

# DUTCHESS TOBACCO ASSET SECURITIZATION CORPORATION

## Minutes of Governance Committee

March 28, 2011

A meeting of the Governance 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 10:00 a.m. at 22 Market Street, Poughkeepsie, New York.

Committee members Michael Betros and Ronald L. Wozniak were present.

Mr. Betros was selected to act as Chair of the meeting pending appointment by the Board of Directors of a committee chair. Mr. Wozniak agreed to serve as secretary of the meeting.

Also present were:

James M. Fedorchak, President of the Corporation  
Pamela Barrack, Treasurer of the Corporation  
Corinna Wu  
Garrett E. DeGraff, Esq.

Mr. Betros asked Mr. DeGraff 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. Betros enquired of Mr. Fedorchak and Ms. Barrack whether there were any matters known to them within the scope of the purpose and powers of the Governance Committee to bring before the committee. It was noted that Paul Montgomery, the independent director on the Board, has expressed an intention to resign as soon as a replacement can be identified. Mr. Fedorchak and Ms. Barrack stated they that were aware of no other issues to bring before the committee.

Upon motion duly made and seconded, the committee members unanimously agreed to request the President of the Corporation to write a letter to the County Executive and the Chairman of the County Legislature, who jointly appoint the Corporation's independent director, requesting the appointment of a new independent director as soon as reasonably practicable.

Mr. Betros then asked Mr. DeGraff to lead a brief review of the Corporation's Code of Ethics and the Board policies with respect to investments and deposits, whistleblowers, compensation, reimbursement, attendance, travel, procurement and defense and indemnification. No issues were identified that the committee felt required modification.

There being no further business, upon motion duly made, seconded and unanimously adopted, the meeting was adjourned at 10:15 a. m.

Dated: March 28, 2010

  
Ronald L. Wozniak, Meeting Secretary6

# DUTCHESS TOBACCO ASSET SECURITIZATION CORPORATION

## Minutes of Audit Committee

March 28, 2011

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 10:15 a.m., March 28, 2011 at 22 Market Street, Poughkeepsie, New York.

Committee members Michael Betros and Ronald L. Wozniak were present.

Mr. Betros was selected to act as Chair of the meeting pending appointment by the Board of Directors of a committee chair. Mr. Wozniak agreed to serve as secretary of the meeting.

Also present were:

James M. Fedorchak, President of the Corporation  
Pamela Barrack, Treasurer of the Corporation  
Corinna Wu  
Garrett E. DeGraff, Esq.

Mr. Betros asked Mr. DeGraff 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. Betros enquired of Mr. Fedorchak and Ms. Barrack whether there were any matters known to them (other than the annual audit of the Corporation's financial affairs) relating to internal controls, compliance, risk assessment practices, special investigations, whistleblower policies or any other issues related to the financial practices of the Corporation that the Audit Committee should review.

Mr. Fedorchak and Ms. Barrack stated that they were aware of no such issues other than the State Authority Budget Office ("ABO") Recommended Guidance with respect to Assessment of the Effectiveness of Internal Controls. After brief review of the ABO guidance document, and a brief discussion of internal controls in place, the committee concluded that the movement of all of the Corporation's revenues through the bond trustee provided sufficient well documented controls on all of the Corporation's funds used for the payment of debt service and direct bond related expenses. The committee then briefly reviewed with Ms. Barrack, the Corporation's Treasurer, the procedures and controls applicable to the funds released to the Corporation by the bond trustee under the financing documents for use by the Corporation in the payment of its operating expenses. Ms. Barrack noted that all of the operating expenses constituted only a handful of financial transactions. It was agreed to discuss the operating expense controls with the representative of the Corporation's auditor.

Mr. Betros, with Treasurer Barrack, then lead a brief review of the basic financial statements of the Corporation for the period ended December 31, 2010, the report with respect

thereto of PricewaterhouseCoopers LLP ("PWC"), the Corporation's independent auditors, and the accompanying management discussion and analysis (collectively, the "Financial Statements"), all of which were presented to those in attendance. No issues of note were identified.

A phone conference link was established with PWC auditors Rich Grant and Darcy Darling, who had overseen the audit of the Corporation's financial statements. Mr. Grant and Ms. Darling briefly reviewed with the committee the PWC Report to the Audit Committee, which included, among other items, a description of the audit process. Mr. Betros asked Mr. Grant and Ms. Darling if there were any matters that should be brought to the attention of the audit committee, including any matters relating to internal controls or compliance with legal or contract requirements. No such matters were identified.

In light of the ABO's guidance document regarding internal controls assessment, Mr. Grant and Ms. Darcy were asked to comment upon the internal control risks associated with the operations of the Corporation, what internal control systems were in place to deal with the risks, and to what extent such controls were effective. Mr. Grant and Ms. Darling noted that most funds of the Corporation were handled by the bond trustee under the bond documents, which provided an effective control mechanism. As to funds released to the Corporation for payment of operating expenses, Mr. Grant noted that the Corporation had so few operating expenses, and so few transactions related to payment of operating expenses, that PWC was able to audit all such transactions, which provided a very effective control mechanism.

Mr. Betros asked if there were any questions for Mr. Grant or Ms. Darling from members of the audit committee relating to the 2010 audit. There were no additional questions.

On motion duly made and seconded, the 2010 Financial Statements were unanimously approved by the members of the Audit Committee.

On motion duly made and seconded, the committee members authorized the President and Treasurer to post on the Corporation's website, as contemplated by the ABO guidance document relating to internal controls assessment, a statement in substantially the following form:

This statement certifies that management has reviewed and assessed the internal control structure and procedures of Dutchess Tobacco Asset Securitization Corporation for the year ending December 31, 2010. This assessment found that the Corporation's internal controls to be adequate without the identification of any deficiencies requiring corrective action plans.

Mr. Betros then noted that the Audit Committee is obligated to appoint, compensate and oversee the activities of the Corporation's independent auditors, whereas the Board had previously appointed and engaged the Corporation's auditor. Mr. Betros asked the Treasurer to briefly report on the engagement process previously undertaken.

Ms. Barrack reported that in the past, through and including the 2010 audit, the Corporation had concluded that it was most practical and cost-effective for the Corporation for it

to appoint and separately engage the County's auditor as the Corporation's auditor. In doing so, Ms. Barrack noted that the Corporation had the benefit of the County's procurement processes.

After discussion, upon motion duly made and seconded, the members of the Audit Committee unanimously adopted the following resolution:

RESOLVED, that PricewaterhouseCoopers LLP is approved as the independent auditor of the Corporation for the 2011 fiscal year, to serve at the pleasure of the Audit Committee of the Board of Directors, and the Chair of the Committee is authorized to engage such auditor for the fiscal 2011 audit on substantially the terms of the prior year's engagement and on such other terms and conditions as the Chair determines.

After further discussion, on motion duly made and seconded, the committee resolved to undertake a request for proposal process for audit services for the 2012 fiscal year.

There being no further business, upon motion duly made, seconded and unanimously adopted, the meeting was adjourned at 11:00 a. m.

Dated: March 28, 2010

  
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Ronald L. Wozniak, Meeting Secretary