

TSASC, Inc.

Meeting of the Members

April 29, 2024

Agenda

1. Approval of Minutes of Meeting of September 18, 2023
2. Election of Alternate Director

TSASC, Inc.

Meeting of the Members

April 29, 2024

Approval of Minutes

WHEREAS, the Members of TSASC, Inc. have reviewed the minutes of their previous meeting held on September 18, 2023; it is therefore

RESOLVED, that the minutes of the meeting of the Members held on September 18, 2023 be, and they hereby are, adopted.

**MINUTES OF THE MEETING OF
THE MEMBERS OF TSASC, INC.**

September 18, 2023

The Meeting of the Members of TSASC, Inc. (the “Corporation”) was held on September 18, 2023 at approximately 10:23 a.m., conducted at 255 Greenwich Street, Room 6M4, New York, New York.

The following members or their alternates were present:

Jacques Jiha, Director of Management and Budget of The City of New York (the “City”), represented by David Womack;

Brad Lander, Comptroller of the City, represented by Michael Stern;

Sylvia O. Hinds-Radix, Corporation Counsel of the City, represented by Al Rodriguez;

Preston Niblack, Commissioner of Finance of the City, represented by Dara Jaffee; and

Adrienne Adams, Speaker of the City Council, represented by Hector German,

constituting a quorum of the Members. Claudia Martinez served as secretary of the meeting.

Also in attendance were members of the public, officers of the Corporation and employees of various agencies of the City.

The meeting was called to order by Mr. Womack.

Approval of Minutes

The first item on the agenda was the approval by the Members of the minutes of their previous meeting held on April 28, 2023. The minutes have been circulated for review. Upon unanimous vote, the following resolution to adopt such minutes was approved.

WHEREAS, the Members of TSASC, Inc. have reviewed the minutes of their previous meeting held on April 28, 2023; it is therefore

RESOLVED, that the minutes of the meeting of the Members held on April 28, 2023 be, and they hereby are, adopted.

Resolution: Receipt and Acceptance of Annual Report to Members

The second and final item on the agenda was a resolution which would accept the Annual Report to Members. Mr. Womack explained that this report has been verified by the Board of Directors, as required by Section 519 of the New York Not-for-Profit Corporation Law. He also noted that the Board have authorized the release of this report to the Members. The proposed resolution would approve the Annual Report. He asked if there were any questions or comments. There being no further discussion and upon unanimous vote, the following resolution was adopted:

WHEREAS, Section 519 of the New York Not-For-Profit Corporation Law (the “NPCL”) requires that the Board of Directors of not-for-profit corporations present an annual report relating to the financial conditions of such corporations to the members of such corporations at their annual meeting; and

WHEREAS, the Corporation has prepared an annual report in compliance with Section 519 of the NPCL (the “Annual Report”) attached heretofore as Schedule I; and

WHEREAS, the Board of Directors has verified the information in the Annual Report as attached heretofore and authorized the presentation of such report to the members of the Corporation; it is therefore

RESOLVED, that the members of the Corporation do hereby receive and review the Annual Report as attached heretofore; and it is

FURTHER RESOLVED, that the Annual Report be entered in the minutes of this Annual Meeting of the Members.

SCHEDULE I

ANNUAL REPORT OF THE BOARD OF DIRECTORS OF TSASC, INC.

For the Fiscal Year Ended June 30, 2023 Under Section 519 of
the New York State Not-For-Profit Corporation Law

To: The Members of TSASC, Inc.

From: The Board of Directors of TSASC, Inc.

The Board of Directors respectfully submits for your information the following report relating to TSASC, Inc. for the twelve-month fiscal period ending June 30, 2023:

1. The assets and liabilities, including trust funds, of the Corporation as of the end of said fiscal period may be found on page 13 of the attached audited financial statements.
2. The principal changes in the assets and liabilities, including trust funds, of the Corporation during said fiscal period may be found on page 6 of the attached audited financial statements.
3. The revenues of the Corporation, both unrestricted and restricted to particular purposes, during said fiscal period may be found on page 14 of the attached audited financial statements.
4. The expenses of the Corporation, for both general and restricted purposes, during said fiscal period may be found on page 14 of the attached audited financial statements.
5. Concerning the membership of the Corporation:
 - (a) The number of members as of June 30, 2023 is 5
 - (b) The number of members remained the same during said fiscal period ended June 30, 2023
 - (c) The names and places of residence of the current members may be found in the books of the Corporation, which are kept at 255 Greenwich Street, 7th Floor, New York, NY 10007.

This report has been prepared pursuant to Section 519 of the New York State
Not-for-Profit Corporation Law

Dated: September 18, 2023

New York, New York

Adjournment

There being no further business to come before the Members, upon unanimous vote, the meeting was adjourned.

SECRETARY

TSASC, Inc.

Meeting of the Members

April 29, 2024

Election of Alternate Director

WHEREAS, TSASC, Inc. (the “Corporation”) is a not-for-profit local development corporation incorporated under the New York Not-For-Profit Corporation Law (the “N-PCL”);

WHEREAS, Section 703(d) of the N-PCL provides that where directors of not-for-profit corporations are elected by membership sections, such sections may also elect alternate directors; and

WHEREAS, the Membership Class consisting of the Comptroller of the City of New York (the “City”) wishes to elect an Alternate Director to attend meetings of the Corporation and act on his behalf at said meetings; it is therefore

RESOLVED, that the Membership Class consisting of the Comptroller of the City hereby elects Jay Olson to act in his place as alternate director at meetings of the Corporation.

TSASC, Inc.

Audit Committee Meeting

April 29, 2024

Agenda

1. Resolution: Approval of Minutes of Meeting of September 18, 2023
2. Resolution: Self-Evaluation and Review of Report of the Audit Committee
3. Review of Internal Controls
4. Presentation of Audit Plan by Independent Auditors and Discussion of New Accounting and Auditing Standards

TSASC, Inc.

Audit Committee Meeting

April 29, 2024

Approval of Minutes

WHEREAS, the Audit Committee of TSASC, Inc. has reviewed the minutes of the previous meeting of the Audit Committee held on September 18, 2023; it is therefore

RESOLVED, that the minutes of the Audit Committee meeting of September 18, 2023 be, and they hereby are, approved.

**MINUTES OF THE MEETING OF
THE AUDIT COMMITTEE OF TSASC, INC.**

September 18, 2023

A meeting of the Audit Committee (the “Committee”) of TSASC, Inc. (the “Corporation”) was held on September 18, 2023 at approximately 10:02 a.m., conducted at 255 Greenwich Street, Room 6M4, New York, New York.

The following members of the Committee or their alternates were present:

Jacques Jiha, Director of Management and Budget of The City of New York (the “City”), represented by David Womack;

Brad Lander, Comptroller of the City, represented by Michael Stern;

Sylvia O. Hinds-Radix, Corporation Counsel of the City, represented by Al Rodriguez;

Preston Niblack, Finance Commissioner, represented by Dara Jaffee; and

Adrienne Adams, Speaker of the City Council, represented by Hector German, constituting a quorum of the Committee. Claudia Martinez served as secretary of the meeting.

Also in attendance were members of the public, officers of the Corporation and employees of various agencies of the City.

The meeting was called to order by Mr. Stern, the Chairperson of the Committee.

Approval of Minutes

The first item on the agenda was the approval of the minutes of the meeting of the Committee held on April 28, 2023. The minutes have been circulated for the Committee’s review. There was no discussion and the resolution was approved upon unanimous vote.

WHEREAS, the Audit Committee of TSASC, Inc. has reviewed the minutes of the previous meeting of the Audit Committee held on April 28, 2023 it is therefore

RESOLVED, that the minutes of the Audit Committee meeting of April 28, 2023 be, and they hereby are, approved.

Presentation by management and independent auditors regarding the audited annual financial statements of the Corporation

The second item on the agenda was a presentation by the Corporation's independent auditor, Mayer Hoffman, P.C. ("Mayer Hoffman"). Raymond Lee, the Corporation's Comptroller provided a summary of the Corporation's financial activities for fiscal year 2023 and then introduced Warren Ruppel of Mayer Hoffman. Mr. Ruppel then referred to the firm's plan for the audit of the financial statements for the fiscal years ending June 30, 2023 and June 30, 2022 which had been distributed to the Committee members in advance of the meeting. He reviewed and discussed the contents of the presentation.

Resolution: Recommendation to the Board of Directors the acceptance of the independent auditors' report on the audited financial statements of the Corporation for the fiscal years ended June 30, 2023 and June 30, 2022, and the issuance of such financial statements

The third item on the agenda was the approval of a recommendation to the Board of Directors to accept the independent auditor's report and financial statements for the fiscal years ended June 30, 2023 and June 30, 2022. There was no discussion and the resolution was approved upon unanimous vote.

WHEREAS, the Audit Committee of TSASC, Inc. (the "Corporation") has met with the independent auditors of the Corporation and has reviewed the independent auditors' report on the audited financial statements of the Corporation for the fiscal years ended June 30, 2023 and June 30, 2022 and such financial statements, as submitted to the Committee; and

WHEREAS, the Audit Committee believes the independent auditors' report and the financial statements are reasonable and appropriate; it is therefore

RESOLVED, that the Audit Committee recommends to the Board the acceptance of the independent auditors' report and the authorization of the release of the audited financial

statements of the Corporation for the fiscal years ended June 30, 2023 and June 30, 2022; provided that both the independent auditors' report and the audited financial statements may be amended to reflect non-material changes acceptable to the Comptroller or Deputy Comptroller of the Corporation.

Resolution: Review and Approval of the Audit Committee Charter

The fourth item on the agenda was the review and approval of the Audit Committee Charter. Pursuant to the Audit Committee Charter, sections III(s) and (u), the Committee is required to annually review and approve its Charter. Mr. Stern noted there were no proposed changes at this time. There was no discussion and the resolution was approved upon unanimous vote:

WHEREAS, the Board of Directors (the "Board") of TSASC, Inc. (the "Corporation") originally adopted an Audit Committee Charter on October 4, 2007 and has subsequently amended it; and

WHEREAS, pursuant to the Audit Committee Charter, Section III(s), the Audit Committee of the Corporation is required annually to review the Audit Committee Charter, reassess its adequacy, and recommend any proposed changes to the Governance Committee of the Corporation; and

WHEREAS, no changes to the Audit Committee Charter are proposed; it is therefore

RESOLVED, that the Audit Committee hereby approves the Audit Committee Charter as attached.

Review of the Audit Committee Schedule of Dates

The fifth and final item on the agenda was a review of the Audit Committee's Schedule of Dates. The Audit Committee Schedule of Dates provides a guideline for the items to be addressed at annual meetings of the Audit Committee. A copy of the Schedule was in the materials provided to the Committee members. Mr. Stern explained that no changes were proposed. Mr. Stern noted that this was a review item only, and no vote was taken.

Adjournment

There being no further business to come before the Committee, upon unanimous vote, the meeting was duly adjourned.

SECRETARY

TSASC, Inc.

Audit Committee Meeting

April 29, 2024

Annual Report of the Audit Committee

WHEREAS, Section III(k) of the Audit Committee Charter and Section 6.3 of Directive 22 of the City of New York Office of the Comptroller require the Audit Committee to issue an annual report to be prepared no later than October 30 of each year, which details the activities and decisions of the Audit Committee for the prior calendar year;

WHEREAS, the Audit Committee has reviewed the Annual Report of the Audit Committee, as attached hereto and finds it to be reasonable;

WHEREAS, Section III(j) of the Audit Committee Charter requires the Audit Committee to conduct an annual self-evaluation of its performance, including its effectiveness and compliance with the Audit Committee Charter; and

WHEREAS, the Audit Committee finds its performance to be satisfactory, effective, and in compliance with the Audit Committee Charter; it is therefore

RESOLVED, that the Annual Report of the Audit Committee is hereby approved and shall be presented to the Board of Directors of TSASC, Inc., copies of which shall be filed with the minutes of the Audit Committee and submitted to the Bureau of Accountancy of the Office of the Comptroller.

TSASC, Inc.

Annual Report of the Audit Committee

April 29, 2024

During calendar year 2023, the Audit Committee of TSASC, Inc. (the “Corporation”) met twice. The Audit Committee’s actions at these meetings were as follows:

On April 28, 2023:

- Conducted a self-evaluation and approved an annual report of the Committee’s activities;
- Reviewed the Corporation’s Internal Control manual; and
- Met with the independent auditors to review the auditors’ audit plan for the fiscal year 2023 audit and several new accounting and auditing standards.

On September 18, 2023:

- Met with the independent auditors and management of the Corporation to discuss the annual audited financial statements and independent auditors’ report for the fiscal years ended June 30, 2023 and June 30, 2022 and recommended to the Board of Directors of the Corporation the acceptance and release of such report and financial statements; and
- Reviewed and approved Audit Committee Charter and Schedule of Dates.

TSASC, INC.
POLICIES AND PROCEDURES MANUAL

INTERNAL CONTROLS
(Amended April ~~2022~~2024)

OVERVIEW

TSASC, Inc.’s (“TSASC”) internal control objectives include, but are not limited to: the safeguarding of assets (including preventing the intentional or unintentional misapplication of funds), ensuring the accuracy and reliability of accounting data and financial reporting (including ensuring proper documentation of all transactions), promoting the effectiveness and efficiency of operations and ensuring compliance with applicable laws and regulations.

Internal controls exist in each area of TSASC where financial activities take place, and may be categorized as (A) controls related to funds received, held, invested and disbursed by TSASC’s Indenture Trustee (as defined below) and (B) other control measures including record keeping activities. These types of controls are discussed in this internal controls manual (the “Manual”).

The control measures used by TSASC are periodically reviewed by TSASC managers and changed as deemed necessary, and this Manual will be reviewed at least annually, and updated if appropriate. While not part of TSASC’s system of internal control, TSASC is subject to audit annually by independent auditors. Any comments or recommendations pertaining to TSASC’s internal controls made by the independent auditors are reviewed by management and, if the value of the expected risk reduction is expected to be greater than the additional cost, they are incorporated into TSASC’s internal controls.

