Westchester Tobacco Asset Securitization Corporation

(A Blended Component Unit of the County of Westchester, New York)

Financial Statements

Years Ended December 31, 2014 and 2013

O'CONNOR DAVIES

PKF

Independent Auditors' Report

The Board of Directors of the
Westchester Tobacco Asset Securitization Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Westchester Tobacco Asset Securitization Corporation ("WTASC"), a blended component unit of the County of Westchester, New York, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the WTASC as of December 31, 2014 and 2013, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

O'CONNOR DAVIES, LLP
500 Mamaroneck Avenue, Suite 301, Harrison, NY 10528 | Tel: 914.381.8900 | Fax: 914.381.8910 | www.odpkf.com

O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Emphasis of Matters

We draw attention to Note 1 in the notes to financial statements that indicates that these financial statements present only the WTASC and do not purport to, and do not present fairly the financial position of the County of Westchester, New York as of December 31, 2014 and 2013 and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

We further draw attention to Note 5 in the notes to financial statements which discusses that the only significant resource of the WTASC is the right to receive tobacco revenues. A reduction in these revenues would affect debt service coverage on the bonds. If the reduction were material, it could impair the ability of the WTASC to make Turbo Redemption payments or even its ability to pay required bond structuring amounts as they are due. As a result, actual payments may not conform to either the Turbo Redemption maturities or the required bond structuring amounts.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements and other knowledge we obtained during our audit of the 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 May 12, 2015 on our consideration of the WTASC'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 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 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 the WTASC's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

We have also issued our report dated May 12, 2015 on our consideration of the WTASC's compliance with Section 2925(3)(f) of the New York State Public Authorities Law ("Law"). The purpose of that report is to describe the scope and results of our tests of compliance with the Law.

O'Connor Davies, LLP

O'Connor Davies, LLP
Harrison, New York
May 12, 2015

Westchester Tobacco
Asset Securitization Corporation
(A Blended Component Unit of the County of Westchester, New York)

Management's Discussion and Analysis (MD&A)
December 31, 2014

Introduction

As management of the Westchester Tobacco Asset Securitization Corporation ("WTASC"), we offer readers of the WTASC's financial statements this narrative overview and analysis of the financial activities of the WTASC for the fiscal year ended December 31, 2014. It should be read in conjunction with the financial statements, which immediately follow this section, to enhance understanding of the WTASC's financial performance.

Financial Highlights

- On the statement of net position, the liabilities of the WTASC exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year, resulting in a deficit of $133,976,662. The deficit was decreased by $826,988 due to the amount recognized for Tobacco Settlement Revenues ("TSR's") of $13,077,885 less operating expenses of $135,234, non-operating net interest expense of $10,321,688 and TSR's residual payment to Westchester County of $1,793,975.

- The Governmental Accounting Standards Board ("GASB") issued Technical Bulletin 2004-1, "*Tobacco Settlement Recognition and Financial Reporting Entity Issues*", as amended and/or superseded by GASB Statement No. 48 "*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*", which clarified certain asset and revenue recognition criteria. Prior to the issuance of this guidance, the WTASC had recognized as a receivable/revenue the present value of the future tobacco revenue stream. The new guidance required a reversal of this position, in that it promulgated that TSR's and the related asset only be recognized when the event giving rise to recognition (i.e. the shipment of cigarettes) occurs. Because annual TSR payments are based on cigarette sales from the preceding calendar year, the WTASC was prohibited from recognizing this future revenue stream as a receivable. Accordingly, the only revenue recognition allowed was for TSR payments to be received in the immediately succeeding fiscal year, as these payments were based on cigarette shipments in the year under audit. This had the effect of deferring revenue recognition, which results in the deficit position reflected on the statement of net position. Over time, as TSR payments are received and the bonded indebtedness is retired, the deficit will be reduced.

Financial Statements

The *statement of net position* presents information on the WTASC's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as *net position.* The *statement of revenues, expenses and changes in net position* presents information showing how the WTASC'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 (for example, accounts receivable, amounts due to County of Westchester and accrued interest payable).

