

**2023 ANNUAL MEETINGS  
OF THE  
SOLE MEMBER  
AND  
BOARD OF DIRECTORS  
OF  
ERIE TOBACCO ASSET SECURITIZATION CORPORATION**

**March 23, 2023**

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**Annex: Corporation Policies Approved as of March 23, 2023**

**Exhibit A** - Amended and Restated Code of Ethics and Conflicts of Interest Policy

**Exhibit B** - Amended and Restated Procurement Policy

**Exhibit C** - Defense and Indemnification Policy

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**Exhibit K** - Continuity of Operations Plan Policy

**Exhibit L** - Public Access to Records Policy

**1.**

**Agenda  
of the  
March 23, 2023  
Annual Meeting  
of the  
Sole Member**

**AGENDA  
OF THE  
ANNUAL MEETING  
OF THE  
SOLE MEMBER  
OF  
ERIE TOBACCO ASSET SECURITIZATION CORPORATION  
("CORPORATION")**

**March 23, 2023**

**1. Call Meeting to Order.**

- County Executive Poloncarz, as Sole Member, to call the Annual Meeting of the Sole Member to order and waive notice of the Annual Meeting of the Sole Member by his attendance at such Annual Meeting.

**2. Adopt Minutes.**

- County Executive Poloncarz, as Sole Member, to adopt for filing the Minutes of the Sole Member's March 17, 2022 Annual Meeting.

**3. Acknowledgement of 2022 Audited Financial Statements.**

- County Executive Poloncarz, as Sole Member, to acknowledge receipt of a report of the Corporation's independent certified public accountants for the Corporation's fiscal year ended December 31, 2022 and to accept same for filing in the records of the Corporation and entry into the minutes of the Minutes of the Annual Meeting of the Sole Member pursuant to Article II, Section 13 of the Corporation's By-Laws, conditioned upon the approval of same by the Board of Directors.

**4. Acknowledgement of Designation of Independent Directors.**

- Sole Member to acknowledge the designation of David Zaleski and Patricia Johnson, as so designated by County Executive Poloncarz and County Comptroller Hardwick as Independent Directors of the Corporation in accordance with Article II, Section 2(b)(II) of the Corporation's By-Laws.

**5. Action Item 1 – Resolution to Elect Independent Directors.**

- County Executive Poloncarz, as Sole Member, to adopt attached **Resolution Number 1** electing David Zaleski and Patricia Johnson to serve as Independent Directors of the Corporation.
- Note, pursuant to Article II, Section 2(b)(II) of the Corporation's By-Laws, two Independent Directors shall be designed jointly by a majority of the other three directors, said other three directors being the director position held by the Erie County Executive, the

director position held by the Erie County Comptroller, and the director position held by the Designated Director. On March 23, 2023, David Zaleski and Patricia Johnson were so designated by County Executive Poloncarz and County Comptroller Hardwick, being a majority of the three aforementioned directors.

6. **Action Item 2 – Resolution to Elect Designated Director.**

- County Executive Poloncarz, as Sole Member, to adopt attached **Resolution Number 2** Sole Member to acknowledge the resignation of Peter Zaleski as Designated Director of the Corporation electing Bryan R. Bingel to serve as the Designated Director of the Corporation.
- Note, pursuant to Article II, Section 2(b)(II) of the Corporation's By-Laws, the Designated Director shall be designated jointly by the Chairperson of the Erie County Legislature and the Minority Leader of the Erie County Legislature, and on March 9, 2023, April N. M. Baskin, the Chairperson of the Erie County Legislature, and John J. Mills, the Minority Leader of the Erie County Legislature, Brian Bingel was so designated.

7. **Other Business.**

- Sole Member to consider and discuss other business which may come before the Annual Meeting.

8. **Meeting Adjourned.**

**DESIGNATION OF INDEPENDENT DIRECTORS  
OF  
ERIE TOBACCO ASSET SECURITIZATION CORPORATION  
("CORPORATION")**

**March 23, 2023**

***Designation of Independent Directors***

On March 15, 2023, Peter Zaleski resigned as Designated Director of the Corporation. The undersigned, constituting two of three of the Corporation Directors and constituting a majority of the Corporation's Directors in accordance with Article II, Section 2(b)(II) of the Corporation's By-Laws, **DO HEREBY DESIGNATE:**

**DAVID ZALESKI AND PATRICIA JOHNSON**

to be elected by the Sole Member of the Corporation as Independent Directors of the Corporation.

\_\_\_\_\_  
Mark C. Poloncarz

\_\_\_\_\_  
Kevin R. Hardwick, PhD

**ACTION ITEM 1**

**ANNUAL MEETING  
OF THE  
SOLE MEMBER  
OF  
ERIE TOBACCO ASSET SECURITIZATION CORPORATION  
("CORPORATION")**

**March 23, 2023**

***Resolution Number 1  
Election of Independent Directors***

**BE IT RESOLVED**, that David Zaleski and Patricia Johnson are hereby elected to serve as the Independent Directors of the Corporation, based on the designation of all or a majority of the non-Independent and Designated Directors of the Corporation, a copy of which approval is annexed hereto.

**ACTION ITEM 2**

**ANNUAL MEETING  
OF THE  
SOLE MEMBER  
OF  
ERIE TOBACCO ASSET SECURITIZATION CORPORATION  
("CORPORATION")**

**March 23, 2023**

***Resolution Number 2  
Election of Designated Director***

**WHEREAS**, on March 15, 2023, Peter Zaleski resigned as Designated Director of the Corporation.

**NOW, THEREFORE, BE IT RESOLVED**, that Bryan R. Bingel is hereby elected to serve as the Designated Director of the Corporation, based on the designation of April N. M. Baskin, the Chairperson of the Erie County Legislature, and John J. Mills, the Minority Leader of the Erie County Legislature, which is attached hereto, pursuant to Article II, Section 2(b)(II) of the By-Laws of the Corporation.

**2.**

**Agenda  
of the  
March 23, 2023  
Annual Meeting  
of the  
Board of Directors**



**AGENDA  
OF THE  
ANNUAL MEETING  
OF THE  
BOARD OF DIRECTORS (THE “BOARD”)  
OF  
ERIE TOBACCO ASSET SECURITIZATION CORPORATION  
 (“CORPORATION”)**

**March 23, 2023**

**1. Call Meeting to Order.**

- County Executive Mark Poloncarz, to call the Annual Meeting of the Board to order.

**2. Action Item 1 – Resolution to Approve Meeting Date.**

- Board to adopt attached **Resolution Number 1** adopting and approving the March 23, 2023 Annual Meeting date in accordance with Article II, Section 8 of the Corporation’s By-Laws.

**3. Adopt Minutes of Corporation.**

- The Board to adopt for filing the minutes of the Annual Meeting of the Board on March 17, 2022.

**4. Acknowledge Receipt of Minutes of Audit and Governance Committees.**

- The Board to acknowledge receipt of copies of the minutes and Reports of the Board’s Audit and Governance Committees’ 2023 meetings and 2023 activities, respectively.

**5. Action Item 2 – Resolution to Accept and Approve Audited Financial Statements and Authorize Filing of Same.**

- The Board to adopt attached **Resolution 2**, accepting and approving the Corporation’s Basic Financial Statements and Required Supplementary Information for the Year Ended December 31, 2022, including the Report of the Corporation’s Independent Auditors for the Year Ended December 31, 2022 (the “2022 Financial Statements”), which has been accepted by the Sole Member of the Corporation, copies of which have been distributed to all Board members, in accordance with Article II, Section 13 of the Corporation’s By-Laws; and
- The Board to direct and authorize the Corporation’s Treasurer or their designee to file the 2022 Financial Statements with the New York Authorities Budget Office, the Chief Executive Officer and the Chief Fiscal Officer of the Corporation and the Chairman of the Erie County Legislature, within ninety (90) days of the end of the Corporation’s fiscal year.

6. **Action Item 3 – Resolution to Elect Officers.**

- The Board to adopt attached **Resolution Number 3** electing officers of the Corporation to continue to serve until the next Annual Meeting of the Corporation and until their respective successors are elected and qualified.

7. **Action Item 4 – Resolution to Adopt Policies of the Corporation and Elect Additional Officers in Accordance with Same**

- The Board to adopt attached **Resolution Number 4** adopting and approving certain policies of the Corporation annexed thereto, designating the Assistant Treasurer of the Corporation to serve as the Corporations FOIL Records Access Officer pursuant to the Public Access to Records Policy, and further designating the Chairman of the Corporation to serve as the FOIL Appeals Officer pursuant to the Public Access to Records Policy and Contracting Officer pursuant to the Disposition of Property Guidelines.

8. **Action Item 5 – Resolution to Authorize Annual Stipends for Independent Directors**

- The Board to adopt attached **Resolution Number 5** accepting, approving and authorizing an annual stipend for Independent Directors in the amount of \$2,500.00

9. **Action Item 6 – Resolution to Approve Extension of Legal Services Rendered by Harris Beach PLLC.**

- The Board to adopt attached **Resolution Number 6** approving and authorizing Harris Beach PLLC to continue to provide legal services to assist the Corporation with corporate, government compliance and annual reporting requirements pursuant to the New York State Public Authorities Law for a period of 60 days from March 23, 2023, and for an amount not to exceed \$5,000.

10. **Action Item 7 – Resolution to Authorize the Issuance of Requests for Proposals for Professional Legal, Audit, Accounting and Insurance Services.**

- The Board to adopt attached **Resolution Number 7** authorizing the issuance of Requests for Proposals for Professional Legal, Audit, Accounting and Insurance Services on behalf of the Corporation

11. **Acknowledgement of Fiduciary Duty.**

- The Board, on an individual basis, to execute attached **Acknowledgement of Fiduciary Duty**, upon recitation of the Mission Statement in accordance with the Public Authorities Law.

12. **Other Business.**

- The Board to consider and discuss any other business which may come before it.

13. **Meeting Adjourned.**

**ACTION ITEM 1**

**ANNUAL MEETING  
OF THE  
BOARD OF DIRECTORS  
OF  
ERIE TOBACCO ASSET SECURITIZATION CORPORATION  
("CORPORATION")**

**March 23, 2023**

***Resolution Number 1  
Approval of Meeting Date***

**BE IT RESOLVED**, the Board adopts and approves the meeting date of March 23, 2023 for the 2023 Annual Meeting of the Board of Directors of the Corporation.

**ACTION ITEM 2**  
**ANNUAL MEETING  
OF THE  
BOARD OF DIRECTORS  
OF  
ERIE TOBACCO ASSET SECURITIZATION CORPORATION  
("CORPORATION")**

**March 23, 2023**

***Resolution Number 2  
Approval of 2022 Audited Financial Statements***

**WHEREAS**, the Corporation's Treasurer or their designee, has presented to the Sole Member of Corporation, the Corporation's Basic Financial Statements and Required Supplementary Information for the Year Ended December 31, 2022, including the Report of the Corporation's Independent Auditors; and

**BE IT RESOLVED**, that the Corporation hereby accepts and approves the Corporation's Basic Financial Statements and Required Supplementary Information for the Year Ended December 31, 2022, including the Report of the Corporation's Independent Auditors; and

**BE IT FURTHER RESOLVED**, the Treasurer or their designee is hereby authorized and directed to submit to the President of the Corporation, the Chairperson of the Erie County Legislature and the Authorities Budget Office of the State of New York, within ninety (90) days after the end of the Corporation's 2022 fiscal year, the Corporation's Basic Financial Statements and Required Supplementary Information for the Year Ended December 31, 2022, including the Report of the Corporation's Independent Auditors, and necessary related documentation for the Corporation's 2022 fiscal year.

**ACTION ITEM 3**  
**ANNUAL MEETING  
OF THE  
BOARD OF DIRECTORS  
OF  
ERIE TOBACCO ASSET SECURITIZATION CORPORATION  
("CORPORATION")**

**March 23, 2023**

***Resolution Number 3  
Election of Officers***

**BE IT RESOLVED**, that the following individuals are elected to serve or continue to serve as officers of the Corporation until the next Annual Meeting of the Board of Directors of the Corporation and until their respective successors are elected and qualified:

Robert Keating	Chairman and President;
Timothy Callan	Vice President;
Bryan Bingel	Vice President;
Patricia Johnson	Vice President;
David Zaleski	Vice President;
Mark Cornell	Treasurer;
Jeremy Toth	Secretary;
Kim Kajdasz	Assistant Treasurer; and
Richard Stanton	Assistant Secretary.

**ACTION ITEM 4**  
**ANNUAL MEETING  
OF THE  
BOARD OF DIRECTORS  
OF  
ERIE TOBACCO ASSET SECURITIZATION CORPORATION  
("CORPORATION")**

**March 23, 2023**

***Resolution Number 4***  
***Approval of Policies and Designation of Officers in Accordance with Policies***

**BE IT RESOLVED**, that the following policies, as presented at this meeting, are hereby adopted and approved:

- (a) The Amended and Restated Code of Ethics and Conflicts of Interest Policy attached hereto as **Exhibit A**;
- (b) The Amended and Restated Procurement Policy attached hereto as **Exhibit B**;
- (c) The Defense and Indemnification Policy attached hereto as **Exhibit C**;
- (d) The Real Property Acquisition Policy attached hereto as **Exhibit D**;
- (e) The Disposition of Property Guidelines attached hereto as **Exhibit E**;
- (f) The Investment Policy attached hereto as **Exhibit F**;
- (g) The Compensation, Reimbursement and Attendance Policy attached hereto as **Exhibit G**;
- (h) The Travel and Discretionary Funds Policy attached hereto as **Exhibit H**;
- (i) The Whistleblower Policy attached hereto as **Exhibit I**;
- (j) The Sexual Harassment and Prevention Policy attached hereto as **Exhibit J**;
- (k) The Continuity of Operations Plan Policy attached hereto as **Exhibit K**;
- (l) The Public Access to Records Policy attached hereto as **Exhibit L**; and

**BE IT FURTHER RESOLVED**, that the Board hereby designates the Assistant Treasurer the Corporation as the Corporation's FOIL Records Access Officer pursuant to the Public Access to Records Policy; and

**BE IT FURTHER RESOLVED**, that the Chairman shall serve as the FOIL Appeals Officer of the Corporation pursuant to the Public Access to Records Policy; and

**BE IT FURTHER RESOLVED**, that the Chairman shall serve as the Contracting Officer pursuant to the Disposition of Property Guidelines.

**ACTION ITEM 5**

**ANNUAL MEETING  
OF THE  
BOARD OF DIRECTORS  
OF  
ERIE TOBACCO ASSET SECURITIZATION CORPORATION  
("CORPORATION")**

**March 23, 2023**

***Resolution Number 5  
Approving Annual Stipend for Independent Directors***

**WHEREAS**, pursuant to Article II, Section 12 of the Corporation's By-Laws and the Board Member Compensation, Reimbursement and Attendance Policy, the members of the Board of Directors may receive such compensation for their services as may be approved by a majority of the Board of Directors.

**BE IT RESOLVED**, that the non-Independent and Designated Directors of the Corporation, as defined in Article II, Section 2(b)(II) of the Corporation's By-Laws and constituting a majority of the Board of Directors, hereby approve an annual stipend of \$2,500.00 for each of the Independent Directors of the Corporation.

**ACTION ITEM 6**

**ANNUAL MEETING  
OF THE  
BOARD OF DIRECTORS  
OF  
ERIE TOBACCO ASSET SECURITIZATION CORPORATION  
("CORPORATION")**

**March 23, 2023**

***Resolution Number 6  
Continuation of Professional Services***

**BE IT RESOLVED**, that the Board hereby authorizes and approves the continuation of professional legal services rendered by Harris Beach PLLC for an additional period of 60 days from March 23, 2023, in a total additional amount not to exceed \$5,000 for the purposes of assisting the Corporation with corporate, government compliance and annual reporting requirements pursuant to the New York State Public Authorities Law.



**ACTION ITEM 7**

**ANNUAL MEETING  
OF THE  
BOARD OF DIRECTORS  
OF  
ERIE TOBACCO ASSET SECURITIZATION CORPORATION  
("CORPORATION")**

**March 23, 2023**

***Resolution Number 7  
Authorizing Issuance of Requests for Proposals***

**BE IT RESOLVED**, that the Board hereby authorizes the issuance of Requests for Proposals for Legal, Audit, Accounting and Insurance Professional Services in accordance with the Amended and Restated Procurement Policy of the Corporation.

# **ERIE TOBACCO ASSET SECURITIZATION CORPORATION**

## **ACKNOWLEDGEMENT OF FIDUCIARY DUTIES AND RESPONSIBILITIES**

As a member of the Board of Directors of the Erie Tobacco Asset Securitization Corporation (the ‘Corporation’), I understand that I have a fiduciary obligation to perform my duties and responsibilities to the best of my abilities, in good faith and with proper diligence and care, consistent with the enabling statute, mission, and By-Laws of the Corporation (as amended) and the laws of New York State. The requirements set forth in this acknowledgement are based on the provisions of New York State law, including but not limited to the Public Authorities Reform Act of 2005, as amended by Chapter 506 of the Laws of 2009 of the State of New York, Public Officers Law, and General Municipal Law. As a member of the Board of Directors:

### **I. Mission Statement**

I have read and understand the mission of the Corporation; and the mission is designed to achieve a public purpose on behalf of the State of New York. I further understand that my fiduciary duty to this Corporation is derived from and governed by its mission.

I agree that I have an obligation to become knowledgeable about the mission, purpose, functions, responsibilities, and statutory duties of the Corporation and, when I believe it necessary, to make reasonable inquiry of management and others with knowledge and expertise so as to inform my decisions.

### **II. Deliberation**

I understand that my obligation is to act in the best interests of the Corporation and the people of the State of New York whom the Corporation serves.

I agree that I will exercise independent judgment on all matters before the Board of Directors. I understand that any interested party may comment on any matter or proposed resolution that comes before the Board of Directors consistent with the laws governing procurement policy and practice, be it the general public, an affected party, a party potentially impacted by such matter or an elected or appointed public official. However, I understand that the ultimate decision is mine and will be consistent with the mission of the Corporation and my fiduciary duties as a member of the Corporation’s Board of Directors.

I will participate in training sessions, attend Board and committee meetings, and engage fully in the Board’s and committee’s decision-making process.

### **III. Confidentiality**

I agree that I will not divulge confidential discussions and confidential matters that come before the Board of Directors for consideration or action.

### **IV. Conflict of Interest**

I agree to disclose to the Board any conflicts, or the appearance of a conflict, of a personal, financial, ethical, or professional nature that could inhibit me from performing my duties in good faith and with due diligence and care.

I do not have any interest, financial or otherwise, direct or indirect, or engage in any business or transaction or professional activity or incur any obligation of any nature, which is in substantial conflict with the proper discharge of my duties in the public interest.

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Corporation Name: \_\_\_\_\_

Date: \_\_\_\_\_

**3.**

**Copies of the Minutes of the  
March 17, 2022 Annual  
Meetings  
of the  
Sole Member  
And  
Board of Directors**

Erie Tobacco Asset Securitization Corporation  
Sole Member

Minutes of Annual Meeting  
Thursday, March 17, 2022

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Erie County Executive Conference Room

Sole Member Mark Poloncarz present.

Also present: Kevin Hardwick, Peter Zaleski, Bryan Bingel, Patricia Johnson, Robert Keating, Benjamin Swanekamp, Michael Siragusa, Martin Polowy and Charles Barth.

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**I. CALL TO ORDER**

Mark Poloncarz called the Annual Meeting of the Sole Member to order at 10:03am.


**II. ACTION ITEMS**

- A. Sole Member waived notice of annual meeting of Sole Member.
- B. Sole Member approved and accepted for filing the minutes of the Sole Member's March 17, 2021 Annual Meeting and directed the Secretary or Assistant Secretary to file the minutes in the Corporation's minute book.
- C. Sole Member acknowledged the receipt of the Corporation's independent certified public accountants' report for the calendar year that ended December 31, 2021, acknowledged that the report was reviewed and accepted by the Corporation's Audit Committee and directed that the Secretary receive and file that report in the official minutes of the corporation.
- D. Sole Member adopted Resolution #1 to elect Bryan Bingel and Patricia Johnson to serve as Independent Directors of ETASC as designated by the majority of ETASC's three (3) non-Independent Directors (County Executive Poloncarz, County Comptroller Hardwick and Designated Director Zaleski). Motion approved unanimously by Mark Poloncarz. Copy of Resolution #1 is attached.
- E. Sole Member adopted Resolution #2 to elect Peter P. Zaleski to continue to serve as a Designated Director of the Corporation with the approval of April N.M. Baskin, the Chairperson of the Erie County Legislature and Joseph C. Lorigo, the Minority Leader of the Erie County Legislature. I note, for the record, a letter has

been jointly signed by April N.M. Baskin and Joseph C. Lorigo the 15<sup>th</sup> day of March, 2022 designating Peter Zaleski to continue to serve as the Designated Director of the Corporation. Motion approved unanimously by Mark Poloncarz. Copy of Resolution #2 is attached.

