

**MINUTES OF THE MEMBER  
NIAGARA TOBACCO ASSET SECURITIZATION (NTASC)  
AUDIT COMMITTEE**

JANUARY 14, 2010  
9:30 A.M.

LEGISLATIVE CHAMBERS  
NIAGARA COUNTY COURTHOUSE

Present: William McLaughlin  
Wayne Jagow  
Clyde Burmaster  
Guests: Tom Malecki, Drescher & Malecki  
Luke Malecki, Drescher & Malecki  
Karen Castle

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The Niagara Tobacco Asset Securitization Corporation Audit Committee was called to order at 9:35 a.m. by Chairman McLaughlin.

The purpose of this meeting is to comply with PAAA 2005. The Board of Directors of Niagara Tobacco Asset Securitization (NTASC) had appointed William McLaughlin and Wayne Jagow to serve on the Audit Committee by resolution on January 14, 2009.

Tom Malecki indicated PAAA created a Budget Office this year. If by March 1, 2010, Public Authorities are not in compliance with the regulations and reporting schedule of PAAA, public sanctions will be issued.

NTASC has been in compliance and has filed all reports within the mandated time. As per Karen Castle, NTASC will have the following reports due by March 31, 2010: Investment Report, Procurement Report, Annual Report, and Certified Financial Audit. All Board Members will be instructed at the next Board Meeting to access PARIS to activate their respective account so that they may review all reports prior to submission. Karen will contact Wayne Jagow to schedule a convenient time to assist him in accessing PARIS.

Mr. Burmaster stated even though the Board Members are not compensated, they are held at the same standard as paid Board Members for larger Public Authorities. The requirements established for Public Authorities does not delineate by size of establishment. Therefore, whether large or small, every Public Authorities Agency must comply with the requirements of PAAA.

Mr. T. Malecki relayed the board members cannot control the operations. However, by the due diligence of the board, through the annual audit, full disclosure is provided or available to those of interest. It is realized there is a lot of risk due to pending law suits and/or appeals of the same. However, if the break down of NTASC is in the horizons, it is believed the legal entity would be Niagara County as Niagara County was the benefactor of the funds and NTASC has no tangible assets.

The County of Niagara benefited by the creation of NTASC and the bonding by NTASC to provide funds to Niagara County to pay down their existing debt. An advantage to Niagara County may be that the funds were not used as new money, but to pay down existing debt.

Mr. Burmaster relayed the unspoken liability of the board members if NTASC were dissolved. The board members would be tarnishing their reputation and open themselves to the “court of public opinion.”

Mr. McLaughlin pointed out the funds obtained by NTASC to pay down existing debt of Niagara County probably paid down debt which had a lower interest rate than the current rate of the NTASC Bonds. He also pointed out that a 6% interest doubles every 10 years citing the 17 million dollars in bonds which will be payable at 89 million dollars. One account is receiving a 6% annual return.

The scenario is “Get the Money Now – Pay Later”

Discussion was had hypothetically wondering if NTASC accepted yearly payments – Where would we be now. Would be home-free in regard to possible future financial failure of NTASC?

Niagara County would not have been able pay off the debt they had and would not have been able to do the things they did. The money obtained by bonding solved a lot of immediate issues for Niagara County and shifted the tax burden from the public.

Wayne Jagow asked for the alternatives and what to advise the legislators of. Tom Malecki suggested the possibility of addressing the legislators with a cover letter when given the annual audit state their responsibility to read.

As a side note, Mr. Burmaster contacted Jed Drumm in regard to the Memorandum issued by Citigroup Global Markets Inc. He told Mr. Drumm that the memorandum was misleading, erroneous. This report indicates cigarette use has decreased, when in fact; it doesn't take into account the increase in sale of cigarette products through reservations. This is our sales tax dollars. This report negatively on all tobacco corporations and is free advertisement for the reservations as cigarette taxes are increased.

In wrapping up this meeting, Mr. McLaughlin asked if we should change anything. Mr. T. Malecki replied no, there should not be any impact with the 2010 regulations and the disclosure through the audit would be adequate.

Mr. McLaughlin as requested a glossary for the abbreviations. Mr. T. Malecki thought this would be a good addition and would look at providing the same as a footnote or otherwise.

Mr. T. Malecki presented the Audit Committee, Mr. McLaughlin, with two (2) copies of the engagement letter for presentation to the board members at the next board meeting

scheduled for Wednesday, January 20, 2010 at Shamus Restaurant. He anticipates the commencement of the audit on February 22<sup>nd</sup> with completion the second week in March, with approximately 110 hours of service. The cost of the annual audit will remain the same as last year, \$9,750.00.

A meeting will be scheduled after the completion of the annual audit for entire board at a date and time to be determined.

Respectfully Submitted,

William McLaughlin  
Committee Chair  
As presented by  
Karen Castle