

2014 ANNUAL REPORT
Dated as of March 31, 2015

This report has been prepared in compliance with the Public Authorities Reform Act of 2009. It is not intended to be a substitute for, or to replace the Suffolk Tobacco Asset Securitization Corporation's (herein referred to as either "STASC" or the "Corporation") Financial Statements prepared as of December 31, 2014.

1. The Corporation's mission statement is as follows:

The Suffolk Tobacco Asset Securitization Corporation ("STASC" or "Corporation") is a not-for-profit local development corporation organized under the Not-For-Profit Corporation Law of the State of New York. The Corporation was formed exclusively for the purpose of acquiring from the County of Suffolk any and all of the right, title and interest in Tobacco Settlement Revenues ("TSR"s) of the County under the Master Settlement Agreement ("MSA") and the Decree and Final Judgment (the "Decree") with respect to tobacco-related litigation among various settling states and participating tobacco product manufacturers.

The STASC is legally separate and distinct from Suffolk County. The purpose of the STASC is to collect receipts from the tobacco settlement to service its debt in connection with the issuance of bonds that were made as part of the transaction.

2. Operations and Accomplishments.

During 2014, the Corporation received pledged revenue for the 2008 bonds amounting to \$13,769,655, or 86.7% of total principal and interest payments made on the 2008 Series Bonds during the year. The Corporation withdrew \$1,402,167 from the 2008 Senior Liquidity Reserve to pay a portion of the interest payment on the Bonds due on December 1, 2014.

During 2014, the Corporation received pledged revenue for the 2012 bonds amounting to \$7,439,553, of this amount, \$2,801,356 was used to pay 2012 bond principal and interest and \$4,635,197 was transferred to the residual trust.

In 2014, the Corporation's TSRs payment was 13.13% higher than the amount in 2013. This increase is due to the one-time settlement payment received from the tobacco companies in 2014 regarding the 2003 Non-Participating Manufacturer adjustment.

At the end of the current year, unassigned fund balance for the general fund was \$178,343 or 207% of total general fund expenditures.

3. A summary of the Corporation's financial activity for the year ending 2014 are as follows:

Condensed Statement of Net Position (Deficit)
Governmental Activities
As of December 31,

	<u>2014</u>
Assets	
Current and other assets	\$ 19,725,271
Total Assets	<u>19,725,271</u>
Deferred Outflows of Resources	
Purchase of future tobacco settlement revenue	<u>210,578,650</u>
Liabilities	
Current liabilities	2,961,055
Non-current liabilities	<u>301,499,414</u>
Total Liabilities	<u>304,460,469</u>
Net Position (Deficit)	
Unrestricted	<u>(74,156,548)</u>
Total Net Position (Deficit)	<u>\$ (74,156,548)</u>

Condensed Statement of Activities
Governmental Activities

	<u>Year ended December 31, 2014</u>
General Revenues	
Interest on investments	\$ 817,678
Tobacco settlement revenue	<u>21,209,208</u>
Total General Revenues	<u>22,026,886</u>
Expenses	
General government support	95,276
Transfer to residual trust	4,635,197
Amortization of deferred outflows of resources	5,987,333
Interest on debt	<u>18,990,521</u>
Total Expenses	<u>29,708,327</u>
Increase in Net Deficit	(7,681,441)
Net Position (Deficit) at Beginning of Year	<u>(66,475,107)</u>
Net Position (Deficit) at End of Year	<u>\$ (74,156,548)</u>

Summary of long-term obligations is as follows:

	Balance 1/1/14	Increases	Reductions	Balance 12/31/14
Bonds	\$ 263,726,863		\$ (1,485,000)	\$ 262,241,863
Plus: accreted interest	41,618,320	\$ 1,662,543		43,280,863
Plus: unamortized premiums	675,351		(28,841)	646,510
Less: unamortized discounts	(3,302,371)	155,695		(3,146,676)
Total bonds	\$ 302,718,163	\$ 1,818,238	\$ (1,513,841)	\$ 303,022,560

4. Bonds of the Corporation outstanding as of December 31, 2014.

Bonds - Tobacco Settlement Asset-Backed Bonds issued in 2008 and 2012 for the purchase of future rights to TSRs are secured by a pledge of revenues to be derived from TSR receipts after the deduction of the amounts necessary to pay all operating charges. Principal and interest paid on these bonds in 2014 totaled \$18,689,766. Interest on select Series 2008 Bonds and Series 2012 Bonds is excluded from the gross income of the bondholders for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code.

Any additional pledged revenues received above the required debt service payments for the Series 2008 Bonds are used to turbo redeem the outstanding bonds. Any additional pledged revenues received above the required debt service payments for the Series 2012 Bonds are transferred to the 2012 Residual Trust.

For the Series 2008 Bonds, pledged revenues consist of a portion of the TSRs equal to 36% of the annual payments received by the Corporation through December 31, 2012, and 75% thereafter and like percentages of any lump sum payment made in lieu of such annual payments. Pledged revenue does not include 100% of TSRs representing amounts withheld or deposited in the Disputed Payments Account under the MSA before August 21, 2008, regardless of when such amounts are received. Pledged revenue received in 2014 amounted to \$13,769,655, or 86.7% of total principal and interest payments made on the 2008 Series Bonds during the year. The Corporation withdrew \$1,402,167 from the 2008 Senior Liquidity Reserve to pay a portion of the interest payment on the Bonds due on December 1, 2014.