Throughout this document the following Indenture, Trust and Trustees are referenced: the Amended and Restated Indenture between TSASC and the Bank of New York Mellon as trustee (the “Indenture Trustee”), dated as of December 1, 2016, Amending and restating in its entirety the Indenture dated as of November 1, 1999, as previously amended and restated as of January 1, 2006, (the “Indenture”) and the Amended and Restated Declaration and Agreement of Trust, by and among TSASC, the Wilmington Trust Company as the Delaware Trustee (“Delaware Trustee”), and the successor trustees ~~Prescott Ulrey~~David Womack (~~General Counsel~~Deputy Director of the City’s Office of Management and Budget, Financing Policy and Coordination Unit), as appointed by letter executed May 8, 2023, and Al Rodriguez (Chief of the City Law Department’s Municipal Finance Division), as appointed by letter executed December 13, 2013 (together the “Controlling Trustees”), dated as of January 1, 2006, as amended January 19, 2017 (the “Tobacco Settlement Trust”). The City is the sole beneficial owner of the Tobacco Settlement Trust, as amended. Terms used but not defined herein have the same meaning given to them in the Indenture.

In accordance with the New York City Comptroller's Directive 1, TSASC will prepare an annual Financial Integrity Statement based upon a current Directive 1 Checklist with respect to management's assessment of TSASC's internal control environment.

Organization

Overseen by its Board of Directors ("Board") and directed by its President, TSASC's internal operations are carried out by three functional areas within the organization. While all activities of TSASC require close coordination and cooperation among all units and with the New York City Office of Management and Budget ("OMB"), the following are the primary responsibilities of each:

1. Secretary's Office – Directed by TSASC's Secretary and the Assistant Secretaries and their staff, the Secretary's Office is responsible for all legal affairs of TSASC, including providing staff support for the operations of the Board and committees of the Board, drafting and interpretation of all contracts, agreements, and legal documents and dissemination of new or revised Board approved policies to staff.
2. Treasurer's Office – Directed by TSASC's Treasurer and his or her staff, the Treasurer's Office is responsible for the finance function of TSASC, including working with all parties on structuring and executing bond issuances, modeling debt service requirements, and directing the investment of TSASC's funds.
3. Accounting Unit – Directed by TSASC's Comptroller, Deputy Comptroller and the Accounting Manager (collectively, the "Accounting Managers" or "AM"), the Accounting Unit is responsible for maintaining accounting books and records and the preparation of financial statements and other financial reports, on-going monitoring of TSASC's resources and coordination with and oversight of the Indenture Trustee. The Accounting Unit's staffing is further comprised of:
 - a. A Unit Head ("UH") who directs and reviews the work of the APS (defined below) and reports to an AM;
 - b. An accounts payable staff ("APS") member who is responsible for entry of approved journal entries into TSASC's electronic accounting system, which is currently Microsoft Dynamics Great Plains (the "Accounting System") and reports to the UH and/or an AM; and
 - c. Other members of the accounting unit staff ("AUS") who are assigned to prepare journal entries, monitor account activity, and maintain schedules and analyses necessary for the preparation of year-end financial statements and other recurring and ad-hoc financial reports and reports to an AM.

[Note: Throughout this Manual, when one AM is unavailable to perform a noted function on a timely basis, another AM can perform that function. When APS or AUS are unavailable to perform a noted function on a timely basis, the UH can perform that function or delegate it to another staff member who has performed no conflicting duties

pertaining to that matter. Where the UH performs a staff function, review and approval will be done by an AM.]

TSASC and OMB are prepared to provide uninterrupted delivery of TSASC's operations in the face of business disruptions. TSASC's emergency preparedness plan is designed to provide personnel, equipment and technology to operate remotely with minimal interruption.

TSASC has one bond issuance outstanding, which was issued on January 19, 2017. This issue was primarily used to restructure all of TSASC's outstanding indebtedness and current refund all bonds then outstanding. The Indenture continues to provide that 37.40% of collections are Pledged and are required to be applied to the payment of debt service and the operating costs of TSASC and that 62.60% of collections are Unpledged and are due to the Tobacco Settlement Trust as outlined in the Tobacco Settlement Trust Agreement, as amended, of which the City is the sole beneficial owner. Upon direction of the Controlling Trustees of the Tobacco Settlement Trust, distributions of Unpledged TSRs (as defined below) to the City are currently made prior to May 31st.

RECEIPTS

Tobacco Settlement Revenues (the "TSRs")

Annually on April 15th or the first business day following (the "Annual Payment Day"), in accordance with the Master Settlement Agreement (the "MSA"), dated November 23, 1998, between the Attorneys General of the 46 settling states and the participating cigarette manufactures ("PMs"), TSASC receives 3.403634% of the available TSRs paid primarily by the PMs. The independent auditors engaged in accordance with the MSA, currently PriceWaterhouseCoopers ("PWC"), determine the amount of all payments owed to the settling states pursuant to the MSA. This information is available on PWC's website, www.tlmsa.net, a confidential website; the information contained in this website should not be shared with any outside individuals or entities, including TSASC's independent auditors.

The TSRs paid by the PMs are deposited into an escrow account currently maintained at CitiBank. The New York State Attorney General's Office, Tobacco Compliance Office ("AG") is the liaison between PWC and the recipients of the New York State TSRs. TSASC's share of TSRs is wired from CitiBank to the Indenture Trustee as established through the Indenture.

In late March, the AM or his/her designated AUS receives an e-mail from PWC with a projected amount of TSRs to be received by the State on the Annual Payment Day. The projected pledged and unpledged amounts are computed and shared with other OMB and TSASC staff.

In mid-April, prior to the Annual Payment Day, the AM or his/her designated AUS receives an e-mail from PWC and AG with the final calculated amount of TSRs to be

received by the State on the Annual Payment Day. The AUS and/or an AM notify the Indenture Trustee of the expected amount of TSRs to be received by TSASC. This amount may differ from the final actual payment due to disputes and other adjustments.

On the Annual Payment Day, the PMs and other related parties deposit their required payments into the Escrow Account at CitiBank. PWC and Citibank will coordinate TSRs receipts from the PMs and distributions to each recipient. PWC will instruct Citibank to wire the appropriate amounts to each recipient. Citibank wires TSASC's TSRs to the Indenture Trustee for deposit into TSASC's collection account on the Annual Payment Day and any residual amounts within a few days after.

The AUS and/or an AM will confirm with the AG and the Indenture Trustee the amount of TSRs received by TSASC on the Annual Payment Day. Once the TSRs received are confirmed as final, TSASC will promptly allocate funds between the Unpledged (62.60%) and Pledged (37.40%). Unpledged TSRs (confirmed to the Indenture Trustee in writing in an Officer's Certificate) are promptly deposited into the Unpledged TSRs Subaccount and, upon the authorization of the Controlling Trustees, promptly remitted to the City. The Pledged TSRs are held in the Collections Account and then used towards the operating expenses (as specified by an Officer's Certificate) and debt service as required in the Amended and Restated Indenture.

Information regarding the final actual TSRs received is shared with OMB and TSASC staff.

For the further handling of the Pledged funds, see the *Debt Service Payments* section; for the further handling of Unpledged funds, see the *Transfers to the TSASC Tobacco Settlement Trust*, under *Disbursement* section of this Manual.

Miscellaneous Cash Receipts

While the major sources of cash for TSASC are the TSRs and interest income (see the *Interest Income* section of this Manual), there is an occasional receipt of a check.

An AUS opens all mail in the Accounting Department and distributes the mail to the appropriate person. If a check is received, the AUS gives the check to the UH, who records the receipt of the check in the Check Control Log, detailing date, amount, payer, and other relevant information. The UH gives the check to an AM who in turn gives the check to the appropriate AUS to research the reason for the receipt and thus the proper accounting, and to deposit into the appropriate bank account. Any check received by OMB or another department of TSASC should be hand delivered to the UH. The UH follows the same procedures detailed above for recording the check. The check is secured in a locked area until deposit. As the Indenture Trustee does not have any retail banking units, the AUS prepares a letter to the Indenture Trustee detailing the amount, payer of the check and bank account to which the check should be deposited. This letter is signed by an AM or authorized designee and AUS hand delivers the check along with the letter to the Indenture Trustee representative for deposit into the appropriate TSASC

bank account. A copy of the signed letter is given to an AM. Another copy of the letter and supporting documentation is filed in the bank file and an entry recording the cash receipt is made in the general ledger upon deposit with the Indenture Trustee. At month end the AUS and/or an AM confirms that the deposit is reflected in the bank statement and in the general ledger.

Interest Income

All interest income is posted to the individual bank accounts and reported on the monthly bank statements by the financial institutions. The bank account statements are reviewed and recorded through monthly journal entries prepared by the AUS as described in the *Journal Entries* section of this Manual.

Interest earnings from the Debt Service accounts are used toward TSASC's debt service requirements, See *Debt Service Payments* section of this Manual.

Interest earnings from the Operating Accounts are retained in the Operating Accounts and are used for TSASC's operations.

Interest earnings from the Unpledged Account are due to the City, as the beneficial owner of the Delaware Trust. See *Disbursement* section of this Manual.

Debt Service Retention

The Treasurer maintains debt service models which tracks the debt service requirements for TSASC. Under the current debt structure, TSASC has senior & subordinate serial & term bonds with scheduled required principal and interest payment dates. The subordinate bonds include term bonds with flexible amortization requirements whereby if there are Pledged funds available after retaining the annual required principal & interest payments, the excess funds are used to "Turbo" redeem subordinate turbo term bonds. Any senior or subordinate debt service reserve fund draws, if any, are replenished as specified under the indenture given available funds, generally after the funding of the respective upcoming debt service payments. See *Debt Service Payments* section of this Manual.

The AUS and/or an AM review the debt service models for reasonableness and rely upon them for financial statement preparation and debt service requirements.

DISBURSEMENTS

Transfers to the TSASC Tobacco Settlement Trust

Pursuant to a Purchase and Sale Agreement dated as of November 18, 1999, as amended (the "TSR Purchase Agreement"), the City sold to TSASC the Tobacco Assets (as defined in the Indenture), including the City's right to receive its portion of the TSRs. Under the Indenture, TSASC has assigned and pledged only the Pledged TSRs to the

Indenture Trustee. The purchase price paid by TSASC to the City under the TSR Purchase Agreement gives the City 100% beneficial ownership interest in the Tobacco Settlement Trust. The assets of the Tobacco Settlement Trust consist primarily of a security (the “Residual Certificate”) which entitles the Tobacco Settlement Trust to the Unpledged TSRs received by TSASC. The Tobacco Settlement Trust has its own trustee, the Delaware Trustee, who is different from the Indenture Trustee.

The Tobacco Settlement Trust receives the Unpledged TSRs (62.60% of the TSRs received) as described under the *Tobacco Settlement Revenues under Receipts* section of this Manual. The Unpledged TSRs are kept in the Unpledged TSR bank account maintained at the Indenture Trustee bank until they are transferred, along with any interest earnings, to the Delaware Trustee for deposit into the Distribution Account, as defined in the Tobacco Settlement Trust Agreement. The Delaware Trustee releases the funds to the City, net of the Tobacco Settlement Trust’s operating expenses, upon authorization by the Controlling Trustees (see below). This transfer currently occurs prior to May 31st.

The AUS and/or an AM confirm the amount of money to be transferred to the Delaware Trustee with the Indenture Trustee.

The AUS and/or an AM contact the Delaware Trustee to obtain the projected annual operating expenses of the Tobacco Settlement Trust. The AUS and/or an AM will prepare a schedule reporting the total Unpledged TSRs received, cash in the Tobacco Settlement Trust Distribution Account, projected interest earnings and projected operating expenses. The total amount is transferred to the Delaware Trustee and deposited into the Tobacco Settlement Trust Distribution bank account. The net amount, after operating expenses, is transferred to the City upon authorization of the Controlling Trustees. The Controlling Trustees meet to review and approve the projected transfer and authorize the transfer through a jointly signed letter to the Delaware Trustee authorizing and directing the Delaware Trustee to transfer the authorized amount to the City from the Distribution Account. This letter includes the City’s wiring instructions, which have been confirmed by the AUS and/or an AM. Prior to the transfer date, a letter signed by two authorized signatories along with a copy of the Controlling Trustees’ transfer authorization is sent to the Indenture Trustee instructing the Indenture Trustee to send the authorized amount to the Tobacco Settlement Trust bank account from the Indenture Trustee’s Unpledged bank account. The AUS and/or an AM confirm that the funds have been received by the Delaware Trustee. The City’s Department of Finance is notified of the amount and expected date of receipt of these funds into the City’s Central Treasury account. On the day of the transfer, the Delaware Trustee will forward the AUS and/or an AM the wire transfer reference number. The AUS and/or an AM confirms the amount wired to the City on the following business day.

Vendor Payments

In addition to checking for mathematical accuracy of invoice, the AUS compares the invoice to the order, receiving report, or contract for the correct pricing of goods and

services, and verifies that no sales tax has been included in the invoice, and initials the invoice to document this review. The invoice is then approved by the TSASC Officer/manager with the most direct knowledge of and/or responsibility for the goods or services for which payment is to be made. The AUS prepares a wire payment instruction letter directing the Indenture Trustee to wire money from TSASC's bank accounts to the appropriate recipients. The letter must contain the amount of the wire payment, the payment date, and the account numbers from and to which the money will be wired. The letter must be reviewed and signed by two authorized signers, if a signer approved the invoice, he/she cannot sign the wire payment letter. The wire letter and approved invoice is e-mailed to the trustee for payment.

The AUS confirms the wire payment the following business day by reviewing the bank account information online.