### **III. ADJOURNMENT**

Adjournment of meeting of the Sole Member of ETASC. Moved by Mark Poloncarz. Motion approved unanimously by Mark Poloncarz. Meeting adjourned at 10:10am.

A handwritten signature in black ink, appearing to read "Michael A. Siragusa", is written over a horizontal line.

Michael A. Siragusa  
Corporation Secretary

Erie Tobacco Asset Securitization Corporation  
Board of Directors

Minutes of Annual Meeting  
Thursday, March 17, 2022

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Erie County Executive Conference Room

Voting Board Members present: Mark Poloncarz, Kevin Hardwick, Peter Zaleski, Bryan Bingel and Patricia Johnson.

Also present: Robert Keating, Benjamin Swanekamp, Michael Siragusa, Martin Polowy and Charles Barth.

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**I. CALL TO ORDER**

Chairman Keating called the Annual Meeting of the Board of Directors to order at 10:10am. Quorum present, confirmed by Chairman Keating.

**II. ACTION ITEMS**

- A. Resolution #1, approving and accepting for filing the minutes of the meetings held by the Board and/or Sole Member during 2021; and the minutes of the meetings held by the Board's Audit and/or Governance Committees during 2021 and 2022.

Moved by Mark Poloncarz, seconded by Peter Zelinski. and the motion was unanimously approved 5-0. Copy of Resolution #1 is attached.

- B. Resolution #2, accepting and approving the Corporation's Independent Audit Report for the calendar year ending December 31, 2021 which has been approved by the Corporation's Audit Committee, copies of which have been distributed to all Board members; and calling for the Corporation's Treasurer or his designee to present to the Sole Member the report of the Corporation's independent audit certified public accountants for the calendar year ending December 31, 2021.

Motion to accept by Patricia Johnson, seconded by Brian Bingel and the motion was unanimously approved 5-0. Copy of Resolution #2 is attached.

- C. Resolution #3, establishing that the Treasurer or any designated Corporation officer is authorized to submit to the Chief Executive Officer and Chief Fiscal Officer of ETASC, and the Chairperson of the Erie County Legislature and the Authorities Budget Office of the State of New York within ninety (90) days after the end of the Corporation's 2021 fiscal year, the report of the Corporation's independent auditors, and necessary related documentation for the Corporation's 2021 fiscal year.

Motion to approve by Peter Zelinski, seconded by Patricia Johnson and the motion was unanimously approved. Copy of Resolution #3 is attached.

- D. Resolution #4, electing the individuals to serve or continue to serve as officers of the Corporation for the upcoming year or until their respective successors are elected and qualified.

Motion to approve by Mark Poloncarz, seconded by Brian Bingel and the motion was unanimously approved 5-0. Copy of Resolution #4 is attached.

- E. The Corporation accepts for filing the minutes of the Board's Audit and Governance Committees' 2021 and 2022 meetings.

Motion to approve by Peter Zelinski, seconded by Patricia Johnson, and unanimously approved 5-0.

- F. The Corporation accepts for filing the Reports of the Boards' Audit and Governance Committees' activities during 2021.

Motion to approve by Brian Bingle, seconded by Mark Poloncarz, and unanimously approved 5-0.

- G. Resolution #5, establishing that, if necessary and proper, the Treasurer or his designee is authorized to file and post the Corporation's Mission Statement and Performance Measurements, Annual Report and Annual Assessment of Internal Controls with the New York Authorities Budget Office.

Motion to approve by Brian Bingle, seconded by Mrk Poloncarz and unanimously approves 5-0. Copy of Resolution #5 is attached.

- H. Resolution #6, establishing that the Board accepts the aggregate results of its Confidential Evaluation of the Board's performance during 2021, by the participating members of the Corporation's Board, and directing the Treasurer or his designee to file same with the New York Authorities Budget Office.

Moved by Brian Bingle, seconded by Peter Zelinski and the motion was unanimously approved 5-0. Copy of Resolution #6 is attached.



### **III. DISCUSSION**

A. None

### **IV. ADJOURNMENT**

Meeting adjourned at 3:23 pm

Motion to adjourn. Moved, seconded and the motion was unanimously approved. Meeting adjourned at 10:32am.

A handwritten signature in black ink, appearing to read "Michael A. Siragusa", written over a horizontal line.

Michael A. Siragusa  
Corporation Secretary

**4.**

**Copies of the  
Minutes  
of the  
February 7, 2023  
And  
March 7, 2023 Meetings of the  
Audit Committee**

Erie Tobacco Asset Securitization Corporation  
Audit Committee Report

Minutes of the Meeting  
Tuesday, February 7, 2023

Erie County Budget Conference Room

Corporation Committee Members Present: Bryan Bingel, Peter Zaleski, Patricia Johnson

Also Present: Robert Keating, Tim Callan, David Zaleski, Matthew Montalbo, Corey Sveinsson, Richard Stanton, Kim Kajdasz, and Sara Dayton from Lumsden and McCormick.

**I. CALL TO ORDER**

Bryan Bingel called the Meeting of the Audit Committee to order at 2:01 p.m.  
Quorum present.

**II. MINUTES FROM PRIOR MEETING**

None.

**III. PRESENTATION & DISCUSSION**

A) Matthew Montalbo provided an overview of Drescher & Malecki, LLP's Audit plan, including but not limited to:

- An introduction of the audit team;
- Reassurance of the firm's independence;
- Review of the anticipated reports and required auditor communications in accordance with Generally Accepted Auditing Standards to be issued;
- Review of the audit plan – accounting policies; statement of liabilities and assets; risk assessment; regulatory changes;
- Review of audit timeline;
- Review of fraud considerations.

B) Additional Discussion:

- A discussion was held regarding the trends of the net positions and deficits.
- A discussion was held regarding concerns of a possible the overpayment of five million dollars by BNY Mellon in June 2022. The apparent overpayment was ultimately remitted back in December 2022.

- A discussion was held surrounding BNY Mellon's role and involvement as a trustee and with the available cash in the trust account.
- A discussion was held reviewing the history of the Corporation, the succession of directors; the bond series; interest and principal ratios as they relate to payments.
- A discussion was held regarding potential updates to the current procurement policies.

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

- Drescher & Malecki to provide sample RFP's for procurements used by similar clients.
- Drescher & Malecki to suggest names of 3-5 law firms that can assist with corporate governance going forward.

#### **V. ADJOURNMENT**

The meeting was adjourned by Bryan Bingel and seconded by Patricia Johnson at 2:33 p.m. Motion Unanimously approved.

A next meeting was scheduled for Tuesday, March 7<sup>th</sup> at 2:00 p.m., to review the Audit Report

Erie Tobacco Asset Securitization Corporation  
Report of Audit Committee Report

Tuesday, March 7, 2023

Erie County Budget Conference Room

Corporation Committee Members Present: Bryan Bingel, Peter Zaleski, Patricia Johnson

Also Present: Robert Keating, -Mark Cornell, David Zaleski, Matthew Montalbo, Corey Sveinsson, Richard Stanton, and Kim Kajdasz.

**I. CALL TO ORDER**

Bryan Bingel called the Meeting of the Audit Committee to order at 2:01 p.m. Quorum present.

**II. MINUTES FROM PRIOR MEETING**

None.

**I. 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 2022 Independent Audit Report and accompanying Independent Auditor's Communications. The reporting was preliminary while he awaited final versions of 2022 minutes

- 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 based upon review of all materials except 2022 minutes, that the financial statements are presented fairly for FYE 2022.

C) Additional Discussion-

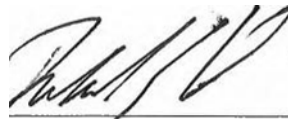
- Matthew Montalbo advised that NYSABO PARIS system requires report in compliance with Public Authorities Law 2925 (3) (f).
- Matthew Montalbo and discussed the trends and risks attributable to payments available to the Corporation under existing Master Settlement Agreement (MSA).
- A discussion was 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 on the timeline for reviews and approvals of the final audit documents.

## **II. ACTION ITEMS**

A) The Committee recommends submission of the Corporations' Independent Audit Report and accompanying Independent Auditor's Communications for the calendar year ended December 31, 2022, after it is updated to reflect review of 2022 Annual Meeting Minutes. Moved by Brian Bingel and seconded by Patricia Johnson. Motion unanimously approved.

## **III. 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.



Richa Stanton, Esq.  
Acting Assistant Secretary

**5.**

**Copy of the  
Minutes  
of the  
February 7, 2023  
Meeting of the  
Governance Committee**



Erie Tobacco Asset Securitization Corporation  
Governance Committee

Minutes of the Meeting  
Tuesday, February 7, 2023

Erie County Budget Conference Room

Corporation Committee Members Present: Bryan Bingel, Peter Zaleski, Patricia Johnson

Also Present: Robert Keating, Tim Callan, David Zaleski, Richard Stanton, Kim Kajdasz, and Sara Dayton from Lumsden McCormick

**I. CALL TO ORDER**

Peter Zaleski called the Meeting of the Governance Committee to order at 2:35 p.m. Quorum present.

**II. MINUTES FROM PRIOR MEETING**

None.

**III. PRESENTATION & DISCUSSION**

- A) Review of procurement policies
- B) A discussion was held about updating current procurement policies. Review of status of Professional services procured
  - A discussion was held regarding completing RFPs for professional services approximately every 3 years.
  - A discussion was held regarding expanding the involvement of Lumsden & McCormick, LLP.
  - A discussion was held around obtaining insurance.
- C) Review of Status of Procurement of Legal Services
  - Motion made and approved to authorize President Keating to obtain legal counsel to review policies, and create policy proposals, and obtain and review copies of the Barclay Damon files through March 31, 2023 not exceeding \$5,000.
- D) Review of open(ing) Member Positions
  - A discussion was held regarding Peter Zaleski's retirement as Designated Director on March 15, 2023. Bryan Bingel and Patricia Johnson are currently Independent

Directors. It is anticipated that Bryan Bingel will take Peter Zaleski's current role as Designated Director. Legislative approval is required to make this change.

- Ms. Johnson to share responsibility of the audit committee.
- Mr. Bingel to share responsibility of the governance committee.

E) Additional Discussion:

- A discussion was held regarding updates to the ETASC website, including updates to personnel contact information and meeting minutes.
- A discussion was held regarding remaining ETASC monetary proceeds. Discussion included possibly of replacing Bank of New York-Mellon as Trustee.

**IV. ACTION ITEMS**

- Sara Dayton & Bob Keating to retrieve Hilltop, Wilmington Trust Company, and Bank of NY Mellon trust agreements.
- Lumsden McCormick to reach out to Lawley to inquire about insurance agencies and obtain a marketing report of possible vendors.

**V. ADJOURNMENT**

The meeting was adjourned by Peter Zaleski and seconded by Patricia Johnson at 3:00 p.m. Motion Unanimously approved.

**6.**

**2022**

**Corporation Mission  
Statement  
and  
Performance  
Measurements**

**Authority Mission Statement and Performance Measurements  
For the Fiscal Year 2022  
Erie Tobacco Asset Securitization Corporation**

**Mission Statement:** The mission of the Erie Tobacco Asset Securitization Corporation (ETASC) is to acquire, hold, sell, pledge and otherwise dispose of all or a portion of the rights of Erie County to receive payments from certain cigarette manufacturers under a 1998 Master Settlement Agreement (MSA) of a class action entitled State of New York, et al. v. Philip Morris Incorporated, et al. for the benefit of its bondholders and the County. The Corporation's mission is to satisfy its obligations under Trust Indentures associated with its outstanding bonds and from time to time, if appropriate, assess additional MSA revenue securitization opportunities. This public purpose and mission has been accomplished in part by ETASC through the issuance of bonded indebtedness in the years 2000, 2005 and 2006.

**List of Performance Goals:** ETASC's Performance goals include, but are not limited to:

- Conducting annual, committee, and/or special meetings of ETASC's Board of Directors and Sole Member, to review and affirm the Corporation's activities, policies and if appropriate audited financial statements.
- Review if appropriate, in conjunction with Erie County, opportunities to increase the value received of 1998 Master Settlement Agreement (MSA) payments, and thereby increase the benefit to Erie County by issuing additional bonded indebtedness or refunding existing ETASC bonded indebtedness payable from the payments under the MSA or by other means.
- Review opportunities to reduce the financial liability and indebtedness of ETASC.
- Engaging in such other activities required by New York State Law and/or ETASC's By-Laws and Certificate of Incorporation.

**Additional questions:**

1. **Have the board members acknowledged that they have read and understood the mission of the public authority?**

Yes. The ETASC mission statement was developed with the concurrence of the three independent directors and the two County directors, one of whom is the Sole Member.

2. **Who has the power to appoint the management of the public authority?**

ETASC has no staff. Services are provided as needed by the officers of the corporation as follows:

- President of the corporation, who is the County's Budget Director;
- Treasurer of the corporation, who is the County's Deputy Budget Director;
- Vice President of the corporation, who is the County's Deputy Comptroller;
- Secretary of the corporation, who is the County Attorney;
- Assistant Secretary of the corporation, who is an Assistant County Attorney; and

- Assistant Treasurer of the corporation, who is a management consultant for the County's Division of Budget and Management.

The officers are determined by the ETASC by-laws; see

<http://www2.erie.gov/etasc/sites/www2.erie.gov.etasc/files/uploads/ETASC%20By-Laws.PDF>

**3. If the Board appoints management, do you have a policy you follow when appointing the management of the public authority?**

As explained above, the appointment of the officers follows the process in the adopted by-laws.

**4. Briefly describe the role of the Board and the role of management in the implementation of the mission.**

The board and Sole Member meet as necessary, at least annually, and as necessary for the annual audit committee review of the audited financial statements and to make decisions regarding ETASC's operations. In 2022, the board and its committees met multiple times in person and via WebEx to review ETASC operations, the annual financial audit and to conduct governance. Services are performed as needed by the officers (President, Treasurer, Assistant Treasurer, Secretary and Assistant Secretary) working in conjunction with the corporation's outside accountant, the independent auditor, and the outside legal counsel.

The independent directors also occasionally interact with the outside auditor and outside legal counsel separately from the officers, providing another layer of director independence and oversight.

**5. Has the Board acknowledged that they have read and understood the responses to each of these questions?**

Yes. The ETASC Treasurer has provided the 2022 Performance Measurement filing to the five board members for their review and concurrence before its submission to the Authorities Budget Office.

**7.**

**Corporation's Basic Financial  
Statements And  
Required Supplementary  
Information for the Year  
Ended December 31, 2022,  
including the Report of the  
Corporation's Independent  
Auditors for the  
Year Ended December 31,  
2022 (the "2022 Financial  
Statements")**

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*Certified Public Accountants*

March 7, 2023

Board of Directors  
Erie Tobacco Asset Securitization Corporation  
Erie County Office Building  
95 Franklin Street Room 1600  
Buffalo, New York 14202

To the Board of Directors:

We have audited the financial statements of the Erie Tobacco Asset Securitization Corporation ("ETASC"), a component unit of the County of Erie, New York, as of and for the year ended December 31, 2022, and have issued our report thereon dated March 7, 2023. Professional standards require that we advise you of the following matters relating to our audit.

**Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our engagement letter dated January 31, 2023, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of ETASC solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

**Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

## **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, and our firm, have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by ETASC is included in Note 1 to the financial statements. Except for the matter discussed below, there have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended December 31, 2022.

During the year ended December 31, 2022, ETASC implemented GASB Statement No. 87, *Leases*. GASB Statement No. 87 better meets the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The implementation of GASB Statement No. 87 did not have a material impact on ETASC's financial position or results from operations.

No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events.

Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive estimates affecting the financial statements for the year ended December 31, 2022 were the recognition of tobacco settlement revenues as a receivable within governmental activities, the swap agreement valuation, and the Subordinate Turbo CABs outstanding and related accreted interest.

Management's estimate of recognition of tobacco settlement revenues is based on a combination of recent trends and historical data of tobacco settlement revenue received by ETASC. Management's estimate of the swap agreement valuation is performed by a professional third party. The Subordinate Turbo CABs outstanding and related accreted interest have been estimated by ETASC management based on the interest rates and estimated weighted accreted value of the CABs. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.



While we have determined the estimates to be reasonable based on the assumptions presented, we continue to recommend that ETASC obtains a professional third party valuation to calculate future Subordinate Turbo CAB estimates.

#### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting ETASC's financial statements relate to investments, long-term debt, and contingencies as described in Notes 3, 6, and 8 to the financial statements.

#### **Significant Unusual Transactions**

For purposes of this communication, professional standards require us to communicate to you significant unusual transactions identified during our audit. We encountered no significant unusual transactions throughout our audit.

#### **Significant Difficulties Encountered during the Audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

#### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The proposed adjusting journal entries for the year ended December 31, 2022 were brought to the attention of, and corrected by, management, are attached to the management representation letter dated March 7, 2023 as Exhibit I (copy attached).

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to ETASC's financial statements or the auditors' report. No such disagreements arose during the course of the audit.

#### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated March 7, 2023.

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. During the year ended December 31, 2022, ETASC consulted with Lumsden & McCormick, LLP, a hired outside accounting firm, regarding day to day operations and bookkeeping assistance. Management informed us that, and to our knowledge, none of their consultations with other accountants regarding auditing and accounting matters were significant to our performance of the audit of the financial statements.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with ETASC, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as ETASC's auditors.

\* \* \* \* \*

This report is intended solely for the information and use of the ETASC Board and management of the ETASC and is not intended to be and should not be used by anyone other than these specified parties.

*Drescher & Malecki LLP*

March 7, 2023

# **ERIE TOBACCO ASSET SECURITIZATION CORPORATION**

Edward A. Rath County Office Building  
95 Franklin Street  
Buffalo, NY 14202

March 7, 2023

Drescher & Malecki LLP  
3083 William Street, Suite 5  
Buffalo, New York 14227

This representation letter is provided in connection with your audit of the governmental activities and each major fund of the Erie Tobacco Asset Securitization Corporation ("ETASC"), a component unit of the County of Erie, New York, as of December 31, 2022 and for the year then ended, and the related notes to the financial statements, for the purpose of expressing an opinion as to whether the basic financial statements present fairly, in all material respects, the financial position and results of operations of the various opinion units of ETASC in accordance with accounting principles generally accepted for governments in the United States of America ("U.S. GAAP").

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information such that, in the light of surrounding circumstances, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of March 7, 2023:

## **Financial Statements**

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 31, 2023, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- The financial statements referred to above have been fairly presented in accordance with U.S. GAAP and include all properly classified funds, required supplementary information and notes to the basic financial statements.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.

- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- There are no identified material uncorrected misstatements.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- The funds and activities are properly classified.
- The funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus as amended*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense/expenditure is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues or general revenues.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Special items and extraordinary items have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- All required supplementary information is measured and presented within the prescribed guidelines.

- With regard to investments and other instruments reported at fair value:
  - The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
  - The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
  - The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.
  - There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

### **Information Provided**

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have provided to you our analysis of the entity's ability to continue as a going concern, including significant conditions and events present, and if necessary, our analysis of management's plans, and our ability to achieve those plans.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- ETASC has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which ETASC is contingently liable.
- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the entity will make a payment on any guarantee.
- For nonexchange financial guarantees where we have declared liabilities, the amount of the liability recognized is the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee. Where there was no best estimate but a range of estimated future outflows has been established, we have recognized the minimum amount within the range.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 ("GASB-62"), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.
  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62
  - Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- ETASC has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged as collateral, except as disclosed to you.

- We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

### **Required Supplementary Information**

With respect to the required supplementary information accompanying the financial statements, including Management's Discussion and Analysis:

- We acknowledge our responsibility for the presentation of the required supplementary information in accordance with U.S. GAAP.
- We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with U.S. GAAP.
- The methods of measurement or presentation have not changed from those used in the prior period and the basis for our assumptions and interpretations, underlying those measurements or presentations, are responsible and appropriate in the circumstances.

### **Other Specific Representations**

- We have not completed the process of evaluating the impact that will result from adopting GASB Statements No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; No. 96, *Subscription-Based Information Technology Arrangements*; and No. 99, *Omnibus 2022*, effective for the year ending December 31, 2023, and No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*; and No. 101, *Compensated Absences*, effective for the year ending December 31, 2024. ETASC is, therefore, unable to disclose the impact that adopting GASB Statements No. 94, 96, 99, 100, and 101 will have on its financial position and results of operations when such statements are adopted.
- ETASC management agrees with the proposed adjusting journal entries as presented in Exhibit I.
- Management has disclosed whether, subsequent to December 31, 2022, any changes in internal control or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies or material weaknesses have occurred.
- In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management uses estimates. We are responsible for making the accounting estimates. ETASC has disclosed in the financial statements all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.



