We pay them approximately

\$12,000 to \$14,000 annually. It was mentioned that as long as the annual amount is under \$20,000, there is no reason for an RFP. There was a motion made to follow the government committee structure and that motion was approved unanimously. This government committee structure includes the auditors committee and a financial committee.

There should be a financial committee, and that committee is involved with the restructuring, nothing else really for this committee to address. There is no report for the financial committee to prepare. Those committees are the mandatory components.

It was asked if TASC has a format for filing the financials. Ms. Seelbach indicated that she files and handles the reviewed and accepted audit/financials. It was agreed to move forward with the filing of the financials by Ms. Seelbach.

It was indicated that there is a term for officers for TASC, however, there is not a term for the members. There was a motion made for all of the officers to continue in their offices until the next meeting. The motion was seconded, and all accepted unanimously.

A motion was made to keep the committees in place as is. The motion was seconded and all accepted unanimously.

The last thing is the budget and Ms. Seelbach has already submitted it for 2016 and if necessary it can be and possibly should be ratified. It was confirmed that Ms. Seelbach is authorized to prepare and file it. Ms. Seelbach did indicate that she asked for an additional \$35,000 in the budget. The board authorized Ms. Seelbach to file and prepare whatever is necessary for the budget. The motion was made, seconded and all accepted unanimously.

Mr. Myers was unanimously approved as counsel for the TASC.

Ms. Ferguson mentioned that the bond restructuring has taken so far, one year and three months. She has touched base with Mr. Edward Flynn and he

indicated to her that they are working on the report and working with Global. They are going to Standard & Poors soon and that will take approximately three weeks. They are hoping to have a preliminary statement in April, after the special payment is made and the closing should be sometime in May.

A meeting will be needed either before or after the bonds are sold. This will let us agree on this action. There is no guarantee about the closing until the check “comes across the table”. The only thing we know is the expenses because of S&P. There was a county in NYS that did not get the deal they were looking for. The consumption decline is accepted and the State entered into an agreement and the State said we will give you a credit for the tribal accounts. The tribes are not forthcoming with the information. An arbitrator comes in and figures out their sales for the tribes. This is what causes the issues. The County bond rating has nothing to do with it.

The money from the restructuring goes to the county for the capital budget. There is a ratio for the county to use the money. It will be defined when a schedule is finalized. There are 20 years to use the assets that are received.

What are the price and interest of the bonds? The new bond scales were unknown. Global is taking longer than anticipated to prepare the report. The bonds are investment grade, then if not, the deal will not go through. The bonds are usually triple B ratings for tobacco. This would be the goal and should be met.

Get an opinion from a firm with the State’s ability to tax tribal cigarettes that are purchased by non-tribals. The State chose not to tax the non-tribals because the last time this was done, the tribes caused some issues.

Anything else? No.

Any other new or old business? No.

Motion to adjourn the meeting, seconded and all were in favor.

There being no further business, upon motion duly made, seconded and unanimously adopted, the meeting was adjourned at 10:45am.

Dated: March 29, 2016

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Secretary

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