

**HERKIMER TOBACCO ASSET SECURITIZATION  
CORPORATION**

**For the Year Ended December 31, 2017**

**Annual Financial Report**

# HERKIMER TOBACCO ASSET SECURITIZATION CORPORATION

## STATEMENTS OF FINANCIAL POSITION

December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Cash and Cash Equivalents	\$ 78,412	\$ 109,389
Deposits Held With Trustees	1,192,119	1,189,930
Bond Discounts and Escrow Deposits, Net	376,578	389,130
Prepaid Insurance	<u>3,530</u>	<u>3,530</u>
<b>Total Assets</b>	<b><u>\$ 1,650,639</u></b>	<b><u>\$ 1,691,979</u></b>
<b>Liabilities and Unrestricted Net (Deficit)</b>		
<b>Liabilities</b>		
Accrued Interest and Other Expenses	\$ 46,685	\$ 51,372
Long-Term Debt	<u>23,167,455</u>	<u>22,687,221</u>
Total Liabilities	<u>23,214,140</u>	<u>22,738,593</u>
<b>Unrestricted Net (Deficit)</b>		
Unreserved	<u>(21,563,501)</u>	<u>(21,046,614)</u>
<b>Total Liabilities and Unrestricted Net (Deficit)</b>	<b><u>\$ 1,650,639</u></b>	<b><u>\$ 1,691,979</u></b>

**HERKIMER TOBACCO ASSET SECURITIZATION CORPORATION**

**STATEMENTS OF ACTIVITIES**

**For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>Revenue</b>		
Tobacco Settlement Rights (TSR)	\$ 876,792	\$ 1,947,569
Interest Income	<u>11,660</u>	<u>3,381</u>
Total Revenue	<u>888,452</u>	<u>1,950,950</u>
 <b>Program Expenses</b>		
Bond Interest Expense	1,330,699	1,411,195
Professional Fees	15,750	15,750
Director Insurance	4,236	4,247
Bond Trustee Fee	6,849	6,966
Director Fees and Expenses	500	500
Telephone and Rent	2,052	62
Liability Insurance	<u>253</u>	<u>253</u>
Total Expenses	<u>1,360,339</u>	<u>1,438,973</u>
 <b>Changes in Net (Deficit) Before Transfers</b>	(471,887)	511,977
 Transfer to Residual Trust	<u>45,000</u>	<u>0</u>
 <b>Change in Net Income (Deficit)</b>	(516,887)	511,977
 <b>Unrestricted Net (Deficit), Beginning of Year</b>	<u>(21,046,614)</u>	<u>(21,558,591)</u>
 <b>Unrestricted Net (Deficit), End of Year</b>	<u>\$ (21,563,501)</u>	<u>\$ (21,046,614)</u>

**HERKIMER TOBACCO ASSET SECURITIZATION CORPORATION**  
**NEW YORK COUNTIES TOBACCO TRUST IV INDENTURE - SERIES A,B AND C**

**SCHEDULE OF CHANGES IN OUTSTANDING DEBT**

**For the Year Ended December 31, 2017**

Issue	Maturity	Rate	Outstanding Balance At January 1, 2017	Issued	Redeemed	Outstanding Balance At December 31, 2017
Series 2005A	06/01/24	4.25%	\$ 6,200,000	\$ 0	\$ 0	\$ 6,200,000
Series 2005A	06/01/26	4.75%	3,120,000	0	0	3,120,000
Series 2005B	06/01/23	6.00%	630,000	0	40,000	590,000
Series 2005C	06/01/35	6.25%	4,800,000	0	0	4,800,000
	Total		\$ 14,750,000	\$ 0	\$ 40,000	\$ 14,710,000

December 31,	Principal
2018	260,000
2019	690,000
2020	1,490,000
2021	1,585,000
2022	1,690,000
2023-2028	6,935,000
2029-2033	2,060,000
	\$ 14,710,000

