

**CERTIFICATE OF INCORPORATION OF
DUTCHESS TOBACCO ASSET SECURITIZATION CORPORATION**

A Not-For-Profit Local Development Corporation
under Section 1411 of the Not-For-Profit Corporation Law of the State of New York

THE UNDERSIGNED, being over the age of eighteen years and the County Attorney of the County of Dutchess, for the purpose of forming a not-for-profit local development corporation pursuant to Section 1411 of the Not-For-Profit Corporation Law of the State of New York, hereby certifies as follows:

FIRST: The name of the corporation shall be Dutchess Tobacco Asset Securitization Corporation (hereinafter referred to as the “**Corporation**”).

SECOND: The Corporation will be a corporation as defined in subparagraph (a)(5) of Section 102 of the Not-For-Profit Corporation Law of the State of New York and, as provided in Section 1411 of the Not-For-Profit Corporation Law, will be a Type C Corporation as defined in Section 201 of the Not-For-Profit Corporation Law. The Corporation shall be a public instrumentality of, but separate and apart from, the County of Dutchess, New York (the “**County**”).

THIRD: The Corporation is formed exclusively for the purposes set forth in Section 1411(a) of the Not-For-Profit Corporation Law. The Corporation is to be formed and operated as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, to lessen the burdens of government by engaging solely in the following activities:

(a) To acquire by purchase, grant or otherwise from the County all or any portion of the rights, title and interest of the County in, to and under the Consent Decree and Final Judgment of the Supreme Court of the State of New York, County of New York dated December 23, 1998, as the same may be amended or modified, in the class action entitled *State of New York et al. v. Philip Morris Incorporated et al.* (Index No. 400361/97) and in, to and under all or any portion of the moneys due to the County thereunder or under the Master Settlement Agreement with respect to tobacco related litigation among various Settling States and Participating Manufacturers (as defined therein) (collectively, the “**Tobacco Assets**”);

(b) To purchase, acquire, own, hold, sell, dispose of, assign, pledge and otherwise deal with the Tobacco Assets, any collateral securing the Tobacco Assets and any proceeds or further rights associated with the Tobacco Assets;

(c) To issue and sell from time to time one or more series or classes of negotiable bonds, notes and other obligations (the “**Obligations**”) through public bidding, private placement, or negotiated underwriting to finance or refinance some or all of the consideration for the acquisitions referred to in subparagraphs (a) and (b) above, which

obligations shall be secured or collateralized by, among other things, the Tobacco Assets (or any part thereof). No Obligations shall be issued without the affirmative vote of a majority of the entire Board of Directors of the Corporation;

(d) To engage the services of one or more underwriters, placement agents, consultants, attorneys, financial advisors and other persons whose services shall be necessary or desirable in connection with the acquisition and financing referred to above;

(e) To act as depositor, settlor or transferor of a trust (the "**Trust**") and to deposit, transfer or convey to such Trust a residual certificate (the "**Residual Certificate**") issued by the Corporation, subordinate to all Obligations issued by the Corporation, under which funds of the Corporation will be paid to the holder of the Residual Certificate and to transfer, sell and assign to the County the Corporation's beneficial ownership of the Trust (the "**Beneficial Ownership Interest**");

(f) To act as depositor, settlor or transferor of an escrow deposit trust (the "**Escrow Trust**") and to transfer, sell or assign to the County the Corporation's beneficial ownership of the Escrow Trust (also, a "**Beneficial Ownership Interest**"); and

(g) In general, to perform any and all acts and things, and exercise any and all powers, which may now or hereafter be lawful for the Corporation to do or exercise under and pursuant to the laws of the State of New York for the purpose of accomplishing any of the foregoing purposes of the Corporation.

FOURTH: The acquisitions referred to in subparagraphs (a) and (b) of Paragraph **THIRD** above and the payment or transfer of moneys and the Beneficial Ownership Interest to the County in consideration therefor will achieve the lawful public purpose of lessening the burdens of government, the carrying out of such purposes and the exercise of the powers conferred on the Corporation being the performance of an essential governmental function.

FIFTH: The operations of the Corporation will be principally conducted within the territory of the County. Notwithstanding any other provision of this Certificate of Incorporation, the By-laws and any provision of law, so long as any Obligations remain outstanding, the Corporation shall not do any of the following:

(a) engage in any business or activity other than as set forth in Paragraph **THIRD** above;

(b) without the affirmative vote of the entire Board of Directors of the Corporation, which must include the affirmative vote of the Independent Director, and the affirmative vote of all of the Corporation's Members, (i) dissolve or liquidate, in whole or in part, or institute proceedings to be adjudicated bankrupt or insolvent, (ii) consent to the institution of bankruptcy or insolvency proceedings against it, (iii) file a petition seeking or consenting to reorganization or relief under any applicable federal or state law relating to bankruptcy or insolvency, (iv) consent to the appointment of a receiver, liquidator, assignee, trustee, sequestrator or other similar official of the Corporation or a substantial part of its property, (v) make a general assignment for the benefit of creditors, (vi) admit in writing its

inability to pay its debts generally as they become due or (vii) take any corporate action in furtherance of the actions set forth in clauses (i) through (vi) of this paragraph;

(c) merge or consolidate with any other corporation, company or entity or, except to the extent contemplated by Paragraph **THIRD** hereof, sell all or substantially all of its assets or acquire all or substantially all of the assets or capital stock or other ownership interest of any other corporation, company or entity; or

(d) incur or assume any indebtedness for borrowed money other than as set forth in Paragraph **THIRD** hereof or except as expressly permitted in the Indenture or Indentures pursuant to which Obligations shall be issued.