- ETASC reports nonspendable, restricted and unassigned fund balances. ETASC has nonspendable balances of \$14,990, restricted balances of \$20,768,815, and an unassigned fund balance of \$183,548 within its governmental funds for the year ended December 31, 2022. Amounts of fund balance reported as restricted represent ETASC funds that are to be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- ETASC maintains procedures and provisions to fully secure the entity's financial interest in investments. ETASC has entered into written contracts pursuant to which investments are made within the guidelines established by authoritative bodies.
- We agree with the work of specialists in evaluating the value of our derivative instrument and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.
- Based on an estimate of recent trends and historical data of tobacco revenue received by ETASC, we estimate the tobacco settlement revenues to be \$16,073,640.
- ETASC management is responsible for the calculation of the accreted value of the Subordinate Turbo CABs. Management believes the accreted value of \$158,522,278 is appropriate at December 31, 2022.
- In addition to the audit services, based on information in the ETASC trial balance, Drescher & Malecki LLP has assisted ETASC in preparing the ETASC's financial statements for the year ended December 31, 2022. In conjunction with the preparation of the financial statements, ETASC has performed the following functions:
  - Made all management decisions and performed all management functions.
  - Designated Robert Keating, President, who we believe has suitable skill, knowledge, and/or experience to perform bookkeeping functions and to oversee the above services.
  - Evaluated the adequacy and results of the services performed.
  - Evaluated and accepted responsibility for the results of the services performed.
  - Established and maintained internal controls, including monitoring ongoing activities.
- ETASC management understands the Drescher & Malecki LLP has not performed any management functions or made management decisions on behalf of ETASC. Any nonattest services were performed in accordance with the applicable professional standards issued by the American Institute of Certified Public Accountants.

  
 Robert W. Keating, President

  
 Mark Cornell, Treasurer



**EXHIBIT I****Erie Tobacco Asset Securitization Corporation  
Proposed Adjusting Journal Entries  
Year Ended December 31, 2022**

<u>Account</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>
<b>Proposed Adjusting Journal Entry JE # 1</b>			
To adjust TSR estimate.			
GF1330	Due from New York State	\$ 1,815,051	\$ -
DS4050	Tobacco Settlement Revenue	-	1,815,051
<b>Total</b>		<u>\$ 1,815,051</u>	<u>\$ 1,815,051</u>
<b>Proposed Adjusting Journal Entry JE # 2</b>			
To record interfund transfer and loan as of 12/31/2022.			
DS6030	Operating Transfers In/Out	200,000	-
GF1400	Due from other funds	200,000	-
DS2003	Due to other funds	-	200,000
GF6020	Operating Transfers In	-	200,000
<b>Total</b>		<u>\$ 400,000</u>	<u>\$ 400,000</u>

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*Certified Public Accountants*

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH SECTION 2925(3)(f) OF THE  
NEW YORK STATE PUBLIC AUTHORITIES LAW**

To the Board of Directors  
Erie Tobacco Asset Securitization Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Erie Tobacco Asset Securitization Corporation ("ETASC"), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise ETASC's basic financial statements, and have issued our report thereon dated March 7, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that ETASC failed to comply with Section 2925(3)(f) of the New York State Public Authorities Law regarding investment guidelines during the year ended December 31, 2022. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding ETASC's noncompliance with the above rules and regulations.

The purpose of this report is solely to describe the scope and results of our testing. This communication is not suitable for any other purpose.

*Drescher & Malecki LLP*

March 7, 2023

**ERIE TOBACCO ASSET  
SECURITIZATION CORPORATION**

*(A Component Unit of the County of Erie, New York)*

*Basic Financial Statements and Required*

*Supplementary Information for the*

*Year Ended December 31, 2022*

*and Independent Auditors' Reports*



**ERIE TOBACCO ASSET SECURITIZATION CORPORATION**  
**(A Component Unit of the County of Erie, New York)**  
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**Year Ended December 31, 2022**

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*Certified Public Accountants*

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Erie Tobacco Asset Securitization Corporation:

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities and each major fund of Erie Tobacco Asset Securitization Corporation ("ETASC"), a component unit of the County of Erie, New York, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise ETASC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of ETASC, as of December 31, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of ETASC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

ETASC's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about ETASC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ETASC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about ETASC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an



opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2023 on our consideration of ETASC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ETASC's internal control over financial reporting and compliance.

*Drescher & Malecki LLP*

March 7, 2023



**ERIE TOBACCO ASSET SECURITIZATION CORPORATION**  
**(A Component Unit of the County of Erie, New York)**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2022**

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As management of the Erie Tobacco Asset Securitization Corporation ("ETASC"), a blended component unit of the County of Erie, New York (the "County"), we offer readers of ETASC's financial statements this narrative overview and analysis of the financial activities of ETASC for the fiscal year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in ETASC's financial statements, which follow this narrative.

**Financial Highlights**

- Total government-wide liabilities of ETASC exceeded total government-wide assets and deferred outflows of resources by \$312,368,954 (net position) at December 31, 2022. This consists of \$20,768,815 restricted for debt service, offset by an unrestricted net position of \$(333,137,769).
- ETASC's net position decreased by \$2,367,118 for the year ended December 31, 2022.
- At the close of the current year, ETASC's governmental funds reported combined ending fund balances of \$20,967,353, an increase of \$346,457 in comparison with the prior year. Governmental fund balance consists of \$20,768,815 restricted for debt service, \$14,990 reported as nonspendable for prepaid items, and the remaining fund balance of \$183,548.
- ETASC's total Tobacco Settlement Bonds decreased by \$6,640,000 as a result of principal payments made during the year, while its Subordinate Turbo Capital Appreciation Bonds ("CABs") increased by \$10,314,962 as a result of annual net interest accretion.

**Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to ETASC's basic financial statements. ETASC's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

**Government-wide financial statements**—The *government-wide financial statements* are designed to provide readers with a broad overview of ETASC's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of ETASC's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of ETASC is improving or deteriorating.

The *statement of activities* presents information showing how ETASC's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 9-10 of this report.

**Fund financial statements**—A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. ETASC, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds**—*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

ETASC maintains two individual governmental funds, the General Fund and the Debt Service Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for both funds.

The basic governmental fund financial statements can be found on pages 11-14 of this report.

**Notes to the financial statements**—The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15-28 of this report.

### **Government-wide Overall Financial Analysis**

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of ETASC, liabilities exceeded assets and deferred outflows of resources by \$312,368,954 at December 31, 2022, as compared to \$310,001,836 at December 31, 2021. Table 1, shown on the following page, presents the condensed statements of net position for ETASC at December 31, 2022 and December 31, 2021.

**Table 1—Condensed Statements of Net Position**

	December 31,	
	2022	2021
Current assets	<u>\$ 37,063,593</u>	<u>\$ 34,879,485</u>
Total assets	<u>37,063,593</u>	<u>34,879,485</u>
Deferred outflows of resources	<u>16,559,061</u>	<u>27,060,952</u>
Current liabilities	909,600	917,000
Noncurrent liabilities	<u>365,082,008</u>	<u>371,025,273</u>
Total liabilities	<u>365,991,608</u>	<u>371,942,273</u>
Net position	<u>\$ (312,368,954)</u>	<u>\$ (310,001,836)</u>

A portion of ETASC's net position, \$20,768,815 and \$20,528,126 at December 31, 2022 and 2021, respectively, represents resources that are subject to external restrictions on how they may be used. Therefore, the unrestricted net position totals \$(333,137,769) and \$(330,529,962) at December 31, 2022 and 2021, respectively. The unrestricted deficit net position must be financed by future operations. The deficit net position results from long-term obligations that are greater than currently available resources.

At December 31, 2022, total assets were \$37,063,593 compared to \$34,879,485 at December 31, 2021. The largest asset held by ETASC at December 31, 2022 and December 31, 2021 represents restricted investments. ETASC reports no noncurrent assets at December 31, 2022 or December 31, 2021.

ETASC's deferred outflows of resources, which resulted from a deferred loss on defeasance and a forward purchase agreement swap, totaled \$16,559,061 and \$27,060,952 at December 31, 2022 and 2021, respectively.

Total liabilities at December 31, 2022 were \$365,991,608 compared to \$371,942,273 at December 31, 2021. The largest portion of the liabilities was net outstanding debt totaling \$361,216,283 and \$357,420,857 at December 31, 2022 and 2021, respectively.

During the current year, net position for governmental activities decreased \$2,367,118 from the prior fiscal year to an ending net position of \$(312,368,954). The statement of activities presents revenues earned and expenses incurred by ETASC. Table 2, shown on the following page, presents the condensed statement of activities for the years ended December 31, 2022 and 2021.

**Table 2—Condensed Statements of Activities**

	Year Ended December 31,	
	2022	2021
General revenues	\$ 19,308,287	\$ 18,315,340
Expenses—governmental activities	21,675,405	21,006,115
Change in net position	(2,367,118)	(2,690,775)
Net position—beginning	(310,001,836)	(307,311,061)
Net position—ending	<u>\$ (312,368,954)</u>	<u>\$ (310,001,836)</u>

Total revenues for the years ended December 31, 2022 and 2021 were \$19,308,287 and \$18,315,340, respectively. The net increase of \$992,947 is primarily due to an increase in tobacco settlement revenue received during December 31, 2022. Revenues for the years ended December 31, 2022 and 2021 consisted of \$19,016,229(98.5 percent) and \$18,297,943(99.9 percent), respectively, of tobacco settlement revenues, and \$292,058 (1.5 percent) and \$17,397 (0.1 percent), respectively, of interest and net earnings from investments.

A summary of sources of revenues for the years ended December 31, 2022 and December 31, 2021 is presented below in Table 3.

**Table 3—Sources of Revenues**

	Year Ended December 31,		Increase/(Decrease)	
	2022	2021	Dollars	Percent (%)
Tobacco settlement revenues	\$ 19,016,229	\$ 18,297,943	\$ 718,286	3.9
Interest and net earnings from investments	292,058	17,397	274,661	1,578.8
Total revenues	<u>\$ 19,308,287</u>	<u>\$ 18,315,340</u>	<u>\$ 992,947</u>	5.4

Total expenses for the years ended December 31, 2022 and 2021 were \$21,675,405 and \$21,006,115, respectively. Expenses for the years ended December 31, 2022 and 2021 primarily consisted of \$21,581,166 (99.6 percent) and \$20,913,898 (99.6 percent), respectively, of interest and fiscal charges, and \$94,239 (0.4 percent) and \$92,217 (0.4 percent) respectively, of general government support expenses incurred in connection with the operations of ETASC.

A summary of expenses for the years ended December 31, 2022 and December 31, 2021 is presented below in Table 4 .

**Table 4—Expenses**

	Year Ended December 31,		Increase/(Decrease)	
	2022	2021	Dollars	Percent (%)
General government support	\$ 94,239	\$ 92,217	\$ 2,022	2.2
Interest and fiscal charges	21,581,166	20,913,898	667,268	3.2
Total expenses	<u>\$ 21,675,405</u>	<u>\$ 21,006,115</u>	<u>\$ 669,290</u>	3.2

## **Financial Analysis of Governmental Funds**

As noted earlier, ETASC uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**—The focus of ETASC’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing ETASC’s financing requirements.

At December 31, 2022, ETASC’s governmental funds reported combined fund balances of \$20,967,353, an increase of \$346,457 in comparison with the prior year. Approximately 0.9 percent of this amount, \$183,548, constitutes unassigned fund balance, which is available for spending at ETASC’s discretion. The remainder of the fund balance is either nonspendable or restricted to indicate that it is not in spendable form, \$14,990, or restricted for debt service, \$20,768,815.

The General Fund is the chief operating fund of ETASC. During the year ended December 31, 2022, the General Fund fund balance increased \$105,768, primarily due to an increase in other financing sources. At the end of the current fiscal year, total fund balance of the General Fund was \$198,538, of which \$183,548 was considered to be an unassigned.

The Debt Service Fund had an increase in fund balance during the current year of \$240,689, resulting in an ending fund balance of \$20,768,815. The increase in fund balance is a result of tobacco settlement revenue and net earnings on investments exceeding debt service expenditures.

## **Debt Administration**

**Long-Term Debt**—As of December 31, 2022, ETASC had \$212,945,000 of tobacco settlement asset-backed bonds outstanding, which are reported in the statement of net position net of unamortized discount on the sale of bonds of \$8,891,317. Additionally, as of December 31, 2022, ETASC had accreted subordinate capital appreciation bonds (“CABs”) of \$158,522,278, which are reported in the statement of net position net of unamortized discount on the sale of bonds of \$1,359,678. At December 31, 2022, ETASC’s net tobacco settlement asset-backed bonds outstanding and net Subordinate Turbo CABs were \$204,053,683 and \$157,162,600, respectively, while at December 31, 2021, ETASC’s net tobacco settlement asset-backed bonds outstanding and net Subordinate Turbo CABs were \$210,593,444 and \$146,827,413, respectively.

Principal payments of \$6,640,000 and \$7,050,000 were made during the years ended December 31, 2022 and 2021, respectively. Additional information on ETASC’s long-term debt can be found in Note 6 to the financial statements.

## **Requests for Information**

This financial report is designed to provide a general overview of ETASC’s finances for all those with an interest in ETASC’s finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Erie Tobacco Asset Securitization Corporation, President, 95 Franklin Street, Room 1600, Buffalo, NY 14202.

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## BASIC FINANCIAL STATEMENTS



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**ERIE TOBACCO ASSET SECURITIZATION CORPORATION**  
**(A Component Unit of the County of Erie, New York)**  
**Statement of Net Position**  
**December 31, 2022**

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	<b>Primary Government</b>
	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 6,148
Restricted cash and equivalents	1,683,357
Restricted investments	19,285,458
Due from New York State	16,073,640
Prepaid items	14,990
Total assets	<u>37,063,593</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows on forward purchase agreement swap	3,865,725
Deferred outflows on loss on defeasance	<u>12,693,336</u>
Total deferred outflows of resources	<u>16,559,061</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable	2,600
Due to Erie County	20,000
Accrued interest payable	887,000
Noncurrent liabilities:	
Tobacco Settlement Bonds payable, net	204,053,683
Derivative instruments	3,865,725
Subordinate Turbo CABs payable, net	<u>157,162,600</u>
Total liabilities	<u>365,991,608</u>
<b>NET POSITION</b>	
Restricted for debt service	20,768,815
Unrestricted	<u>(333,137,769)</u>
Total net position	<u>\$ (312,368,954)</u>

The notes to the financial statements are an integral part of this statement.

**ERIE TOBACCO ASSET SECURITIZATION CORPORATION**  
**(A Component Unit of the County of Erie, New York)**  
**Statement of Activities**  
**Year Ended December 31, 2022**

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<b>Functions/Programs</b>	<b>Expenses</b>	<b>Net (Expenses) and Changes in Net Position</b>
		<b>Primary Government Governmental Activities</b>
<b>Primary government:</b>		
Governmental activities:		
General government support	\$ 94,239	\$ 94,239
Interest and fiscal charges	21,581,166	21,581,166
Total governmental activities	<u>\$ 21,675,405</u>	<u>21,675,405</u>
General revenues:		
Tobacco settlement revenue		19,016,229
Interest earnings		7
Net earnings on investments		<u>292,051</u>
Total general revenues		<u>19,308,287</u>
Change in net position		(2,367,118)
Net position—beginning		<u>(310,001,836)</u>
Net position—ending		<u><u>\$ (312,368,954)</u></u>

The notes to the financial statements are an integral part of this statement.

**ERIE TOBACCO ASSET SECURITIZATION CORPORATION**  
**(A Component Unit of the County of Erie, New York)**  
**Balance Sheet—Governmental Funds**  
**December 31, 2022**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 6,148	\$ -	\$ 6,148
Restricted cash and equivalents	-	1,683,357	1,683,357
Restricted investments	-	19,285,458	19,285,458
Due from other funds	200,000	-	200,000
Prepaid items	<u>14,990</u>	<u>-</u>	<u>14,990</u>
Total assets	<u>\$ 221,138</u>	<u>\$ 20,968,815</u>	<u>\$ 21,189,953</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 2,600	\$ -	\$ 2,600
Due to Erie County	20,000	-	20,000
Due to other funds	<u>-</u>	<u>200,000</u>	<u>200,000</u>
Total liabilities	<u>22,600</u>	<u>200,000</u>	<u>222,600</u>
<b>FUND BALANCES</b>			
Nonspendable	14,990	-	14,990
Restricted for debt service	-	20,768,815	20,768,815
Unassigned	<u>183,548</u>	<u>-</u>	<u>183,548</u>
Total fund balances	<u>198,538</u>	<u>20,768,815</u>	<u>20,967,353</u>
Total liabilities and fund balances	<u>\$ 221,138</u>	<u>\$ 20,968,815</u>	<u>\$ 21,189,953</u>

The notes to the financial statements are an integral part of this statement.

**ERIE TOBACCO ASSET SECURITIZATION CORPORATION**  
**(A Component Unit of the County of Erie, New York)**  
**Reconciliation of the Balance Sheet—Governmental Funds**  
**to the Government-wide Statement of Net Position**  
**December 31, 2022**

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Amounts reported for governmental activities in the statement of net position (page 9) are different because:

Total fund balances—governmental funds (page 11)	\$	20,967,353
A long-term asset, due from New York State, \$16,073,640, is not available to pay for current period expenditures and, therefore, is not reported as revenue in the funds.		16,073,640
Deferred charges associated with refunding of bonds are not reported in the governmental funds. The charge is reported as a deferred outflow of resources on the statement of net position and is recognized as a component of interest expense over the life of the related debt.		12,693,336
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. The effects of these items are:		
Accrued interest payable	\$	(887,000)
Tobacco Settlement Bonds payable		(212,945,000)
Discount on Tobacco Settlement Bonds payable		8,891,317
Subordinate Turbo CABs payable		(158,522,278)
Discount on Subordinate CABs payable		<u>1,359,678</u>
		<u>(362,103,283)</u>
Net position of governmental activities	\$	<u>(312,368,954)</u>

The notes to the financial statements are an integral part of this statement.

**ERIE TOBACCO ASSET SECURITIZATION CORPORATION**  
**(A Component Unit of the County of Erie, New York)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances—Governmental Funds**  
**Year Ended December 31, 2022**

	<u>General</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Tobacco settlement revenue	\$ -	\$ 17,201,178	\$ 17,201,178
Interest earnings	7	-	7
Realized gains	-	292,051	292,051
Total revenues	<u>7</u>	<u>17,493,229</u>	<u>17,493,236</u>
<b>EXPENDITURES</b>			
Current:			
General government support	94,239	-	94,239
Debt service:			
Principal	-	6,640,000	6,640,000
Interest	-	10,412,540	10,412,540
Total expenditures	<u>94,239</u>	<u>17,052,540</u>	<u>17,146,779</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(94,232)</u>	<u>440,689</u>	<u>346,457</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	200,000	-	200,000
Transfers out	-	(200,000)	(200,000)
Total other financing sources (uses)	<u>200,000</u>	<u>(200,000)</u>	<u>-</u>
Net change in fund balances	105,768	240,689	346,457
Fund balances—beginning	<u>92,770</u>	<u>20,528,126</u>	<u>20,620,896</u>
Fund balances—ending	<u>\$ 198,538</u>	<u>\$ 20,768,815</u>	<u>\$ 20,967,353</u>

The notes to the financial statements are an integral part of this statement.



**ERIE TOBACCO ASSET SECURITIZATION CORPORATION**  
**(A Component Unit of the County of Erie, New York)**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balance—Governmental Funds to the Government-wide Statement of Activities**  
**Year Ended December 31, 2022**

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Amounts reported for governmental activities in the statement of activities (page 10) are different because:

Net change in fund balances—total governmental funds (page 13)	\$	346,457
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Certain revenues are not recognized in governmental funds because they are not available soon enough after year end to pay for the current period's expenditures. On the statement of activities, however, revenues are recognized regardless of when collected.		1,815,051
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Expenses related to the deferred charge on refunding (i.e. loss on defeasance) in the statement of activities do not require the use of certain financial resources and, therefore, are not reported as expenditures in the governmental funds.		(763,200)
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The issuance of long-term debt (i.e., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term debt and related items is as follows:

Change in accrued interest payable	\$	30,000	
Principal repayments on Tobacco Settlement Bonds payable		6,640,000	
Amortization of discount on Tobacco Settlement Bonds payable		(100,239)	
Accreted interest on Subordinate Turbo CABs payable		(10,314,962)	
Amortization of discount on Subordinate Turbo CABs payable		<u>(20,225)</u>	<u>(3,765,426)</u>
Change in net position of governmental activities	\$		<u>(2,367,118)</u>

The notes to the financial statements are an integral part of this statement.

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**ERIE TOBACCO ASSET SECURITIZATION CORPORATION**  
**(A Component Unit of the County of Erie, New York)**  
**Notes to the Financial Statements**  
**Year Ended December 31, 2022**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the Erie Tobacco Asset Securitization Corporation (“ETASC”) have been prepared in conformity with accounting principles generally accepted in the United States of America applied to governmental units. The Governmental Accounting Standards Board (the “GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of ETASC’s accounting policies are described below.