All vendors must complete and sign an IRS Form W-9 (or its equivalent) and send it to the TSASC Accounts Payable Department before payment can be made to the vendor. This information is used to determine if a 1099 must be issued to the vendor for payments from TSASC.

TSASC Tobacco Settlement Trust Disbursements

TSASC is not responsible for the payment of the Tobacco Settlement Trust's expenses. However, the Delaware Trustee sends a copy of all invoices to be paid from Tobacco Settlement Trust funds for TSASC's review. If clarification is needed, the AUS and/or an AM contacts the Delaware Trustee for further explanation. Copies of the invoices are kept by AUS and/or an AM who also maintains a schedule of all Tobacco Settlement Trust expenses and reconciles the monthly bank statements of the Tobacco Settlement Trust.

1099 Preparation and Issuance

The APS prepares the IRS forms 1099 and 1096 for distribution to payees and to the IRS annually. Although there are several types of 1099 forms, TSASC may use the 1099-MISC to report gross proceeds paid to attorneys and uses 1099-NEC to report payments for services performed by non-employees.

The 1096 is used as a transmittal document when reporting 1099's to the Internal Revenue Service. The APS compiles a schedule showing all payments from January 1 to December 31st. The 1099 and 1096 are checked by the APS for accuracy before submitting to the TSASC Officer (generally an AM) for his or her review and signature. All 1099s are mailed prior to January 31, and all 1096s are mailed prior to February 28.

Debt Service Payments

TSASC funds principal and semi-annual interest on its bonds from the Pledged Account. The AUS and/or an AM will confirm the projected principal and interest payments with the Treasurer and the Indenture Trustee. After retaining sufficient funds to cover the agreed upon principal and interest payments for the next two payment dates, the excess funds are used to Turbo redeem TSASC's subordinate term bonds. (See the *Debt Service Retention* section of this manual). The AUS and/or an AM prepare a schedule to determine the amount to be Turbo redeemed and will confirm amount with Indenture Trustee. The Turbo redemption, principal and interest payments occur on June 1 and December 1. Prior to making the debt service payments, the AUS and/or an AM will confirm with the Indenture Trustee the total amounts to be paid. The next business day the AUS and/or an AM confirms that the correct amounts were transferred from TSASC's bank accounts using the daily transactions report received via e-mail from the trustee bank. If there are any discrepancies, the Indenture Trustee will be immediately notified by the AUS and/or an AM for a resolution of the discrepancy.

If, on the Annual Payment Day, the TSRs received appear to be inadequate to fund upcoming payments of principal and interest due on the next two payment dates, the AM will inform TSASC's Treasurer and Secretary Offices of the situation. Under the guidance of the Secretary, legal notices may be filed as needed informing bondholders of the funding shortfall. The AUS and/or AM will prepare a schedule to determine the amount of funds to be withdrawn from the appropriate reserve fund in order to make the required payment of interest and/or principal on the scheduled due date, pursuant to the Indenture.

Internal Funds Transfers

Instruction letters for wire transfers among TSASC's bank accounts are signed by one authorized signer except for activities for TSASC's operating accounts which require two authorized signers.

The signed letters are e-mailed to the Indenture Trustee and copies are submitted with the monthly bank statements and the proposed journal entries for review by an AM.

INVESTMENTS

The universe of allowable investments for the TSASC is defined in the Indenture. Additionally, TSASC has Investment Guidelines adopted by the Board of Directors. All investments are to be made within the constraints imposed by the Indenture and Investment Guidelines. Based upon instructions received from the Treasurer, investment letters are prepared authorizing the Indenture Trustee to invest funds on behalf of TSASC. The instruction letter for the purchase, sale or rollover of investments, instructs the Indenture Trustee how the funds are to be invested including the investment vehicle and the required maturity date of the investments. The letter is signed by one authorized signer.

FINANCIAL ACCOUNTING AND REPORTING

The recording of TSASC's financial transactions into the Accounting System is through journal entries.

Recording of Bond Issuance Costs

Bond issuance costs may either be paid directly from the bond proceeds at the time of the closing of the bond issuance or paid at a later date through the invoice process. For payments made at the closing, closing documents are forwarded to the accounting department for recording in the general ledger as part of the recording of the bond issuance. Payments requested by invoice are processed as discussed in the *Vendor Payments* section of this Manual.

Journal Entries

Journal entries are prepared by AUS to record all transactions, other than vendor payments, as part of the following monthly journal entry preparation process.

AUS reconciles the Indenture Trustee bank account statements and verifies that all transactions reported were made in accordance with TSASC instruction letters for transfers between accounts, investment of funds, and disbursements. Any discrepancies are immediately investigated and resolved with the Indenture Trustee. Activity in each account is summarized by AUS and the summaries are used by AUS to prepare journal entries for the month.

An AM reviews the journal entries prepared by the AUS and applies the final approval and sign-off before entry into the general ledger. The APS enters the journal entries into the general ledger. The posted journal entry is examined by the AUS for accuracy after the entries are accepted.

Fiscal Year End Closing and Financial Reporting

Shortly after the fiscal year ends, the Comptroller requests that the Secretary's Office and the Treasurer's Office contact all vendors and service providers and obtain invoices for goods and services provided through June 30th so that the expenditure is accrued and reported in the proper fiscal year. Additionally, all vendor payments made between fiscal year end and the conclusion of the annual audit are analyzed by AUS for proper treatment as an expenditure of the current or prior fiscal year.

At year end, the AUS and an AM prepare all closing schedules and analyses needed for adjusting entries, disclosures, and for auditors (including but not limited to: amortization schedules for bond premiums and discounts, bond interest payable accruals, investment income accruals, deposit and investment categorization). Where required due to technical complexity, selected schedules and analyses may be prepared by an AM.

Schedules and analyses prepared by AUS are provided to an AM along with supporting documentation for review. Schedules and analyses pertaining to deposits, investments, outstanding bonds and debt service are provided to TSASC's Treasurer or his or her designee in draft form for review.

Adjusting journal entries are prepared by AUS and reviewed and approved by an AM who signs prior to entry into the Accounting System general ledger. The APS enters the journal entry into the general ledger. The posted journal entry is examined by the AUS for accuracy after the entries are accepted.

The adjusted trial balance is reviewed by AUS to verify balances, and then exported into an Excel file for preparation of financial statements. Draft financial statements, notes and [Management Discussion & Analysis](#) are prepared by AUS and AM, for review by other members of TSASC's management and independent auditors.

After the conclusion of the independent audit, if any adjusting entries are needed due to the audit, they are prepared by or at the direction of the AUS and/or an AM and entered into the general ledger. Before running the general ledger close of the fiscal year, a final trial balance is run and the AUS and/or an AM reviews to ensure that all balances are in agreement with the audited financial statements. The final trial balance is initialed by an AM and retained in the fiscal year workpaper files.

The AM instructs the APS to close the fiscal year which is automatically done by the Accounting System when the APS marks the appropriate field in the Accounting System. The Accounting System will automatically produce a "closing entry" which is retained in the year end files. After the closing entry has been produced the AUS and/or an AM reviews the trial balance after the close to make sure the assets, liabilities and fund balances (net assets) have been properly updated.

All trial balances, workpapers, journal entries and supporting documentation are centrally filed for access by the external auditors. See Section on Record Retention.

OTHER CONTROL MEASURES

TSASC Tobacco Settlement Trust Reporting Requirements

TSASC does not perform any financial accounting or reporting for the Delaware Trust. The Delaware Trustee prepares an annual financial report (unaudited) and the Internal Revenue Service 1041 U.S. Income Tax Return for Estates and Trusts. The AUS and/or an AM contacts the Delaware Trustee to determine the estimated date of completion of

the financial statements and the tax return. These reports are done annually and copies should be forwarded to TSASC. These reports are sent to TSASC for information purposes only. If there are any discrepancies between the amounts transferred from TSASC to the Tobacco Settlement Trust and from the Tobacco Settlement Trust to the City, the AUS and/or an AM will contact the Delaware Trustee for clarification. A copy of the 1041 return and the annual financial report is forwarded to the City's Law Department, as the representative of the beneficial owner of the Trust (the City).

Bank Accounts

The opening of TSASC bank accounts is authorized by an Officer of TSASC. For bank accounts opened at a new banking institution, the bank account application form must contain, at a minimum, the names, titles, and signatures of three authorized Officers of TSASC. The application states the number of signatures required for all financial transactions. The new bank account number is included on the bank account schedule maintained by the AUS.

All unneeded bank accounts are closed immediately by a letter to the bank, signed by one TSASC Officer.

Incumbency Certificate

Every time there is a change of an Officer for TSASC, a new Incumbency Certificate is prepared listing the current Officers. The Incumbency Certificate is signed by the Secretary of TSASC and the original sent to the Indenture Trustee bank. Similarly, new authorized signatory documents are prepared, signed, approved, and forwarded to the Indenture Trustee bank.

Computer Equipment and System Usage

TSASC personnel follow the current policies and guidelines of OMB. Staff members are required to familiarize themselves with these policies and guidelines.

Overhead Allocation

TSASC has entered into an Administrative Services Agreement with OMB and other financing entities at the direction of the Board which specifies how shared personal service and other than personal service costs are allocated among the entities. The OMB overhead allocation is calculated by OMB's staff. Staff members are required to familiarize themselves with this agreement.

Inventory

TSASC does not own any capital assets or equipment. All equipment is owned, maintained and monitored by OMB. TSASC personnel follow the current policies and guidelines of OMB. Staff members are required to familiarize themselves with these policies and guidelines.

Procurement

The Board of Directors has adopted a Policy on the Procurement of Goods and Services (“Procurement Policy”). Staff members are required to familiarize themselves with the Procurement Policy. Any changes to the Procurement Policy, as adopted by the Board of Directors, are disseminated to staff by the Secretary’s Office.

Travel and Business Expense Reimbursement

The Board of Directors has adopted a Policy on Travel Allowance (“Travel Policy”) and a Policy on Salary, Compensation, Reimbursements, Time and Attendance (“Reimbursement Policy”). Staff members are required to familiarize themselves with these policies. All internal control measures detailed above under *Disbursements-- Vendor Payments* are followed in the issuance of a reimbursement check to an employee. Any changes to the Travel Policy or Reimbursement Policy, as adopted by the Board of Directors, are disseminated to staff by the Secretary’s Office.

Personal and Real Property

The Board of Directors has adopted a Policy on the Disposition of Personal Property (“Personal Property Policy”) and a Policy on the Acquisition and Disposition of Real Property (“Real Property Policy” and together with the Personal Property Policy, the “Property Policies”). Staff members are required to familiarize themselves with the Property Policies. Any changes to the Property Policies, as adopted by the Board of Directors, are disseminated to staff by the Secretary’s Office.

RECORD RETENTION

Documents supporting all TSASC transactions recorded in the Accounting System and information on the opening and closing of all bank accounts are maintained and available for audit by various entities (i.e., independent auditors, State and City auditors, IRS). The support may be maintained in either paper or electronic form.

Procurement records pertaining to contracts and all procurements other than Small Purchases (as defined by the TSASC Board approved procurement guidelines) are maintained by TSASC’s contracting Officer and the Secretary’s Office.

Calculations of allocated costs (management fees, rent, and overhead costs incurred by OMB and bond financing entities) are maintained by TSASC's Comptroller , AM or designated staff.

TSASC, Inc.

PRE-AUDIT COMMUNICATIONS FOR YEAR ENDING JUNE 30, 2024

APRIL 29, 2024

This report is intended solely for the information and use of the Audit Committee, Board of Directors and management of TSASC and is not intended to be, and should not be, used by anyone other than these specified parties, unless permission is granted.



Your Engagement Leadership Team



Philip Marciano
Engagement Leader

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Professional Standards Leader

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Agenda

1. Required Communications to the Audit Committee
 - Service Delivery Timeline
 - Responsibilities: Ours and Management & Deliverables
 - Our Planned Audit Approach
 - Other Required Communications
 - Relationship and Independence
 - New Developments and Forward Considerations
2. Appendices:
 - Appendix A – Engagement Letter
 - Appendix B - Background on CBIZ & MHM

Service Delivery Timeline

Audit Services	2024	2023
Preliminary communications held and draft engagement letters shared	April 19, 2024	April 21, 2023
Audit scope presentation to the Audit Committee	April 29, 2024	April 28, 2023
Audit fieldwork to begin	August 12, 2024	August 7, 2023
Draft financials received from management	Early September 2024	Early September 2023
Review audit results with the Audit Committee	Mid September 2024	September 18, 2023
Report issuance soon after approval by the Audit Committee and Board of Directors	By September 30, 2024	September 26, 2023

Our Responsibilities & Deliverables

Our Responsibilities

- Financial Statement Audit
 - Perform an audit in accordance with Auditing Standards Generally Accepted in the United States of America (“U.S. GAAS”) and express an opinion on the financial statements as of and for the year ended June 30, 2024.
 - We will not report on the required supplementary information, Management’s Discussion and Analysis, but will compare the information to the financial statements, and read the information for clarity and to ensure it complies with U.S. GAAP.
- Reporting under *Government Auditing Standards* which requires that we report instances of noncompliance and other matters, as well as matters related to internal control over financial reporting that may come up during the audit that are considered material weaknesses or significant deficiencies.
 - This report has an entity-wide focus that could have a direct and material effect on financial statement amounts.

