

Washington Tobacco Asset Securitization Corporation

2014 Annual Report

The Washington Tobacco Securitization Corporation is a bankruptcy-remote Local Development Corporation created in July 2001 under Section 1411 of the New York Not-for-Profit Corporation Law. The organization was formed to raise funds by issuing bonds, use those funds to acquire rights to future proceeds from the settlement agreement with various tobacco companies payable to Washington County and remain in existence during the term of the bonds to collect the tobacco settlement proceeds and service the debt. The organization is an instrumentality of, but separate and apart from Washington County, New York.

This report is being submitted in compliance with the Public Authorities Accountability Act of 2005 (Chapter 776 of the Laws of 2005). It is not intended to be a substitute for or to replace the Washington County Tobacco Asset Securitization Corporation's (herein referred to as either "Washington TASC" or the "Corporation") financial statements prepared to the year ending December 31, 2014.

Operations and Accomplishments:

The Corporation received sufficient Tobacco Settlement Revenues (TSR's) to make a principal payment of \$195,000 and an interest accretion of \$658,569.

The Corporation's total revenues and expenditures for December 31, 2014, which were reported in its 2014 financial statements, are as follows:

Revenues	896,777
Expenses	708,566
Net	\$ 188,211

The Corporation's assets and liabilities for December 31, 2014, which were reported in its 2014 financial statements, are as follows:

Assets & Deferred Outflow	23,529,960
Liabilities & Deferred Inflow	35,881,310
Net (Deficit)	\$ (12,351,350)

The bonds payable of the Corporation for the year ending December 31, 2014, as reported in its 2014 financial statements.

In December 2000, WTASC issued \$11,160,000 in serial and term bonds for the purpose of funding the building of a County jail. These bonds would have been paid off with receipts from the New York

Tobacco Settlement Agreement. On August 25, 2005, WTASC issued \$14,690,000 in bonds to refund the balance of the 2000 bonds.

The interest rates for the term bonds issued in 2005 vary from 4.25% to 5%. The total debt service has been projected assuming that the tobacco settlement revenues will be at a level that allows the flexible amortization term bonds to be repaid by June 1, 2045. A summary of the future debt maturities follows:

Year(s)	Term Bonds	Interest	Total Debt Service
2015	150,000	672,488	822,488
2016	145,000	666,219	811,219
2017	145,000	660,056	805,056
2018	235,000	651,981	886,981
2019	245,000	641,781	886,781
2020-2024	1,385,000	3,034,845	4,419,845
2024-2029	1,765,000	2,661,469	4,426,469
2029-2034	2,265,000	2,161,875	4,426,875
2034-2039	2,905,000	1,518,875	4,423,875
2039-2044	3,725,000	693,125	4,418,125
2045	340,000	21,000	361,000
	\$ 13,305,000	\$ 13,383,714	\$ 26,688,714

WTASC has pledged, as security for the above bonds, its future tobacco settlement revenues pursuant to the New York State Tobacco Settlement Agreement. For the current year, principal and interest paid by WTASC totaled \$853,569 as compared to its tobacco settlement revenues of \$896,611. To estimate the present value of the receivable for future tobacco settlement revenues, an bond interest rate of 4.25% to 5% was used, compounded annually through the year 2045.

It is allowable by the By-Laws to reimburse directors for reasonable expenses incurred in the performance of corporate duties and/or to compensate the Independent Director for his/her services in an amount fixed from time to time as voted on the by the majority of the Board of Directors other than the Independent Director. No other salary or compensation was paid to any other officer during 2014.

Projects Undertaken

No projects were undertaken by the Corporation during 2014.

Real Property owned and disposed of by the Corporation:

The Corporation did not acquire or dispose of any real property during 2014. The Corporation does not currently own any real property; accordingly no separate report was prepared.

Investments held by the Corporation:

Investments are reported at fair value. The Corporation's trustee holds investments for the funds included in the financial statements. The Corporation invests in authorized investments as described in the bond resolution such as commercial paper or financial company paper, special time deposit accounts, certificates of deposit and obligations of the United State of America. All investments are insured, registered or held by the Corporation's trustee in the Corporation's name. As of December 31, 2014, investments, stated at fair value consist of the following:

Cash and money market funds	\$98,723
Commercial paper, Cash, Restricted	\$909,462
Total	\$1,008,185

Tobacco proceeds are held in trust by Wilmington Trust N.A. affiliate of M&T Banking Corporation on behalf of the Corporation. Proceeds are invested in highly liquid, interest bearing securities, and performs the transfer of any debt obligations upon the instruction of Bond Logistix, the administrator retained by the Corporation. This report is intended to suffice as the Annual Investment Report.

Procurement Transactions:

Professional Services	
Administrative / Legal Fees	4,250
Auditing Services	6,800
Bond / Other Fees	4,095
Trustee	2,750
Independent Member	100
Directors & Officers Insurance	4,029
Payment to Washington County	30,000
	\$ 52,024

The Corporation Code of Ethics as adopted and approved by the Board of Directors is as follows:

No director, officer, or employee of the Corporation shall (1) accept other employment which will impair his or her independence of judgment in the exercise of his or her official duties: (2) accept employment or engage in any business or professional activity which will require him to disclose confidential

information which he or she has gained by reason of his or her official position of authority; (3) disclosed confidential information acquired by him or her in the course of his or her official duties nor use such information to further his or her personal interests; (4) use or attempt to use his or her official position to secure unwarranted privileges or exemptions for himself, herself or others; (5) engage in any transaction as a representative or agency of the Corporation with any business entity in which he or she has a direct or indirect financial interest that might reasonably tend to conflict with the proper discharge of his or her official duties; (6) not, by his or her conduct, give reasonable basis for the impression that any person can improperly influence him or her or unduly enjoy his or her favor in the performance of his or her official duties, or that he or she is affected by the kinship, rank, position, or influence of any party or person; (7) abstain from making personal investments in enterprise's which he or she has reason to believe may be directly involved in decisions to be made by him or her which will otherwise create substantial conflict between his or her duties in the public interest and his or her private interests; and (8) endeavor to pursue a course of conduct which will not raise suspicion among the public that he or she is likely to be engaged in acts that are in violation of his or her trust.

The financial statements for WTASC for the year ended December 31, 2014, are the responsibility of management. The financial statements were prepared in accordance with auditing standards generally accepted in the United States of America. Financial information contained elsewhere in this annual report is consistent with the financial statements.

The Corporation has an established internal control structure. The objectives on an internal control structure are to provide reasonable assurance as to the protection of and accountability for assets, compliance with applicable laws and regulations, proper authorization of the recording of transactions and reliability of financial records for preparing financial statements.

For the year ending December 31, 2014, management has documented and assessed the internal control structure and procedures of the WTASC; this assessment found the authority's internal controls to be adequate.

The Corporation reported that there is no material pending litigation in which the entity was involved during 2014.