***Description of Government-Wide Financial Statements***

The government-wide financial statements (i.e., statement of net position and the statement of changes in net position) report information on all the nonfiduciary activities of ETASC. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. ETASC reports no fiduciary or business-type activities.

***Reporting Entity***

ETASC is a special purpose, bankruptcy remote, local development corporation organized under the Not-for-Profit Corporation Law of the State of New York. ETASC is an instrumentality of, but separate and apart from, the County of Erie, New York (the “County”). Although legally separate from the County, ETASC is a component unit of the County. Based on the nature and significance of ETASC’s relationship with the County and the criteria set forth by GASB, ETASC is included within the County basic financial statements as a blended component unit.

ETASC was incorporated on August 15, 2000, for the purpose of issuing tobacco settlement asset-backed bonds (the “2000 Series Bonds”) in order to provide funds to purchase from the County all of the County’s right, title, and interest under the Master Settlement Agreement (“MSA”) and the Consent Decree and Final Judgment (the “Decree”) as described herein.

The sole member of ETASC is the County Executive of the County. The Board of Directors of ETASC has five Directors. One Director shall be the County Executive, one Director shall be the County Comptroller, and one Director (the “Designated Director”) shall be designated jointly by the Chairperson of the County Legislature and the Minority Leader of the County Legislature; two independent Directors shall be designated jointly by a majority of the other three Directors in accordance with the provisions of the by-laws of the Corporation.

The MSA was entered into on November 23, 1998, among the attorneys general of 46 states (including New York), the District of Columbia, the Commonwealth of Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa, and the Territory of the Northern Marianas and for the four largest United States tobacco product manufacturers: Philip Morris Incorporated, R.J. Reynolds Tobacco Company, Brown and Williamson Tobacco Company, and Lorillard Tobacco Company (collectively the “Original Participating Manufacturers” or “OPMs”) in settlement of certain smoking-related litigation and the Decree entered in New York Supreme Court, including the County’s right to receive certain initial and annual payments to be made by the OPMs under the MSA.

In conjunction with the sale of the 2000 Series Bonds, the County had dedicated the discounted net proceeds of the sale as a source of funds for certain capital expenditures and the defeasance of debt. ETASC allocated the net proceeds of the sale of bonds on behalf of the County as follows: \$211,722,302 was allocated to the County to finance certain capital projects and \$25,046,347 was disbursed to the Liquidity Reserve Accounts and Debt Service Accounts held by the Indenture Trustee. Tobacco proceeds of \$151,722,302 allocated to the County were disbursed to the County in 2000. The remaining \$60,000,000 was deposited by ETASC in eligible investments on behalf of the County. All cash and investments remaining of the original \$60,000,000 had been remitted to the County in 2005.

In August 2005, ETASC entered into an agreement (the “2005 Bonds”) to defease the original 2000 Series Bonds and to securitize additional proceeds to be received under the MSA for years subsequent to 2016. The total debt issued in 2005 amounted to \$318,834,680. Net proceeds after issuance cost and discounts amounted to \$305,330,026, with \$265,013,936 used to fund a defeasance escrow account and enable the ETASC to release previously restricted funds for debt service and trapping events to the County. Trapping events are defined economic circumstances that trigger a mandatory deposit of all residual payments into a trapping account.

In January 2006, ETASC issued \$17,694,720 Tobacco Settlement Asset-Backed Bonds, Series 2006A, subordinate to the 2005 Bonds. These bonds are payable from and secured by all Tobacco Settlement Revenues (“TSRs”) allocated to the County under the MSA; investment earnings on amounts in certain funds and accounts established under the ETASC Indenture; any amounts on deposit in such funds and accounts held as security for the ETASC’s Series 2006A bonds; and certain amounts expected to become available from funds and accounts created under the ETASC Indenture as security for prior bonds upon their retirement. The Series 2006A bonds are subject to mandatory redemption from amounts on deposit in the Turbo Redemption Account and ETASC with 100% of all surplus revenues, if any. A turbo redemption occurs when all excess revenues, after the payment of operation expenses, interest and rated principal, are used to retire term bonds early in order of maturity. Disbursements to the County from 2006 bond proceeds totaled \$15,673,077 for the year ended December 31, 2006. See Note 6 for additional information related to long-term debt.

Payments for principal and interest on the bonds (Series 2005 and Series 2006A) are contingent upon the receipt of TSRs which are driven by the consumption levels of the OPMs tobacco products. Additionally, as disclosed with the issuances, the bonds shall not be a debt of either the State of New York or the County, and neither the State of New York nor the County shall be liable thereon, nor shall they be payable out of any funds other than those of ETASC pledged therefor.

In accordance with the Bond Indenture and to the extent contained in the MSA Report, a trapping event is occurring. A Consumption Decline Trapping Event occurs when shipments of cigarettes in or to the 50 United States, the District of Columbia and Puerto Rico as measured under the MSA, are less in any year preceding a deposit date than the amount opposite such year under the “Consumption Decline Trapping Event” definition, which for the year 2021 was 215,729,944,748. According to the MSA Report, the amount shown as relevant shipments for the year 2021 was less than the shipment amount specified above, and therefore a Consumption Decline Trapping Event has occurred.

### ***Basis of Presentation—Government-wide Financial Statements***

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds.

### ***Basis of Presentation – Fund Financial Statements***

The fund financial statements provide information about ETASC's funds. Separate statements for governmental funds are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column in the fund financial statements.

ETASC reports the following major governmental funds:

- *General Fund*—The General Fund constitutes the primary operating fund of ETASC and includes all operations not required to be recorded in other funds.
- *Debt Service Fund*—The Debt Service Fund is used to account for the accumulation of resources that are restricted for the payment of principal and interest on long-term obligations of governmental funds.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

### ***Measurement Focus and Basis of Accounting***

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Tobacco settlement revenues are exchange transactions, based on the notion that the payments are made to the settling states in exchange for their agreement to release the tobacco companies from present and future litigation. Under the terms of the MSA, the tobacco companies have agreed to make annual payments in perpetuity. The MSA includes a schedule of projected annual base payments, subject to certain adjustments based on future events or circumstances. The most significant factor affecting the annual payments is a *volume adjustment*, which creates a direct relationship between domestic shipments of cigarettes and the annual payments. Based on the MSA, the tobacco companies have no obligation to make settlement payments until cigarettes are shipped.

The event that results in the recognition of an asset and revenue by a settling government is the domestic shipment of cigarettes (sales). Therefore, ETASC recognizes a receivable and revenue for tobacco settlement revenues when that event occurs. Because annual tobacco settlement revenue payments are based on cigarette sales from the preceding calendar year, ETASC estimates accrued tobacco settlement revenues that derive from sales from January 1 to their respective fiscal year ends. Under the modified accrual basis of accounting, revenue should be recognized to the extent that the event occurs and resources become *available*.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, ETASC considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when the payment is due. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period of availability. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements are met and amount is received during the period of availability. All other revenue items are considered to be measurable and available only when cash is received by ETASC.

***Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance***

***Cash and Cash Equivalents***—ETASC’s cash and cash equivalents consist of cash on hand, demand deposits, time deposits, and short-term, highly liquid investments with original maturities of three months or less from the date of acquisition.

***Restricted Cash and Cash Equivalents***—Restricted cash and cash equivalents represents amounts to support fund balance restricted for debt service.

***Restricted Investments***—Investments for ETASC are reported at fair value in accordance with GASB.

***Due from New York State***—Represents an estimate of ETASC’s portion of the Master Settlement Agreement and is recorded as revenue in the government-wide statements.

***Prepaid Items***—Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than when purchased.

***Deferred Outflows/Inflows of Resources***—In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2022, ETASC reported deferred outflows of resources in the amounts of \$3,865,725 and \$12,693,336 on the government-wide financial statements, relating to the accumulated change in fair value of its forward purchase agreement swap and deferred losses on the defeasance of debt, respectively.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At December 31, 2022, ETASC reported no deferred inflows of resources.

***Net Position Flow Assumption***—Sometimes ETASC will fund outlays for a particular purpose from both restricted (e.g., restricted bond proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is ETASC’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

***Fund Balance Flow Assumption***—Sometimes ETASC will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. If ETASC must use funds for emergency expenditures it shall expend funds first from funds classified under GASB as nonspendable (if funds become available) then restricted funds. The use of committed and assigned funds as classified by GASB will occur after the exhaustion of available restricted funds. Finally, if no other fund balances are available ETASC will use unassigned fund balance.

***Fund Balance Policies***—Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. ETASC itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of ETASC’s highest level of decision-making authority (ETASC Board). The governing board is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing board (ETASC Board) has by resolution authorized the sole Member to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

### ***Revenues and Expenses/Expenditures***

***Program and General Revenues***—Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. There are no program revenues in the current year. All tobacco settlement revenue and other internally dedicated resources are reported as *general revenues* rather than as program revenues.

***Tobacco Settlement Revenues***—During the year ended December 31, 2022, ETASC recognized tobacco settlement revenues in accordance with the Master Settlement Agreement. Payments are made according to a set formula based on tobacco sales.

**Expenses/Expenditures**—General administration costs consist of operating expenses for professional service fees and are paid from General Fund revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Indirect expenses have been included as part of the program expenses reported for the various functional activities. Expenditures are recorded on a modified accrual basis of accounting. Payments to the County are recorded when the obligation is incurred.

**Transfers In/Out**—Transfers are used to move resources from the Debt Service Fund to the General Fund to support operating expenditures.

### **Other**

**Estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets, liabilities, deferred outflows of resources, deferred inflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements and during the reporting period. Actual results could differ from those estimates.

**Adoption of New Accounting Pronouncements**—During the year ended December 31, 2022, ETASC implemented GASB Statement No. 87, *Leases*. GASB Statement No. 87 better meets the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The implementation of GASB Statement No. 87 did not have a material impact on ETASC's financial position or results from operations.

**Future Impacts of Accounting Pronouncements**—ETASC has not completed the process of evaluating the impact that will result from adopting GASB Statements No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*; No. 96, *Subscription-Based Information Technology Arrangements*; and No. 99, *Omnibus 2022*, effective for the year ending December 31, 2023, and No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*; and No. 101, *Compensated Absences*, effective for the year ending December 31, 2024. ETASC is, therefore, unable to disclose the impact that adopting GASB Statements No. 94, 96, 99, 100 and 101 will have on its financial position and results of operations when such statements are adopted.

**Deficit Net Position**—At December 31, 2022, ETASC reported a net position deficit of \$312,368,954. The deficit is caused by long-term obligations that are greater than currently available resources.

## **2. CASH AND CASH EQUIVALENTS**

ETASC's investment policies are governed by New York State statutes. All deposits are carried at fair value. Collateral is required for demand deposit accounts, time deposit accounts, and certificates of deposit not covered by Federal deposit insurance. ETASC has entered into custodial agreements with the various banks which hold their deposits. These agreements authorize the obligation that may be pledged as collateral. Obligations that may be pledged as collateral are outlined in Chapter 623 of the laws of the State of New York.

Cash and cash equivalents at December 31, 2022, are as follows:

	General Fund	Debt Service Fund	Total
Deposits	\$ 6,148	\$ 1,683,357	\$ 1,689,505



**Deposits**—All deposits are carried at fair value, and are classified by custodial credit risk at December 31, 2022 as shown below:

	Bank Balance	Carrying Amount
FDIC insured	\$ 6,148	\$ 6,148
Cash held by investment bank's agent in ETASC's name	<u>1,683,357</u>	<u>1,683,357</u>
Total	<u>\$ 1,689,505</u>	<u>\$ 1,689,505</u>

**Cash Equivalents**—Cash equivalents held by ETASC include money market accounts and discount notes with original maturities of three months or less from the date acquired by ETASC. These cash equivalents are carried at amortized cost and include an accrued income component representing income payments accumulated with a security since the last payment date but not yet received.

**Restricted Cash and Cash Equivalents**—ETASC reports restricted cash and cash equivalents of \$1,683,357 to support restricted fund balance.

**Custodial Credit Risk—Deposits**—In the case of deposits, this is the risk that in the event of a bank failure, ETASC's deposits may not be returned to it. As noted above, by New York State statute all deposits in excess of FDIC insurance coverage must be collateralized. At December 31, 2022, ETASC's deposits were either FDIC insured or collateralized with securities held by the pledging bank's agent in ETASC's name.

**Custodial Credit Risk—Cash Equivalents**—For cash equivalents, this is the risk that, in the event of the failure of the counterparty, ETASC will not be able to recover the value of its cash equivalents or collateral securities that are in the possession of an outside party. For cash equivalents, this is the risk that in the event of a bank failure, ETASC's cash equivalents may not be returned to it.

**Interest Rate Risk**—As a means of limiting its exposure to fair value losses arising from fluctuating interest rates, it is ETASC's practice to generally limit investments to 180 days or less.

### 3. INVESTMENTS

Investments are carried at fair value on a recurring basis as determined by quoted prices in active markets and held by a third party in ETASC's name.

**Fair Value Measurements**—ETASC reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs used to measure fair value are as follows:

Level 1. Quoted prices for identical assets or liabilities in active markets to which ETASC has access at the measurement date.

Level 2. Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in markets that are not active;

- Observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
- Inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3. Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure fair value to the extent that observable inputs are not available.

ETASC has the following fair value measurements as of December 31, 2022:

- Corporate commercial paper of \$19,285,458 is valued using quoted prices for identical assets in active markets (level 1 input).
- Forward purchase agreement of \$3,865,725 is valued using quoted prices for similar assets or liabilities in active markets (level 2 input). Additional information regarding the forward purchase agreement can be found within Note 5 to the financial statements.

Investments at December 31, 2022 are as follows:

Description	12/31/2022	Fair Value Measurements Using		
		Quoted Prices	Significant	
		in Active Markets	Other	Significant
		for Identical	Observable	Unobservable
		Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)
Investments by fair value level:				
Debt securities:				
Corporate commercial paper	\$ 19,285,458	\$ 19,285,458	\$ -	\$ -
Investment derivative instruments:				
Forward purchase agreement	3,865,725	-	3,865,725	-
Total	\$ 23,151,183	\$ 19,285,458	\$ 3,865,725	\$ -

**Custodial Credit Risk – Investments**—For investments, this is the risk that, in the event of the failure of the counterparty, ETASC will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For deposits, this is the risk that in the event of a bank failure, ETASC’s deposits may not be returned to it.

#### 4. RECEIVABLES

**Due from New York State**—Represents amounts owed to ETASC for tobacco settlement revenue earned in 2022. ETASC has accrued \$16,073,640 within the government-wide statements only, as it is only recognized on the full accrual basis of accounting.

#### 5. DERIVATIVE INSTRUMENT

In connection with the \$318,834,680 Series 2005 Bonds, ETASC entered into a forward purchase agreement and an effective swap of variable market rate returns with a fixed rate return with Merrill Lynch Capital Services, Inc. (MLCS) and The Bank of New York (the “Trustee”). Under the terms of such agreement, MLCS shall deliver to the Trustee qualified securities selected by MLCS or any dealer in eligible securities selected by MLCS (the “Qualified Dealer”). At the time of such delivery, the Trustee shall, out of the funds provided by ETASC, purchase such qualified security and pay to the Qualified Dealer or MLCS, an amount equal to the price which will produce a rate of return equal to a

fixed rate of 4.168% for the period commencing on either June 1 or December 1 and terminating on the following June 1 or December 1, respectively.

Concurrently with the delivery of any qualified securities, the Trustee shall pay the Qualified Dealer or MLCS the market value thereof. If the Qualified Dealer requires that the Trustee purchase qualified securities at a price higher than the fixed rate, MLCS shall pay to the Trustee an amount equal to the excess of the price at which the Qualified Dealer requires the Trustee to purchase such qualified securities over the fixed rate of such qualified securities.

The forward purchase agreement will expire by its terms on the final maturity of the asset-backed bonds on June 1, 2055. ETASC entered into this forward purchase agreement to facilitate investment of the monies in the Debt Service Reserve Fund while the 2005 ETASC bonds are outstanding.

From ETASC's perspective, the relevant risks associated with the forward purchase agreement are credit risks, termination risk, and market risk. The credit risks to ETASC, i.e., the risk that MLCS will not fulfill its obligations, will occur if MLCS becomes insolvent or fails to deliver qualified securities to the trustee as required. The credit rating for Bank of America Corporation, the parent company of MLCS at December 31, 2021 was A- as issued by Standard and Poor's. The termination risk to ETASC will occur if the agreement is terminated at a point of the securities purchase and sale process at which ETASC would be required to make a termination payment to MLCS. The market risk to ETASC will occur given the market gains or losses of the securities purchased under the agreement, resulting in a required forward purchase agreement fair value disclosure of the asset or liability position of the agreement at each period end date. These risks are mitigated by the credit rating of the counterparty and the level of eligible securities and guarantees contained in the agreement.

ETASC has evaluated the forward purchase agreement using the consistent critical terms method and deemed it to be effective. As of December 31, 2022, the notional amount of the agreement totals \$19,218,750, the fair value is \$3,865,725, and net cash flows during the year totaled \$294,411.

## **6. LONG-TERM DEBT**

In 2000, ETASC issued \$246,325,000 of tobacco settlement asset-backed bonds, Series 2000, pursuant to an indenture dated as of September 1, 2000. The \$246,325,000 bond issuance was comprised of \$196,985,000 tobacco settlement asset-backed bonds Series 2000A and \$49,340,000 tobacco settlement asset-backed bonds Series 2000B. The net proceeds of the Series 2000 Bonds were used to purchase from the County all of the County's right, title, and interest to TSR to which the County would otherwise be entitled under the MSA and the Decree.

On August 15, 2005, ETASC issued \$318,834,680 in tobacco settlement asset-backed bonds (Series 2005A, E) and capital appreciation bonds ("CABs") (Series 2005B, C, D), with interest rates ranging from 5.00% to 6.75% to advance refund \$239,060,000 of outstanding Series 2000 Bonds bearing interest rates ranging from 5.0% to 6.5% originally issued in 2000. The net proceeds amounted to \$305,330,026 after original issuance discount and payment of \$13,504,654 for underwriting fees, insurance, and other issuance costs, of which \$267,037,311 was used to fund an irrevocable trust to defease the remaining original bonds. This transaction enabled ETASC to release \$55,231,709 in previously restricted funds for debt service and trapping events to the County.

On September 15, 2005, ETASC entered into an agreement with the bondholders to replace the government securities in the irrevocable trust with government agency securities. This transaction generated a savings of \$2,802,806. Of this, \$1,331,893 was transferred to the County and the remainder less costs of sale was paid to the bondholders for their concessions. During 2010, the bonds were called and the balance in the irrevocable trust was used to satisfy all required debt payments.

On January 5, 2006, ETASC issued \$17,694,720 of tobacco settlement asset-backed CABs, Series 2006A, with an interest rate of 7.65%. ETASC entered into a purchase and sale agreement with the County on January 1, 2006, in which ETASC purchased the County's sole undivided beneficial interest in and to the trust established by ETASC pursuant to the Declaration and Agreement of Trust dated September 1, 2000, between ETASC and the Wilmington Trust Company ('2000 Residential Trust'), in its capacity as trustee, including the County's right to receive residual tobacco settlement revenues payable to the County, as sole beneficiary of the 2000 Residential Trust. The net proceeds of \$15,638,465 were transferred to the County.

The payment of the Series 2005 and Series 2006 Bonds is dependent on the receipt of TSRs. The amount of TSRs actually collected is dependent on many factors, including cigarette consumption and the continued operations of the OPMs. Such bonds are secured by and payable solely from TSRs and investment earnings pledged under the Indenture and amounts established and held in accordance with the Indenture. ETASC has no financial assets other than the collections and reserves and amounts held in the other funds and accounts established under the Bond Indenture.

ETASC has covenanted to apply 100% of funds not used to make principal and interest payments, if any, in the turbo redemption account to the special mandatory redemption ('Turbo Redemption') of the authorized denominations of the Series 2005 Bonds in order of maturity and then to the Series 2006A Bonds to the extent that there exists excess funds. Any such surplus revenues shall be applied on each distribution date beginning on June 1, 2006.

Interest on the Series 2005A and E bonds are payable each June 1 and December 1. The 2005 Series B, C, and D and the Series 2006A are subordinate CABs and accrete interest throughout the life of the bonds but is payable at redemption. Series 2005B, C, and D CABs were subject to redemption at the option of ETASC beginning in years after 2016. The Series 2006A CABs were subject to redemption after May 31, 2017. The Series 2005E bonds were fully redeemed in 2022.