Our Responsibilities & Deliverables

Deliverables

- Opinions on the financial statements
- Issuance of an Independent Auditors' 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*
- Report on compliance with TSASC's investment guidelines
- Pre-audit communication of the audit scope
- Post-audit communication of the audit results, including:
 - Management letter - significant deficiencies or material weaknesses in internal control (if applicable)
 - Best practice recommendations regarding internal control or other matters

Responsibilities of Management

- Prepare and present the financial statements
- Make all financial records and related information available to us
- Establish and maintain a system of internal control
- Design and implement controls to **prevent** and **detect** fraud and inform us of any known and/or suspected fraud
- Record any proposed audit adjustments or confirm in the management representation letter that the effects of any unrecorded adjustments are not material
- Maintain the entity's compliance with applicable laws, regulations, grants or contracts
- Designate a qualified management-level individual to oversee any nonaudit services performed by MHM or CBIZ
- Evaluate whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern
- Provide us with a written representation letter regarding certain matters

See Engagement Letter in Appendix for full responsibility details

Our Planned Audit Approach

Entity-Wide Considerations

- Entity level controls
- Tone at the top
- Financial reporting practices and oversight
- Financial pressures and regulatory influences
- Technology practices and security
- Fraud assessment and detection
- Assessment of the design of key internal controls over certain transaction cycles and verification that such key controls have been placed into operation
- Assessment as to how the entity adapts to environmental changes such as people, systems, practices and external influences

Specific Areas of Focus

- Confirmation of cash & investments balances, including the classification of any restricted cash/investments.
- Confirmation of bonds payable and recalculation of accrued interest payable
- Compliance with debt and other agreements
- Cut-off tests related to completeness of liabilities
- Fund balance and net position accounting, including review of reconciling items between modified and full accrual basis of accounting
- Confirmation of Tobacco Settlement Revenues (TSRs)
- Fair presentation of the financial statements, including note disclosures
- Our professional standards require us to incorporate an element of unpredictability into the selection of our audit procedures from year to year. We will share the results of those tests when we meet with you to discuss the results of the audit process.

Our Planned Audit Approach

Management Judgments and Accounting Estimates

1. **TSRs Receivable and Remittance Payable to the Trust (Important Judgment)**

- TSASC records TSRs receivable, along with a corresponding payable to the Trust, at June 30 in its government-wide financial statements.
- The TSRs receivable are expected to be received the following April and are based on an estimate of cigarette sales for the six-month period from January 1 to June 30.
- We will perform procedures to evaluate management's calculation of TSRs receivable at year-end, and the corresponding calculation of TSRs payable to determine if they are reasonable.

Our Planned Audit Approach

Special Factors Impacting This Year: Significant Audit Risks

Significant Audit Risks The audit risk assessment process is continuous, and as such, could result in additional significant risks identified as we perform our audit. If we identify additional significant risks, we will communicate those to you at that time.

Description of Risk	Potential Risk	Audit Response
Management Override of Controls (Significant Fraud Risk)	Misappropriation of assets/improper financial reporting	Procedures we expect to perform include the following: <ul style="list-style-type: none">Fraud risk inquiries of senior management and other employees, including inquiries related to improper or unusual journal entry activity.Journal entry testing for validity, support and approvals.

Our Planned Audit Approach

Fraud or Likely Illegal Acts / Conflict of Interest Matters / Other Governance Issues

Our Approach to Fraud and COIs

We perform additional procedures beyond what might be required under U.S. GAAS utilizing Data Analytic tools which are tools to analyze data from the entity's general ledger, accounts payable and payroll systems searching for outliers and anomalies. These procedures are related to **reputational risks** and to identify potential **fraud risks**, even if not material. For any exceptions or anomalies noted we will corroborate to supporting documentation and make inquiries of management to ensure that the exceptions are valid. Some of the additional procedures include:

- Scanning the list of major vendors receiving disbursements

In addition, consideration of incentives, pressures, opportunities, and tone at the top are understood, along with:

- Evaluation of internal controls at various levels
- Evaluating COI policies and procedures for obtaining annual affirmations from Board members and senior management

Inquiries of those charged with governance, management and others regarding their knowledge or suspicion of fraud

- Is the Committee aware of any fraud, suspected fraud or allegations?
- Does the Committee have any concerns about specific exposures to fraud or accounts that may be susceptible to fraud?
- Has management discussed internal control to prevent, detect and deter material fraud with the Committee?
- Are there any other risks/areas of concern?
- Did you follow the policy pertaining to whistleblower protection? Were there any whistleblower events in the past year?
- Did you adhere to the policy pertaining to document retention and destruction?

Specific Inquiries of Governance

Other Required Communications

Significant Accounting Principles

- See Note 2 for a summary of significant accounting policies, including the basis of presentation, measurement focus, and fund balance/net position classifications.
- There are no significant changes in accounting principles expected for the year ended June 30, 2024.

Audit Adjustments

- We will discuss with you any significant audit adjustments, whether corrected or uncorrected, in the financial statements.

Internal Controls

- If any significant deficiencies or material weaknesses in internal control are identified (as defined in U.S. GAAS) these will be communicated in our Post Audit Communications with the Audit Committee. A formal letter will be issued when the financial statements are signed and issued.
- We will also provide any other observations and recommendations in our Post-Audit communication that do not meet the definition of a significant deficiency or material weakness. Typically, we refer to these as best practice comments.

Relationship and Independence

CBIZ has not been engaged to prepare tax filings or other services which would otherwise be considered a nonaudit service



No consulting services outside of routine advice relative to accounting and tax matters



No known roles of our people or their relatives in any management or oversight role



No known financial interrelationships of either the firm or its people with the Organization

New Developments & Forward Considerations

Development	What's Changing?	When Are the Changes Effective?	Recommended Actions
<p>GASB 100, Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62</p>	<p>Enhances accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability</p>	<p>Changes are effective for the year ended June 30, 2024</p>	<ul style="list-style-type: none"> ▪ Understand the standard ▪ Model the effects ▪ Review with external auditors ▪ Communicate impact

New Developments & Forward Considerations (continued)

Development	What's Changing?	When Are the Changes Effective?	Recommended Actions
<p>GASB 101, Compensated Absences</p>	<p>Requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or otherwise settled. Also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements.</p>	<p>Changes are effective for the year ended June 30, 2025</p>	<ul style="list-style-type: none"> ▪ GASB 101 is not anticipated to have an impact on TSASC's financial statements as TSASC has no employees.

New Developments & Forward Considerations (continued)

Development	What's Changing?	When Are the Changes Effective?	Recommended Actions
<p>GASB 102, Certain Risk Disclosures</p>	<p>Improves financial reporting by providing timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact.</p>	<p>Changes are effective for the year ended June 30, 2025</p>	<ul style="list-style-type: none"> ▪ Understand the standard ▪ Model the effects <ul style="list-style-type: none"> ▪ Review with external auditors ▪ Communicate impact

New Developments & Forward Considerations (continued)

Development	What's Changing	When Are the Changes Effective	Recommended Actions
<p>Statement on Auditing Standard (“SAS”) 145: <i>Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement</i></p>	<p>SAS No. 145 includes requirements to understand, evaluate certain aspects of, the control environment, the entity's risk assessment process, and the entity's process to monitor the system of internal control components. It includes revised requirements for evaluating the design and effectiveness and general information technology (IT) controls. SAS No. 145 also includes “stand back” requirements and new and revised auditor documentation requirements.</p>	<p>The new standard SAS 145 will require MHM to perform more and/or different procedures than we have in the past.</p> <p>This will require us to spend more time in certain areas on your audit and will likely require additional documentation requests.</p> <p>Beginning with the June 30, 2024 audit.</p>	<ul style="list-style-type: none"> ▪ Understand the standard ▪ Model the effects ▪ Review with external auditors ▪ Communicate impact

Appendices

Appendix A – Engagement Letter

Appendix B - Background on CBIZ & MHM

Appendix A

Engagement Letter



Office: (516) 992-5841
Cell: (631) 235-7433
Philip.Marciano@cbiz.com

April XX, 2024

Mr. Raymond Lee, Comptroller
TSASC, Inc.
255 Greenwich Street, 7th Floor
New York, NY 10007

Re: Engagement Letter for June 30, 2024

Dear Mr. Lee:

Mayer Hoffman McCann CPAs, the New York Practice of Mayer Hoffman McCann P.C. ("MHM" or "we" or "our" or "us") is pleased to confirm our understanding of the services we are to provide for TSASC, Inc. ("TSASC" or the "Corporation" or "you" or "your(s)") as of and for the year ended June 30, 2024. Our audit will be performed in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants ("U.S. GAAS") and with the standards for financial audits contained in *Government Auditing Standards* ("U.S. GAGAS"), issued by the Comptroller General of the United States, and will include tests of the accounting records of TSASC and other procedures we consider necessary in order to render our opinion on the fairness of presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The standards applicable to our engagement require us to perform certain tasks (some specific, some determined by our professional judgment) that are detailed more fully in the Terms and Conditions Appendix. In addition, the Terms and Conditions Appendix provides a description of our responsibility in performing an audit under U.S. GAAS and GAGAS and further clarifies the extent of management's responsibility for representation letters and independence matters as a result of restrictions on providing certain services and matters relating to hiring.

SERVICES TO BE RENDERED

1. **Report on Financial Statements** – We will audit the financial statements of the governmental activities, each major fund, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, as of June 30, 2024 and for the year then ended.

U.S. GAAP provides for certain required supplementary information ("RSI"), such as management's discussion and analysis ("MD&A"), to supplement TSASC's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to TSASC's RSI in accordance with U.S. GAAS. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will 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. The MD&A is required by generally accepted accounting principles and will be subjected to certain limited procedures but will not be audited.

Mayer Hoffman McCann CPAs
The New York Practice of Mayer Hoffman McCann P.C.
An Independent CPA Firm

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We will also provide a report (which does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will include a paragraph that states the report is solely to describe the scope and testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance and that the report is not suitable for any other purpose.

2. **Other Reports** – We will issue the following additional report required by TSASC and specified in the request for proposal, specifically:
 - a. **Report on TSASC’s Compliance with its Investment Guidelines** - As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform certain tests and report on TSASC’s compliance with its investment guidelines as of and for the year ended June 30, 2024.
3. **Management Comments** – If, during the course of our audit we become aware of significant deficiencies, material weaknesses in the internal accounting controls or ways that we believe management practices can be improved (“leading practices”), we will relate our comments to management, the Audit Committee and the Board, in the form of written comments.
4. **Progress Reports and Closing Meetings** – We will keep management up-to-date on our progress during the course of our work. Drafts of all products will be provided so that management has sufficient time to review the material and comment prior to delivery of the final products. We will conduct appropriate “closing” meetings with management.
5. **Presentation of Financial Statements** – We will present the financial statements and related materials at a meeting of the Audit Committee.

The preparation and presentation of the financial statements of the Corporation are the responsibility of management with oversight from those charged with governance. Those charged with governance are also responsible for overseeing the strategic direction of the Corporation and any obligations related to its accountability, resolving disagreements between management and us regarding financial reporting, appointing us to perform the services described above, and informing us about all known or suspected fraud involving the Corporation. In turn, we will provide those charged with governance with any communications required by the professional standards.

6. **Ongoing Communications Included in Fee** – An appropriate relationship between management and the auditor is such that ongoing non-audit related communications are expected and encouraged. We include such periodic phone consultations and on-site discussions in our fee and do not charge extra for these. However, if such consultations become regular and require our research, we will bill you for our time at the rates for special projects in accordance with the Agreement by and between TSASC and Marks Paneth LLP dated as of July 1, 2020 and the Assignment Agreement between TSASC and MHM dated as of January 1, 2022 (the “Agreement”). Such billings would be discussed prior to a bill ever being sent to you.

MANAGEMENT'S RESPONSIBILITY

Our audit will be conducted on the basis that management or those charged with governance acknowledge and understand that they have responsibility

- a. For the preparation and fair presentation of the financial statements in accordance with U.S. GAAP;
- b. For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error including monitoring ongoing activities; and
- c. To provide us with
 - i. All financial records and related information and management is responsible for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers).
 - ii. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters;
 - iii. Additional information that we may request from management for the purpose of the audit; and
 - iv. Unrestricted access to persons with the Corporation from whom we determine it necessary to obtain audit evidence

Management is responsible for all management decisions and performing all management functions, and for designating an individual, preferably from senior management, with suitable skill, knowledge, or experience to oversee these services. Management is responsible for evaluating the adequacy and results of the services performed and accepting responsibility for them.

Management is responsible for establishing and maintaining internal controls, including monitoring ongoing activities, for the selection and application of accounting principles, for the safeguarding of assets, and for the preparation and fair presentation of the financial statements in conformity with US GAAP.

Management is responsible for adjusting the financial statements to correct material misstatements and for confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Corporation involving (a) management, (b) employees who have significant roles in internal controls, and (c) others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of any known allegations of fraud or suspected fraud affecting the Corporation received in communications from employees, former employees, regulators, or others. In addition, management is also responsible for identifying and ensuring that the Corporation complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

During the course of our engagement, we will request information and explanations from management regarding the Corporation. At the conclusion of our engagement, we will require, as a precondition to the issuance of our report, that management provide certain representations about the financial statements and related matters in a written representation letter. The procedures we will perform in our engagement and the conclusions we reach as a basis for our report will be heavily influenced by the written and oral representations that we receive from management. In view of the foregoing, the Corporation agrees to release our firm, its shareholders, and other personnel from any liability and costs relating to our services under this letter resulting from false or misleading representations made to us by any member of the Corporation's management.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits or other related studies. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. Management is responsible for providing its views on our current findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report, and for the timing and format for providing that information.

COST OF SERVICES

Fees for this audit will be charged in accordance with the Agreement.

We request that payments for these services be in the offices of MHM no later than the following dates/events specified below:

Upon signing this letter	\$ 2,000
September 1, 2024	6,000
Upon completion of all deliverables	<u>8,000</u>
	\$ <u>16,000</u>

Please schedule TSASC's payments according to the above. Monthly statements will be sent electronically to a designated representative of TSASC as a reminder.

Our audit engagement ends on the delivery of our signed audit reports. Any follow-up required will be a separate, new engagement. The terms and conditions of that new engagement will be governed by a specific letter for that service.

OTHER MATTERS

Enclosed, as required by *Government Auditing Standards*, is a copy of the report on the most recent peer review of our firm. The workpapers for this engagement will be retained in accordance with our firm policy, or for any additional period requested by the U.S. Government Accountability Office or other oversight agency. If we are aware that a federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the workpapers.