The notes to financial statements provide additional information that is essential to a full understanding of the data provided in the statement of net position and the statement of revenues, expenses and changes in net position. The notes to financial statements are located beginning on page 8 of this report.

Financial Analysis

Net position increased by $826,988 in 2014, compared with an increase of $2,607,409 in 2013, a difference of $1,780,421. This decrease from the prior year is due to the decrease in the recognition of tobacco settlement revenues of $2,212,946, an increase in other operating expenses of $5,317, partially offset by reduced net interest expense of $132,565 and a decrease in the residual payment of $305,277 due to the County of Westchester.

Debt Administration

At the end of the current fiscal year, the WTASC had total gross bonded debt outstanding of $191,650,000. Although no planned structured principal payments were required to be made, the WTASC was able to make an additional "Turbo Redemption" payment of $3,600,000, and to date has made principal payments of $24,950,000.

Additional information on the WTASC's long-term debt can be found in Note 3 in the notes to financial statements.

Economic Factors

The bonds are payable only from the assets of the WTASC. WTASC's only source of funds for payments on the bonds is the collections of TSR's and amounts on deposit in pledged accounts (i.e. liquidity and debt service reserves and Turbo Redemption accounts) pursuant to the indenture. If a participating manufacturer becomes a debtor in a bankruptcy case and defaults in making payments or cigarette consumption declines, funds available to WTASC to pay bondholders may be reduced or eliminated.

Requests for Information

This financial report is designed to provide a general overview of the WTASC's finances for all those with an interest in those finances. Questions and comments concerning any of the information provided in this report should be addressed to Dennis C. Kelly, Deputy Commissioner of Finance, County of Westchester, 148 Martine Avenue, White Plains, New York 10601.

Westchester Tobacco Asset Securitization Corporation
(A Blended Component Unit of the County of Westchester, New York)

Comparative Statement of Net Position
December 31,

	2014	2013
ASSETS		
Current assets		
Cash and equivalents	$ 130,988	$ 106,192
Receivables		
Tobacco settlement	13,077,885	15,282,056
Interest	123,018	123,018
Total Current Assets	13,331,891	15,511,266
Noncurrent assets		
Restricted cash and equivalents	299,528	106,121
Restricted investments	14,133,625	14,133,625
Total Noncurrent Assets	14,433,153	14,239,746
Total Assets	27,765,044	29,751,012
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amounts on refunding bonds	28,953,096	29,904,978
LIABILITIES		
Current liabilities		
Accounts payable	55,000	20,000
Due to County of Westchester	1,793,975	2,099,252
Accrued interest payable	813,573	827,073
Total Current Liabilities	2,662,548	2,946,325
Noncurrent liabilities		
Bonds payable	188,032,254	191,513,315
Total Liabilities	190,694,802	194,459,640
NET POSITION		
Unrestricted	$ (133,976,662)	$ (134,803,650)

See notes to financial statements.

Westchester Tobacco Asset Securitization Corporation
(A Blended Component Unit of the County of Westchester, New York)

Comparative Statement of Revenues, Expenses and Changes in Net Position
Years Ended December 31,

	2014	2013
OPERATING REVENUES		
Tobacco settlement revenues	$ 13,077,885	$ 15,290,831
OPERATING EXPENSES		
Professional fees	85,848	85,419
Insurance expense	49,386	44,498
Total Operating Expenses	135,234	129,917
Income from Operations	12,942,651	15,160,914
NON-OPERATING REVENUES (EXPENSES)		
Interest income	579,508	579,599
Interest expense	(10,901,196)	(11,033,852)
Residual payment to County of Westchester	(1,793,975)	(2,099,252)
Total Non-Operating Expenses	(12,115,663)	(12,553,505)
Change in Net Position	826,988	2,607,409
NET POSITION		
Beginning of Year	(134,803,650)	(137,411,059)
End of Year	$ (133,976,662)	$ (134,803,650)

See notes to financial statements.