Details of long-term debt as of December 31, 2022, are as follows:

Series 2005 \$318,834,680 Term Bond			
Issue Amount	Rate	Description	Final Redemption Date
\$ 30,330,000	5.000 %	Series 2005A Bonds due June 1, 2031, semiannual interest-only payments through maturity, may be redeemed at the option of ETASC at anytime in whole or in part after June 1, 2015.	June 1, 2031
74,685,000	5.000	Series 2005A Bonds due June 1, 2038, semiannual interest-only payments through maturity, may be redeemed at the option of ETASC at anytime in whole or in part after June 1, 2015.	June 1, 2038
111,480,000	5.000	Series 2005A Bonds due June 1, 2045, semiannual interest-only payments through maturity, may be redeemed at the option of ETASC at anytime in whole or in part after June 1, 2015.	June 1, 2045

(continued)

9,163,000	5.750	Series 2005B Bonds due June 1, 2047, semiannual interest accrued but not payable until maturity, subject to redemption at the option of ETASC anytime after June 1, 2015 at accreted values as follows: June 1, 2015 through May 31, 2016, 102%; June 1, 2016 through May 31, 2017, 101%; and June 1, 2017 and thereafter, 100%.	June 1, 2047
12,565,080	6.250	Series 2005C Bonds due June 1, 2050, semiannual interest accrued but not payable until maturity, subject to redemption at the option of ETASC anytime after June 1, 2015 at accreted values as follows: June 1, 2015 through May 31, 2016, 102%; June 1, 2016 through May 31, 2017, 101%; and June 1, 2017 and thereafter, 100%.	June 1, 2050
11,141,600	6.750	Series 2005D Bonds due June 1, 2055, semiannual interest accrued but not payable until maturity, subject to redemption at the option of ETASC anytime after June 1, 2015 at accreted values as follows: June 1, 2015 through May 31, 2016, 102%; June 1, 2016 through May 31, 2017, 101%; and June 1, 2017 and thereafter, 100%.	June 1, 2055
69,470,000	6.000	Series 2005E Taxable Bonds due June 1, 2028, semiannual interest only payments through maturity, redeemed in June 2022.	June 1, 2028
<p style="text-align: center;">Series 2006 \$17,694,720 Term Bond</p>			
Issue Amount	Rate	Description	Final Turbo Redemption Date
\$ 17,694,720	7.650 %	Series 2006A Taxable Bonds due June 1, 2060, semiannual interest accrued but not payable until maturity, subordinate to the Series 2005A-E Bonds, subject to redemption at the option of ETASC anytime after June 1, 2016 at accreted values as follows: June 1, 2016 through May 31, 2017, 102%; June 1, 2017 through May 31, 2018, 101%; and June 1, 2018 and thereafter, 100%.	June 1, 2060

Changes in bonds payable for the year ended December 31, 2022, are as follows:

Description	Balance 1/1/2022	Additions	Deletions	Balance 12/31/2022
Tobacco Settlement Bonds:				
2005A	\$ 216,495,000	\$ -	\$ 3,550,000	\$ 212,945,000
2005E	3,090,000	-	3,090,000	-
Total Tobacco Settlement Bonds	219,585,000	-	6,640,000	212,945,000
Less: Bond discount	(8,991,556)	-	(100,239)	(8,891,317)
Net Tobacco Settlement Bonds	<u>\$ 210,593,444</u>	<u>\$ -</u>	<u>\$ 6,539,761</u>	<u>\$ 204,053,683</u>

The ETASC's debt service requirements for the Series 2005A as of December 31, 2022, are as follows:

Year Ending December 31,	Principal	Interest	Total
2023	\$ -	\$ 10,647,250	\$ 10,647,250
2024	-	10,647,250	10,647,250
2025	-	10,647,250	10,647,250
2026	-	10,647,250	10,647,250
2027	-	10,647,250	10,647,250
2028-2032	26,780,000	52,566,750	79,346,750
2033-2037	-	46,541,250	46,541,250
2038-2042	74,685,000	33,471,375	108,156,375
2043-2045	111,480,000	19,509,000	130,989,000
Total	<u>\$ 212,945,000</u>	<u>\$ 205,324,625</u>	<u>\$ 418,269,625</u>

**Subordinate Turbo CABs—Series 2005B, 2005C, 2005D and 2006A**—Interest on the Subordinate Turbo CABs is compounded semiannually on June 1 and December 1, but is not payable until bond maturity. Interest accretes until both principal and accreted interest are paid. Future interest accretion has been recorded as bond discount and amortized as the current interest accretes. The accreted interest on the Subordinate Turbo CABs is reflected within the Subordinate Turbo CABs payable liability.

A summary of the Subordinate Turbo CABs net bond balance activity for the year ended December 31, 2022 follows:

	Balance 1/1/2022	Additions	Deletions	Balance 12/31/2022
Subordinate Turbo CABs	\$ 148,207,316	\$ 10,314,962	\$ -	\$ 158,522,278
Less: Bond discount	(1,379,903)	-	(20,225)	(1,359,678)
Net Subordinate Turbo CABs	<u>\$ 146,827,413</u>	<u>\$ 10,314,962</u>	<u>\$ (20,225)</u>	<u>\$ 157,162,600</u>

**Amortization of Bond Discounts**—ETASC issued serial bonds and CABs which included a bond discount. The discounts are being amortized using the effective interest rate and straight-line methods over the life of the bonds, with maturity dates ranging from 2028 to 2060. The total unamortized discount as of December 31, 2022 was \$10,250,995.

## 7. NET POSITION AND FUND BALANCE

The government-wide financial statements utilize a net position presentation. Net position is categorized as restricted and unrestricted components.

- ***Restricted for Debt Service***—This category restricts a portion of net position for payment of the debt service obligations of ETASC. At December 31, 2022, the balance of this restriction was \$20,768,815.
- ***Unrestricted Component of Net Position***—This component represents net position of ETASC not restricted for any other purpose.

In the fund financial statements, nonspendable amounts represent net current financial resources that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Nonspendable fund balance maintained by ETASC at December 31, 2022 includes:

- ***Prepaid Items***—Represents amounts prepaid to the trustee for administration fees that are applicable to future accounting periods. The General Fund reported a nonspendable fund balance in the amount of \$14,990.

In the fund financial statements, restricted fund balances are amounts constrained to specific purposes (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation. At December 31, 2022, ETASC reported \$20,768,815 of fund balance restricted for debt service that must be used toward the future repayment of bonded debt. Under the Bond Indenture, the trustee will hold a segregated Liquidity Reserve Account totaling \$19,285,458 at December 31, 2022. The Liquidity Reserve Account will be terminated when no current interest bonds remain outstanding. Such amounts are not available to make turbo redemption payments.

As of December 31, 2022, ETASC reported no committed or assigned fund balances.

## 8. CONTINGENCIES

The ability of ETASC to meet debt service payments of bonds is contingent upon the receipt of TSRs. TSRs are principally dependent upon future levels of domestic consumption. A significant decline in the overall consumption of cigarettes could have a material adverse effect on the payments by the OPMs under the MSA and the amounts available to ETASC to make payments of principal and interest on their bonds.

Certain smokers, smokers' rights organizations, consumer groups, cigarette importers, cigarette distributors, cigarette manufacturers, Native American tribes, taxpayers, taxpayers' groups, and other parties have filed actions against some, and in certain cases all, of the signatories to the MSA. In the event of an adverse court ruling in such types of litigation, Bondholders could incur a complete loss of their investment.

Additionally, the OPMs are also exposed to liability from various lawsuits including individual lawsuits, class action lawsuits, and health care cost recovery litigation. Ultimately, the outcome of these and any other pending or future lawsuits is uncertain. One or more adverse judgments could result in delays in, or reductions of amounts available for, payments on the bonds.

## **9. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 7, 2023, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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*Certified Public Accountants*

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
Erie Tobacco Asset Securitization Corporation:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Erie Tobacco Asset Securitization Corporation ("ETASC"), a component unit of the County of Erie, New York, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise ETASC's basic financial statements, and have issued our report thereon dated March 7, 2023.

***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered ETASC's internal control over financial reporting ("internal control") as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ETASC's internal control. Accordingly, we do not express an opinion on the effectiveness of the ETASC's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether ETASC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Drescher & Malecki LLP*

March 7, 2023

**ANNEX:  
CORPORATION  
POLICIES  
APPROVED  
AS OF  
MARCH 23, 2023**

# **Exhibit A**

## **Amended and Restated Code of Ethics and Conflicts of Interest Policy**

**ERIE TOBACCO ASSET SECURITIZATION CORPORATION**

**AMENDED AND RESTATED  
CODE OF ETHICS AND CONFLICTS OF INTEREST POLICY**

This Amended and Restated Code of Ethics and Conflicts of Interest Policy (“Policy”) shall apply to the Erie Tobacco Asset Securitization Corporation (the “Corporation”).

The members of the board (the “Board”) of the Corporation, with the officers and staff of the Corporation, shall comply with and adhere to the provisions of this Amended and Restated Code of Ethics and Conflicts of Interest Policy (“Code”) adopted pursuant to and in accordance with Section 2824 of the Public Authorities Law.

**ARTICLE I  
Conflicts of Interest**

A conflict of interest is a situation in which the financial, familial, or personal interests of a member, director, officer or employee come into “actual” or “perceived” conflict with their duties and responsibilities with the Corporation.

“Perceived” conflicts of interest are situations where there is the appearance that a member, director, officer or employee can personally benefit from actions or decisions made in their official capacity, or where a member, director, officer or employee may be influenced to act in a manner that does not represent the best interests of the Corporation. The perception of a conflict may occur if circumstances would suggest to a reasonable person that a member, director, officer or employee may have a conflict.

“Actual” conflicts of interest are situations where a member, director, officer or employee can personally benefit from actions or decisions made in their official capacity, or where a member, director, officer or employee is influenced to act in a manner that does not represent the best interests of the Corporation.

Perceived and Actual conflicts of interest should be treated in the same manner for purposes of disclosure under Article III herein.

**ARTICLE II  
Standards of Conduct**

1. No member, director, officer or employee of the Corporation should accept other employment which will impair their independence of judgment in the exercise of their official duties.

2. No member, director, officer or employee of the Corporation should accept employment or engage in any business or professional activity which will require them to disclose confidential information which they have gained by reason of their official position or authority.

3. No member, director, officer or employee of the Corporation should disclose confidential information acquired by them in the course of their official duties nor use such information to further their personal interests.

4. No member, director, officer or employee of the Corporation should use or attempt to use their official position to secure unwarranted privileges or exemptions for themselves or others.

5. No member, director, officer or employee of the Corporation should engage in any transaction as representative or agent of the Corporation with any business entity in which they have a direct or indirect financial interest that might reasonably tend to conflict with the proper discharge of their official duties.

6. No member, director, officer or employee of the Corporation should by their conduct give reasonable basis for the impression that any person can improperly influence them or unduly enjoy their favor in the performance of their official duties, or that they are affected by the kinship, rank, position or influence of any party or person.

7. Each member, director, officer and employee of the Corporation should abstain from making personal investments in enterprises which they have reason to believe may be directly involved in decisions to be made by them or which will otherwise create substantial conflict between their duty in the public interest and their private interest.

8. Each member, director, officer or employee of the Corporation should endeavor to pursue a course of conduct which will not raise suspicion among the public that they are likely to be engaged in acts that are in violation of his or her trust.

### **ARTICLE III**

#### **Procedures for Disclosing a Conflict of Interest**

All members, directors, officers or employees of the Corporation shall adhere to the following procedures:

1. All members, directors, officers and employees shall examine their specific facts and circumstances giving rise to the question of a conflict in order to determine:

- (i) whether such member, director, officer or employee can personally benefit from the actions or decisions made in their official capacity (i.e. Actual Conflict); or
- (ii) whether a member, director, officer or employee is influenced to act in a manner that does not represent the best interests of the Corporation (i.e. Actual Conflict); or

- (iii) whether a reasonable person would conclude that such member, director, officer or employee may have a conflict (i.e. Perceived Conflict). In determining whether a reasonable person would conclude that there is a conflict, such member, director, officer or employee must assess the materiality within the context of the specific facts and circumstances. Provided that the event giving rise to the question of a conflict is material within the context of the specific facts and circumstances, then it would be reasonable for a person to conclude that there may be a conflict.

2. All Actual and Perceived conflicts of interest shall be disclosed in writing to the Ethics Officer as soon as practicable after learning of the Actual or Perceived conflict of interest. The written disclosure must (i) identify the matter before the Corporation, (ii) identify the Standard of Conduct in question and (iii) contain sufficient facts and circumstances in order to accurately convey the extent of the member's, director's, officer's or employee's interest in such matter. In addition, in the event a member of the board of directors of the Corporation has a conflict, he or she shall verbally disclose the conflict during a public session of a board meeting at which the matter creating the conflict appears on the agenda. Such verbal disclosure shall be recorded in the minutes of the meeting and be made part of the public record.

3. The member, director, officer or employee with the conflict of interest shall recuse themselves and refrain from participating in all discussions or decisions on the matter creating the conflict. In addition, in the event a member of the board of directors of the Corporation has a conflict, he or she shall, in addition to the foregoing, abstain from voting on such matter creating the conflict.

4. The member, director, officer or employee with the conflict of interest shall refrain from directly or indirectly attempting to influence the discussions, decisions, deliberations or vote on the matter giving rise to such conflict.

## **ARTICLE V**

### **Penalties**

Any employee that fails to comply with this Policy may be subject to termination. In addition, any member, director, officer or employee that fails to comply with this Policy may be penalized in a manner provided for in law.

## **ARTICLE VI**

### **Ethics Officer**

The President shall serve as the Ethics Officer of the Corporation. In the event of a vacancy, the Board Chair shall serve as the Ethics Officer until such time as the Corporation's Board appoints a successor.

The Ethics Officer shall report to the Board. The Ethics Officer shall have the powers and duties set forth below, and such other powers and duties as may be prescribed by the Board:

1. Advise in confidence each member, director, officer or employee of the Corporation who seeks guidance regarding ethical behavior and conflicts of interest.
2. Review matters concerning ethics and conflicts of interest and advise the Corporation accordingly.
3. Receive and record disclosures of conflicts of interest.
4. Receive and investigate complaints about possible violations of this Code of Ethics. Dismiss complaints found to be without substance.
5. Report to the governance committee.
6. Prepare investigative reports when deemed appropriate of his or her findings to be submitted for action by the President or the Board.
7. Seek consultation and guidance from counsel to the Corporation, the Corporation's governance committee, or any appropriate New York State Corporation.

## **ARTICLE VII**

### **Whistleblower Policy**

In accordance with Title 12 of Article 9 of the Public Authorities Law, the Corporation adopted a Whistleblower Policy to afford certain protections to individuals who, in good faith, report violations of the Corporation's Code of Ethics or other instances of potential wrongdoing within the Corporation. The Policy provides Corporation members, directors, officers and employees with a confidential means to report credible allegations of misconduct, wrongdoing, or unethical behavior and to protect those individuals, when acting in good faith, from personal or professional retaliation. The Policy is provided and is accessible to all members, directors, officers and employees of the Corporation and is reviewed annually by the Corporation's Governance Committee. For additional information on this Policy, see "Whistleblower Policy & Procedures" on the Corporation's website.

Originally adopted the 22 day of February, 2012  
Amended and Restated this 15 day of March, 2023



# **Exhibit B**

## **Amended and Restated Procurement Policy**

## **ERIE TOBACCO ASSET SECURITIZATION CORPORATION**

### **AMENDED AND RESTATED PROCUREMENT POLICY**

#### **A. Introduction.**

1. Applicability – This Amended and Restated Procurement Policy (Policy) shall apply to the Erie Tobacco Asset Securitization Corporation (the “Corporation”) upon approval by the respective Board of Directors or Members of the Corporation.
2. Scope – In accordance with Section 104-b of the New York General Municipal Law (the ‘GML’) and the Public Authorities Accountability Act of 2005, the Corporation is required to adopt procurement policies which will apply to the procurement of goods and services paid for by the Corporation for its own use and account.
3. Purpose – Pursuant to Section 104-b of the GML, the primary objectives of this Policy are to assure the prudent and economical use of public monies in the best interests of the taxpayers of the County of Erie, to facilitate the acquisition of goods and services of maximum quality at the lowest possible cost under the circumstances and to guard against favoritism, improvidence, extravagance, fraud and corruption.

#### **B. Procedures.**

1. Solicitation Procedures for the Purchase of Commodities, Equipment, Goods or Services.
  - a. Up to \$5,000 per instance – The discretion of the President of the Corporation or authorized designee.
  - b. Greater than \$5,000 to \$20,000 per instance – Documented verbal quotations or written/fax/email quotations from at least three vendors.
  - c. Greater than \$20,000 per instance – Written Request for Proposal.
2. Exceptions. Alternative proposals or quotations shall not be required for procurements made through or with respect to:
  - a. New York State or Erie County Contracts – when the Corporation is able to procure commodities, equipment, goods or services through New York State or Erie County contracts, it is unnecessary to obtain quotations or bids;
  - b. State Finance Law Section 175-b (from agencies for the blind or severely handicapped);

- c. Correction Law Section 186 (articles manufactured in correctional institutions);
- d. Emergency Procurements – as also described in Section E(2), below, an emergency exists if the delay caused by soliciting quotes would endanger health, welfare, property or an economic development opportunity. Approval of the President is necessary, which shall be documented and shall also include a description of the facts giving rise to the emergency.
- e. Sole Source Procurements – A “sole source” means a situation where (i) there is only one possible source from which to produce goods and/or services available in the marketplace, (ii) no other goods and/or services provide substantially equivalent or similar benefits, and (iii) considering the benefits, the cost to the Corporation is reasonable.
- f. Utilities and Affiliate Transactions – The purchase of utilities and inter-affiliate transactions are excepted from alternative proposal/quotation requirements.
- g. Unavailability of three (3) vendors who are able or willing to provide a quote.

3. Basis for the Award of Contracts.

Contracts will be awarded to the lowest responsible dollar offeror who meets the specifications therefor, except in circumstances that the Corporation determines justify an award to other than the lowest responsible dollar offeror. In making any such determination, the Corporation may consider relevant factors including, without limitation:

- a. Delivery requirements
- b. Quality requirements
- c. Quantity requirements
- d. Past vendor performance and/or experience
- e. The unavailability of three or more vendors who are able or willing to quote on a procurement.
- f. It may be in the best interests of the Corporation to consider only one vendor who has previous expertise with respect to a particular
- g. Any procurement excepted from the alternative proposal/quotation requirements as set forth in subdivision 2 of this Section B, and the procurement of professional services in Section F of this Policy.

4. Documentation.

- a. A record of all solicitations for alternative proposals or quotations, the response (if applicable), and any determinations pursuant thereto shall be maintained in the procurement file.
- b. For each procurement by the Corporation the President of the Corporation or authorized designee shall set forth in writing the category of procurement that is being made and what method of procurement is specified.
- c. Whenever an award is made to other than the lowest responsible dollar offeror the reasons for doing so shall be set forth in writing and maintained in the procurement file.
- d. Whenever the specified number of quotations cannot or will not be secured, the reasons for this shall be indicated in writing and maintained in the procurement file.

**C. Preferred Source Procurement.**

In accordance with Section 162(4) of State Finance Law, the Corporation seeks to purchase goods and services from veterans, not-for-profit organizations that serve and employ people who are blind and severely handicapped, and from correctional industry programs if they meet the Corporation's needs.

**D. Effect on Other Procurement Requirements.**

Where the procurement of a specific good or service is to be accomplished using funds other than the funds of the Corporation and such funding sources specify different or more restrictive procurement requirements than are provided for in this Policy, the procurement requirements of the funding source will supersede the requirements of this Policy. Toward this end, the Corporation will follow the procurement standards as set forth in 2 CFR Part 200 for any procurements utilizing federal funds unless otherwise superseded by the specific federal award agreement.

**E. Circumstances where Solicitations of Alternative Proposals and Quotations not in the Best Interest of the Corporation.**

Pursuant to Section 104-b(2)(g) of the New York General Municipal Law, this Policy may contain circumstances when, or types of procurements for which, in the sole discretion of the members of the Board of Directors of the Corporation, the solicitation of alternative proposals or quotations will not be in the best interest of the Corporation. In the following circumstances, it may not be in the best interests of the Corporation to solicit quotations or document the basis for not accepting the lowest bid:

**1. Professional Services.** Professional services are services requiring special or technical skill, licensing, training or expertise. The individual, company or firm must be chosen based on accountability, reliability, responsibility, skill, conflict of

interests, reputation, education and training, judgement, integrity, continuity of service and moral worth. Furthermore, certain professional services to be provided to the Corporation, e.g., legal and accounting services, impact liability issues of the Corporation and its members, including securities liability in circumstances where the Corporation is issuing bonds. These qualifications and the concerns of the Corporation regarding its liability and the liability of its members are not necessarily found or addressed in the individual, company or firm that offers the lowest price and the nature of these services are such that they do not readily lend themselves to competitive procurement procedures.

In determining whether a service fits into this category, the Corporation shall take into consideration the following guidelines: (a) whether the services are subject to state licensing or testing requirements; (b) whether substantial formal education or training is a necessary prerequisite to the performance of the services; and (c) whether the services require a personal relationship between the individual and the members of the Corporation. Professional or technical services shall include but not be limited to the following: services of an attorney (including bond counsel); technical services of an engineer or architect engaged to prepare plans, maps and estimates; securing insurance coverage and/or services of an insurance broker; services of a certified public accountant; investment management services; management of Corporation-owned property; and computer software or programming services for customized programs, or services involved in substantial modification and customizing of pre-packaged software.

