

# DUTCHESS TOBACCO ASSET SECURITIZATION CORPORATION

## Minutes of Audit Committee

March 20, 2014

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 10:25 a.m., at 22 Market Street, Poughkeepsie, New York.

Committee members Michael Betros, 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 present were:

James M. Fedorchak, President of the Corporation  
Pamela Barrack, Treasurer of the Corporation  
Heidi Seelbach-Budd, First Deputy Commissioner of Finance  
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, discretionary funds or any other issues related to the financial practices of the Corporation that the Audit Committee should review.

Ms. Barrack and Mr. Fedorchak separately reported that they had no such matter to bring before the committee.

Mr. Betros asked Mr. DeGraff to report on the status of negotiations with Morgan Stanley Capital Services, LLC ("MSCS") relating provision of collateral to secure performance by MSCS of certain of its obligations under the "Reserve Fund Agreement" dated as of December 18, 2003 among the Corporation, Manufacturers and Traders Trust Company, as Trustee, and Morgan Stanley & Co. LLC.

Mr. DeGraff reported that there had been extensive discussions with MSCS's counsel, which resulted in a draft Pledge and Custody Agreement with respect to collateral to be provided to secure MSCS's performance under the Reserve Fund Agreement that Mr. DeGraff recommended be submitted to the full Corporation board for approval and execution by a Corporation officer. A copy of the draft agreement was available at the meeting, and Mr. DeGraff described key provisions.

Mr. Betros, with Treasurer Barrack, then lead a brief review of the basic financial statements of the Corporation for the period ended December 31, 2013, the report with respect thereto of Drescher and Malecki ("DM"), 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 DM auditors, Thomas Malecki and Matthew Montalbo (collectively, the "Auditors), who had overseen the audit of the Corporation's financial statements. The Auditors briefly reviewed with the committee the Corporation's financial statements. Mr. Betros asked 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.

Mr. Betros asked if there were any questions for the Auditors from members of the audit committee relating to the 2013 audit. There were no questions.

On motion duly made and seconded, the 2013 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:

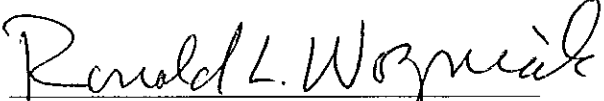
This statement certifies that management has reviewed and assessed the internal control structure and procedures of Dutchess Tobacco Asset Securitization Corporation for the year ending December 31, 2013. This assessment found that the Corporation's internal controls to be adequate without the identification 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. Mr. Betros asked the Treasurer to briefly report on the status of the engagement of DM.

Ms. Barrack reported that the engagement of DM had been engaged for audits for fiscal years 2012, 2013 and 2014 and no further action was required at this time with respect to engagement of an auditor.

There being no further business, upon motion duly made, seconded and unanimously adopted, the meeting was adjourned at 10:50 a.m.

Dated: March 20, 2014

  
Ronald L. Wozniak, Meeting Secretary