The staff of TSASC will provide us with the basic information required for our services including the trial balances, supporting schedules, analyses, reconciliations and other requested information that is included on the audit request list. We understand that TSASC will prepare all confirmations requested, and we will be assisted in the location of invoices, vouchers, canceled checks and other documents and records, which we request.

Should you require any non-audit management advisory services, we would be happy to provide such services on an as-requested basis at our firm's hourly rates for special projects per the Agreement. See the Terms and Conditions Appendix for further discussion regarding independence issues surrounding advisory work.

We feel that our background and associations with governmental agencies will serve the best interests of TSASC. We are delighted to have the opportunity to be of service and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions regarding this letter or need further information, please let us know.

If the above agrees with your understanding of the terms of our engagement, please sign this letter and PDF the entire letter to me at Philip.Marciano@cbiz.com.

Sincerely,



Philip Marciano, CPA
Shareholder
Mayer Hoffman McCann CPAs
The New York Practice of Mayer Hoffman McCann P.C.

Enclosures

RESPONSE:

This letter correctly sets forth the understanding of TSASC, Inc. The foregoing is in accordance with my understanding of your engagement to provide audit services. I hereby agree and accept all terms described in this letter and the accompanying Terms and Conditions Appendix.

Signature: _____

Printed Name: _____

Title: _____

Date: _____

TERMS AND CONDITIONS APPENDIX

1. AUDIT OF THE FINANCIAL STATEMENTS:

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion, about whether the Corporation's financial statements are fairly presented, in all material respects, in conformity with US GAAP and to report on the fairness of the additional information when considered in relation to the financial statements taken as a whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on financial statements.

We will also provide a report, which does not include an opinion, on internal controls related to the financial statements and compliance with the provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The reports on internal control and compliance will each include a paragraph that states the report is solely to describe the scope and testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance and that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control over financial reporting and compliance and that the report is not suitable for any other purpose.

Audit

Our audit will be conducted in accordance with US GAAS and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records and other procedures we consider necessary to enable us to express such an opinion.

As part of our audit, we will exercise and maintain professional judgment throughout the engagement. We will also:

- Plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Corporation or to acts by management or employees acting on behalf of the Corporation.
- Obtain an understanding of the Corporation and its environment, including internal control relevant to the audit sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We will issue a written report upon completion of our audit of the Corporation's financial statements. Our report will be addressed to the Members of the Board of Directors of the Corporation. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph. If our opinion is other than unmodified, we will discuss the reasons with management in advance. If, for any reason, we are unable to complete the audit, or are unable to form or have not formed an opinion, we may decline to express an opinion or withdraw from this engagement.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts (e.g., tests of the physical existence of inventories, direct confirmation of certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions, etc.). We may also request written representations from the Corporation's attorneys as part of the engagement, and they may bill the Corporation for responding to this inquiry.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve professional judgment about the number of transactions to be examined and the areas to be tested. 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 will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from errors, fraudulent financial reporting, misappropriation of assets, or violations of laws or governmental regulations that are attributable to the Corporation or to acts by management or employees acting on behalf of the Corporation. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal controls, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with US GAAS and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. We will inform the appropriate level of management and those charged with governance of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management and those charged with governance of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility, as auditors, is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Internal Control

Our audit will include obtaining an understanding of the Corporation and its environment, including internal controls sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures.

We will obtain an understanding of the design of the relevant controls and whether they have been placed in operation, and we will assess control risk. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Tests of controls relative to the financial statements are required only if control risk is assessed below the maximum level. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal controls or to identify control deficiencies. Accordingly, we will express no such opinion. However, we will inform management and those charged with governance of internal control matters that are required to be communicated under professional standards.

Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Corporation's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance, and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The services described above do not relieve management or those charged with governance of their responsibilities.

2. FURTHER DESCRIPTION OF MANAGEMENT'S RESPONSIBILITY

Representation Letter

During the course of our engagement, we will request information and explanations from management regarding TSASC's operations, internal controls, future plans, specific transactions and accounting systems and procedures. At the conclusion of our engagement, we will require, as a precondition to the issuance of our report, that management provide certain representations in a written representation letter. The procedures we will perform in our engagement and the conclusions we reach as a basis for our report will be heavily influenced by the written and oral representations that we receive from management.

Independence Matters as a Result of Restrictions on Providing Certain Services and Hiring

Management and the Audit Committee will assist MHM in maintaining independence by having policies and procedures in place to ensure that TSASC will not engage MHM or accept from MHM any service that would impair MHM's independence. All potential additional services are to be discussed with Philip Marciano of MHM and the Audit Committee.

Please be advised that the independence rules provide that an auditor will not be independent with respect to a client where the client employs a current or former partner or professional employee of the firm within a specified period of time. Accordingly, you agree not to enter into any discussion regarding employment with any current or former partner or professional employee of MHM without our permission.

3. OTHER

We shall be obligated only for work or deliverables specified in the engagement letter or the Agreement, and only for changes in such scope that are set forth in a writing duly executed by the parties hereto and thereto. To the extent all specific details of the engagement are not so documented, the parties shall work diligently and in good faith to document them at the request of either party. Unless expressly provided for, the Firm's services do not include giving testimony or appearing or participating in discovery proceedings; in administrative hearings, in court, or in other legal or regulatory inquiries or proceedings.

We understand the workpapers for this engagement are the property of MHM and constitute confidential information. However, we may be requested to make certain workpapers available to funding sources pursuant to authority given to them by law or regulation. If requested, access to such workpapers will be provided under supervision of MHM personnel and we will bill TSASC for our time at our hourly rates then in effect. If access to our copies of such working papers are requested, we will provide notice to you in order to afford you with an opportunity to object to such disclosures. Furthermore, upon request, we may be required by law or regulation to provide photocopies of selected workpapers to third parties. If photocopies are requested, they will be marked as confidential. The third parties may intend, or decide, to distribute the photocopies or information contained therein to others.

MHM agrees that any (i) proprietary information about TSASC or its business operations or (ii) client-identifiable information regarding a client of TSASC, which is disclosed to or obtained by MHM, is confidential (“Confidential Information”). MHM shall not disclose Confidential Information to any third party for any purpose except as expressly authorized in writing by TSASC or as required by law, regulation, judicial or administrative process, or in accordance with applicable professional standards.

The audit documentation for this engagement will be retained for a minimum of seven years after the date each auditor’s report is issued or for any additional period if requested by TSASC. If TSASC is aware that an audit finding is being contested by a third party, TSASC will contact MHM in order to inform them in regards to guidance prior to destroying the audit documentation after the required document retention policy has expired.

In the event you request that MHM provide information related to the services to you, or MHM is legally required pursuant to a legal, administrative, arbitration, or similar proceeding to produce information or its personnel as witnesses with respect to the services, you shall reimburse MHM, its successors and assigns, partners and principals for any professional time and expenses (including reasonable legal fees) incurred to respond to the request, provided that MHM is not a party to the proceeding or the subject of the investigation in which the information is sought. MHM shall, to the extent legally permissible, notify you promptly of any such request.

We acknowledge your right to terminate our services at any time and you acknowledge our right to resign at any time, including but not limited to, for non-payment of fees. In either case, you acknowledge our right to payment for all compensation incurred through the date of termination or resignation, subject to your right to deduct from any such payment an amount equal to any damage sustained by you due to our breach of the Agreement, if any. Should you exercise the right to terminate our services, such termination shall be in writing and shall be effective upon delivery by mail, overnight mail, or email transmission.

In the unlikely event of a claim or controversy arising out of or relating to this engagement that are not resolved by mutual agreement, the matter shall first be submitted for good faith mediation administered by the American Arbitration Association under its mediation rules for professional accounting and related services disputes. If the matter is not resolved by mediation within 60 days of its submission to the mediator, then and only then the matter shall be submitted for binding arbitration administered by the American Arbitration Association in accordance with its then current Professional Accounting and Related Services Dispute Resolution Rules. Judgment on any award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Each party shall bear their own costs and expenses from the mediation and, if necessary, the arbitration. The fees and expenses of the mediator shall be shared equally by the parties. If arbitration is necessary, then each party will be responsible for its own proportionate share of the arbitrator’s fees and expenses.

The place of arbitration shall be New York, New York. The arbitration shall be governed by the laws of the State of New York. The arbitration will be conducted before a single arbitrator who is experienced in accounting and auditing matters. The arbitrator shall not have authority to award consequential, punitive or exemplary damages. Any award in an arbitration initiated under this engagement letter shall be limited to monetary damages and shall include no injunction or direction to any party other than the direction to pay a monetary amount. The award of the arbitrator shall be accompanied by a reasoned opinion. Except as may be required by law, neither a party nor an arbitrator may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties.

You agree that MHM's and its personnel's maximum liability to you and your personnel for any errors or omissions (including negligent errors and omissions) committed by MHM and/or its personnel arising out of or related to this engagement letter or the services will be limited to five times the amount actually paid for the services.

In no event shall either party be liable to the other party or its personnel for any consequential, indirect, incidental, punitive or special damages, including any amount for loss of profit, data or goodwill, whether or not the likelihood of such loss or damage was contemplated.

Except to the extent expressly provided hereto to the contrary, this engagement is between MHM and the parties listed in the engagement letter. Third-party beneficiaries are not intended.

You may not use MHM's name or trademarks without prior written consent.

No right, duty, cause of action or obligation arising out of this engagement may be assigned by you to anyone for any purpose without MHM's prior written consent, and any purported assignment or assignments made without MHM's consent shall be void.

**** END ****

DRAFT



Report on the Firm's System of Quality Control

September 22, 2023

To the Shareholders of Mayer Hoffman McCann P.C.
And the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice applicable to engagements not subject to PCAOB permanent inspection of Mayer Hoffman McCann P.C. (the firm) in effect for the year ended April 30, 2023. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants (Standards).

A summary of the nature, objectives, scope, limitations of, and the procedures performed in a system review as described in the Standards may be found at www.aicpa.org/prsummary. The summary also includes an explanation of how engagements identified as not performed or reported on in conformity with applicable professional standards, if any, are evaluated by a peer reviewer to determine a peer review rating.

Firm's Responsibility

The firm is responsible for designing and complying with a system of quality control to provide the firm with reasonable assurance of performing and reporting in conformity with the requirements of applicable professional standards in all material respects. The firm is also responsible for evaluating actions to promptly remediate engagements deemed as not performed or reported on in conformity with the requirements of applicable professional standards, when appropriate, and for remediating weaknesses in its system of quality control, if any.

Peer Reviewer's Responsibility

Our responsibility is to express an opinion on the design of and compliance with the firm's system of quality control based on our review.

Required Selections and Considerations

Engagements selected for review included engagements performed under *Government Auditing Standards*, including compliance audits under the Single Audit Act; audits of employee benefit plans; and examinations of service organizations (SOC 1[®] and SOC 2[®] engagements).

As a part of our peer review, we considered reviews by regulatory entities as communicated by the firm, if applicable, in determining the nature and extent of our procedures.

Opinion

In our opinion, the system of quality control applicable to engagements not subject to PCAOB permanent inspection for the accounting and auditing practice of Mayer Hoffman McCann P.C. in effect for the year ended April 30, 2023, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)*, or *fail*. Mayer Hoffman McCann P.C. has received a peer review rating of *pass*.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Weaver and Tidwell, L.L.P.
9311 San Pedro Avenue, Suite 1400 | San Antonio, Texas 78216
Main: 210.737.1042

CPAs AND ADVISORS | WEAVER.COM

Appendix B

Background on CBIZ & MHM

Company Overview

A National Leader in Accounting, Tax & Advisory Services

- Ranked as a Top 15 national accounting provider
- Two offices in New England including Boston, MA and Providence, RI with 250+ team members

Practice Structure

- CBIZ provides tax and consulting services. MHM (Mayer Hoffman McCann P.C.), an independent certified public accounting firm, provides financial statement audits and other attest services
- Like many other national firms, our tax and attest practices are organized as separate and independent legal entities that work seamlessly together to serve our clients



MHM National Not-for-Profit Practice Overview

Our National Not-for-Profit Practice provides unique insight, superior quality, and consistency to all not-for-profit clients across our organization. This experience, combined with our active participation in organizations that matter to you offers a deeper level of industry immersion, and thus a deeper knowledge of your organization.

3,500+
Not-for-profit
Clients Served
Nationwide

INDUSTRY EXPERTISE



Arts & Cultural
Institutions



Colleges,
Universities
& Schools



Public
Charities



Private
Foundations



Health & Welfare
Organizations



Professional &
Membership
Trade Associations



Religious
Entities



Government

MHM's Local Nonprofit, & Government Qualifications Experience

We are equally committed to meeting the needs of our tax-exempt and government entity clients.

Our Values

Mission Statement

To provide exceptional advice and solutions that help our clients achieve their goals

Vision Statement

To be recognized by our clients as the premier provider of accounting, insurance and other professional business services and by our team members as their employer of choice

Our Core Values



We do the right thing.



Our people matter.



We are dedicated to the success of our clients.



We expect to win.



We are OneCBIZ.

Keeping You Informed & Supporting Innovation

 Seminars & Webinars	 Regular Client Communications	 Proactive Implementation of New Standards	 Not-For-Profit Newsletter	 Resource Center
<p>Complimentary virtual/in-person events designed to cover accounting, tax, business, technology and other areas of importance to our clients</p>	<p>Year-round communication from our team in person, by phone, through a virtual meeting, or via email</p>	<p>Provide templates, training, tools, and best practices as new standards are introduced</p>	<p>The Not-For-Profit Viewpoint Monthly newsletter covering topics that impact not-for-profit and education organizations</p>	<p>Inflation Resource Center Our program to provide companies with articles, podcasts, webinars, guides and more to help navigate these unprecedented times</p>

Sign up to receive our newsletters and alerts here: bit.ly/CBIZandMHMNewsletters

Supporting Innovation with Strategic Opportunities

Commitment to Diversity & Inclusion

We work to make diversity and inclusion an essential and valued part of our culture in the following ways:



CBIZ: Firm Overview

CBIZ, a business consulting tax, and financial services provider and MHM (Mayer Hoffman McCann P.C.), a national independent CPA firm work seamlessly together to meet the needs of organizations across all sectors. With 125 offices nationwide and 5,000+ employees in major metropolitan areas and suburban cities throughout the U.S., CBIZ (NYSE: CBZ) delivers top-level financial and benefits and insurance services to organizations of all sizes, as well as individual clients, by providing national-caliber expertise combined with highly personalized service delivered at the local level.