**2. Emergency Purchases.** Emergency purchases pursuant to Section 103(4) of the General Municipal Law. Due to the nature of this exception, these goods or services must be purchased immediately and a delay in order to seek alternate proposals may threaten the life, health, safety or welfare of the public. This section does not preclude alternate proposals if time permits.

**F. Procurement of Insurance.**

Procurement of Insurance Brokerage services is subject to this Policy as a professional service. Notwithstanding the foregoing actual insurance policies procured are not subject to requirements of this Policy.

**G. Procurement Lobbying Law.**

In accordance with Chapter 1 of the Laws of 2005, generally referred to as the "Procurement Lobbying Law", the Corporation shall implement the provision of such Procurement Lobbying Law for any contract or other agreement for an article of procurement involving an estimated annualized expenditure in excess of \$15,000.

**H. Unintentional Failure to Comply.**

The unintentional failure to comply with the provisions of Section 104-b of the GML shall not be grounds to void action taken or give rise to a cause of action against the Corporation or any officer thereof.

Originally adopted the 22 day of February, 2012  
Amended and Restated this 23 day of March, 2023

# **Exhibit C**

## **Defense and Indemnification Policy**

**ERIE TOBACCO ASSET SECURITIZATION CORPORATION**

**DEFENSE AND INDEMNIFICATION POLICY**

This Defense and Indemnification Policy (the “Policy”) is adopted pursuant to Section 2824(1)(f) of Title Two of Article 9 of the Public Authorities Law (the “Regulatory Act”) and applies to all members, directors, committee members, officers and employees of the Corporation.

The Corporation shall defend and indemnify all members and directors of the Board of the Corporation and each committee member, officer and employees thereof, in the performance of their duties, and to the extent authorized by the Board, each other person authorized to act for the Corporation or on its behalf, in accordance with the By-Laws or to the extent permitted by law.

Adopted this 23 day of March, 2023

# **Exhibit D**

## **Real Property Acquisition Policy**



## **ERIE TOBACCO ASSET SECURITIZATION CORPORATION**

### **REAL PROPERTY ACQUISITION POLICY**

This Real Property Acquisition Policy (Policy) shall apply to the Erie Tobacco Asset Securitization Corporation (the "Corporation").

#### **SECTION 1. PURPOSE AND AUTHORITY**

The purpose of this property acquisition policy (the "Policy") is to implement Section 2824(1)(e) of Title Two of Article 9 of the Public Authorities Law (the "Regulatory Act"), which requires that the members of the Corporation establish written policies and procedures applicable to the acquisition of real property by the Corporation.

#### **SECTION 2. DEFINITIONS**

(A) "Acquire" or "acquisition" shall mean acquisition of title or any other beneficial interest in real property by the Corporation, but shall not include the acquisition of any interest in property to secure a loan or other financial obligation of another party.

(B) "Contracting Officer" shall mean the President of the Corporation or such other officer or employee of the Corporation who shall be appointed by resolution of the members of the Corporation to be responsible for the acquisition of real property by the Corporation.

#### **SECTION 3. DUTIES**

(A) Inventory Controls. The Corporation shall maintain adequate inventory controls and accountability systems for all real property owned by the Corporation and under its control.

(B) Property List. The Corporation shall prepare, not less frequently than annually, a report listing all real property owned by the Corporation. Such report shall consist of a list and full description of all real and personal property acquired during such period. The report shall contain the price paid by the Corporation and the name of the seller for all such real property acquired by the Corporation during such period.

#### **SECTION 4. ACQUISITION OF PROPERTY**

(A) Supervision and Direction. Except as otherwise provided herein, the duly appointed Contracting Officer shall have supervision and direction over the acquisition of real property of the Corporation. The Corporation shall have the right to acquire its real property for any valid corporate purpose.

(B) Appraisal Report. An independent appraiser shall be hired to provide an opinion of fair market value before the Corporation shall make an offer with respect to the acquisition of the real property. The appraiser should have a professional affiliation with a national appraisal organization and must not have an interest in the property (or be retained as an agent to sell the property). The appraisal report shall be in form and substance satisfactory to the Corporation and shall be included in the record of the transaction.

Notwithstanding the foregoing, the preparation of an appraisal report shall not be required where the Corporation is acquiring the real property pursuant to a donation, or if the valuation of the real property is uncomplicated in the reasonable judgment of the Corporation and the fair market value is determined to be less than \$10,000.

#### SECTION 5. METHOD OF ACQUISITION

Unless otherwise permitted by applicable law or this Policy, the Corporation shall acquire real property for not more than its fair market value by sale, exchange, or transfer, for cash, credit, or other property, with or without warranty, and upon such other terms and conditions as the Corporation and/or contracting officer deems proper. The Corporation may execute such documents for the acquisition of title or other interest in real property and take such other action as it deems necessary or proper to acquire such real property under the provisions of this Policy. Provided, however, the Corporation may acquire real property for more than its fair market value, as described in an appraisal report reviewed by the Corporation, upon a finding by the Corporation pursuant to a resolution of the members of the Corporation that the acquisition of such real property at such price is necessary for the Corporation to further its corporate purpose.

#### SECTION 6. VALIDITY OF DEED, BILL OF SALE, LEASE, OR OTHER INSTRUMENT

A deed, bill of sale, lease, or other instrument executed by or on behalf of the seller of the real property and accepted by the Corporation, purporting to transfer title or any other interest in the real property of the seller to the Corporation in accordance herewith shall be conclusive evidence of compliance with the provisions of this Policy and all applicable law insofar as concerns title or other interest of any bona fide grantor or transferor who has received valuable consideration for such title or other interest and has not received actual or constructive notice of lack of such compliance prior to closing.

Adopted this 23 day of March, 2023

# **Exhibit E**

## Disposition of Property Guidelines

# **ERIE TOBACCO ASSET SECURITIZATION CORPORATION**

## **DISPOSITION OF PROPERTY GUIDELINES ADOPTED PURSUANT TO SECTION 2896 OF THE PUBLIC AUTHORITIES LAW**

This Disposition of Property Policy (Policy) shall apply to the Erie Tobacco Asset Securitization Corporation (the "Corporation"). The Corporation, pursuant to Section 2896 of the Public Authorities Law of the State of New York, sets forth the following policies and internal controls for disposition of property.

### **SECTION 1. DEFINITIONS**

A. "Contracting officer" shall mean the officer or employee of the Corporation who shall be appointed by resolution to be responsible for the disposition of property.

B. "Dispose" or "disposal" shall mean transfer of title or any other beneficial interest in personal or real property in accordance with section 2897 of the Public Authorities Law.

C. "Property" shall mean personal property in excess of five thousand dollars (\$5,000) in value, and real property, and any inchoate or other interest in such property, to the extent that such interest may be conveyed to another person for any purpose, excluding an interest securing a loan or other financial obligation of another party.

### **SECTION 2. DUTIES**

A. The Corporation shall:

(i) maintain adequate inventory controls and accountability systems for all property owned by the Corporation and under its control;

(ii) periodically inventory such property to determine which property shall be disposed of;

(iii) produce a written report of such property in accordance with subsection B herewith; and

(iv) transfer or dispose of such property as promptly and practicably as possible in accordance with Section 3 below.

B. The Corporation shall

(i) publish, not less frequently than annually, a report listing all real property owned in fee by the Corporation. Such report shall consist of a list and full description of all real and personal property disposed of during such period. The report shall contain the price received by the Corporation and the name of the purchaser for all such property sold by the Corporation during such period; and

(ii) shall deliver copies of such report to the Comptroller of the State of New York, the Director of the Budget of State of New York, the Commissioner of the New York State Office of General Services, and the New York State Legislature (via distribution to the majority leader of the senate and the speaker of the assembly).

### **SECTION 3. TRANSFER OR DISPOSITION OF PROPERTY**

A. Supervision and Direction. Except as otherwise provided herein, the duly appointed contracting officer (the "Contracting Officer") shall have supervision and direction over the disposition and sale of property of the Corporation. The Corporation shall have the right to dispose of its property for any valid corporate purpose.

B. Custody and Control. The custody and control of Corporation property, pending its disposition, and the disposal of such property, shall be performed by the Corporation or by the Commissioner of General Services when so authorized under this section.

C. Method of Disposition. Unless otherwise permitted, the Corporation shall dispose of property for not less than its fair market value by sale, exchange, or transfer, for cash, credit, or other property, with or without warranty, and upon such other terms and conditions as the Corporation and/or contracting officer deems proper. The Corporation may execute such documents for the transfer of title or other interest in property and take such other action as it deems necessary or proper to dispose of such property under the provisions of this section. Provided, however, no disposition of real property, any interest in real property shall be made unless an appraisal of the value of such property has been made by an independent appraiser and included in the record of the transaction and provided further, that no disposition of any other property, which because of its unique nature or the unique circumstances of the proposed transaction is not readily valued by reference to an active market for similar property, shall be made without a similar appraisal.

D. Sales by the Commissioner of General Services (the "Commissioner"). When the Corporation shall have deemed that transfer of property by the Commissioner will be advantageous to the State of New York, the Corporation may enter into an agreement with the Commissioner pursuant to which Commissioner may dispose of property of the Corporation under terms and conditions agreed to by the Corporation and the Commissioner. In disposing of any such property, the Commissioner shall be bound by the terms hereof and references to the contracting officer shall be deemed to refer to such Commissioner.

E. Validity of Deed, Bill of Sale, Lease, or Other Instrument. A deed, bill of sale, lease, or other instrument executed by or on behalf of the Corporation, purporting to transfer title or any other interest in property of the in accordance herewith shall be conclusive evidence of compliance with the provisions of these guidelines and all applicable law insofar as concerns title or other interest of any bona fide grantee or transferee who has given valuable consideration for such title or other interest and has not received actual or constructive notice of lack of such compliance prior to the closing.

F. Bids for Disposal; Advertising; Procedure; Disposal by Negotiation; Explanatory Statement.

(i) Except as permitted by all applicable law, all disposals or contracts for disposal of property made or authorized by the Corporation shall be made after publicly advertising for bids except as provided in subsection (iii) of this Section F.

(ii) Whenever public advertising for bids is required under subsection (i) of this Section F:

(A) the advertisement for bids shall be made at such time prior to the disposal or contract, through such methods, and on such terms and conditions as shall permit full and free competition consistent with the value and nature of the property proposed for disposition;

(B) all bids shall be publicly disclosed at the time and place stated in the advertisement; and

(C) the award shall be made with reasonable promptness by notice to the responsible bidder whose bid, conforming to the invitation for bids, will be most advantageous to the Corporation, price and other factors considered; provided, that all bids may be rejected at the Corporation's discretion.

(iii) Disposals and contracts for disposal of property may be negotiated or made by public auction without regard to subsections (i) and (ii) of this Section F but subject to obtaining such competition as is feasible under the circumstances, if:

(A) the personal property involved has qualities separate from the utilitarian purpose of such property, such as artistic quality, antiquity, historical significance, rarity, or other quality of similar effect, that would tend to increase its value, or if the personal property is to be sold in such quantity that, if it were disposed of under subsections (i) and (ii) of this Section F, would adversely affect the state or local market for such property, and the estimated fair market value of such property and other satisfactory terms of disposal can be obtained by negotiation;

(B) the fair market value of the property does not exceed fifteen thousand dollars (\$15,000);

(C) bid prices after advertising therefor are not reasonable, either as to all or some part of the property, or have not been independently arrived at in open competition;

(D) the disposal will be to the state or any political subdivision or public benefit corporation, and the estimated fair market value of the property and other satisfactory terms of disposal are obtained by negotiation;

(E) under those circumstances permitted by subsection (v) below; or

(F) such action is otherwise authorized by law.

(iv) (A) An explanatory statement shall be prepared of the circumstances of each disposal by negotiation of:

(1) any personal property which has an estimated fair market value in excess of fifteen thousand dollars (\$15,000);

(2) any real property that has an estimated fair market value in excess of one hundred thousand dollars (\$100,000), except that any real property disposed of by lease or exchange shall only be subject to clauses (3) and (4) of this subparagraph;

(3) any real property disposed of by lease, if the estimated annual rent over the term of the lease is in excess of fifteen thousand dollars (\$15,000); or

(4) any real property or real and related personal property disposed of by exchange, regardless of value, or any property any part of the consideration for which is real property.

(B) Each such statement shall be transmitted to the persons entitled to receive copies of the report required under Section 2(B) above not less than ninety (90) days in advance of such disposal, and a copy thereof shall be preserved in the files of the Corporation.

(v) Disposal of Property for less than Fair Market Value ("FMV").

(A) No assets owned, leased or otherwise in the control of the Corporation may be sold, leased, or otherwise alienated for less than its FMV except if:

(1) the transferee is a government or public entity and terms of transfer require ownership and use to remain with the government or public entity; or

(2) the purpose of transfer is within purpose, mission of the Corporation; or

(3) the Corporation provides written notification to the Governor, the Speaker of the Assembly, and the Temporary President of the Senate; provided, however, that such notification is subject to denial by the Governor, the Speaker of the Assembly, and the Temporary President of the Senate pursuant to the PAAA.

(B) If the Corporation proposes to make a transfer below FMV, the following information is required to be provided to the Corporation's Board of Directors and the public:

(1) a full description of the asset;

(2) an appraisal of the FMV of the asset;

(3) a description of purpose of transfer, the kind and amount of the benefit to the public resulting from the transfer such as jobs and wages created or preserved;

(4) a statement of the value to be received compared to FMV;

(5) the names of any private parties participating in the transfer, and, if different than the information required by paragraph 4 immediately above, a statement of the value to the private party;

(6) the names of other private parties that have made an offer for the asset being transferred, the value offered, and the purpose for which the asset would have been used.

(C) The Board of Directors of the Corporation must make a written determination that there is no reasonable alternative to the proposed below-market transfer that would achieve the same purpose of such transfer.

The guidelines are subject to modification and amendment at the discretion of the Corporation board and shall be filed annually with all local and state agencies as required under all applicable law.

The designated Contracting Officer for the Corporation is the President.

Adopted this 23 day of March, 2023



# **Exhibit F**

## Investment Policy

# **ERIE TOBACCO ASSET SECURITIZATION CORPORATION**

## **INVESTMENT POLICY**

This Investment Policy of the Erie Tobacco Asset Securitization Corporation (the “Corporation”) shall apply to all operating funds, bond proceeds and other funds and all investment transactions involving operating funds, bond proceeds and other funds accounted for in the financial statements of the Corporation. Each investment made pursuant to this Investment Policy must be authorized by applicable law and this written Investment Policy. This Investment Policy is intended to comply with the Not-for-Profit Corporation Law of New York, the Public Authorities Law of New York, and any other applicable laws of New York State.

### **Delegation of Authority**

The responsibility for conducting investment transactions involving the Corporation resides with the President of the Corporation under the direction and oversight of the Treasurer of the Corporation. Only the President and those authorized by resolution or the Corporation’s By-Laws may invest Corporation funds.

All contracts or agreements with outside persons investing Corporation funds, advising on the investment of Corporation funds, directing the deposit of Corporation funds or acting in a fiduciary capacity for the Corporation, shall require the outside person to notify the Corporation in writing, within thirty (30) days of receipt of all communication from its auditor of the outside person or any regulatory authority, of the existence of material weakness in the internal control structure of the outside person or regulatory orders or sanctions regarding the type of services being provided to the Corporation by the outside person.

The records of investment transactions made by or on behalf of the Corporation are public records and are the property of the Corporation whether in the custody of the Corporation or in the custody of a fiduciary or other third party.

The President of the Corporation under the direction and oversight of the Treasurer shall establish a written system of internal controls and investment practices. The controls shall be designed to prevent losses of Corporation funds, to document those officers and employees of the Corporation responsible for elements of the investment process and to address the capability of investment management. The controls shall provide for receipt and review of the audited financial statements and related reports on internal control structure of all outside persons performing any of the following for the Corporation:

- (i) investing funds of the Corporation;
- (ii) advising on the investment of funds of the Corporation;
- (iii) directing the deposit or investment of funds of the Corporation; or
- (iv) acting in a fiduciary capacity for the Corporation.

A bank, savings and loan association or credit union providing only depository services shall not be required to provide an audited financial statement and related report on its internal control structure.

## Objectives

The primary objectives, in order of priority, of all investment activities involving the financial assets of the Corporation shall be the following:

- (i) Safety: Safety and preservation of principal in the overall portfolio is the foremost investment objective;
- (ii) Liquidity: Maintaining the necessary liquidity to match expected liabilities and expenses is the second investment objective;
- (iii) Return: Obtaining a reasonable return is a third investment objective

## Operative Policy

The Corporation shall conduct its investment activities involving all operating funds, bond proceeds and other funds and all investment transactions involving operating funds, bond proceeds and other funds accounted for in the financial statements of the Corporation in a manner that complies with the Not-for-Profit Corporation Law and the Public Authorities Law of New York State.

Prior to making an investment of any operating funds, bond proceeds and other funds of the Corporation, other than those associated with a bank, savings and loan association or credit union involving a depository relationship only, the Corporation shall obtain at least three (3) bids and award the contract to the most responsible bidder whose bid most closely meets the objectives of this Investment Policy.

The President, the Treasurer and all officers and employees of the Corporation involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

The President/Treasurer shall submit to the Board an investment report that summarizes recent market conditions and investment strategies employed since the last investment report. The report shall set out the current portfolio in terms of maturity, rates of return and other features and summarize all investment transactions that have occurred during the reporting period and compare the investment results with budgetary expectations, if any.

## Investments & Deposits

### A. Investments

#### 1. Permitted Investments

Pursuant to the Not-For-Profit Corporation Law ("N-PCL"), the Corporation is authorized to invest moneys not required for immediate expenditure for terms not to exceed its projected cash flow needs in the following types of investments:

- a. Special time deposit accounts;\*

- b. Certificates of deposit;\*
- c. Obligations of the United States of America;\*\*
- d. Obligations guaranteed by agencies of the United States of America where payment of principal and interest are guaranteed by the United States of America;\*\*
- e. Obligations of the State of New York;\*

\*Special time deposit accounts and certificates of deposit are permitted investments provided that (1) they shall be payable within such time as the proceeds shall be needed to meet expenditures for which the moneys were obtained and (2) they are collateralized in the same manner as set forth in paragraph (B) below for deposits of public funds.

\*\*All investment obligations shall be payable or redeemable at the option of the Corporation within such times as the proceeds will be needed to meet expenditures for purposes for which the moneys were provided and, in the case of obligations purchased with the proceeds of bonds or notes, shall be payable or redeemable at the option of the Corporation within two years of the date of purchase.

## 2. Authorized Financial Institutions and Dealers

The Corporation shall maintain a list of financial institutions and dealers, approved for investment purposes and establish appropriate limits to the amount of investments which can be made with each financial institution or dealer. All financial institutions with which the local government conducts business must be credit worthy. Banks shall provide their most recent Consolidated Report of Condition (Call Report) at the request of the Corporation. Security dealers not affiliated with a bank shall be required to be classified as reporting dealers affiliated with the New York Federal Reserve Bank, as primary dealers. The Chairman or Chairperson of the Board of Directors is responsible for evaluating the financial position and maintaining a listing of proposed depositories, trading partners and custodians. Such listing shall be evaluated at least annually.

## 3. Purchase of Investments

The Corporation may contract for the purchase of investments:

- a. Directly, including through a repurchase agreement, from an authorized trading partner.
- b. By utilizing an ongoing investment program with an authorized trading partner pursuant to a contract authorized by the board of Directors.

All purchased obligations, unless registered or inscribed in the name of the Corporation, shall be purchased through, delivered to and held in the custody of a bank or trust company. Such obligations shall be purchased, sold or presented for redemption or payment by such bank or trust company only in accordance with prior written authorization from the officer authorized to make the investment. All such transactions shall be confirmed in writing to the Corporation by the bank or trust company shall be held pursuant to a written custodial agreement as described in the N-PCL.

The custodial agreement shall provide that securities held by the bank or trust company, as agent of and custodian for, the Corporation, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or become part of the backing for any other deposit or other liabilities. The agreement shall describe how the custodian shall confirm the receipt and release of the securities. Such agreement shall include all provisions necessary to provide the Corporation a perfected interest in the securities.

#### 4. Repurchase Agreements

Repurchase agreements are authorized subject to the following restrictions:

- a. All repurchase agreements must be entered into subject to a Master Repurchase Agreement.
- b. Trading partners are limited to banks or trust companies authorized to do business in New York State and primary reporting dealers.
- c. Obligations shall be limited to obligations of the United States of America and obligations guaranteed by agencies of the United States of America.
- d. No substitution of securities will be allowed.
- e. The custodian shall be a party other than the trading partner.