**HERKIMER TOBACCO ASSET SECURITIZATION CORPORATION**  
**NEW YORK COUNTIES TOBACCO TRUST IV INDENTURE - SERIES D AND E**  
**SCHEDULE OF CHANGES IN OUTSTANDING DEBT**

**For the Year Ended December 31, 2017**

Issue	Maturity	Rate	Original Principal Balance	Accreted Balance Outstanding at January 1, 2017	Increase	Redeemed	Accreted Balance Outstanding at December 31, 2017
Series 2005D	06/01/27	5.88%	\$ 882,856	\$ 1,646,936	\$ 98,134	\$ 0	\$ 1,745,070
Series 2005E	06/01/29	6.38%	803,145	1,578,375	102,172	0	1,680,547
	Total		\$ 1,686,001	\$ 3,225,311	\$ 200,306	\$ 0	\$ 3,425,617

Schedule of projected future redemptions based upon Global Insight Base Case Consumption Forecast:

December 31,	
2026	\$ 2,365,679
2027	1,671,710
2028	1,692,888
2029	559,445
	<u>\$ 6,289,722</u>

**HERKIMER TOBACCO ASSET SECURITIZATION CORPORATION**  
**NEW YORK COUNTIES TOBACCO TRUST V INDENTURE - SERIES SB4**  
**SCHEDULE OF CHANGES IN OUTSTANDING DEBT**

**For the Year Ended December 31, 2017**

Issue	Maturity	Rate	Original Principal Balance	Accreted Balance Outstanding at January 1, 2017	Increase	Redeemed	Accreted Balance Outstanding at December 31, 2017
Series 2005S4B	2029-2040	7.85%	\$ 2,224,416	\$ 4,994,583	\$ 310,809	\$ 0	\$ 5,305,392

Schedule of projected future redemptions based upon Global Insight Base Case Consumption Forecast:

December 31,	
2029	\$ 1,139,560
2030	1,737,050
2031	1,758,244
2032	1,783,166
2033	1,800,720
2034-2038	9,350,919
2039-2040	2,461,303
	<u>\$ 20,030,962</u>