When voting on whether the Corporation will take any action described in paragraph (b) above, each Director shall owe his or her primary fiduciary duty or other obligation to the Corporation (including, without limitation, the Corporation's creditors) and not to the Members of the Corporation (except as may specifically be required by the Not-For-Profit Corporation Law). Every Member of the Corporation shall be deemed to have consented to the foregoing by virtue of such Member's appointment as Member of the Corporation.

SIXTH: Pursuant to the requirements of Section 1411(e) of the Not-For-Profit Corporation Law:

(a) All income and earnings of the Corporation shall be used exclusively for its corporate purposes which include, but are not limited to, the Corporation's responsibilities under the Obligations and the Residual Certificate or, subject to such uses, accrue and be paid to the New York Job Development Authority;

(b) The property of the Corporation is irrevocably dedicated to charitable purposes. No part of the income or earnings of the Corporation shall inure to the benefit or profit of, nor shall any distribution of its property or assets be made to, any Member, Director or officer of the Corporation, or private person, corporate or individual, or to any other private interest, except that the Corporation may repay loans made to it and may repay contributions (other than dues) made to it but only if and to the extent that any such contribution may not be allowable as a deduction in computing taxable income under the Internal Revenue Code of 1986, as amended; and

(c) If the Corporation accepts a mortgage loan or loans from the New York Job Development Authority, the Corporation shall be dissolved in accordance with the provisions of paragraph (g) of Section 1411 of the Not-For-Profit Corporation Law upon the repayment or other discharge in full by the Corporation of all such loans. The Corporation shall not accept a mortgage loan or loans from the New York Job Development Authority.

SEVENTH: (a) The Corporation shall not attempt to influence legislation by propaganda or otherwise, or participate or intervene, directly or indirectly, in any political campaign on behalf of or in opposition to any candidate for public office.

(b) The Corporation shall not engage in any activities not permitted to be carried on by an organization exempt from federal income taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

EIGHTH: In the event of the dissolution of the Corporation or the winding up of its affairs, the Board of Directors shall, after paying or making provision for the payment of all debts and liabilities of the Corporation of whatsoever kind or nature (which shall include, but not be limited to the Corporation's responsibilities under the Obligations and the Residual Certificate), distribute all of the remaining assets and property of the Corporation to the County for furtherance of the purposes set forth in paragraph (a) of Section 1411 of the Not-For-Profit Corporation Law. Any of such assets not so disposed of shall be disposed of by order of the Supreme Court of the State of New York pursuant to Section 1008 of the Not-For-Profit Corporation Law.

NINTH: The principal office of the Corporation shall be located in the County of Dutchess and such office shall be separate from those of any member of the County Group (as defined in Paragraph **ELEVENTH** below) (although such office may be in a facility leased from a member of the County Group on arms-length terms). The Corporation at all times shall:

(a) maintain separate accounting records and other corporate records from those of each member of the County Group (as defined in Paragraph **ELEVENTH** below);

(b) not divert the Corporation's funds to any other person or for other than the use of the Corporation and not commingle any of the Corporation's assets with those of any member of the County Group;

(c) pay any employee, consultant or agent of the Corporation, or any other operating expense incurred by the Corporation, from the assets of the Corporation and not from the assets of any member of the County Group;

(d) maintain its own deposit account or accounts, separate from those of any member of the County Group, with commercial banking institutions and/or trust companies;

(e) to the extent that the Corporation contracts or does business with vendors or service providers where the goods and services provided are partially for the benefit of any other person, the costs incurred in so doing shall be fairly allocated to or among the Corporation and such persons for whose benefit the goods and services are provided, and the Corporation and each such person shall bear its fair share of such costs;

(f) conduct its business in its own name and conduct all material transactions between the Corporation and any member of the County Group only on an arm's-length basis;

(g) observe all necessary, appropriate and customary corporate formalities, including, but not limited to, holding all regular and special Members' and Directors'

meetings appropriate to authorize all corporate action, keeping separate and accurate minutes of such meetings, passing all resolutions or consents necessary to authorize actions taken or to be taken, and maintaining accurate and separate books, records, and accounts, including, but not limited to, intercompany transaction accounts. Regular Members' and Directors' meetings shall be held at least annually;

(h) ensure that decisions with respect to its business and daily operations shall be independently made by the Corporation (although the officer making any particular decision also may be an employee, officer or director of a member of the County Group);

(i) act solely in its own corporate name and through its own authorized officers and agents, and use its own stationery;

(j) ensure that no member of the County Group will supply funds to, or guarantee debts of, the Corporation;

(k) other than as expressly provided herein, pay all expenses, indebtedness and other obligations incurred by it;

(l) not enter into any guaranty, or otherwise become liable, with respect to any obligation of any member of the County Group;

(m) cause any financial reports required of the Corporation to be prepared in accordance with generally accepted accounting principles and be audited annually and be issued separately from, although they may be consolidated with, any reports prepared for any member of the County Group; and

(n) ensure that at all times it is adequately capitalized to engage in the transactions contemplated herein.