#### B. Deposits

##### 1. Collateralization of Deposits

All deposits of the Corporation, including certificates of deposit and special time deposits, in excess of the amount insured under the provisions of the Federal Deposit Insurance Act shall be secured:

- a. By pledge of "eligible securities" with an aggregate "market value" as provided by the N-PCL, equal to the aggregate amount of deposits from the categories designated in Exhibit A attached hereto.

- b. By an eligible "irrevocable letter of credit" issued by a qualified bank other than the bank with the deposits in favor of the Corporation for a term not to exceed ninety (90) days with an aggregate value equal to 140% of the aggregate amount of deposits and the agreed upon interest, if any. A qualified bank is one whose commercial paper and other unsecured short-term debt obligations are rated in one of the three highest rating categories by at least on nationally recognized statistical rating organization or by a bank that is in compliance with applicable federal minimum risk-based capital requirements.
  - c. By an eligible surety bond payable to the Corporation for an amount at least equal to 100% of the aggregate amount of deposits and the agreed upon interest, if any, executed by an insurance company authorized to do business in New York State, whose claims-paying ability is rated in the highest rating category by at least two nationally recognized statistical rating organizations. The terms and conditions of any eligible surety shall be approved by the Board of Directors.
2. Safekeeping and Collateralization

Eligible securities used for collateralizing deposits shall be held by the depository bank or trust company subject to security and custodial agreements.

The security agreement shall provide that eligible securities are being pledged to secure Corporation deposits together with agreed upon interest, if any and any costs or expenses arising out of the collection of such deposits upon default. It shall also provide the conditions under which the securities may be sold, presented for payment, substituted or released and the events, which will enable the Corporation to exercise its rights against the pledged securities. In the event that the securities are not registered or inscribed in the name of the Corporation, such securities shall be delivered in a form suitable for transfer or with an assignment in blank to the Corporation or its custodial bank.

The custodial agreement shall provide that securities held by the bank or trust company, or agent of and custodian for, the Corporation, will be kept separate and apart from the general assets of the custodial bank or trust company and will not, in any circumstances, be commingled with or become part of backing for any other deposit or other liabilities. The agreement should also describe that the custodian shall confirm the receipt, substitution or release of the securities. The agreement shall provide for the frequency of revaluation of eligible securities and for the substitution of securities when a change in the rating of a security may cause ineligibility. Such agreement shall include all provisions necessary to provide the Corporation a perfected interest in the securities.

Adopted this 23 day of March, 2023

## **EXHIBIT A**

### **SCHEDULE OF ELIGIBLE SECURITIES**

- (1) Obligations issued, or fully insured or guaranteed as to the payment of principal and interest by the United States of America, an Agency thereof or a United States government sponsored corporation.
- (2) Obligations issued or fully guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank and the African Development Bank.
- (3) Obligations partially insured or guaranteed by any Corporation of the United States of America, at a proportion of the Market Value of the obligation that represents the amount of the insurance or guaranty.
- (4) Obligations issued or fully insured or guaranteed by the State of New York, obligations issued by a municipal corporation, school district or district corporation or such State or obligations of any public benefit corporation which under a specific State statute may be accepted as security for deposit of public moneys.
- (5) Obligations issued by states (other than the State of New York) of the United States rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
- (6) Obligations of Puerto Rico rated in one of the three highest rating categories by at least one nationally recognized statistical rating organization.
- (7) Obligations of countries, cities and other governmental entities of a state other than the State of New York having the power to levy taxes that are backed by the full faith and credit of such governmental entity and rated in one of the three highest categories by at least one nationally recognized statistical rating organization.
- (8) Obligations of domestic corporations rated one of the two highest rating categories by at least one nationally recognized statistical rating organization.
- (9) Commercial paper and bankers' acceptances issued by a bank, other than the Bank, rated in the highest short term category by at least one nationally recognized statistical rating organization and having maturities of not longer than 60 days from the date they are pledged.
- (10) Zero Coupon obligations of the United States government marketed as "Treasury strips".

# **Exhibit G**

## **Compensation, Reimbursement and Attendance Policy**



**ERIE TOBACCO ASSET SECURITIZATION CORPORATION**

**BOARD MEMBER COMPENSATION, REIMBURSEMENT AND  
ATTENDANCE POLICY**

This Compensation, Reimbursement and Attendance Policy is adopted in accordance with Section 2824 of the Public Authorities Law and applies to all directors of the Erie Tobacco Asset Securitization Corporation (the “Corporation”).

Pursuant to and in accordance Article II, Section 12 of the Corporation’s By-Laws, the members of the board the Corporation (the “Board”) may receive such compensation for their services as may be approved by a majority of the Board of Directors and may be reimbursed for reasonable expenses incurred in the performance of Corporation duties. The officers of the Corporation may be reimbursed for reasonable expenses incurred in the performance of Corporation duties. Reimbursements for any expenses shall be reviewed and approved by the Chairman. Provided, however, if the Chairman is seeking the reimbursement allowed herein then such reimbursement shall be subject to the approval by the Chair of the Audit Committee.

The members of the Board shall be available as required to perform the operations of the Corporation and as set forth within the By-Laws of the Corporation, as may be amended, restated or revised by the Board from time to time. Said members of the Board shall put forth their best efforts to perform their respective duties as outlined in the By-Laws of the Corporation and any other directives of the Board relating to same.

Adopted this 23 day of March, 2023

# **Exhibit H**

## **Travel and Discretionary Funds Policy**

# **ERIE TOBACCO ASSET SECURITIZATION CORPORATION TRAVEL & DISCRETIONARY FUNDS POLICY**

## **Section 1. PURPOSE & APPLICABILITY**

### **A. INTRODUCTION**

Applicability – This Travel and Discretionary Funds Policy (“Policy”) shall apply to the Erie Tobacco Asset Securitization Corporation (the “Corporation”).

The purpose of this policy is to implement a provision of the Public Authorities Accountability Act requiring the adoption of certain policies and to adhere to the recommended practices of the NYS Authorities Budget Office (the “ABO”) to protect against the use of discretionary funds for purposes that do not advance the Corporation’s mission and public purposes. Public Authorities Law §2824 requires the Corporation to adopt a policy to govern business travel and the ABO, by and through its Recommended Practice entitled Written Policies Governing the Use of Authority Discretionary Funds (November 2012), that specifically recommends adoption by the Corporation a policy on the proper use of discretionary funds that incorporates the legal principals set forth in NYS Attorney General in opinion #2007-F4. This Policy shall apply to the Corporation, along with every member of the board (the “Board”) of the Corporation and all officers and employees thereof.

## **Section 2. TRAVEL**

### **A. APPROVAL OF TRAVEL**

All official travel for which a reimbursement will be sought must be approved by the President prior to such travel. Provided, however, in the instance where the President will seek reimbursement for official travel, such travel must be pre-authorized by the Chair.

### **B. PAYMENT OF TRAVEL**

The Corporation will reimburse all reasonable expenses related to meals, travel and lodging that were incurred by any director, officer or employee as a result of the performance of their official duties. All official travel shall be properly authorized, reported and reimbursed. Under no circumstances shall expenses for personal travel be charged to, or temporarily funded by the Corporation. It is the traveler’s responsibility to report his or her travel expenses in a responsible and ethical manner, in accordance with this policy.

### **C. TRAVEL EXPENSES**

Travelers may use their private vehicle for business purposes if it is less expensive than renting a car, taking a taxi, or using alternative transportation, or if it saves time. The traveler will be reimbursed at a standard mileage reimbursement rate.

Meals will be reimbursed at actual expense or a per diem rate, whichever is less. Lodging will be reimbursed at actual expense up to certain daily rate caps established for various locations. The applicability of such caps shall be determined on a case by case basis taking into consideration availability of lodging and other extenuating circumstances.

Reimbursement for miscellaneous expenses shall be determined on a case by case basis. Mileage rates, per diem allowances and lodging caps will be established and from time to time amended by the President or his or designee. All expense reimbursement determinations made pursuant to this paragraph C. shall be made by the President or his or her designee.

### **Section 3. DISCRETIONARY FUNDS**

#### **A. USE OF DISCRETIONARY FUNDS**

The expenditure of Corporation funds must relate directly to an enumerated power, duty or purpose of the Corporation. Therefore, the use of discretionary funds shall be limited to expenditures that directly benefit the Corporation in advancing its mission and public purposes. Discretionary funds shall not be used in a manner that primarily benefits the individual board member, officer or employee.

#### **B. PRIOR APPROVAL**

All expenditures of discretionary funds shall be approved by the President prior to such expenditure. Provided, however, in the instance where the President will seek an expenditure of discretionary funds, such expenditure shall be pre-authorized by the Chair of the Corporation. The President or the Chair, as the case may be, shall review the proposed use of funds and reasonably determine whether such use (i) primarily benefits the Corporation as opposed to an individual board member, officer or employee and (ii) directly advances the mission and public purpose of the Corporation. Scrutiny of all expenses will be guided by judgement relating to the relevance of such costs and the benefits which may accrue from such activities.

#### **C. APPROPRIATE EXPENDITURE GUIDANCE**

(i) **Membership Dues** – Membership dues paid for the Corporation to belong to a professional peer organization is a permissible use of Corporation funds. However, individual membership costs for board members, officers and employees to belong to a professional, social or fraternal organization whereby the membership is of and the primary benefit is to, the individual rather than the Corporation, should not be an Corporation expenditure.

(ii) **Food & Beverages** – With the exception of food and beverages purchased during business travel as provided herein, expenditures of food and beverages for the personal consumption of board members, officers and employees should not be considered an appropriate use of Corporation discretionary funds. Provided, however, expenditures for food and beverages purchased for or during the conduct of Corporation business with persons that do business with the Corporation may be an appropriate expenditure of Corporation discretionary funds, provided

that the expense is reasonable in light of the circumstances surrounding the Corporation activity and is pre-approved as set forth herein.

(iii) Professional Training, Certification and Licensing - Paying the costs to attend training to maintain certifications or licenses, or to attend professional conferences may be an appropriate expenditure of Corporation discretionary funds.

(iv) Marketing – Expenses incurred in the course of marketing the Corporation’s area to prospects and relations with existing industries and businesses and supporting partners in the furtherance of the Corporation’s mission and purpose may be an appropriate expenditure of Corporation discretionary funds.

Adopted this 23 day of March, 2023

# **Exhibit I**

## **Whistleblower Policy**

# **ERIE TOBACCO ASSET SECURITIZATION CORPORATION**

## **WHISTLEBLOWER POLICY AND PROCEDURES**

### **I. Introduction**

- a. Applicability: This Whistleblower Policy (“Policy”) Erie Tobacco Asset Securitization Corporation (the “Corporation”).
- b. Scope: In accordance with Title 12 of Article 9 of the Public Authorities Law, the Corporation is required to adopt a policy to afford certain protections to individuals who, in good faith, report violations of the Corporation’s Code of Ethics or other instances of potential wrongdoing within the Corporation.
- c. Purpose: This Policy provides Corporation members, directors, committee members, officers, and employees with a confidential means to report credible allegations of misconduct, wrongdoing, or unethical behavior and to protect those individuals, when acting in good faith, from personal or professional retaliation.

### **II. Definitions**

- a. “Good Faith”: Information concerning potential wrongdoing is disclosed in “good faith” when the individual making the disclosure reasonably believes such information to be true and reasonably believes that it constitutes potential wrongdoing.
- b. “Corporation Employee”: All members, directors, committee members, officers, and staff employed at the Corporation whether employed full-time or part-time, employed pursuant to a contract, employed temporarily, or employees who are on probation.
- c. “Whistleblower”: Any Corporation employee (as defined herein) who in good faith discloses information concerning wrongdoing by another Corporation employee, or concerning the business of the Corporation itself.
- d. “Wrongdoing”: Any alleged corruption, fraud, criminal or unethical activity, misconduct, waste, conflict of interest, intentional reporting of false or misleading information, or abuse of authority engaged in by an Corporation employee (as defined herein) that relates to the Corporation.
- e. “Personnel action”: Any action affecting compensation, appointment, promotion, transfer, assignment, reassignment, reinstatement or evaluation of performance.

### **III. Reporting Wrongdoing**

All Corporation employees who discover or have knowledge of potential wrongdoing concerning board members, officers, or employees of the Corporation; or a person having

business dealings with the Corporation; or concerning the Corporation itself, shall report such activity in accordance with the following procedures:

- a. The Corporation Employee shall disclose any information concerning wrongdoing either orally or in a written report to his or her supervisor, or to the Corporation's ethics officer, general counsel, or human resources representative.
- b. All Corporation Employees who discover or have knowledge of wrongdoing shall report such wrongdoing in a prompt and timely manner.
- c. The identity of the whistleblower and the substance of his or her allegations will be kept confidential to the best extent possible.
- d. The individual to whom the potential wrongdoing is reported shall investigate and handle the claim in a timely and reasonable manner, which may include referring such information to the Authorities Budget Office or an appropriate law enforcement Corporation where applicable.
- e. Should an Corporation Employee believe in good faith that disclosing information within the Corporation pursuant to Section 3(a) above would likely subject him or her to adverse personnel action or be wholly ineffective, the Corporation Employee may instead disclose the information to the Authorities Budget Office or to an appropriate law enforcement Corporation, if applicable. The Authorities Budget Office's toll free number (1-800-560-1770) should be used in such circumstances.

#### **IV. No Retaliation or Interference**

No Corporation Employee shall retaliate against any whistleblower for the disclosure of potential wrongdoing, whether through threat, coercion, or abuse of authority; and, no Corporation Employee shall interfere with the right of any other Corporation employee by any improper means aimed at deterring disclosure of potential wrongdoing. Any attempts at retaliation or interference are strictly prohibited and:

- a. No Corporation Employee who, in good faith, discloses potential violations of the Corporation's Code of Ethics or other instances of potential wrongdoing shall suffer harassment, retaliation or adverse personnel action.
- b. All allegations of retaliation against a Whistleblower or interference with an individual seeking to disclose potential wrongdoing will be thoroughly investigated by the Corporation.
- c. Any Corporation Employee who retaliates against or attempts to interfere with any individual for having in good faith disclosed potential violations of the Corporation's Code of Ethics or other instances of potential wrongdoing is subject to disciplinary action, which may include termination of employment.



- d. Any allegation of retaliation or interference will be taken and treated seriously and irrespective of the outcome of the initial complaint, will be treated as a separate matter.

## **V. Other Legal Rights Not Impaired**

The Whistleblower Policy and Procedures set forth herein are not intended to limit, diminish or impair any other rights or remedies that an individual may have under the law with respect to disclosing potential wrongdoing free from retaliation or adverse personnel action.

- a. Specifically, these Whistleblower Policy and Procedures are not intended to limit any rights or remedies that an individual may have under the laws of the State of New York, including but not limited to the following provisions: Civil Service Law § 75-b, Labor Law § 740, State Finance Law § 191 (commonly known as the “False Claims Act”), and Executive Law § 55(1).
- b. With respect to any rights or remedies that an individual may have pursuant to Civil Service Law § 75-b or Labor Law § 740, any employee who wishes to preserve such rights shall, prior to disclosing information to a government body, have made a good faith effort to provide the appointing authority or his or her designee the information to be disclosed and shall provide the appointing authority or designee a reasonable time to take appropriate action unless there is imminent and serious danger to public health or safety. (See Civil Service Law § 75-b[2][b]; Labor Law § 740[3]).

## **VI. Implementation**

This Whistleblower Policy shall be provided to all members, directors, officers, and employees of the Corporation.

Adopted this 23 day of March, 2023

# **Exhibit J**

## **Sexual Harassment and Prevention Policy**

# **ERIE TOBACCO ASSET SECURITIZATION CORPORATION**

## **SEXUAL HARASSMENT PREVENTION POLICY**

### **Introduction**

This Sexual Harassment Prevention Policy (“Policy”) shall apply to the Erie Tobacco Asset Securitization Corporation (the “Corporation”) upon approval by the respective Board of Directors or Members of the Corporation.

The Corporation is committed to maintaining a workplace free from sexual harassment. Sexual harassment is a form of workplace discrimination. All employees are required to work in a manner that prevents sexual harassment in the workplace. This Policy is one component of the Corporation commitment to a discrimination-free work environment. Sexual harassment is against the law<sup>1</sup> and all employees have a legal right to a workplace free from sexual harassment and employees are urged to report sexual harassment by filing a complaint internally with Corporation. Employees can also file a complaint with a government Corporation or in court under federal, state or local antidiscrimination laws.

### **Policy:**

1. Corporation’s policy applies to all employees, applicants for employment, interns, whether paid or unpaid, contractors and persons conducting business, regardless of immigration status, with Corporation. In the remainder of this document, the term “employees” refers to this collective group.
2. Sexual harassment will not be tolerated. Any employee or individual covered by this policy who engages in sexual harassment or retaliation will be subject to remedial and/or disciplinary action (e.g., counseling, suspension, termination).
3. **Retaliation Prohibition:** No person covered by this Policy shall be subject to adverse action because the employee reports an incident of sexual harassment, provides information, or otherwise assists in any investigation of a sexual harassment complaint. Corporation will not tolerate such retaliation against anyone who, in good faith, reports or provides information about suspected sexual harassment. Any employee of Corporation who retaliates against anyone involved in a sexual harassment investigation will be subjected to disciplinary action, up to and including termination. All employees, paid or unpaid interns, or non-employees<sup>2</sup> working in the workplace who believe they have been subject to such retaliation should inform a supervisor, manager, or the President. All employees, paid or unpaid interns or non-employees who believe they have been a target of such retaliation

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<sup>1</sup> While this policy specifically addresses sexual harassment, harassment because of and discrimination against persons of all protected classes is prohibited. In New York State, such classes include age, race, creed, color, national origin, sexual orientation, military status, sex, disability, marital status, domestic violence victim status, gender identity and criminal history.

<sup>2</sup> A non-employee is someone who is (or is employed by) a contractor, subcontractor, vendor, consultant, or anyone providing services in the workplace. Protected non-employees include persons commonly referred to as independent contractors, “gig” workers and temporary workers. Also included are persons providing equipment repair, cleaning services or any other services provided pursuant to a contract with the employer.

*Adoption of this policy does not constitute a conclusive defense to charges of unlawful sexual harassment. Each claim of sexual harassment will be determined in accordance with existing legal standards, with due consideration of the particular facts and circumstances of the claim, including but not limited to the existence of an effective anti-harassment policy and procedure.*

may also seek relief in other available forums, as explained below in the section on Legal Protections.

4. Sexual harassment is offensive, is a violation of our policies, is unlawful, and may subject Corporation to liability for harm to targets of sexual harassment. Harassers may also be individually subject to liability. Employees of every level who engage in sexual harassment, including managers and supervisors who engage in sexual harassment or who allow such behavior to continue, will be penalized for such misconduct.
5. Corporation will conduct a prompt and thorough investigation that ensures due process for all parties, whenever management receives a complaint about sexual harassment, or otherwise knows of possible sexual harassment occurring. Corporation will keep the investigation confidential to the extent possible. Effective corrective action will be taken whenever sexual harassment is found to have occurred. All employees, including managers and supervisors, are required to cooperate with any internal investigation of sexual harassment.
6. All employees are encouraged to report any harassment or behaviors that violate this policy. Corporation will provide all employees a complaint form for employees to report harassment and file complaints.
7. Managers and supervisors are **required** to report any complaint that they receive, or any harassment that they observe or become aware of, to the President.
8. This policy applies to all employees, paid or unpaid interns, and non-employees and all must follow and uphold this policy. This policy must be provided to all employees and should be posted prominently in all work locations to the extent practicable (for example, in a main office, not an offsite work location) and be provided to employees upon hiring.

### **What Is “Sexual Harassment”?**

Sexual harassment is a form of sex discrimination and is unlawful under federal, state, and (where applicable) local law. Sexual harassment includes harassment on the basis of sex, sexual orientation, self-identified or perceived sex, gender expression, gender identity and the status of being transgender.

Sexual harassment includes unwelcome conduct which is either of a sexual nature, or which is directed at an individual because of that individual’s sex when:

- Such conduct has the purpose or effect of unreasonably interfering with an individual’s work performance or creating an intimidating, hostile or offensive work environment, even if the reporting individual is not the intended target of the sexual harassment;
- Such conduct is made either explicitly or implicitly a term or condition of employment; or

- Submission to or rejection of such conduct is used as the basis for employment decisions affecting an individual's employment.

A sexually harassing hostile work environment includes, but is not limited to, words, signs, jokes, pranks, intimidation or physical violence which are of a sexual nature, or which are directed at an individual because of that individual's sex. Sexual harassment also consists of any unwanted verbal or physical advances, sexually explicit derogatory statements or sexually discriminatory remarks made by someone which are offensive or objectionable to the recipient, which cause the recipient discomfort or humiliation, which interfere with the recipient's job performance.

Sexual harassment also occurs when a person in authority tries to trade job benefits for sexual favors. This can include hiring, promotion, continued employment or any other terms, conditions or privileges of employment. This is also called "quid pro quo" harassment.

Any employee who feels harassed should report so that any violation of this policy can be corrected promptly. Any harassing conduct, even a single incident, can be addressed under this policy.

