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WESTCHESTER TOBACCO ASSET SECURITIZATION CORPORATION

ANNUAL REPORT FOR 2013

This annual report is prepared in compliance with the New York State Public Authorities Reform Act of 2009. For additional information on Westchester Tobacco Asset Securitization Corporation (WTASC) and WTASC's December 31 yearend financial statements, please refer to WTASC's website at http://www.westchestertasc.com.

NATURE OF WESTCHESTER TOBACCO ASSET SECURITIZATION CORPORATION 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

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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. *See section Bonds Payable included in this Annual Report*.

MISSION STATEMENT, PERFORMANCE GOALS, and PERFORMANCE ACCOMPLISHMENTS

for 2013 and PERFORMANCE GOALS FORECAST for 2014

MISSION STATEMENT BACKGROUND

Chapter 506 of the Public Authorities Reform Act of 2009 ("PARA"), which also added a new section 2824-a in Public Authorities Law ("PAL") for State and Local Public Authorities, requires the development and adoption of a Mission Statement and related Performance Measures to assist the authority in determining how well it is carrying out its Mission.

MISSION STATEMENT

To administer and account for the receipt of Tobacco Settlement Revenues generated from the Master Settlement Agreement among the attorneys general of 46 states and various territories and the four largest United States tobacco manufacturers entered into on November 23, 1998.

Also, as part of this administration and accounting, WTASC has debt outstanding (further described in the "Nature of Westchester Tobacco Asset Securitization Corporation Business" above) which, in accordance with debt instruments, requires debt service for principal and interest in a timely fashion. 1999 and 2005 Net bond proceeds for this debt provided the County of Westchester with funds for working capital purposes.

Excess tobacco settlement revenues and interest earnings over debt service, the residual amount due the County of Westchester, and operating costs are also monitored and utilized for prepayment of WTASC debt.

WTASC's continuing public purpose and mission is to satisfy its obligations under the Trust Indentures associated with the Tobacco Settlement Asset-Backed Bonds, Series 2005 and compliance with other Trust Indenture requirements as well as articles of the By-Laws of the Corporation.

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ANNUAL PERFORMANCE REVIEW MEASURES

WTASC shall *annually review* this Mission statement to determine whether or not WTASC has continued to meet its stated mission.

In addition to the abovementioned annual Mission statement review, WTASC shall further measure the performance of the following items:

1) Assure that all members of the Board have *acknowledged the Mission* of WTASC.
2) The Financial Statements of WTASC continue to be *audited* by a competent professional accounting firm, preferably having as clients other Tobacco entities receiving Master Settlement Agreement funds.
3) Assure that WTASC *accounting* continues to comply with current Governmental Accounting Standards Board ("GASB") accounting requirements.
4) Assure that *debt obligations are paid* in accordance with the 2005 Bond indenture.
5) Assure that the WTASC *expenditures are only for requirements* of the operations of WTASC and are being incurred on a consistent basis.
6) Assure *timely transfers* of Tobacco Settlement Revenues when received to maximize asset investment, payment of debt obligations and, if funds are available, prepayment of Bonds.
7) The Board of Directors of the WTASC *continues to be satisfied with internal controls* of the WTASC.
8) Financials of the WTASC are posted annually to EMMA (*Electronic Municipal Market Access*).
9) Key New York State PARIS filings for the WTASC are made.

PERFORMANCE MEASUREMENTS for 2013

Tobacco Settlement Revenues received on April 15th and 17th of 2013 amounting to $13,499,270.75 were timely invested. An additional Tobacco amount of $8,775.18 was received on April 24, 2013. Subsequently, the interest payments due on June 3, 2013 of $5,008,225.00 and on December 2, 2013 of $4,962,437.50 were timely paid.

In addition, due to excess tobacco settlement revenues and interest earnings over debt service, the residual amount due the County of Westchester, and operating costs, the WTASC was able to prepay on June 3, 2013 $2,035,000 of future principal payment requirements.