Westchester Tobacco Asset Securitization Corporation
(A Blended Component Unit of the County of Westchester, New York)

Comparative Statement of Cash Flows
Years Ended December 31,

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from tobacco settlement revenues	$ 15,282,056	$ 13,508,046
Cash paid to vendors	(100,234)	(129,917)
Net Cash from Operating Activities	15,181,822	13,378,129
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in restricted cash and equivalents	(193,407)	(104,525)
Interest income	579,508	579,599
Net Cash from Investing Activities	386,101	475,074
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Repayment of bonds payable	(3,600,000)	(2,035,000)
Interest paid	(9,843,875)	(9,970,662)
Residual payment to County of Westchester	(2,099,252)	(1,852,337)
Net Cash from Non-Capital Financing Activities	(15,543,127)	(13,857,999)
Net Change in Cash and Equivalents	24,796	(4,796)
CASH AND EQUIVALENTS		
Beginning of Year	106,192	110,988
End of Year	$ 130,988	$ 106,192
RECONCILIATION OF INCOME FROM OPERATIONS TO NET CASH FROM OPERATING ACTIVITIES		
Income from operations	$ 12,942,651	$ 15,160,914
Adjustments to reconcile income from operations to net cash from operating activities		
Changes in assets and liabilities		
Tobacco settlement receivable	2,204,171	(1,782,785)
Accounts payable	35,000	-
Net Cash from Operating Activities	$ 15,181,822	$ 13,378,129
NONCASH NON-CAPITAL FINANCING ACTIVITIES		
Increase in bonds payable from amortization of original issue discount	$ 118,939	$ 118,939
Decrease in deferred outflows of resources from amortization of loss on refunding	951,882	951,882

See notes to financial statements.

Note 1 - Nature of Business and Summary of Significant Accounting Principles

Nature of Business

The Westchester Tobacco Asset Securitization Corporation ("WTASC") is a special purpose corporation and a subsidiary corporation of the Westchester County Health Care Corporation ("WCHCC"). WTASC was organized under the provisions of Section 1411 of the New York State Not-For-Profit Corporation Law and pursuant to Section 3306(7) of the Public Authorities Law of the State of New York. The Board of Directors of WTASC consists of three members; one director designated by WCHCC to be the Commissioner of Finance of the County of Westchester, New York ("County"), one director designated by WCHCC to be the WCHCC board representative, selected by the Majority Leader of the County Board of Legislators and a third director who meets certain requirements of independence and shall be designated by the other two members.

An agreement among the attorneys general of 46 states and various territories ("Settling States") and the four largest United States tobacco manufacturers was entered into on November 23, 1998. The agreement, known as the Master Settlement Agreement ("MSA"), resolved cigarette smoking-related litigation between the Settling States and U.S. Tobacco manufacturers. Pursuant to the MSA, the Settling States and the participating manufacturers agreed to settle all past, present and future smoking related claims in exchange for an agreement by the participating manufacturers to make certain payments. Under the MSA, the State of New York is entitled to receive approximately 12.76% of the initial and annual payments. The New York Consent Decree, which was entered into in the Supreme Court of the State of New York for the County of New York in December 1998, allocated 1.926% of this State-wide share of the initial and annual payments to the County and the remainder among the State, the City of New York and all other counties within the State.

During 1999, the County sold all of its future rights, title and interest to receive payments under the MSA and the Consent Decree to WTASC, which issued $103,504,558 in Tobacco Settlement Asset-Backed Bonds, Series 1999 ("Series 1999"). During 2005, WTASC issued $216,600,000 of Tobacco Settlement Asset-Backed Bonds Series 2005 ("Series 2005"), the proceeds of which were used to 1) refund the outstanding Series 1999 bonds, 2) fund the Liquidity Reserve Account at its required level, 3) pay certain costs of issuance related to the Series 2005 bonds and 4) provide the County with funds for working capital purposes. The Series 2005 bonds are payable from and secured solely from the pledged Tobacco Settlement Revenues ("TSR's"), which consists of investment earnings and the annual total TSR payments, less the portion thereof that constitutes unencumbered revenues. Unencumbered revenues consist of 13.85% of each payment of TSR's. The County, as owner of the beneficial interest in the Residual Trust which holds the Residual Certificate, will be entitled to receive these unencumbered revenues free and clear of the lien of the indenture. Bondholders will have no claim on the unencumbered revenues if pledged revenues are insufficient to pay principal and/or interest on the Series 2005 bonds. The debt issued by WTASC to securitize these revenues is not considered debt of the County or the WCHCC.