### **Examples of sexual harassment**

The following describes some of the types of acts that may be unlawful sexual harassment and that are strictly prohibited:

- Physical acts of a sexual nature, such as:
  - Touching, pinching, patting, kissing, hugging, grabbing, brushing against another employee's body or poking another employee's body;
  - Rape, sexual battery, molestation or attempts to commit these assaults.
- Unwanted sexual advances or propositions, such as:
  - Requests for sexual favors accompanied by implied or overt threats concerning the target's job performance evaluation, a promotion or other job benefits or detriments;
  - Subtle or obvious pressure for unwelcome sexual activities.
- Sexually oriented gestures, noises, remarks or jokes, or comments about a person's sexuality or sexual experience, which create a hostile work environment.
- Sex stereotyping occurs when conduct or personality traits are considered inappropriate simply because they may not conform to other people's ideas or perceptions about how individuals of a particular sex should act or look.
- Sexual or discriminatory displays or publications anywhere in the workplace, such as:
  - Displaying pictures, posters, calendars, graffiti, objects, promotional material, reading materials or other materials that are sexually demeaning or pornographic. This includes such sexual displays on workplace computers or cell phones and sharing such displays while in the workplace.

- Hostile actions taken against an individual because of that individual's sex, sexual orientation, gender identity and the status of being transgender, such as:
  - Interfering with, destroying or damaging a person's workstation, tools or equipment, or otherwise interfering with the individual's ability to perform the job;
  - Sabotaging an individual's work;
  - Bullying, yelling, name-calling.

### **Who can be a target of sexual harassment?**

Sexual harassment can occur between any individuals, regardless of their sex or gender. New York Law protects employees, paid or unpaid interns, and non-employees, including independent contractors, and those employed by companies contracting to provide services in the workplace. Harassers can be a superior, a subordinate, a coworker or anyone in the workplace including an independent contractor, contract worker, vendor, client, customer or visitor.

### **Where can sexual harassment occur?**

Unlawful sexual harassment is not limited to the physical workplace itself. It can occur while employees are traveling for business or at employer sponsored events or parties. Calls, texts, emails, and social media usage by employees can constitute unlawful workplace harassment, even if they occur away from the workplace premises, on personal devices or during non-work hours.

### **Retaliation**

Unlawful retaliation can be any action that could discourage a worker from coming forward to make or support a sexual harassment claim. Adverse action need not be job-related or occur in the workplace to constitute unlawful retaliation (e.g., threats of physical violence outside of work hours).

Such retaliation is unlawful under federal, state, and (where applicable) local law. The New York State Human Rights Law protects any individual who has engaged in "protected activity." Protected activity occurs when a person has:

- made a complaint of sexual harassment, either internally or with any anti-discrimination Corporation;
- testified or assisted in a proceeding involving sexual harassment under the Human Rights Law or other anti-discrimination law;
- opposed sexual harassment by making a verbal or informal complaint to management, or by simply informing a supervisor or manager of harassment;
- reported that another employee has been sexually harassed; or
- encouraged a fellow employee to report harassment.

Even if the alleged harassment does not turn out to rise to the level of a violation of law, the individual is protected from retaliation if the person had a good faith belief that the practices were unlawful. However, the retaliation provision is not intended to protect persons making intentionally false charges of harassment.

### **Reporting Sexual Harassment**

**Preventing sexual harassment is everyone's responsibility.** The Corporation cannot prevent or remedy sexual harassment unless it knows about it. Any employee, paid or unpaid intern or non-employee who has been subjected to behavior that may constitute sexual harassment is encouraged to report such behavior to a supervisor, manager or the President. Anyone who witnesses or becomes aware of potential instances of sexual harassment should report such behavior to a supervisor, manager or the President.

Reports of sexual harassment may be made verbally or in writing. A form for submission of a written complaint is attached to this Policy, and all employees are encouraged to use this complaint form. Employees who are reporting sexual harassment on behalf of other employees should use the complaint form and note that it is on another employee's behalf.

Employees, paid or unpaid interns or non-employees who believe they have been a target of sexual harassment may also seek assistance in other available forums, as explained below in the section on Legal Protections.

### **Supervisory Responsibilities**

All supervisors and managers who receive a complaint or information about suspected sexual harassment, observe what may be sexually harassing behavior or for any reason suspect that sexual harassment is occurring, **are required** to report such suspected sexual harassment to the President .

In addition to being subject to discipline if they engaged in sexually harassing conduct themselves, supervisors and managers will be subject to discipline for failing to report suspected sexual harassment or otherwise knowingly allowing sexual harassment to continue.

Supervisors and managers will also be subject to discipline for engaging in any retaliation.

### **Complaint and Investigation of Sexual Harassment**

**All** complaints or information about sexual harassment will be investigated, whether that information was reported in verbal or written form. Investigations will be conducted in a timely manner, and will be confidential to the extent possible.

An investigation of any complaint, information or knowledge of suspected sexual harassment will be prompt and thorough, commenced immediately and completed as soon as possible. The investigation will be kept confidential to the extent possible. All persons involved, including complainants, witnesses and alleged harassers will be accorded due process, as outlined below, to protect their rights to a fair and impartial investigation.

Any employee may be required to cooperate as needed in an investigation of suspected sexual harassment. The Corporation will not tolerate retaliation against employees who file complaints, support another's complaint or participate in an investigation regarding a violation of this policy.

While the process may vary from case to case, investigations should be done in accordance with the following steps:

- Upon receipt of complaint, the President will conduct an immediate review of the allegations, and take any interim actions (e.g., instructing the respondent to refrain from communications with the complainant), as appropriate. If complaint is verbal, encourage the individual to complete the "Complaint Form" in writing. If he or she refuses, prepare a Complaint Form based on the verbal reporting.
- If documents, emails or phone records are relevant to the investigation, take steps to obtain and preserve them.
- Request and review all relevant documents, including all electronic communications.
- Interview all parties involved, including any relevant witnesses;
- Create a written documentation of the investigation (such as a letter, memo or email), which contains the following:
  - A list of all documents reviewed, along with a detailed summary of relevant documents;
  - A list of names of those interviewed, along with a detailed summary of their statements;
  - A timeline of events;
  - A summary of prior relevant incidents, reported or unreported; and
  - The basis for the decision and final resolution of the complaint, together with any corrective action(s).
- Keep the written documentation and associated documents in a secure and confidential location.
- Promptly notify the individual who reported and the individual(s) about whom the complaint was made of the final determination and implement any corrective actions identified in the written document.
- Inform the individual who reported of the right to file a complaint or charge externally as outlined in the next section.



## **Legal Protections And External Remedies**

Sexual harassment is not only prohibited by the Corporation but is also prohibited by state, federal, and, where applicable, local law.

Aside from the internal process at the Corporation, employees may also choose to pursue legal remedies with the following governmental entities. While a private attorney is not required to file a complaint with a governmental Corporation, you may seek the legal advice of an attorney.

In addition to those outlined below, employees in certain industries may have additional legal protections.

### **State Human Rights Law (HRL)**

The Human Rights Law (HRL), codified as N.Y. Executive Law, art. 15, § 290 et seq., applies to all employers in New York State with regard to sexual harassment, and protects employees, paid or unpaid interns and non-employees, regardless of immigration status. A complaint alleging violation of the Human Rights Law may be filed either with the Division of Human Rights (DHR) or in New York State Supreme Court.

Complaints with DHR may be filed any time **within one year** of the harassment. If an individual did not file at DHR, they can sue directly in state court under the HRL, **within three years** of the alleged sexual harassment. An individual may not file with DHR if they have already filed a HRL complaint in state court.

Complaining internally to the Corporation does not extend your time to file with DHR or in court. The one year or three years is counted from date of the most recent incident of harassment.

You do not need an attorney to file a complaint with DHR, and there is no cost to file with DHR.

DHR will investigate your complaint and determine whether there is probable cause to believe that sexual harassment has occurred. Probable cause cases are forwarded to a public hearing before an administrative law judge. If sexual harassment is found after a hearing, DHR has the power to award relief, which varies but may include requiring your employer to take action to stop the harassment, or redress the damage caused, including paying of monetary damages, attorney's fees and civil fines.

DHR's main office contact information is: NYS Division of Human Rights, One Fordham Plaza, Fourth Floor, Bronx, New York 10458. You may call (718) 741-8400 or visit: [www.dhr.ny.gov](http://www.dhr.ny.gov).

Contact DHR at (888) 392-3644 or visit [dhr.ny.gov/complaint](http://dhr.ny.gov/complaint) for more information about filing a complaint. The website has a complaint form that can be downloaded, filled out, notarized and mailed to DHR. The website also contains contact information for DHR's regional offices across New York State.

## **Civil Rights Act of 1964**

The United States Equal Employment Opportunity Commission (“EEOC”) enforces federal anti-discrimination laws, including Title VII of the 1964 federal Civil Rights Act (codified as 42 U.S.C. § 2000e et seq.). An individual can file a complaint with the EEOC anytime within 300 days from the harassment. There is no cost to file a complaint with the EEOC. The EEOC will investigate the complaint, and determine whether there is reasonable cause to believe that discrimination has occurred, at which point the EEOC will issue a Right to Sue letter permitting the individual to file a complaint in federal court.

The EEOC does not hold hearings or award relief, but may take other action including pursuing cases in federal court on behalf of complaining parties. Federal courts may award remedies if discrimination is found to have occurred. In general, private employers must have at least 15 employees to come within the jurisdiction of the EEOC.

An employee alleging discrimination at work can file a “Charge of Discrimination.” The EEOC has district, area, and field offices where complaints can be filed. Contact the EEOC by calling 1-800-669-4000 (TTY: 1-800-669-6820), visiting their website at [www.eeoc.gov](http://www.eeoc.gov) or via email at [info@eeoc.gov](mailto:info@eeoc.gov).

If an individual filed an administrative complaint with DHR, DHR will file the complaint with the EEOC to preserve the right to proceed in federal court.

## **Local Protections**

Many localities enforce laws protecting individuals from sexual harassment and discrimination. An individual should contact the county, city or town in which they live to find out if such a law exists. For example, employees who work in New York City may file complaints of sexual harassment with the New York City Commission on Human Rights. Contact their main office at Law Enforcement Bureau of the NYC Commission on Human Rights, 40 Rector Street, 10th Floor, New York, New York; call 311 or (212) 306-7450; or visit [www.nyc.gov/html/cchr/html/home/home.shtml](http://www.nyc.gov/html/cchr/html/home/home.shtml).

## **Contact the Local Police Department**

If the harassment involves unwanted physical touching, coerced physical confinement or coerced sex acts, the conduct may constitute a crime. Contact the local police department.

Adopted this 23 day of March, 2023

# **Exhibit K**

## Continuity of Operations Plan Policy

## **ERIE TOBACCO ASSET SECURITIZATION CORPORATION**

### **CONTINUITY OF OPERATIONS PLAN FOR A STATE DISASTER EMERGENCY INVOLVING A COMMUNICABLE DISEASE**

#### **Purpose**

Pursuant to Chapter 168 of the Laws of 2020, and to ensure the continuation of services provided by the State of New York and the health and safety of the public sector workforce, the Erie Tobacco Asset Securitization Corporation (the “Corporation”) must prepare a plan for the continuation of operations in the event that the Governor declares a state disaster emergency involving a communicable disease.

This plan must be posted in (1) a clear and conspicuous location (e.g., bulletin boards or other similar location where employees normally view information posted by the employer), (2) in the Corporation’s employee handbook if it has one, and (3) on either their intranet or internet website.

**Individual(s) Responsible for Maintaining this Plan:**  
**President**  
**Erie Tobacco Asset Securitization Corporation**

#### **A. Essential Personnel**

Essential shall refer to a designation made that a public employee is or may be required to be physically present at a worksite to perform his or her job. Such designation may be changed at any time at the sole discretion of the employer. The Corporation’s President is designated as essential.

#### **B. Telecommuting**

All employees will receive guidance from their supervisors on if/when they must transition to a telecommute status. The President will develop and implement remote work schedules as needed.

#### **C. Work Shifts/Schedules**

The President will ensure that essential employees can continue to fulfill their work responsibilities within the confines of what is advisable by the Center for Disease Control (CDC) and/or required by New York State (NYS) or its Department of Health (DOH). In a future communicable disease event, current procedures and guidelines for workplace safety protocols will be adjusted to fit the specific threat and be distributed to all involved employees.

#### **D. Personal Protective Equipment**

The Corporation follows Infection Control Procedures in accordance with the Center for Disease Control and the New York State Department of Health in the development of all internal protocols

and guidance relative to responding to communicable disease. During a response to a communicable disease outbreak, procuring, distributing and inventory control of PPE will be centralized and prioritized. Protocols for the cleaning, disposal, training and signage related to PPE will follow the guidance established by the CDC and NYS Health Department.

## **E. Exposure Protocol**

**Minimal Controls During an Outbreak:** During an airborne infectious disease outbreak, the following minimum controls will be used:

1. **General Awareness:** Individuals may not be aware that they have the infectious disease and can spread it to others. Employees will:

- Maintain physical distancing
- Exercise coughing/sneezing etiquette
- Wear face coverings and utilize PPE as appropriate
- Individuals limit what they touch
- Stop social etiquette behaviors such as hugging and hand shaking, and
- Wash hands properly and often

2. **“Stay at Home Policy”:** If an employee develops symptoms of the infectious disease, the employee should not be in the workplace. The employee should inform their supervisor of their health status and follow New York State Department of Health (NYSDOH) and Centers for Disease Control and Prevention (CDC) guidance regarding obtaining medical care and isolating.

3. **Health Screening:** Employees will be screened for symptoms of the infectious disease at the beginning of their shift. Employees are to self-monitor throughout their shift and report any new or emerging signs or symptoms of the infectious disease to the designated contact. An employee showing signs or symptoms of the infectious disease should leave the workplace immediately and should contact a healthcare professional for instructions. The health screening elements will follow NYSDOH and CDC guidance, if available.

4. **Face Coverings:** Consistent with New York State Department of Health and the Centers for Disease Control and Prevention applicable guidance, appropriate face coverings may be required.

5. **Physical Distancing:** Consistent with New York State Department of Health and the Centers for Disease Control and Prevention applicable guidance, physical distancing may be required. In situations where prolonged close contact with other individuals is likely, the Corporation will use the following control methods as applicable:

- restricting or limiting customer or visitor entry to any building
- limiting occupancy within the building
- allowing only one person at a time inside small, enclosed spaces

- reconfiguring workspaces
- physical barriers
- signage in public areas to inform employees and visitors
- floor markings
- recommend telecommuting and remote meetings
- preventing gatherings of employees
- restricting travel
- creating new work shifts and/or staggering work hours
- adjusting break times and lunch periods
- delivering services remotely for Corporation board members and clients

6. **Hand Hygiene:** To prevent the spread of infection, employees should wash hands with soap and water for at least twenty (20) seconds or use a hand sanitizer with at least sixty percent (60%) alcohol to clean hands BEFORE and AFTER:

- Touching your eyes, nose, or mouth
- Touching your mask
- Entering and leaving a public place including the Corporation's facility
- Touching an item or surface that may be frequently touched by other people

7. **Cleaning and Disinfection:** Objects that are touched repeatedly by multiple individuals, such as door handles, light switches, control buttons/levers, water faucet handles, computers, phones, or handrails will be cleaned frequently with an appropriate disinfectant. Surfaces that are handled less often, or by fewer individuals, may require less frequent disinfection.

8. **Events/Meetings:** Corporation leadership will review scheduled events and meetings which may be temporarily suspended or cancelled or otherwise held remotely. A log of every person, including employees and visitors, who may have close contact with other individuals at the worksite or area, excluding deliveries that are performed with appropriate PPE or through contactless means, shall be maintained.

9. **Contact Tracing:** The Corporation will deploy contact tracers who interview any person who may have had a suspected exposure. They will determine if there were other individuals that may have been exposed and what areas may have been contaminated. Identified exposed individuals will also be interviewed. Working within the New York State Department of Health guidelines, determinations will be made regarding isolation, quarantine, or other notifications. Maintenance will be notified of areas that require disinfection and cleaning.

## **F. Other**

The Corporation will comply with all executive orders and emergency regulations related to the state disaster emergency.

Adopted this 23 day of March, 2023

# **Exhibit L**

## **Public Access to Records Policy**

# **ERIE TOBACCO ASSET SECURITIZATION CORPORATION**

## **PUBLIC ACCESS TO RECORDS POLICY**

### **Introduction**

This Public Access to Records Policy (Policy) shall apply to the Erie Tobacco Asset Securitization Corporation (the "Corporation").

#### **Purpose:**

1. Designation of records access officer
2. Requests for public access to records
3. Denial of access to records
4. Fees

### **Section 1. Purpose**

(a) This policy provides information concerning the procedures by which records may be obtained from the Corporation in accordance with the Freedom of Information Law ("FOIL").

### **Section 2. Designation of records access officer**

(a) The Assistant Treasurer is designated as the records access officer; however, the President may from time to time designate another person as the records access person as he/she may deem necessary or desirable.

(b) The records access officer is responsible for insuring appropriate Corporation response to public requests for access to records.

The records access officer shall insure that Corporation personnel:

(1) Maintain an up-to-date subject matter list reasonably detailing all records in the possession of the Corporation, whether or not available under FOIL.

(2) Maintain a record setting forth the name, public office address, title, and salary of every officer or employee of the Corporation.



### **Section 3. Requests for public access to records**

(a) A written request for a record shall be made to the Record Access Officer. In addition, a written request for a record may be submitted in the form of electronic mail and the Authority shall respond to such requests by electronic mail, using forms, to the extent practicable, consistent with the form(s) developed by the Committee on Open Government.

(b) A response shall be given within five business days of receipt of a request by:

(1) informing a person requesting records that the request or portion of the request does not reasonably describe the records sought, including direction, to the extent possible, that would enable that person to request records reasonably described;

(2) granting or denying access to records in whole or in part;

(3) acknowledging the receipt of a request in writing, including an approximate date when the request will be granted or denied in whole or in part, which shall be reasonable under the circumstances of the request and shall not be more than twenty business days after the date of the acknowledgment, or if it is known that circumstances prevent disclosure within twenty business days from the date of such acknowledgment, providing a statement in writing indicating the reason for inability to grant the request within that time and a date certain, within a reasonable period under the circumstances of the request, when the request will be granted in whole or in part; or

(4) if the receipt of request was acknowledged in writing and included an approximate date when the request would be granted in whole or in part within twenty business days of such acknowledgment, but circumstances prevent disclosure within that time, providing a statement in writing within twenty business days of such acknowledgment specifying the reason for the inability to do so and a date certain, within a reasonable period under the circumstances of the request, when the request will be granted in whole or in part.

(c) In determining a reasonable time for granting or denying a request under the circumstances of a request, personnel shall consider the volume of a request, the ease or difficulty in locating, retrieving or generating records, the complexity of the request, the need to review records to determine the extent to which they must be disclosed, the number of requests received by the Corporation, and similar factors that bear on the ability to grant access to records promptly and within a reasonable time.

### **Section 4. Denial of access to records.**

(a) Denial of access to records shall be in writing stating the reason therefor and advising the requester of the right to appeal to the individual established to determine appeals, who shall be identified by name, title, business address and business phone number.

(b) The Chairman shall determine appeals regarding denial of access to records under the Freedom of Information Law.

(c) Any person denied access to records may appeal within thirty days of a denial.

(d) The time for deciding an appeal by the individual to determine appeals shall commence upon receipt of a written appeal identifying:

- (1) the date and location of requests for records;
- (2) a description, to the extent possible, of the records that were denied; and
- (3) the name and return address of the person denied access.

(e) A failure to determine an appeal within ten business days of its receipt by granting access to the records sought or fully explaining the reasons for further denial in writing shall constitute a denial of the appeal.

(f) The person designated to determine appeals shall transmit to the Committee on Open Government copies of all appeals upon receipt of appeals. Such copies shall be addressed to:

Committee on Open Government  
Department of State  
41 State Street  
Albany, NY 12231

(g) The person designated to determine appeals shall inform the appellant and the Committee on Open Government of its determination in writing within ten business days of receipt of an appeal. The determination shall be transmitted to the Committee on Open Government in the same manner as set forth subdivision (f) of this section.

## **Section 5. Fees.**

(a) Fees for reproduction may be charged as follows:

(1) 25 cents per page for photocopies not exceeding 9 by 14 inches. If the paper copies requested are larger than 9"x14" the Authority can charge the actual cost of making the copies; or

(2) The actual cost of reproducing a record, which may include:

(a) An amount equal to the hourly salary attributed to the lowest paid Corporation employee who has the necessary skill required to prepare a copy of the requested record if more than 2 hours of time is required;

(b) The actual cost of the storage devices

(c) The actual cost to the Corporation of engaging an outside professional service to prepare a copy of a record in the event the Corporation's information technology equipment is inadequate to prepare a copy.

Adopted this 23 day of March, 2023