

Erie Tobacco Asset Securitization Corporation  
Audit Committee

Minutes of Meeting  
Wednesday, March 14, 2018

Erie County Budget Conference Room

---

Corporation Committee Members present: Bryan Bingel, Peter Zaleski and Patricia Johnson.

Also present: Robert Keating, Scott Bylewski, Mark Cornell, Martin Polowy, Frederick Wolf, Matthew Montalbo and Carl Widmer.

**I. CALL TO ORDER**

Bryan Bingel called the Meeting of the Audit Committee to order at 2:05 p.m.  
Quorum present.

**II. MINUTES FROM PRIOR MEETING**

None.

**III. PRESENTATION & DISCUSSION**

A) Matthew Montalbo reviewed Drescher & Malecki, LLP's Audit Summary, during and after which the following comments were made regarding Drescher & Malecki, LLP's 2017 Independent Audit Report and accompanying Independent Auditor's Communications.

- Matthew Montalbo, engagement Partner assigned to Corporation audit, provided an overview of the required Auditor Communications 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.
- 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 opinion that the financial statements are presented fairly for FYE 2017.
- C) Additional Discussion-
- Matthew Montalbo advised that NYSABO PARIS system requires report in compliance with Public Authorities Law 2925(3)(f).
  - Matthew Montalbo and Carl Widmer discussed the trends and risks attributable to payments available to the Corporation under the existing Master Settlement Agreement (MSA). Bryan Bingel asked for an explanation on the trapping event related to consumption decline. Matthew Montalbo explained the trapping event and possible outcomes.
  - 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, cigarette sales volume for tobacco sellers and the various manufacturers participating in the MSA.
  - A discussion was held regarding the revised estimate for 2017 settlement payment to be received in 2018 and the effect of the lesser payment on the financial statements. Robert Keating agreed that the revised estimate should be used.
  - 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, 2017 (as presented in draft form, subject to the known revision of \$15.8M share of revenue to \$14.45M and subject to nonmaterial modifications as discussed and agreed upon by the Committee and receipt by the Committee of the revised Report and Communications) to the Corporation Board of Directors for review and acceptance. Moved by Peter Zaleski and seconded by Patricia Johnson. Motion unanimously approved.

#### V. ADJOURNMENT

Moved by Patricia Johnson and seconded by Peter Zaleski to adjourn the meeting of the Audit Committee at 2:33 p.m. Motion unanimously approved.



---

Martin A. Polowy  
Assistant Corporation Secretary