PERFORMANCE MEASUREMENTS FORECASTED for 2014

Tobacco Settlement Revenues received on April 16th and 17th of 2014 amounting to $15,282,055.51 were timely invested, and are available for the scheduled interest payments due on June 1, 2014 of $4,962,437.50 and on December 1, 2014 estimated to be $4,881,437.50.
Note: Interest payments continue to decrease in amount due to the continued prepayment of Bonds ($24,950,000 accumulated total estimated as of June 1, 2014) as indicated by the 2013 and 2014 activity mentioned for 2013 above and 2014 below.

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Due to excess tobacco settlement revenues and interest earnings over debt service, the residual amount due the County of Westchester, and operating costs, it is estimated the WTASC will also be able to prepay on June 1, 2014 $3,600,000 of future principal payment requirements.

LIST OF ADDITIONAL QUESTIONS

1) Have the board members acknowledged that they have read and understood the mission of the Public Authority?
   The members of the WTASC Board of Directors acknowledged that they have read and understood the mission of the WTASC.
2) Who has the power to appoint the management of the Public Authority?
   The Board of Directors appoints the officers of the WTASC. However, per Article III (Officers) section 1 of the WTASC by-laws, ***the Treasurer shall at all times be the individual from time to time exercising the powers and duties of the Commissioner of Finance of Westchester County.***
3) If the Board appoints management, do you have a policy to follow when appointing management of the Public Authority?
   The Board of Directors follows the by-laws and reviews the qualifications of the proposed candidate when appointing officers and management.
4) Briefly describe the role of the Board of Directors and the role of Management in implementation of the Mission.
   In implementing the Mission of the WTASC, the Board of Directors approves all policies, financial statements including budgets, contracts and purchases, election of officers, and oversees corporate management. Management oversees and fulfills the requirements of the WTASC's day to day operations.
5) Has the Board of Directors acknowledged that they have read and understood the responses to each of these questions?
   The Board of Directors acknowledged that they have read and understood the responses to these questions and approved their submission.

COMPARATIVE FINANCIAL STATEMENTS for 2013 and 2012

The s*tatement 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 s*tatement 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).

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The notes to financial statements are located beginning on page 8 of the financial statements report and should be read to have a full understanding of the data provided in the statements of net position and revenues ,expenses and changes in net position. http://www.westchestertasc.com

COMPARATIVE STATEMENT OF NET POSITION

	12/31/2013	12/31/2012 (Restated)
ASSETS		
Current Assets:		
Cash and equivalents	$ 106,192	$ 110,988
Tobacco receivable	15,282,056	13,499,271
Interest receivable	123,018	123,018
Total Current Assets	15,511,266	13,733,277
Noncurrent Assets:		
Restricted cash and equivalents	106,121	1,596
Restricted investments	14,133,625	14,133,625
Total Noncurrent Assets	14,239,746	14,135,221
Total Assets	29,751,012	27,868,498
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charges on refunding	29,904,978	30,856,860
LIABILITIES		
Current Liabilities:		
Accounts payable	20,000	20,000
Due to County of Westchester	2,099,252	1,852,337
Accrued interest payable	827,073	834,704
Total Current Liabilities	2,946,325	2,707,041
Noncurrent Liabilities -Bonds payable	191,513,315	193,429,376
Total Liabilities	194,459,640	196,136,417
NET POSITION		
Unrestricted	$ (134,803,650)	$ (137,411,059)

Financial Highlights

2013

For the year ended December 31, 2013, the WTASC implemented the following GASB statements:

GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* which improves financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on an entity's net position; and

GASB Statement No.65 *Items Previously Reported as Assets and Liabilities* which improves financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of

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resources and deferred inflows of resources to ensure consistency in financial reporting. Due to the adoption of this new accounting principle, the 2012 opening unamortized balance of $3,041,565 for the Cost of Issuance was expensed to the 2012 Beginning Net Position.

At the close of 2013, the liabilities of the WTASC exceeded its assets and deferred outflows of resources, resulting in a deficit of $134,803,650. The deficit was decreased by $2,607,409, due to the amount recognized for Tobacco Settlement Revenues ("TSR's") of $15,290,831 less operating expenses of $129,917, non-operating net interest expense of $10,454,253 and TSR's residual payment to Westchester County of $ 2,099,252.