For the Series 2012 Bonds, pledged revenues consist of a portion of the TSRs equal to 64% of TSRs received by the Corporation through December 31, 2012, 25% of TSRs received thereafter and 100% of TSRs representing amounts withheld or deposited in the Disputed Payments Account under the MSA before August 21, 2008, regardless of when such amounts are received. Pledged revenue received in 2014 amounted to \$7,439,553, of this amount, \$2,801,356 was used to pay 2012 bond principal and interest, \$4,635,197 was transferred to the residual trust, and \$3,000 was used to pay the 2012 trustee fees.

Payments with respect to the Series 2008 Bonds and Series 2012 Bonds are dependent upon receipt of TSRs. The Series 2008 Bonds are special obligations of the Corporation payable solely from the pledged revenues, the 2008 Liquidity Reserve Account, and other funds and accounts under the 2008 Indenture. The Series 2012 Bonds are special obligations of the Corporation payable solely from the pledged revenues, the 2012 Liquidity Reserve Account, and other funds and accounts under the 2012 Indenture. The Corporation has no other assets available for the payment of the Series 2008 Bonds and Series 2012 Bonds.

The amount of TSRs received is dependent on many factors, including future domestic cigarette consumption, the financial capability of the Participating Manufacturers (the "PMs"), litigation affecting the MSA and related legislation, enforcement of state legislation related to the MSA and the tobacco industry. Payments by the PMs under the MSA are subject to certain adjustments, which may be material.

Long-Term Debt
December 31, 2014

Description	Original Date Issued	Original Amount	Interest Rate	Maturity Date	Amount Outstanding	Amount Outstanding Including Accreted Interest
2008A	08/21/08	\$ 9,765,000	4.000 - 5.000%	8/1/12-8/1/18	\$ 5,085,000	\$ 5,085,000
2008B (2028)	08/21/08	40,045,000	5.375%	6/1/2028	37,525,000	37,525,000
2008B (2048)	08/21/08	62,295,000	6.000%	6/1/2048	62,295,000	62,295,000
2008C	08/21/08	107,671,781	6.625%	6/1/2044	107,671,781	142,295,000
2008D	08/21/08	13,375,082	6.000%	6/1/2048	13,375,082	22,032,726
2012A	03/29/12	3,740,000	1.830 - 3.320%	8/1/13-8/1/16	1,855,000	1,855,000
2012B	03/29/12	34,835,000	4.000 - 5.000%	8/1/16-8/1/37	34,835,000	34,835,000
Unamortized Bond Discounts						(3,146,676)
Unamortized Bond Premiums						846,510
						<u>\$ 303,022,580</u>

In 2014, the Corporation's TSRs payment was 13.13% higher than the amount in 2013. This increase is due to the one-time settlement payment received from the tobacco companies in 2014 regarding the 2003 Non-Participating Manufacturer adjustment.

The Corporation's bond ratings, as assigned by Fitch Ratings, remained stable for the Series 2008A Current Interest Serial Bonds at BBB+, which are due in multiple increments through 2018. The Corporation's \$40,045,000 Series 2008B Current Interest Turbo Term Bonds, due on June 1, 2028, was affirmed a BBB- rating level with a negative outlook during 2014. The Corporation's \$62,295,000 Series 2008B Current Interest Turbo Term Bonds, due June 1, 2048 and \$107,671,781 Series 2008C Convertible Capital Appreciation Turbo Term Bonds, due on June 1, 2044, were each affirmed a BB- rating level with a negative outlook during 2014. Lastly, the Corporation's \$13,375,082 Series 2008D Convertible Capital Appreciation Turbo Term Bonds, due June 1, 2048, was affirmed a B rating level with a negative outlook during 2014.

5. The Corporation's compensation schedule.

The Corporation had no employees.

6. Projects undertaken by the Corporation during 2014.

The Corporation did not undertake any projects during 2014.

7. Real property owned and or disposed of by the Corporation.

The Corporation did not own or sell any real property during 2014 and does not currently own any real property.

CERTIFICATE OF THE CHIEF EXECUTIVE OFFICER AND THE CHIEF FINANCIAL OFFICER OF SUFFOLK TOBACCO ASSET SECURITIZATION CORPORATION

The undersigned chief executive officer and chief financial officer of Suffolk Tobacco Asset Securitization Corporation, a local development corporation organized pursuant to Section 1411 of the Not-For-Profit Corporation Law of the State of New York, hereby certify, pursuant to subdivision 3 of Section 2800 of the Public Authorities Law, as follows:

The financial information provided within the Annual Report of the Suffolk Tobacco Asset Securitization Corporation (the "Corporation"), dated as of March 31, 2015 (the "Annual Report"), is based upon audited financial statements and to the best of our knowledge, is accurate, correct and does not contain any untrue statement of material fact. The Annual Report does not omit any material fact which, if omitted, would cause the report to be misleading in the light of the circumstances under which the report and any such statements made therein are made. The Annual Report fairly represents in all material respects the financial condition and results of operations of the Corporation as of, and for, the periods presented in said report. IN WITNESS WHEREOF, the undersigned chief executive officer and chief financial officer have executed this Certificate as of this 31st day of March, 2015.



President/CEO

Vacant at December 31, 2014
Treasurer/CFO