**HERKIMER TOBACCO ASSET SECURITIZATION CORPORATION**

**NEW YORK COUNTIES TOBACCO TRUST IV and V INDENTURE**

**BOND ISSUANCE COST**

**December 31, 2017**

	<u>Interest Expense</u>			<u>Cummulative Amortization</u>
	<u>Bond Issuance Costs</u>	<u>Underwriter Discount</u>	<u>Original Inv Discount</u>	
12/31/2005	\$ 382,980.77	\$ 272,296.51	\$ 254,907.60	\$910,184.88
<u>Amortization</u>				
12/31/2006	9,118.59	6,483.25	6,069.23	21,671.07
12/31/2007	9,118.59	6,483.25	6,069.23	43,342.14
12/31/2008	9,118.59	6,483.25	6,069.23	65,013.21
12/31/2009	9,118.59	6,483.25	6,069.23	86,684.27
12/31/2010	9,118.59	6,483.25	6,069.23	108,355.34
12/31/2011	9,118.59	6,483.25	6,069.23	130,026.41
12/31/2012	9,118.59	6,483.25	6,069.23	151,697.48
12/31/2013	9,118.59	6,483.25	6,069.23	173,368.55
12/31/2014	9,118.59	6,483.25	6,069.23	195,039.62
12/31/2015	9,118.59	6,483.25	6,069.23	216,710.69
12/31/2016	9,118.59	6,483.25	6,069.23	238,381.75
12/31/2017	9,118.59	6,483.25	6,069.23	260,052.82
12/31/2018	9,118.59	6,483.25	6,069.23	281,723.89
12/31/2019	9,118.59	6,483.25	6,069.23	303,394.96
12/31/2020	9,118.59	6,483.25	6,069.23	325,066.03
12/31/2021	9,118.59	6,483.25	6,069.23	346,737.10
12/31/2022	9,118.59	6,483.25	6,069.23	368,408.17
12/31/2023	9,118.59	6,483.25	6,069.23	390,079.23
12/31/2024	9,118.59	6,483.25	6,069.23	411,750.30
12/31/2025	9,118.59	6,483.25	6,069.23	433,421.37
12/31/2026	9,118.59	6,483.25	6,069.23	455,092.44
12/31/2027	9,118.59	6,483.25	6,069.23	476,763.51
12/31/2028	9,118.59	6,483.25	6,069.23	498,434.58
12/31/2029	9,118.59	6,483.25	6,069.23	520,105.65
12/31/2030	9,118.59	6,483.25	6,069.23	541,776.71
12/31/2031	9,118.59	6,483.25	6,069.23	563,447.78
12/31/2032	9,118.59	6,483.25	6,069.23	585,118.85
12/31/2033	9,118.59	6,483.25	6,069.23	606,789.92
12/31/2034	9,118.59	6,483.25	6,069.23	628,460.99
12/31/2035	9,118.59	6,483.25	6,069.23	650,132.06
12/31/2036	9,118.59	6,483.25	6,069.23	671,803.13
12/31/2037	9,118.59	6,483.25	6,069.23	693,474.19
12/31/2038	9,118.59	6,483.25	6,069.23	715,145.26
12/31/2039	9,118.59	6,483.25	6,069.23	736,816.33
12/31/2040	9,118.59	6,483.25	6,069.23	758,487.40
12/31/2041	9,118.59	6,483.25	6,069.23	780,158.47
12/31/2042	9,118.59	6,483.25	6,069.23	801,829.54
12/31/2043	9,118.59	6,483.25	6,069.23	823,500.61
12/31/2044	9,118.59	6,483.25	6,069.23	845,171.67
12/31/2045	9,118.59	6,483.25	6,069.23	866,842.74
12/31/2046	9,118.59	6,483.25	6,069.23	888,513.81
12/31/2047	9,118.59	6,483.25	6,069.23	910,184.88
	<u><b>382,980.77</b></u>	<u><b>272,296.51</b></u>	<u><b>254,907.60</b></u>	

**HERKIMER TOBACCO ASSET SECURITIZATION CORPORATION**

**NEW YORK COUNTIES TOBACCO TRUST I INDENTURE**

**BOND ISSUANCE COSTS**

**December 31, 2017**

	<u>Bond Issuance Costs</u>	<u>Interest Expense</u>		<u>Cummulative Amortization</u>
		<u>Bond Discount</u>	<u>PV of Escow Deposit</u>	
12/31/2000	258,278.00	373,439.00		631,717.00
12/31/2001	(6,149.48)	(8,891.40)		(15,040.88)
12/31/2002	(6,149.48)	(8,891.40)		(30,081.76)
12/31/2003	(6,149.48)	(8,891.40)		(45,122.64)
12/31/2004	(6,149.48)	(8,891.40)		(60,163.52)
12/31/2005	<u>(6,149.48)</u>	<u>(8,891.40)</u>		<u>(75,204.40)</u>
	227,530.62	328,981.98	1,101,491.80	1,658,004.40
12/31/2006	(45,506.12)	(65,796.40)	(220,298.36)	(331,600.88)
12/31/2007	(45,506.12)	(65,796.40)	(220,298.36)	(663,201.76)
12/31/2008	(45,506.12)	(65,796.40)	(220,298.36)	(994,802.64)
12/31/2009	(45,506.12)	(65,796.40)	(220,298.36)	(1,326,403.52)
12/31/2010	<u>(45,506.12)</u>	<u>(65,796.40)</u>	<u>(220,298.36)</u>	<u>(1,658,004.40)</u>
	<u>\$ (227,530.62)</u>	<u>\$ (328,981.98)</u>	<u>\$ (1,101,491.80)</u>	



**HERKIMER TOBACCO ASSET SECURITIZATION CORPORATION**

**OPERATIONS AND ACCOMPLISHMENTS**

**For the Year Ended December 31, 2017**

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The Corporation collected receipts from the tobacco settlement and serviced its debt in accordance with the New York Counties Tobacco Trust IV.