Delivering The Services & Solutions You Need Across Multiple Industries



CBIZ is one of the Nation's Leading Providers Focused on Delivering Services

ADVISORY

- Corporate Recovery
- Cybersecurity & Risk Management
- Forensic Accounting
- Private Equity Advisory
- Public Company Readiness
- Valuation

ASSURANCE

- Audit & Attest
- Employee Benefit Plan Audits
- SOC 1 & 2 Reports

TAX & ACCOUNTING

- Back-Office Accounting & Bookkeeping Services
- Federal Tax Planning & Incentives
- International Tax
- Private Client Services
- Tax Controversy & Compliance
- Tax Outsourcing

CONSULTING SERVICES

- Employee Benefits
- Property & Casualty Insurance
- Technology Consulting

A hand holding a pen pointing at a digital display with data charts. The display shows a bar chart and several line graphs in various colors (yellow, green, blue, white) on a dark background.

Employee Resource Groups

In advancing diversity, equity, and inclusion (DEI), we commit to driving lasting and meaningful change within both CBIZ and the professional services industry.

- We foster an inclusive, values-based culture that treats diversity as a business imperative and strive to become an employer of choice for attracting, retaining, and advancing diverse talent.
- We have found many ways to improve over the years, including centralizing recruiting company-wide which resulted in a 25% improvement in our employment of ethnically diverse individuals.

We know our words must translate to tangible action if we want to achieve the lasting and comprehensive change we seek. It is with this goal in mind that we established the Diversity, Equity & Inclusion Task Force and other initiatives outlined on the next slide.

Employee Resource Groups

Our CBIZ Employee Resource Groups (ERGs) help team members from across CBIZ forge relationships and create connections around shared identity, attributes, and experiences.

Our current ERGs include:



Our Dedication to the Community

Community involvement is an important part of our culture and through our **CBIZ Cares** initiative we encourage all of our team members to create positive change in our community. We are actively involved in sponsorship, organizing, and planning events for our clients.



The following are a few specific ongoing examples of how we have brought our commitment to community to life:

- For over a decade, CBIZ has hosted an **Annual Food Drive** to help stock food pantries in local office communities. CBIZ employees have collected nearly 10 million pounds of food during this time.
- Through our **CBIZ Women's Advantage** program, we conduct fundraising and awareness events for Dress for Success, an organization focused on empowering women to achieve economic independence.
- The **CBIZ Green Team** was established in honor of our commitment to developing practical and actionable solutions to support sustainable environments within each of our local offices.

In addition, all members of our professional staff donate significant amounts of time in volunteer efforts to numerous not-for-profit organizations. Whether it be through service on not-for-profit boards, supporting schools, mentoring students, or assisting entrepreneurs, our team is committed to the community we serve, providing paid time off each year for volunteering.



TSASC, Inc.

Governance Committee Meeting

April 29, 2024

Agenda

1. Resolution: Approval of Minutes of Meeting of September 18, 2023
2. Resolution: Review & Approval of Policy on the Procurement of Goods & Services

TSASC, Inc.

Governance Committee Meeting

April 29, 2024

Approval of Minutes

WHEREAS, the Governance Committee of TSASC, Inc. has reviewed the minutes of the previous meeting of the Governance Committee held on September 18, 2023; it is therefore

RESOLVED, that the minutes of the Governance Committee meeting of September 18, 2023, are hereby approved.

**MINUTES OF THE MEETING OF
THE GOVERNANCE COMMITTEE OF TSASC, INC.**

September 18, 2023

A meeting of the Governance Committee (the “Committee”) of TSASC, Inc. (the “Corporation”) was held on September 18, 2023 at approximately 10:11 a.m., conducted at 255 Greenwich Street, Room 6M4, New York, New York.

The following members of the Committee or their alternates were present:

Jacques Jiha, Director of Management and Budget of The City of New York (the “City”), represented by David Womack;

Brad Lander, Comptroller of the City, represented by Michael Stern;

Sylvia O. Hinds-Radix, Corporation Counsel of the City, represented by Al Rodriguez;

Preston Niblack, Commissioner of Finance of the City, represented by Dara Jaffee; and

Adrienne Adams, Speaker of the City Council, represented by Hector German,

constituting a quorum of the Committee. Claudia Martinez served as secretary of the meeting.

Also in attendance were members of the public, officers of the Corporation and employees of various agencies of the City.

The meeting was called to order by Mr. Rodriguez, Chairperson of the Committee.

Approval of Minutes

The first item on the agenda was the approval of the minutes of the meeting of the Committee held on April 28, 2023. The minutes were circulated for the Committee’s review. There was no discussion and, upon unanimous vote¹, the resolution was approved.

¹ Mr. Rodriguez voted in favor of the proposed resolution approving the minutes after discussing the second item on the agenda.

WHEREAS, the Governance Committee of TSASC, Inc. has reviewed the minutes of the previous meeting of the Governance Committee held on April 28, 2023; it is therefore

RESOLVED, that the minutes of the Governance Committee meeting of April 28, 2023, are hereby approved.

Resolution: Self-evaluation and discussion of presentation to Board of Directors

The second item on the agenda was the self-evaluation of the Committee and a resolution which would authorize the presentation of the self-evaluation to the Board of Directors. Section III(g) of the Governance Committee Charter requires the Governance Committee conduct a self-evaluation of its functions annually. Mr. Rodriguez explained that a report of the Committee's actions taken in the past fiscal year was included in the folders provided to the Committee. Mr. Rodriguez noted that the proposed resolution expresses the Committee's opinion that it is functioning in a satisfactory manner consistent with its Charter, and authorizes the Chair of the Committee to present the result of this self-evaluation to the Board. Mr. Rodriguez asked if there were there any questions or comments and there was no further discussion. There being no discussion and, upon unanimous vote, the resolution was adopted:

WHEREAS, Section III(g) of the Governance Committee Charter requires the Governance Committee to conduct an annual self-evaluation of its functions; and

WHEREAS, the Governance Committee finds its functioning and performance to be satisfactory, effective, and in compliance with the Governance Committee Charter; it is therefore

RESOLVED, that the Governance Committee finds its functioning to be satisfactory and the Chair of the Governance Committee shall present the Committee's findings to the Board of Directors of TSASC, Inc.

Review of compensation and benefits

The third and final item on the agenda was a review of the Corporation's compensation

and benefits expenses. Mr. Rodriguez stated that Section III(i) of the Governance Committee Charter requires that the Governance Committee annually review this information. The information provided states that the Corporation has no employees, and describes the total compensation that the Corporation reimburses to other entities for personal services provided to the Corporation. Mr. Rodriguez noted that this was a review item only, and no vote was taken.

Adjournment

There being no further business to come before the Committee, upon unanimous vote, the meeting was duly adjourned.

SECRETARY

TSASC, Inc.

Governance Committee Meeting

April 29, 2024

Review & Approval of Policy on the Procurement of Goods and Services

WHEREAS, pursuant to Section 2824(e) of the Public Authorities Law of the State of New York, TSASC, Inc. (the “Corporation”) is required to establish a policy on the procurement of goods and services and to periodically review the policy;

WHEREAS, the Corporation adopted a Policy on the Procurement of Goods and Services (the “Policy”) on July 31, 2006 and amended it on April 24, 2009, September 22, 2010, September 11, 2013 and April 27, 2018; and

WHEREAS, the Governance Committee has reviewed the Policy as attached hereto and finds it to be reasonable and prudent; it is therefore

RESOLVED, that the Governance Committee hereby approves the Policy, without further changes, as attached hereto.

TSASC, INC.
POLICY ON THE PROCUREMENT OF GOODS AND SERVICES

Adopted July 31, 2006

Amended April 24, 2009, September 22, 2010, September 11, 2013 and April 27, 2018

I. INTRODUCTION

In accordance with the requirements of Section 2824(1)(e) of the Public Authorities Law, the following comprehensive guidelines (“Guidelines”) set forth TSASC, Inc.’s (the “Corporation’s”) operative policy and instructions regarding the procurement of goods and services. It is the policy of the Corporation to encourage participation by minority and women-owned business enterprises in providing goods and services to the Corporation.

II. SELECTION CRITERIA FOR CONTRACTS FOR GOODS AND SERVICES

1. Goods and Services Costing Less Than \$20,000

For procurements of goods and services the value of which is less than \$20,000 in any single fiscal year, no competition is required except that in making purchases below this limit, the Corporation staff shall ensure that the price is reasonable. Documentation of such purchases shall identify the contractor the item was purchased from, the item purchased, and the amount paid. Contracts for goods and services the value of which is less than \$20,000 in any single fiscal year shall not require approval of the Board of Directors of the Corporation.

2. All Other Goods and Services

Contracts for goods and services the value of which is \$20,000 or more in any single fiscal year are to be awarded on a competitive basis to the maximum extent possible, in accordance with the general procedures set forth below.

3. Proposals or Bids may be solicited as follows:

- i. **Requests for Proposals:** Where practicable, written requests for proposals ("RFPs") shall be issued by the Corporation. RFPs shall set forth the nature of the goods or services the Corporation is seeking to procure, including specifications where applicable or available, and shall solicit proposed prices, fees, charges or billing rates, where appropriate. RFPs shall contain such other information and shall request from proposers such other information as the Corporation may deem

necessary or desirable. RFPs shall be advertised in at least one appropriate periodical.

- ii. **Telephone or letter solicitation:** Proposals may be solicited from contractors by letter or telephone, where the Contracting Officer determines that the issuance of an RFP is impracticable or unnecessary. Where practicable, proposals should be solicited from at least three contractors.

4. Evaluation:

For personal services contracts, the technical merits of the proposals, the experience and capabilities of the proposing person or firm and any prior experience that Corporation staff may have had with the proposing person or firm will be significant factors in selecting the contractor, provided that the price, fees, charges, or billing rates for performing the services are reasonable and competitive in light of such experience and capabilities. The Corporation may determine not to select a person or firm where information is obtained which indicates that the person or firm is not qualified as responsive or responsible based upon such criteria as the Corporation may deem appropriate for the procurement.

5. Waiver of Selection Criteria

Notwithstanding any requirement of these Guidelines, contracts may be awarded to persons or firms on a non-competitive basis, without regard to the procedures set forth above, when the Contracting Officer of the Corporation determines that circumstances such as any of the following exist:

- i. In the event an emergency or other extraordinary circumstances exist which make competition impracticable or inappropriate;
- ii. Only one source for the goods or services is reasonably available;
- iii. Legal services or other specialized services are required for which a certain person or firm's expertise is unique;
- iv. Continuation of existing services or purchasing goods from a previous supplier firm is desirable for purposes of continuity or compatibility;

- v. A person or firm has superior qualifications to perform the service or provide the goods at a cost that is determined to be fair and reasonable; or
- vi. Information is obtained which indicates that persons or firms which were invited to submit proposals are not qualified, responsive or responsible based upon the appropriate criteria for the project.
- vii. In the event that the City of New York (the “City”) or another governmental unit can provide or cause to be provided needed services pursuant to contracts entered into by the City or another governmental unit and the Corporation determines that it is in the best interest of the Corporation to avail itself of such opportunity.

If a contract is awarded pursuant to a waiver, the Board of Directors of the Corporation shall be notified.

TSASC, Inc.

Board of Directors Meeting

April 29, 2024

Agenda

1. Resolution: Approval of Minutes of Meeting of September 18, 2023
2. Resolution: Approval of Budget
3. Discussion of EMMA Filing
4. Resolution: Approval of Directors & Officers Insurance
5. Resolution: Approval of Bond Counsel Agreement
6. Resolution: Approval of Financial Advisor Contract
7. Resolution: Approval of Mission Statement and Measurement Report
8. Presentation by Audit Committee Chair regarding Audit Committee's Report and Self-Evaluation

TSASC, Inc.

Board of Directors Meeting

April 29, 2024

Approval of Minutes

WHEREAS, the Board of Directors of TSASC, Inc. has reviewed the minutes of its meeting held on September 18, 2023; it is therefore

RESOLVED, that the minutes of the meeting of the Board of Directors held on September 18, 2023 be, and they hereby are, adopted.

**MINUTES OF THE MEETING OF
THE BOARD OF DIRECTORS OF TSASC, INC.**

September 18, 2023

A meeting of the Board of Directors (the “Board”) of TSASC, Inc. (the “Corporation”) was held on September 18, 2023 at approximately 10:15 a.m., conducted at 255 Greenwich Street, Room 6M4, New York, New York.

The following Board members attended, represented by their designees:

Jacques Jiha, Director of Management and Budget of The City of New York (the “City”), represented by David Womack;

Brad Lander, Comptroller of the City, represented by Michael Stern;

Sylvia O. Hinds-Radix, Corporation Counsel of the City, represented by Al Rodriguez;

Preston Niblack, Finance Commissioner, represented by Dara Jaffee; and

Adrienne Adams, Speaker of City Council, represented by Hector German,

constituting a quorum of the Board. Claudia Martinez served as secretary of the meeting.

Also in attendance were members of the public, officers of the Corporation and employees of various agencies of the City.

The meeting was called to order by Mr. Womack, Chairperson of the Board.

Approval of Minutes

The first item on the agenda was the approval of the minutes of the meeting of the Board held on April 28, 2023. The minutes were circulated for the Board’s review. There was a brief discussion and, upon unanimous vote, the resolution was approved.