TENTH: The types or classes of Membership in the Corporation and the number of Members of the Corporation shall be described in the By-laws. The Member or Members of the Corporation shall be identified in the By-laws.

ELEVENTH: The Corporation shall be managed by a three member Board of Directors, one member of which shall be an Independent Director (as hereinafter defined). All members of the Board of Directors shall be appointed in accordance with Local Law No. 5 of 2003 adopted by the Dutchess County Legislature, as follows:

1. One Director shall be appointed by the County Executive of Dutchess County;

2. One Director shall be appointed by the Chairman of the Dutchess County Legislature.

3. One Independent Director shall be appointed jointly by the County Executive and the Chairman of the County Legislature subject to confirmation by the County Legislature.

The Independent Director must be a person who is not, and has not been for a period of five years prior to his or her appointment as the Independent Director, (i) a creditor, customer, supplier, advisor or other person who derives any of its revenues from its activities with the County or its affiliated entities (the County and its affiliated entities other than the Corporation being referred to in this Certificate of Incorporation as the "County Group"); (ii) an official, member, stockholder, director, officer, employee, agent or affiliate of the County Group (a "Principal"); (iii) a person related to any person referred to in clause (i) or (ii); (iv) any person who receives compensation for administrative, legal, accounting or other professional services from the County Group or a Principal; or (v) a trustee, conservator or receiver for any member of the County Group.

In the event of the death, incapacity, resignation, removal or departure from relevant office of a Director, a replacement Director shall promptly be appointed in the same manner as the original Director, and shall, in the case of the Independent Director, shall possess the same qualifications, provided further that the Independent Director shall remain a member of the Board until a successor is appointed. The Board of Directors shall not vote on any matter requiring the vote of the Independent Director under this Certificate of Incorporation unless and until the Independent Director is serving on the Board.

TWELFTH: The names, public offices and addresses of the initial Directors of the Corporation are as follows:

Name	Office	Address
Hamilton Meserve	County Legislator	415 Leavitt Road Millbrook, NY 12545
Ian G. MacDonald	County Attorney	County Office Building 22 Market Street Poughkeepsie, NY 12601
Paul C. Montgomery	Independent Director	3 E Comm Albany, NY 12207

THIRTEENTH: The duration of the Corporation shall be perpetual.

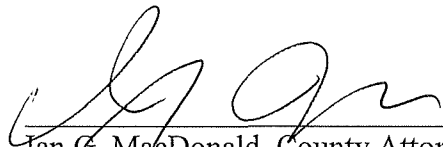
FOURTEENTH: The Corporation shall indemnify each Member, each Director, each officer, and, to the extent authorized by the Board of Directors, each other person authorized to act for the Corporation or on its behalf, to the full extent to which indemnification is permitted under the Not-For-Profit Corporation Law.

FIFTEENTH: The Secretary of New York State is designated as agent of the Corporation upon whom process against it may be served. The post office address to which the Secretary of State shall mail a copy of any process against the Corporation served upon him is as follows: Dutchess Tobacco Asset Securitization Corporation, County Office Building, 22 Mark Street, Poughkeepsie, New York 12601.

SIXTEENTH: The By-laws of the Corporation may be adopted, amended or repealed by the affirmative vote of a majority (including the affirmative vote of the Independent Director) of the entire Board of Directors of the Corporation and the affirmative vote of all of the Members of the Corporation.

SEVENTEENTH: The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Certificate of Incorporation by the affirmative vote of all Members of the Corporation and the affirmative vote of a majority of the entire Board of Directors of the Corporation *provided, however*, that (i) the Corporation shall not amend or change any provision of any Article other than Articles **THIRD, FIFTH, NINTH** and **SEVENTEENTH** (the "**Restricted Articles**") so as to be inconsistent with the Restricted Articles; (ii) no amendment to any of the Restricted Articles shall be made except by the affirmative vote of a majority of the entire Board of Directors of the Corporation that includes the affirmative vote of the Independent Director; and (iii) no amendment to this Certificate of Incorporation or to the By-laws of the Corporation shall be made without (a) prior written notice to all securities rating agencies which, at the request of the Corporation, have rated indebtedness of the Corporation which is outstanding at the time of the amendment and (b) receipt of written confirmation from each such agency that the amendment will not cause the agency to lower or withdraw its rating or ratings on such rated indebtedness.

IN WITNESS WHEREOF, this certificate has been subscribed this 18th day of November, 2003 by the undersigned.



Ian G. MacDonald, County Attorney

CERTIFICATE OF INCORPORATION

OF

DUTCHESS TOBACCO ASSET SECURITIZATION CORPORATION

(Under Section 1411 of the Not-For-Profit Corporation Law of the State of New York)