**HERKIMER TOBACCO ASSET SECURITIZATION CORPORATION**  
**COMPENSATION SCHEDULE OF PERSONS RECEIVING IN EXCESS OF \$100,000**  
**For the Year Ended December 31, 2017**

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None.

**HERKIMER TOBACCO ASSET SECURITIZATION CORPORATION**

**PROJECTS UNDERTAKEN BY AUTHORITY DURING THE YEAR**

**For the Year Ended December 31, 2017**

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None.

**HERKIMER TOBACCO ASSET SECURITIZATION CORPORATION**

**LISTING OF REAL PROPERTY**

**At December 31, 2017**

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None.

# **HERKIMER TOBACCO ASSET SECURITIZATION CORPORATION**

## **CODE OF ETHICS**

**For the Year Ended December 31, 2017**

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No director, officer, or employee of the Corporation shall (1) accept other employment which will impair his or her independence of judgment in the exercise of his or her official duties; (2) accept employment or engage in any business or professional activity which will require him or her to disclose confidential information which he or she has gained by reason of his or her official position of authority; (3) disclose confidential information acquired by him or her in the course of his or her official duties nor use such information to further his or her personal interests; (4) use or attempt to use his or her official position to secure unwarranted privileges or exemptions for himself, herself or others; (5) engage in any transaction as a representative or agent of Corporation with any business entity in which he or she has a direct or indirect financial interest that might reasonably tend to conflict with proper discharge of his or her official duties; (6) not, by his or her conduct, give reasonable basis for the impression that any person can improperly influence him or her to unduly enjoy his or her favor in the performance of his or her official duties, or that he or she is affected by the kinship, rank, position or influence of any party or person; (7) abstain from making personal investments in enterprises which he or she has reason to believe may be directly involved in decisions to be made by him or her or which will otherwise create substantial conflict between his or her duty in the public interest and his or her private interest; and (8) endeavor to pursue a course of conduct which will not raise suspicion among the public that he or she is likely to be engaged in acts that are in violation of his or her trust.

**HERKIMER TOBACCO ASSET SECURITIZATION CORPORATION**

**ASSESSMENT OF THE EFFECTIVENESS OF ITS INTERNAL CONTROL  
STRUCTURE AND PROCEDURES**

**For the Year Ended December 31, 2017**

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The Corporation's internal controls are considered adequate to process the limited number of operating transactions on an annual basis.

All debt-related transactions as defined in the indenture agreements are processed and recorded by a third-party custodian of the Corporation.

**HERKIMER TOBACCO ASSET SECURITIZATION CORPORATION**

**FORM OF CERTIFICATE OF THE CHIEF EXECUTIVE OFFICER  
AND THE CHIEF FINANCIAL OFFICER**

**For the Year Ended December 31, 2017**

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The undersigned chief executive officer and chief financial officer of Herkimer Tobacco 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 Herkimer Tobacco Asset Securitization Corporation (the "Corporation"), dated as of \_\_\_\_\_, 2018 (the "Annual Report"), 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 light of the circumstances under which the report and any such statements made therein are made. The Annual Report fairly presents in all material respects the financial condition and results of operations of the Corporation as of, and for, the periods presented in said report.

The Annual Report is hereby approved.

IN WITNESS WHEREOF, the undersigned chief executive officer and chief financial officer have executed this Certificate as of this \_\_\_ day of \_\_\_\_\_, 2018.

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Name: Bernard Peplinski  
Title: President (Chief Executive Officer)

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Name: Bernard Peplinski  
Title: Treasurer (Chief Financial Officer)