2012

At the close of 2012, the liabilities of the WTASC exceeded its assets and deferred outflows of resources, resulting in a deficit of $137,411,059. The deficit was decreased in 2012 by $978,838, due to the amount recognized for TSR's of $13,499,271 less operating expenses of $122,641, non-operating net interest expense of $10,545,455 and TSR's residual payment to Westchester County of $ 1,852,337.

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	12/31/2013	12/31/2012 (Restated)
Operating Revenues - Tobacco settlement revenues	$ 15,290,831	$ 13,499,271
Operating Expenses:		
Professional fees	85,419	80,440
Insurance expense	44,498	42,201
Total Operating Expenses	129,917	122,641
Income from Operations	15,160,914	13,376,630
Non-Operating Revenues (Expenses):		
Interest income	579,599	580,347
Interest expense	(11,033,852)	(11,125,802)
Residual payment to County of Westchester	(2,099,252)	(1,852,337)
Total Non-Operating Expenses	(12,553,505)	(12,397,792)
Change in Net Position	2,607,409	978,838
Net Position		
Beginning of Year-as previously reported	(134,460,513)	(135,348,332)
Prior-period adjustment: Change in accounting principle		(3,041,565)
Beginning of Year-adjusted	(137,411,059)	(138,389,897)
End of Year	$ (134,803,650)	$ (137,411,059)

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Financial Analysis

2013

The Change in Net Position was as increase of $2,607,409 in 2013, compared with an increase of $978,838 in 2012, a difference of $1,628,571. This increase from the prior year is due to an increase in the recognition of tobacco settlement revenues of $1,791,560 and reduced net interest expense of $91,202, partially offset by an increase in the residual payment of $246,915 due Westchester County and an increase in operating expenses of $7,276.

2012

For 2012, the Change in Net Position was an increase of $978,838, compared with an increase of $909,834 in 2011, a difference of $69,004. This increase from the prior year is due to reduced net interest expense of $87,235,a decrease in the residual payment due Westchester County of $2,378, partially offset by the decrease in the recognition of tobacco settlement revenues of $17,170 and an increase in operating expenses of $3,439.

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 a projected final Turbo Redemption date of June 1, 2012.* *Balance as at December 31, 2013 is $8,250,000.*

$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 as at December 31, 2013 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 as at December 31, 2013 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 as at December 31, 2013 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's Global Insight Base Case Forecast of future tobacco consumption.

A schedule of planned structured principal maturities as of December 31, 2013 is as follows:

Year Ending December 31,	Principal	Interest	Total
2014	$	$ 9,924,875	$ 9,924,875
2015		9,924,875	9,924,875
2016		9,924,875	9,924,875
2017		9,924,875	9,924,875
2018		9,924,875	9,924,875
2019-2045	195,250,000	168,429,688	363,679,688
	195,250,000	$ 218,054,063	$ 413,304,063
Unamortized Original Issue Discount	(3,736,685)		
	$ 191,513,315		

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DEBT ADMINISTRATION

At the end of 2013, the WTASC had total gross bonded debt outstanding of $195,250,000. Although no planned structured principal payments were required to be made, the WTASC was able to make an additional "Turbo Redemption" payment of $2,035,000, and as of yearend 2013 has made principal payments of $21,350,000.

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.

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. This amount is invested in a fixed annuity at Security Benefit Life Insurance Company due April 2045 with an interest rate of 4.1% per annum, and is collateralized at a minimum of 102%.
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.

WTASC's investment policy can be accessed via its website at http://www.westchestertasc.com

COMPENSATION

There are no employees of the WTASC, therefore there is no disclosure of compensation as required by section 2806 (1) of the Public Authorities Law of New York State.

PROJECTS

WTASC has not undertaken any projects or issue any new bonds since June of 2005.

REAL PROPERTY

WTASC historically has never owned any real property.

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