

Erie Tobacco Asset Securitization Corporation  
Audit Committee

Minutes of Meeting  
Wednesday, March 8, 2017

Budget Conference Room

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Corporation Committee Members present: Peter Zaleski, Bryan Bingel and Gerard Mazurkiewicz (by teleconference).

Also present: Robert Keating, Michael Siragusa, Martin Polowy, Frederick Wolf, Luke Malecki, Matthew Montalbo and Jordan Malecki.

**I. CALL TO ORDER**

Bryan Bingel called the Meeting of the Audit Committee to order at 2:02 p.m.  
Quorum present.

**II. MINUTES FROM PRIOR MEETING**

None.

**III. PRESENTATION & DISCUSSION**

A) Matthew Montalbo reviewed Drescher & Malecki, LLP's Audit Summary, a copy of which is attached hereto, during and after which the following comments were made regarding Drescher & Malecki, LLP's 2016 Independent Audit Report and accompanying Independent Auditor's Communications.

- Matthew Montalbo, engagement Partner now assigned to Corporation audit, provided an overview of the Auditor Communications Audit performed in accordance with Generally Accepted Auditing Standards.
- Matthew Montalbo advised of no change in significant accounting policies from the prior year. Significant accounting estimates are similar to years past.
- Matthew Montalbo advised it was mostly a standard year, with no changes from the prior year in significant accounting policies. There is reasonable fair market value calculation for the derivatives and accreted interest on Turbo CABs.
- Matthew Montalbo advised that there were no alternative accounting treatments; there were no difficulties or disagreements. There was nothing to impair independence in the auditor's relationship with the Corporation.

B) Matthew Montalbo indicated Drescher & Malecki offers an unmodified opinion (the cleanest available) FYE 2016.

C) Additional Discussion –

- Luke Malecki advised that NYSABO PARIS system requires report in compliance with Public Authorities Law 2925(3)(f). The report is included in the audit.
- Matthew Montalbo and Jordan Malecki discussed the trends and risks attributable to payments available to the Corporation under the existing Master Settlement Agreement.
- A discussion was held concerning the terms of the recent litigation settlements.
- A discussion was held regarding the trends of the net positions and deficits.
- A discussion was held concerning cigarette consumption, shipment trends, taxes, e-cigarettes, and cigarette sales volume for tobacco sellers. See for example report of TSASC(New York City's TASC).
- A discussion was held on the timeline for reviews and approvals of the audit documents.

#### **IV. ACTION ITEMS**

A) Resolution #1 authorizing the submission of the Corporations' Independent Audit Report and accompanying Independent Auditor's Communications for the calendar year ended December 31, 2016 (as presented in draft form, subject to nonmaterial modifications as discussed and agreed upon by the Committee) to the Corporation Board of Directors for review and acceptance. Moved by Peter Zaleski and seconded by Gerald Mazurkiewicz. Motion unanimously approved.

B) Gerald Mazurkiewicz made a motion to approve the summary of the Audit Committee's 2016 Activities report for filing with the Corporation's Board of Directors. Motion seconded by Bryan Bingel. Motion unanimously approved.

#### **V. ADJOURNMENT**

Moved by Peter Zaleski and seconded by Bryan Bingel to adjourn the meeting of the Audit Committee at 2:23 p.m. Motion unanimously approved.



Michael A. Siragusa  
Corporation Secretary