Entity Definition

Based on the guidance provided by Governmental Accounting Standards Board ("GASB") Technical Bulletin No. 2004-1, "*Tobacco Settlement Recognition and Financial Reporting Entity Issues*", as amended and/or superseded by GASB Statement No. 48, "*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*", the WTASC is reported as a blended component unit of the County in its financial statements.

Note 1 - Nature of Business and Summary of Significant Accounting Principles (Continued)

Basis of Presentation

A fund is an independent fiscal and accounting entity with a self-balancing set of accounts which comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenses. The accounts of the WTASC are maintained on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The WTASC applies all applicable Financial Accounting Standards Board guidance issued after November 30, 1989 in accounting for and reporting on its operations.

The accompanying financial statements present only the activities of the WTASC and do not purport to, and do not, present fairly the financial position of the County or the WCHCC as of December 31, 2014 and 2013 and the changes in its financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Cash and Equivalents

Cash and equivalents consist of demand deposit accounts, time deposit accounts, money market accounts and certificates of deposit with original maturities of three months or less.

Restricted Cash and Equivalents and Investments

The terms of the bond indenture provide for the establishment of a liquidity reserve. The reserve was initially funded from the proceeds of the issuance of the Series 2005 bonds in an amount equal to $14,133,625, the maximum annual debt service requirement based on planned structured principal payments.

Restricted cash and equivalents consists of funds held in the Debt Service, Liquidity Reserve and Collection Fund accounts whose use is restricted to the payment of debt obligations on the WTASC bonds.

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 represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then.

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 represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

As of December 31, 2014 and 2013, the WTASC reported deferred outflows of resources of $28,953,096 and $29,904,978, respectively. The deferred outflow of resources amount is the result of the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and is being amortized over the life of the refunded debt.

Note 1 - Nature of Business and Summary of Significant Accounting Principles (Continued)

Tax Status

The WTASC is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code and is a 501(c)(3) organization.

Use of Estimates

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

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is May 12, 2015.

Note 2 - Restricted Investments

Restricted investments at December 31, 2014 and 2013 consisted of the following -

Security Benefit Life Insurance Company fixed annuity due April 2045, interest at 4.1%	$ 14,133,625

Note 3 - Bonds Payable

WTASC issued bonds on June 15, 2005 as follows:

$29,600,000 of Turbo Term Bonds due June 1, 2021 with interest at 4.5% and an initial projected final Turbo Redemption date of June 1, 2012.* Balance due at December 31, 2014 is $4,650,000.

$24,100,000 of Turbo Term Bonds due June 1, 2026 with interest at 5.0% and a projected final Turbo Redemption date of June 1, 2016.* Balance due at December 31, 2014 is $24,100,000.

$81,200,000 of Turbo Term Bonds due June 1, 2038 with interest at 5.125% and a projected final Turbo Redemption date of June 1, 2023.* Balance due at December 31, 2014 is $81,200,000.

$81,700,000 of Turbo Term Bonds due June 1, 2045 with interest at 5.125% and a projected final Turbo Redemption date of June 1, 2026.* Balance due at December 31, 2014 is $81,700,000.

*Assumes Turbo Redemption payments are made based on the receipt of surplus pledged TSR's in accordance with the 2005 Indenture Global Insight Base Case Forecast of future tobacco consumption.