WHEREAS, the Board of Directors of TSASC, Inc. has reviewed the minutes of its meeting held on April 28, 2023 it is therefore

RESOLVED, that the minutes of the meeting of the Board of Directors held on April 28, 2023 be, and they hereby are, adopted.

Resolution: Acceptance of the independent auditors' report on the audited financial statements for the fiscal years ended June 30, 2023 and June 30, 2022 and authorization to release such financial statements

The second item on the agenda was the approval of the independent auditors' report on the audited financial statements for the fiscal years ended June 30, 2023 and June 30, 2022 and authorization to release such financial statements. The approval of this report and financial statements was recommended by the Audit Committee, after their meeting with independent auditors and management. The draft audited financial statements were provided to the Board for review. No further discussion was held and upon unanimous vote, the following resolution was adopted:

WHEREAS, the Audit Committee has met with the independent auditors of TSASC, Inc. (the "Corporation") and has reviewed the independent auditors' report on the audited financial statements of the Corporation for the fiscal years ended June 30, 2023 and June 30, 2022 and such financial statements; and

WHEREAS, the Audit Committee believes the independent auditors' report and the financial statements are reasonable and appropriate and has recommended that the Board accept the independent auditors' report and authorize the release of the financial statements; it is therefore

RESOLVED, that the Board hereby accepts the independent auditors' report on the audited financial statements of the Corporation for the fiscal years ended June 30, 2023 and June 30, 2022 and authorizes the release of such audited financial statements; provided that both the independent auditors' report and the audited financial statements may be amended to reflect non-material changes acceptable to the Comptroller or Deputy Comptroller of the Corporation.

Resolution: Authorization of the Annual Report for Presentation to the Members

The third item on the agenda was the review and authorization for presentation to the members of the Corporation's annual report. Mr. Womack noted that the report contains the Corporation's financial information as required pursuant to §519 of the Not-for-Profit Corporation

Law, and the report directs members to the page numbers of the fiscal year 2023 audited financial statements where they can find specific information related to the Corporation. Mr. Womack explained that the proposed resolution would authorize the submittal of the report to the Members of the Corporation. There being no further discussion, upon unanimous vote, the below resolution was adopted.

WHEREAS, Section 519 of the New York Not-For-Profit Corporation Law (the “NPCL”) requires that the Board of Directors of not-for-profit corporations present an annual report relating to the financial conditions of such corporations to the members of such corporations at their annual meeting; and

WHEREAS, in compliance with Section 519 of the N-PCL the Board of Directors of the Corporation has caused an annual report relating to the Corporation’s most recent fiscal year (the “Annual Report”) to be prepared; and

WHEREAS, the Board of Directors has reviewed such Annual Report, attached heretofore as Schedule I, it is therefore

RESOLVED, that the Board of Directors hereby approves and verifies the Annual Report as presented heretofore as Schedule I, and authorizes presentation to the Members of the Corporation; and

FURTHER RESOLVED, that Board of Directors hereby directs that the Annual Report be entered in the minutes of this meeting of the Board of Directors.

SCHEDULE I
ANNUAL REPORT OF THE BOARD OF DIRECTORS OF TSASC, INC.

For the Fiscal Year Ended June 30, 2023 Under Section 519 of
the New York State Not-For-Profit Corporation Law

To: The Members of TSASC, Inc.

From: The Board of Directors of TSASC, Inc.

The Board of Directors respectfully submits for your information the following report relating to TSASC, Inc. for the twelve-month fiscal period ending June 30, 2023:

1. The assets and liabilities, including trust funds, of the Corporation as of the end of said fiscal period may be found on page 13 of the attached audited financial statements.
2. The principal changes in the assets and liabilities, including trust funds, of the Corporation during said fiscal period may be found on page 6 of the attached audited financial statements.
3. The revenues of the Corporation, both unrestricted and restricted to particular purposes, during said fiscal period may be found on page 14 of the attached audited financial statements.
4. The expenses of the Corporation, for both general and restricted purposes, during said fiscal period may be found on page 14 of the attached audited financial statements.
5. Concerning the membership of the Corporation:
 - (a) The number of members as of June 30, 2023 is 5
 - (b) The number of members remained the same during said fiscal period ended June 30, 2023
 - (c) The names and places of residence of the current members may be found in the books of the Corporation, which are kept at 255 Greenwich Street, 7th Floor, New York, NY 10007.

This report has been prepared pursuant to Section 519 of the New York State
Not-for-Profit Corporation Law

Dated: September 18, 2023
New York, New York

Resolution: Approval of Investment Guidelines

The fourth item on the agenda was the approval of the Corporation's Investment Guidelines. The Corporation is required to annually review its Investment Guidelines. No changes were proposed at this time. There being no further discussion, upon unanimous vote, the below resolution was adopted:

WHEREAS, TSASC, Inc. (the "Corporation"), adopted Investment Guidelines on October 4, 2007 to establish policies for the investment of its funds and subsequently amended the Guidelines; and

WHEREAS, the Corporation is required annually to review its Investment Guidelines and Corporation staff has recommended no changes to the Guidelines at this time;

WHEREAS, the Board of Directors has reviewed the attached Investment Guidelines and has deemed them to be reasonable and appropriate; it is therefore

RESOLVED, that the Investment Guidelines, a copy of which will be filed with the Minutes of the Meeting, are hereby approved.

Resolution: Approval of Investment Report

The fifth item on the agenda was the approval of the Corporation's Investment Report for Fiscal Year 2023. Mr. Womack noted that pursuant to Section 2925(6) of the Public Authorities Law, the Corporation is required to annually prepare and approve an Investment Report which contains the Investment Guidelines, the independent audit of the Investments, an investment income record of the Corporation, and a list of fees, commissions, or other charges paid by the Corporation for investment services. Further, he explained that the proposed resolution would approve the Investment Report. There being no further discussion, upon unanimous vote, the below resolution was adopted:

WHEREAS, TSASC, Inc. (the "Corporation"), pursuant to the Corporation's Investment Guidelines, is required to annually prepare and approve an Investment Report; And

WHEREAS, the Board has reviewed the attached Investment Report and has deemed it to be reasonable and appropriate, it is therefore

RESOLVED, that the Investment Report is hereby approved.

Appointment of Secretary

The sixth item on the agenda was the appointment of Jeffrey Werner as Secretary of the Corporation. The Corporation's previous Secretary of the Corporation retired in 2023. Corporation staff recommend the appointment of Jeffrey Werner, whose biography has been presented to the Board for review. Mr. Womack stated that Mr. Werner currently serves as General Counsel of the Office of Management and Budget. The Corporation's staff believe he is highly capable of taking on this role. There was no discussion and upon unanimous vote, the following resolution was

adopted:

WHEREAS, the Board of TSASC, Inc. (the “Corporation”) is duly authorized pursuant to Section 713 of the New York Not-For-Profit Corporation Law to appoint such officers and employees as it may require for the performance of its duties; and

WHEREAS, Scott Ulrey, who had served as Secretary of the Authority since 2013, has submitted his resignation to the Corporation; and

WHEREAS, the Board believes that Jeffrey Werner, who serves as Assistant Secretary to the Hudson Yards Infrastructure Corporation, New York City Municipal Water Finance Authority and the New York City Transitional Finance Authority, and General Counsel to the New York City Office of Management and Budget, is highly qualified to assume the duties of Secretary; it is therefore

RESOLVED, that Jeffrey Werner is hereby appointed Secretary of the Corporation.

Appointment of Vice President and Treasurer

The seventh item on the agenda was the appointment of Laura Neesley as Vice President and Treasurer of the Corporation. Mr. Womack explained that the Corporation’s previous Vice President and Treasurer recently resigned from his position, after many years of dedicated service. Corporation staff recommend the appointment of Laura Neesley, whose biography has been presented to the Board for review. Ms. Neesley currently serves as Deputy Treasurer to the Corporation as well as Senior Assistant Director for Financing Policy at the Office of Management and Budget. The Corporation’s staff believe she is highly capable of taking on this role. There was no discussion and upon unanimous vote, the following resolution was adopted:

WHEREAS, the Board of Directors (the “Board”) of TSASC, Inc. (the “Corporation”) is duly authorized pursuant to Section 713 of the New York Not-For-Profit Corporation Law to appoint such officers and employees as it may require for the performance of its duties; and

WHEREAS, the Corporation desires to appoint Vice President and Treasurer, following the resignation of the Corporation’s former Vice President and Treasurer; and

WHEREAS, the Board believes that Laura Neesley (nee Tarbox), who has served as the Corporation’s Deputy Treasurer since 2021 and previously served as the Corporation’s Assistant Treasurer, is highly qualified to assume the duties of Vice President and Treasurer; it is therefore

RESOLVED, that Laura Neesley is hereby appointed as Vice President and Treasurer of the Corporation.

Resolution: Appointment of Contracting Officer

The eighth item on the agenda was the appointment of LacyAnn Dunkley as Contracting Officer of the Corporation. Mr. Womack noted that the Corporation's previous Contracting Officer retired from his position. Corporation staff recommend the appointment of LacyAnn Dunkley, whose biography has been presented to the Board for review. Ms. Dunkley currently serves Agency Chief Contracting Officer to the Office of Management and Budget, as well as the Contracting Officer for TFA and NYW. The Corporation's staff believe she is highly capable of taking on this role. There was no discussion and upon unanimous vote, the following resolution was adopted:

WHEREAS, the Board of Directors (the "Board") of TSASC, Inc. (the "Corporation") is duly authorized pursuant to Section 713 of the New York Not-For-Profit Corporation Law to appoint such officers and employees as it may require for the performance of its duties; and

WHEREAS, the Corporation desires to appoint a Contracting Officer, following the resignation of the Corporation's former Contracting Officer; and

WHEREAS, the Board believes that LacyAnn Dunkley, who currently serves as the Agency Chief Contracting Officer to the New York City Office of Management and Budget, and the Contracting Officer to the New York City Transitional Finance Authority and the New York City Municipal Water Finance Authority, is highly qualified to assume the duties of Contracting Officer of the Corporation; it is therefore

RESOLVED, that LacyAnn Dunkley is hereby appointed as Contracting Officer of the Corporation.

Presentation by Governance Committee Chair

The ninth and final item on the agenda was presentation by the Governance Committee Chair, Albert Rodriguez. Section III(g) of the Governance Committee Charter requires the

Governance Committee to conduct a self-evaluation of its functions annually. This was a review item only, and no vote was taken. Mr. Rodriguez, Chairperson of the Governance Committee, summarized the Committee's self-evaluation report for fiscal year 2023, which report lists the Committee's actions in the prior year and found that the Committee is functioning in satisfactory manner pursuant to its Charter.

Adjournment

There being no further business to come before the Board, upon unanimous vote, the meeting was duly adjourned.

SECRETARY

TSASC, Inc.

Board of Directors Meeting

April 29, 2024

Approval of Budget

WHEREAS, TSASC, Inc. (the “Corporation”), pursuant to Section 2801(2) of the Public Authorities Law (the “PAL”), is required to submit to the Mayor, Comptroller, Speaker of the City Council and the Authorities Budget Office, at least sixty days before the commencement of its fiscal year, budget information on operations and capital construction setting forth the estimated receipts and expenditures for the next fiscal year and the current fiscal year, and the actual receipts and expenditures for the last completed fiscal year;

WHEREAS, the Corporation is also required, pursuant to the PAL, Section 2800(2)(a)(14) to submit to the Mayor, Comptroller, Speaker of the City Council and the Authorities Budget Office, at a minimum a four-year financial plan, including (i) a current and projected capital budget, and (ii) an operating budget report, including an actual versus estimated budget, with an analysis and measurement of financial and operating performance; and

WHEREAS, the Board of Directors of the Corporation has reviewed the budget information and financial plan attached hereto and found it to be satisfactory; it is therefore

RESOLVED, that the Board of Directors of the Corporation approves the budget information and financial plan as attached hereto, provided that the Corporation’s Comptroller may make non-material changes to the budget and financial plan prior to its submission.

Fiscal Year 2025 Budget and Five-Year Plan (Cash Basis)

July 01, 2023 - June 30, 2028

(\$ in thousands)	Actual		Adopted	Modified ²	Proposed			
	Unaudited				FY 2025	FY 2026	FY 2027	FY 2028
	FY 2023	FY 2024	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	
<u>Receipts:</u>								
Operating Receipts:								
Pledged:								
Tobacco Settlement Revenue (TSR) ¹	\$ 73,896	\$ 68,675	\$ 63,736	\$ 58,961	\$ 51,717	\$ 51,017	\$ 50,419	
Investment earnings	2,524	2,000	3,904	2,500	500	500	500	
Sub-total	76,420	70,675	67,640	61,461	52,217	51,517	50,919	
Unpledged:								
Tobacco Settlement Revenue (TSR) ¹	123,688	114,948	106,681	98,688	86,564	85,391	84,390	
Investment earnings	180	-	-	-	-	-	-	
Sub-total	123,868	114,948	106,681	98,688	86,564	85,391	84,390	
Total Receipts	200,288	185,623	174,321	160,149	138,782	136,908	135,309	
<u>Disbursements:</u>								
Transfers to Trust - Unpledged TSR	123,868	114,948	106,681	98,688	86,564	85,391	84,390	
Debt Service:								
Principal payments	27,835	29,050	29,050	30,385	25,135	26,585	26,830	
Interest payments	48,297	46,905	46,905	45,453	43,934	42,677	41,348	
Sub-total	76,132	75,955	75,955	75,838	69,069	69,262	68,178	
Administrative	513	579	643	630	641	651	652	
Total Disbursements	200,513	191,482	183,279	175,156	156,274	155,304	153,220	
Excess (deficiency) of Receipts over Disbursements	\$ (225)	\$ (5,858)	\$ (8,958)	\$ (15,007)	\$ (17,492)	\$ (18,396)	\$ (17,911)	
Cash Equivalent and Investment Holdings: ³								
Beginning Balance	\$ 82,091	N/A	\$ 81,866	\$ 72,908	\$ 57,900	\$ 40,408	\$ 22,012	
Ending Balance	\$ 81,866	N/A	\$ 72,908	\$ 57,900	\$ 40,408	\$ 22,012	\$ 4,101	
	Senior Reserve Balance		48,000	48,000	48,000	48,000	48,000	
	Subordinate Reserve Balance		10,178	0 ⁴	0 ⁴	0 ⁴	0 ⁴	

¹ Projections of TSRs in each of FY 2025 through FY 2028 assume a rate of decline based on the Menthol Ban Alternative 2 Forecast as defined in the Golden State Tobacco Securitization Corporation Official Statement dated December 8, 2022, with certain modifications. Additionally, the projections reflect a credit adjustment based on 165.9 million Tribal NPM Packs sold. The credit adjustment of 165.9 million Tribal NPM Packs underpinned the TSRs received in FY 2021 and FY 2022 and was stipulated by the New York State Attorney General to continue to underpin the TSRs to be received in FY 2023 and FY 2024. This analysis will be revisited thereafter. Actual TSRs are expected to differ from these projections and may be higher or lower based on various factors, including actual consumption and the results of future independent investigator determinations with respect to Tribal NPM Packs sold.