Note 3 - Bonds Payable (Continued)

A schedule of planned structured principal maturities as of December 31, 2014 is as follows:

Year Ending December 31,	Principal	Interest	Total
2015	$ -	$ 9,762,875	$ 9,762,875
2016	-	9,762,875	9,762,875
2017	-	9,762,875	9,762,875
2018	-	9,762,875	9,762,875
2019	-	9,762,875	9,762,875
2020-2045	191,650,000	157,780,313	349,430,313
	191,650,000	$ 206,594,688	$ 398,244,688
Unamortized Original Issue Discount	(3,617,746)		
	$ 188,032,254		

Note 4 - Prior Year Defeasance

In 2005, the WTASC defeased the 1999 bonds by placing a portion of the proceeds of the new bonds in an irrevocable trust to provide for all debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the WTASC's financial statements. At December 31, 2014, $97,575,000 of the remaining 1999 bonds outstanding are considered defeased.

Note 5 - Significant Contingencies

Contingencies

The enforceability of the rights and remedies of the State (and thus the bondholders) and of the obligations of a participating manufacturer under the MSA are subject to the Bankruptcy Code and the other applicable insolvency, moratorium or similar laws relating to or affecting the enforcement of creditors' rights. Some of the risks include risks of delay in or reduction of amounts of payment or of non-payment under the MSA and the risk that the State (and thus the County and/or WTASC) may be stayed for an extended time from enforcing any rights under the MSA and the Consent Decree or with respect to the payments owed by the bankrupt participating manufacturer or from commencing legal proceedings against the bankrupt participating manufacturer. As a result, if a participating manufacturer becomes a debtor in a bankruptcy case and defaults in making payment, funds available to WTASC to pay bondholders may be reduced or eliminated.

The bonds are payable only from the assets of WTASC. The bonds are neither legal nor moral obligations of WCHCC, the County or the State of New York, and no recourse may be had thereto for payment of amounts owing on the bonds. WTASC's only source of funds for payments on the bonds is the collections and amounts on deposit in pledged accounts pursuant to the indenture. WTASC has no taxing power and no significant assets other than the rights to receive tobacco settlement revenues and amounts on deposit in a pledged account amounting to $14,133,625.

*****

O'CONNOR DAVIES

PKF

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*

Independent Auditors' Report

The Board of Directors of the
Westchester 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 Westchester Tobacco Asset Securitization Corporation, New York ("WTASC") as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements and have issued our report thereon dated May 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the WTASC's internal control over financial reporting ("internal control") to determine the audit 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 the WTASC's internal control. Accordingly, we do not express an opinion on the effectiveness of the WTASC'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 WTASC'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.

O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the WTASC'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 determination of financial statement amounts. 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 WTASC'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 WTASC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Connor Davies, LLP

O'Connor Davies, LLP
Harrison, New York
May 12, 2015

O'CONNOR DAVIES

PKF

Independent Accountants' Report on Compliance with Section 2925(3)(f) of the New York State Public Authorities Law

The Board of Directors of the
Westchester Tobacco Asset Securitization Corporation

We have examined the Westchester Tobacco Asset Securitization Corporation, New York's ("WTASC") compliance with Section 2925(3)(f) of the New York State Public Authorities Law during the years ended December 31, 2014 and 2013. Management is responsible for the WTASC's compliance with those requirements. Our responsibility is to express an opinion on the WTASC's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included examining on a test basis evidence supporting the WTASC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the WTASC's compliance with specified requirements.

In our opinion, the WTASC complied, in all material respects, with the aforementioned requirements during the years ended December 31, 2014 and 2013.

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

O'Connor Davies, LLP

O'Connor Davies, LLP
Harrison, New York
May 12, 2015

O'CONNOR DAVIES, LLP
500 Mamaroneck Avenue, Suite 301, Harrison, NY 10528 | Tel: 914.381.8900 | Fax: 914.381.8910 | www.odpkf.com

O'Connor Davies, LLP is a member firm of the PKF International Limited network of legally independent firms and does not accept any responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.