² Modified FY 2024 budget includes actual amounts from July 1, 2023 through April 18, 2024, and projected April 19 through June 30, 2024.

³ Cash Equivalent and Investments are included at cost.

⁴ The realization of assumptions discussed in Footnote 1 will result in TSASC's inability to meet its subordinate debt service funding requirements starting on June 1, 2025 in FY 2025 through FY 2028 unless additional revenues are received in excess of the assumed amounts above. TSASC continues to explore options including refinancings.

TSASC, Inc.

Fiscal Year 2025 Administrative Budget (Cash Basis)

Description	Adopted	Actual	Favorable vs	Adopted	Actual	Projected	Proposed	Proposed
	FY 2023	Disbursements	(Unfavorable)	FY 2024	Disbursements	Disbursements	Modified	
	FY 2023	FY 2023	%	FY 2024	7/1/23 - 4/18/24	4/19/24 - 6/30/24	FY 2024	
Management Fees (Salaries & Benefits)	\$ 205,000	\$ 153,192	25.27	\$ 205,000	\$ -	\$ 266,500	\$ 266,500	\$ 245,000
Overhead (Rent, Telephone, etc.)	50,000	49,075	1.85	50,000	-	51,000	51,000	51,000
Audit Fees	15,000	17,000	-13.33	15,500	13,500	2,000	15,500	16,000
Insurance Fees	271,153	271,153	0.00	275,000	277,640	-	277,640	285,000
Trustee Fees	670	670	0.00	2,500	2,000	-	2,000	2,500
Legal Fees	7,000	2,563	63.39	7,000	4,059	2,941	7,000	7,000
Arbitrage Consultant	2,500	1,250	50.00	1,500	1,250	-	1,250	1,500
Rating Agency Fees	20,000	20,000	0.00	20,000	20,000	-	20,000	20,000
Other Administrative	2,000	-	100.00	2,000	-	2,000	2,000	2,000
Total	\$ 573,323	\$ 514,903	10.19%	\$ 578,500	\$ 318,449	\$ 324,441	\$ 642,890	\$ 630,000

TSASC, INC.

May __, 2024

Terms used but not defined herein have the meanings assigned to them in the TSASC, Inc. (“TSASC”) Offering Circular, dated January 11, 2017, in connection with its Tobacco Settlement Bonds, Fiscal 2017 Series A (Senior) and Fiscal 2017 Series B (Subordinate), as supplemented (the “Offering Circular”).

Notice is hereby given that TSASC has received \$63,735,960 of Pledged Tobacco Settlement Revenues from the April 2024 Tobacco Settlement Revenue distribution, which differs from the projection of Pledged TSRs of \$84,711,804 for such distribution contained in the Offering Circular.

Based on the Pledged TSRs received, TSASC projects that it will be required to draw upon its Subordinate Liquidity Reserve Account in the amount of approximately \$8.6 million in order to make its debt service payment due on December 1, 2024. Following such draw, TSASC projects that approximately \$1.6 million will remain in the Subordinate Liquidity Reserve Account.

TSASC recently adopted its 2025 fiscal year budget, including future revenue and expenditure projections. The budget has been posted on TSASC’s website (www.nyc.gov/tsasc).

TSASC, Inc.

Board of Directors Meeting

April 29, 2024

Approval of Directors' and Officers' Insurance Contracts

WHEREAS, despite their diligence and good faith, directors and officers of TSASC, Inc. (the “Corporation”) may be subject to potentially large personal financial liability in connection with the Federal securities laws or otherwise arising from their service to the Corporation;

WHEREAS, Article VI of the Bylaws of the Corporation provides that the Corporation shall indemnify each member, director and officer, to the fullest extent permitted by law; and

WHEREAS, Directors' and Officers' Liability Insurance is a prudent supplement to such indemnification; it is therefore

RESOLVED, that the Board of Directors of the Corporation hereby approves the procurement of Directors' and Officers' Liability Insurance policies from American International Group (“AIG”), Zurich American Insurance Company (“Zurich”), Liberty Mutual Insurance Company (“Liberty Mutual”), Aspen Insurance (“Aspen” and together with AIG, Zurich, Liberty Mutual, the “Insurers”) or similarly rated insurers, through USI Insurance Services LLC as broker, providing coverage for the period from June 25, 2024 through June 24, 2025 provided that the annual premium payable by the Corporation to the Insurers will not exceed \$400,000, and said policies shall contain such other terms and conditions not inconsistent with the foregoing which President, Vice President, Assistant Secretary or Deputy Treasurer deems desirable or appropriate and that the President, Vice President, Assistant Secretary or Deputy Treasurer shall be authorized to procure such insurance coverage.

TSASC, Inc.

Board of Directors Meeting

April 29, 2024

Approval of Bond Counsel Contract

WHEREAS, TSASC, Inc. (the “Corporation”) previously entered into an agreement with Orrick, Herrington & Sutcliffe, LLP (“Orrick”) to provide bond counsel services to the Corporation for a period ending June 30, 2022 and subsequently extended that agreement through August 31, 2024; and

WHEREAS, such agreement with Orrick provides for fees in an amount not to exceed \$20,000 per fiscal year; and

WHEREAS, the Corporation anticipates requiring additional bond counsel services which shall exceed the fees authorized in the Corporation’s current agreement with Orrick; and

WHEREAS, to ensure there is no lapse in bond counsel services required in the preparation for and execution of any future transactions, the Corporation seeks to enter into a new agreement with Orrick for bond counsel services for the rates listed in Schedule I below; and

WHEREAS, the Corporation’s Procurement Guidelines Section II(5)(ii) and (iii) allows the Corporation to award contracts on a non-competitive basis if the firm selected provides uniquely required services and if the award represents a continuation of existing services from a previous supplier, which is desirable for purposes of continuity or compatibility; it is therefore

RESOLVED, that the Board of Directors of the Corporation hereby approves the Corporation entering into an agreement with Orrick to serve as bond counsel to the Corporation for rates listed in Schedule I below, provided that such agreement contains such other terms and conditions that the Corporation’s President, Treasurer or Secretary deems prudent and reasonable, and further provided that, for transactions not listed in Schedule I(c) below the Corporation may choose to utilize the hourly rates set forth in Section I(b) below.

Schedule I

Bond Counsel– Orrick

(a) Hourly rates for services provided until such time as the \$20,000 fees authorized in the Corporation's current agreement with Orrick are exhausted:

Title	Hourly Rate
Partner	\$854.57
Counsel	\$780.82
Associate	\$639.90
Paralegal	\$280.32

(b) Hourly rates for services provided following the exhaustion of the \$20,000 fees available in the Corporation's current agreement with Orrick, for an amount not to exceed \$80,000:

Title	Hourly Rate
Partner	\$985
Counsel	\$900
Associate	\$750
Paralegal	\$325

(c) Flat fees for specific transactions:

Transaction Description	Flat Rate
Transactions under the current TSASC Indenture, which do not involve significant amendments to the Indenture	\$350,000
Transactions under the current TSASC Indenture that include significant amendments to the Indenture	\$475,000
Transactions under a new appropriation-backed credit	\$535,000
Tender or exchange offer (additional fee)	\$125,000

TSASC, Inc.

Board of Directors Meeting

April 29, 2024

Approval of Financial Advisor Contracts

WHEREAS, TSASC, Inc. (the “Corporation”), in conjunction with the City of New York related bond financing entities, has completed a procurement process including a competitive request for proposals for a Financial Advisor; and

WHEREAS, as a result of such procurement process, the Officers of the Corporation have recommended the retention of Acacia Financial Group, Inc. (“Acacia”) to serve as the Financial Advisor to the Corporation; it is therefore

RESOLVED, that the President, Treasurer or Secretary of the Corporation is hereby authorized and directed to enter into agreements in the name of the Corporation whereby Acacia serve as the Financial Advisor to the Corporation, upon such terms as the President, Treasurer or Secretary deems reasonable and appropriate for the fees listed in Schedule I, provided, however, that such agreement shall be effective from July 1, 2024 through June 30, 2028 or until its earlier termination as provided therein, and may be extended at the option of the Corporation without additional action from the Board of Directors of the Corporation required for two additional one-year periods.

Schedule I

Financial Advisor: Acacia Financial Group

Position	Hourly Rate
Co-President	\$425
Managing Director	\$400
Senior Vice President	\$375
Vice President	\$325
Assistant Vice President	\$315
Associate	\$300
Analyst	\$250

TSASC, Inc.

Board of Directors Meeting

April 29, 2024

Approval of Mission Statement and Performance Measures and Authorization to Publish Measurement Report

WHEREAS, pursuant to Section 2800 of the Public Authorities Law (the “PAL”), the Board of Directors (the “Board”) of TSASC, Inc. (the “Corporation”) previously adopted a Mission Statement on October 4, 2007 and amended it on March 2, 2011 to add Performance Measures by which the Corporation could evaluate whether its policies and performance meet the stated goals of its Mission Statement, and subsequently amended the Mission Statement and Performance Measures;

WHEREAS, the Corporation is required to annually review the Mission Statement and Performance Measures and to publish a Measurement Report which utilize the Performance Measures to evaluate whether the Corporation’s policies and performance meet the stated mission of the Corporation; and

WHEREAS, the Board has reviewed the Mission Statement and the completed Measurement Report and finds them to be reasonable and accurate; it is therefore

RESOLVED that Board accepts the Corporation’s amended Mission Statement and Performance Measures as attached hereto and authorizes the completed Measurement Report to be published on the Corporation’s website and submitted to the Authorities Budget Office.

TSASC, Inc.

Mission Statement and Performance Measurements

TSASC, Inc. (“TSASC”) is a local development corporation created pursuant to the not-for-profit corporation law of the State of New York. TSASC was created as a financing entity whose purpose is to issue and sell bonds and notes to fund a portion of the capital program of the City of New York (the “City”). TSASC issued debt secured by tobacco settlement revenues (“TSRs”), which are paid by cigarette companies as part of their settlement with 46 states, including the State of New York, and other U.S. Territories. The City sold its right to receive TSRs to TSASC. ~~On January 19, 2017, TSASC issued \$1.1 billion of bonds that refunded all of its outstanding debt in order to lower interest costs. TSASC first issued bonds in 1999, and it has periodically issued refunding bonds to reduce interest costs.~~ TSASC’s stakeholders are its bondholders, who have purchased TSASC bonds, and the City, which benefits from the contribution of TSASC to its capital program.

Date Adopted: October 4, 2007 and amended on March 2, 2011, April 2, 2013, April 15, 2015, April 27, 2018, ~~and~~ May 15, 2019 and April 29, 2024.

List of Performance Goals:

- Make timely payments of debt service and meet other contractual obligations
- Utilize efficient and cost-effective borrowing methods, including lowering the cost of debt through refunding and other means
- Meet continuing disclosure obligations

Measurements:

- Has the Corporation paid debt service and fulfilled its other obligations related to its outstanding debt in a timely manner?
- Has the Corporation issued debt at fair and reasonable rates relative to market conditions at the time of issuance?
- Has the Corporation complied with its continuing disclosure undertakings?

Additional questions:

1. Have the board members acknowledged that they have read and understood the mission of the Corporation?
2. Who has the power to appoint the management of the Corporation?
3. If the Board appoints management, do you have a policy you follow when appointing the management of the Corporation?
4. Briefly describe the role of the Board and the role of management in the implementation of the mission.
5. Has the Board acknowledged that they have read and understood the responses to each of these questions?

TSASC, Inc.

Measurement Report April 2024

Measurements:

- Has the Corporation paid debt service and fulfilled its other obligations related to its outstanding debt in a timely manner?

Yes

- Has the Corporation issued debt at fair and reasonable rates relative to market conditions at the time of issuance?

Yes

- Has the Corporation complied with its continuing disclosure undertakings?

Yes

Additional questions:

1. Have the board members acknowledged that they have read and understood the mission of the Corporation?

Yes.

2. Who has the power to appoint the management of the Corporation?

The Board of Directors of the Corporation appoints the Officers of the Corporation.

3. If the Board appoints management, do you have a policy you follow when appointing the management of the Corporation?

It is the practice of the Corporation that management presents proposed appointments to the Board of Directors for review and approval.

4. Briefly describe the role of the Board and the role of management in the implementation of the mission.

Management handles the day-to-day operation of the Corporation and presents recommendations with respect to the issuance of debt, the setting of management policies, procurements of services, financial statements and the adoption of the

Corporation's budget to the Board of Directors. The Board of Directors reviews and approves these items.

5. Has the Board acknowledged that they have read and understood the responses to each of these questions?

Yes.